

**Workforce Development Board
Executive, Finance and Audit Committee
and RochesterWorks, Inc. Board of Directors Meeting Minutes
Tuesday, November 19, 2019
75 College Ave. Rochester, NY**

Committee Members Present: Sergio Esteban, George Scharr, Timothy Shortsleeve, Richard Turner, Seanelle Hawkins, Corinda Crossdale

Committee Members Absent: Jeffrey Adair, Romanda Gibson-Stevenson, Arnetta Powell

RochesterWorks, Inc. Board Present: Sergio Esteban, George Scharr, Timothy Shortsleeve, Richard Turner, Seanelle Hawkins, Corinda Crossdale

RochesterWorks, Inc. Board Absent: Jeffrey Adair, Romanda Gibson-Stevenson, Arnetta Powell

Staff and Guests: Craig Stevens, (The Bonadio Group), Peter Pecor, Michael DeBole, Behiye Mansour, Mary McKeown

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 7:30 A.M.

Approval of Minutes:

A motion to approve the August 20, 2019 Meeting Minutes was made by Timothy Shortsleeve and seconded by Richard Turner. The motion was passed unanimously.

Audit Committee:

Craig Stevens of the Bonadio Group Provided a Draft Independent Audit Report

A Draft Audit Report Binder was handed out and discussed.

Craig Stevens reviewed the process and key outcomes of the recent audit for the year ending June 30, 2019.

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

- Independent Auditor's Report: The Bonadio Group will issue an unmodified opinion on the financial statements of RochesterWorks, Inc.
- Internal Control: There were no significant deficiencies or material weaknesses in internal control identified during the audit.
- Audit Adjustments: The Bonadio Group proposed an adjustment in the amount of \$75,000 to properly reflect grant revenue. Management agreed with this entry and it was made.
- Accounting Policies: A new accounting standard began this year in respect to the non-profit financial reporting standard. Adoption of this standard added new disclosures and modified others in the financial statements. There were no other changes in the Organization's accounting policies, and all are appropriate.

Craig reviewed the following items included in "The Auditor's Communication with Those Charged with Governance" section:

- **Accounting Policies:** In 2019, the Organization adopted ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. There was no effect on the Organization's total net assets or change in net assets. No other new accounting policies were adopted, and the application of existing policies was not changed during the year.
- **Difficulties Encountered in Performing the Audit:** The Bonadio Group did not encounter any difficulties in dealing with management in performing and completing the audit.
- **Corrected and Uncorrected Misstatements:** The Bonadio Group proposed three adjustments to properly record fixed assets, government grant revenue and occupancy expenses. Management agreed with all the proposed adjustments and made the corrections.
- **Management Representations:** The Bonadio Group will request certain representations from management that will be included in the management representation letter as of the date of their report on our financial statements.

Craig stated that overall, looking at the audit process, it went very smooth. They will not have any type of management letter, adding that there was only the 1 audit adjustment.

Craig also provided a 5-year analysis where RochesterWorks has been over the last 5 years both from a Balance Sheet perspective, as well as a Statement of Activities:

- **Balance Sheets - total assets** have been consistent over a period of time. In 2017, there was a big spike due to some receivables, as well as some additional cash on hand