

**Workforce Development Board
Executive, Finance and Audit Committee
and RochesterWorks, Inc. Board of Directors
Meeting Minutes
Tuesday, November 15, 2022
8:00AM - 9:00AM
Meeting Scheduled via Zoom**

Committee Members Present: Sergio Esteban, Bert Brinkerhoff, Corinda Crossdale, Ana Liss, Glen Jeter, Shirley Green

Committee Members Absent: Seanelle Hawkins

RochesterWorks, Inc. Board Present: Sergio Esteban, Bert Brinkerhoff, Corinda Crossdale, Ana Liss, Glen Jeter, Shirley Green

RochesterWorks, Inc. Board Absent: Seanelle Hawkins

Staff and Guests: David Seeley, Jeanine Frenz, Behiye Mansour, Mary McKeown, Craig Stevens, Amanda Della Sala, Taylor Kavanagh

WORKFORCE DEVELOPMENT BOARD EXECUTIVE, FINANCE AND AUDIT COMMITTEE

Call to Order:

The Executive, Finance and Audit Committee Meeting was called to order by Sergio Esteban at 8:02 A.M.

Approval of Minutes:

A motion to approve the August 16, 2022, Meeting Minutes was made by Corinda Crossdale and seconded by Ana Liss. The motion was passed unanimously.

Please note that Glen Jeter and Shirley Green abstained from the motion as they did not attend the meeting in August.

Finance Committee:

Welcome to new member: Glen Jeter:

Dave Seeley welcomed our new Executive Committee member Glen Jeter, who is our new Vice Chair. Glen is new to the Executive Committee, but he is not new to RochesterWorks. He has been with the organization on an off for several years.

Dave also welcomed Dr. Shirley Green to the Executive Meeting, this being her first meeting, attending on behalf of the Mayor.

We are very happy to welcome both Glen and Shirley onto the Executive Committee.

Introduction of Jeanine Frenz, Director of Finance & Administration:

Dave Seeley introduced Jeanine Frenz, our new Director of Finance & Administration. Michael DeBole has retired after many years of service with RochesterWorks. Jeanine is very familiar with the government involved, non-profit world and is very passionate about her work. She is really excited about bringing together the finance piece as well as the HR piece. Welcome aboard Jeanine!

Dave also extended a big thank you to Behiye Mansour, who kept all things flowing smoothly during this time of transition.

Review of Program Year 2022 - Quarter 1 Financials:

Jeanine Frenz provided financials covering the Summary of Expenses July 1, 2022 - September 30, 2022.

Jeanine Frenz reported that our actual revenue is \$3.2M for the first quarter and we are currently on budget. Program Expenses are a little bit under where we should be, but we are doing ok here. Our Total Outreach Expense is higher than it should be, as we are about halfway through our budget at this point. With Operational Expenses, Salaries are considerably under budget, due to having some unfilled positions. All other items are at budget where we should be. Total Expenses for the first quarter are \$2.6M, budgeted at \$10M, so we are doing fine.

Dave Seeley added that with the TANF Revenue, a lot of this has been spent on Summer Youth Employment. We have burned through lot of that, and that is good. The remaining budget is actually pretty good, which means we are not up to the number of students we want to serve, but we are getting there. That gap was a lot more last year.

The Gun Violence Prevention (GVP) Program skews our budget a little bit. This is very hard to spend down because we already have the Youth Navigator Program. We are recruiting very heavily for this, and we are supposed to serve 450 Youth in our Youth Navigator Program. When you add the GVP Program, this makes it hard to identify expenses to draw down for this because our navigators are just able to use the existing WIOA Youth Navigator. We are continuing to try and co-enroll more Youth, and this is a challenge our counterparts are hearing across the state. The program has been extended and will now sunset March 2023. All unused monies at that time will be returned.

2023 Health Care Renewal for RochesterWorks:

Dave Seeley noted there will be a 13% increase in the upcoming health care renewal. RochesterWorks has decided to absorb most of the premium increase. Under the traditional cost share, we would have had an increase of \$47,594. Dave feels it is worth the extra \$10K to keep the RW employees flat with their contributions and that from a budget standpoint, we were able to comfortably absorb this.

A motion to present to the Full Board our recommendations as presented to us on the 2023 Health Care Renewal for RochesterWorks was made by Bert Brinkerhoff and seconded by Shirley Green. The motion was passed unanimously.

Audit Committee:

Review of 2022 Audit - Bonadio Associates

Craig Stevens began the presentation by announcing he is headed towards retirement down the road and noted that he is still a Partner in the audit. Craig then turned the presentation over to Amanda Della Salla, who oversees the day-to-day field work and the audit process.

Amanda Della Sala presented their Report to the Finance and Audit Committee, 2022 Audit Results.

Amanda reviewed the Executive Summary which includes the following key outcomes of the audit process:

- Status of the Audit: They substantially completed the audit and key open items include final review and approval of financial statements and receipt of signed management representation letter.
- Key events and transactions affecting the year: As noted earlier, Michael DeBole retired in August 2022. He was at RochesterWorks for the entirety of the fiscal year that was audited but did leave before the audit commenced in October. Anytime you have a key Finance member leave such as that, there are things that Bonadio will look at. Bonadio did some additional testing over bank statements, just making sure with that transition that everything went smoothly. Nothing came to their attention during that additional testing to suggest otherwise.

There were no new accounting standards that were implemented during this fiscal year. All the accounting policies are consistent and considered appropriate.

- Internal Control Findings: No material weaknesses or significant deficiencies in internal control were identified.

Amanda also reviewed the Status of the Audit, noting:

- Bonadio expects to issue an unmodified opinion on the financial statements for RochesterWorks, Inc. in November 2022.
- Bonadio presented their audit plan in October and they were required to continuously evaluate their initial audit plan, which they did throughout the audit, and there were no significant changes to the planned audit approach.

Amanda also reviewed the following items included in the Audit Risks and Results section:

- Fraud and Significant Risks: Management override of controls and fraud in revenue recognition are presumed audit risks on every audit. One risk was added for Grant and Similar Programs, in linking with our single audit that was performed. There were no issues, no findings with any of these risks that were identified.
- Other Matters of Emphasis: New Statements on Auditing Standards (SAS) 134-140 were effective for the year ending June 30, 2022. This is where we are going to see one of the impacts of one of the new SAS. It has changed the appearance and content of the Independent Auditor's Report. Two noteworthy items include that the Auditor's Report is much longer than it used to be, and the actual Opinion paragraph has been moved from the bottom of the first page up to the very first thing that the reader reads.
- Particularly Sensitive Accounting Estimates: Amanda included a Description of Estimate and a Basis for Estimate for the following:
 - Allowance for doubtful accounts: Audit team evaluated management's analysis in determining that the estimate is reasonable, payor's creditworthiness is accurate/consistent, prior years' experience is indicative of current year.
 - Functional expense allocations: Allocation and classification by function process - Audit team evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements as a whole.

- Depreciation expense: Depreciation expense is calculated using the straight-line method over the useful lives of the related assets.

Amanda also reviewed the following highlights included in the Other Required Communications section:

- Disagreements with management: There were no disagreements with management and there were no difficulties encountered throughout the audit.
- Fraud: They did not identify any potential or known fraud or illegal acts.
- Non-compliance with laws and regulations: They did not identify any instances of non-compliance with laws and regulations.
- Other matters: There were no other matters that arose from the audit that are significant to the oversight of the Organization's financial reporting process.

Craig Stevens commented at this time, as mentioned earlier, Michael had retired after many years at RochesterWorks and had left prior to the beginning of the field work. Craig acknowledged that Behiye Mansour kept everything together, from an audit perspective, and the audit process went very smoothly. He added that when you have a person leaving that has been around that long and with a level of authority that Michael had within the organization, we do additional procedures just in case there is any type of improprieties that may happen. With anyone's departure, this is very common and Bonadio has no reason to suspect anything. As this is a solid audit procedure, Bonadio did some additional work in this area with respect to any type of potential fraud, and obviously nothing came to their attention related to those procedures.

Amanda reviewed the following information included in the Trending Topics section:

- ASU 2016-02 - Leases: This is a new lease standard that is effective for the Organization's fiscal year 2023. Essentially this standard will require all lease commitments that extend for more than 12 months to be recorded on the Balance Sheet as a liability and an asset. The Organization does have some operating leases for our space, and that has historically just been a P&L or a Statement of Activities impact. This standard certainly opens that door to moving those onto the Balance Sheet and some significant changes to the statement. This is something the Organization should spend some time looking into over the next few months. Bonadio does have a team of consultants, independent from Bonadio as our auditors, that can help us with this standard. They are experts in the area, and they can offer services anywhere from full implementation, or just being there for consultation and questions.

Amanda Della Sala of the Bonadio Group Provided an Overview of the Draft Financial Statements

Amanda reviewed the following numbers on the Balance Sheet:

- Assets - Cash increased from fiscal 2021 up to 2022, that is primarily due to the Deferred Revenue of \$320K. Cash received by the organization for a couple of Grants, where that money had not yet been earned, is sitting as Deferred Revenue, and then sitting in the Cash account as well. There is about \$186K related to ESL ERS Grant, and then about \$100K related to the Mother Cabrini ERS Grant.
- Grants Receivable, Federal - There is an increase from fiscal 2021 to 2022 and this is due to the increase in ITA Expenses, and then the ROC Seeds and Opioid Wage Subsidies in fiscal 2022 compared to 2021. This is in line with what we will see with Revenues and Expenses, we are rebounding from the activity decline that we saw in fiscal 2021.

Amanda also reviewed the following:

Statement of Activities and Change in Net Assets:

- Revenue - The Federal Grant revenue is up about \$1M from last year. The Temporary Assistance for Needy Families increased about \$550K and WIOA increased \$600K from last year.

The State Grant revenue is down from last year, due to the Work Experience Program (WEP) ending in fiscal 2021. For fiscal 2022, the only State revenue was the Gun Violence Prevention Grant.

The Other revenue had an increase from \$49K to \$200K, and that is the ESL and Mother Cabrini Grants running through there.

Total Revenue for fiscal 2022 is just about \$7.6M, up \$1M from the prior year. Total Expenses are also up \$1M from last year, in line with the increased Revenue.

Total Change in Net Assets for fiscal 2022 is relatively break even at the loss of \$27K.

Statement of Functional Expenses:

- Salaries and Related Expenses: There is a decrease here due to a decline in Full Time Employees from July to February of this fiscal year.
- Other Operating Expenses:
 - Wage Subsidies: This expense is up about \$800K from last year and that is the Covid impact. There was a lot of decline in the demand for workers last year. Covid was placing a lot of restrictions on businesses and that has now eased in fiscal 2022, so these numbers have come back up. The fiscal 2022 Wage Subsidy number is much more comparable to what we saw back in fiscal 2020.
 - Contract Services: This expense is up about \$80K from last year and that is due to the strategic plan consultant that was hired, as well as the security guard at the Career Center.
 - Equipment Purchases: There was a good amount of equipment purchases in fiscal 2022, and that was related to the work from home initiative and buying equipment for the employees.

Notes of Financial Statements:

Amanda noted our footnotes are very comparable to what they have been in the past. There are no new footnotes. She reviewed the following:

- Federal Grant Revenue: This is where we take the \$7M Federal Revenue, noted on the Statement of Activities, and break it down into all the different programs that RochesterWorks has federal funding related to. This is a key disclosure and includes good detail for our readers.

Amanda discussed the Schedule of Findings and Questioned Costs, which is basically a summary of the single audit they perform. Due to the amount of federal revenue the Organization receives, Bonadio must perform a single audit over that money, which is a special audit they do for federal revenue received. The program that was tested this year as a major program was our WIOA Cluster. As a result of their testing, there were no significant deficiencies or material weaknesses identified, and there were no audit findings.

At this time, Board Members went into Executive Session, meeting privately with the auditors. Post session, Sergio Esteban noted that everything went very well. He thanked staff for doing a great job and noted his appreciation for the work Bonadio has provided.

A motion to approve Bonadio & Co., LLP's Draft Independent Auditor's Report and Single Audit Reports as presented, and to be presented at the upcoming Board Meeting on December 20th, was made by Bert Brinkerhoff and seconded by Glen Jeter. The motion was passed unanimously.

At this time the question was raised if the Organization is eligible for Employee Retention Credits. Craig Stevens responded that the eligibility period is still out there and Bonadio will check into our eligibility for these credits.

RWI Board Meeting:

At this time Sergio Esteban discussed the topic of transition. He has been on the Board for many years, including many years as Chairman of the Board, and would now like to plan on stepping down as Chairman. His intention is that December 20th will be his last Board Meeting as Chairman. Sergio shared that his recommendation would be for Glen Jeter to become the next Chairman of the Board. Glen has been a person on everyone's mind as a potential Chairman for the Board. He has been very active with our organization and now has the time and desire to take on this role. We are hoping to bring a recommendation to the Board in December to make this official. The March 21, 2023, Board Meeting will be the first run by the new Chairman.

Dave Seeley added that on the technical side, it is a vote of the Workforce Development Board. They pick their chairperson. He has had initial conversations with both the County Executive and the Mayor as well, to make them aware of what we are looking to do. This will be the Board's decision.

Upcoming DOL Audit:

Dave Seeley reported there is an upcoming DOL Audit that will begin on November 21st. This will be a fiscal audit, covering our past program year, that will take place virtually. As we will not have a report back by our December Board Meeting, we will keep the Board apprised as we move along.

Mid-Year Salary Increase:

Dave Seeley provided an update to our previous discussion in May regarding mid-year salary increases for staff. We still are on track to provide those cost-of-living adjustments. Right now, we have it budgeted as a base of 3%, providing some variability for some merit increases as well. Dave would like to move forward with this and will keep Board Members apprised of our final decision, which will be made sometime in early December.

Discussion - Remote Meeting Policy:

Dave Seeley touched base on the Open Meetings Law, which is still a work in progress. There was resolution with the budget this year, which included a continuation of the remote meeting policy, but reverting largely back to the previous law. There were some exceptions and there might be some flexibility with this. Dave will seek the opinion of the County Attorney because the local law was adopted at the county level, providing for remote meetings for public bodies that serve the County, meaning that technically we exist under that umbrella. We will have to start encouraging in-person quorum. We may have some wiggle room with this, as the law says you must have a physical quorum present where the public can view the meeting. Dave will seek clarification as to whether you can stack other meeting sites. Meetings are moving back to the United Way building, which is more centrally located, and will hopefully encourage more in-person attendance.

Dave also mentioned there are a few Workforce Development Board Members who have had some attendance issues. He will be reaching out to those members with a reminder of our by-laws and will be asking if they want to continue or not. Per conversations with both the County Executive and the Mayor, they would love to be able to recommend appointees. We need people who are going to attend these meetings. Dave will have a report, early next year, as to how we are proceeding with this matter.

Adjournment:

Sergio Esteban moved to adjourn the meeting at 9:02 A.M.

A motion to adjourn this meeting was made by Glen Jeter and seconded by Ana Liss. The motion was passed unanimously.

Approved

David Seeley

Date

Submitted by Mary McKeown

Approved:

David Seeley: November 28, 2022

Jeanine Frenz: November 28, 2022

PENDING APPROVAL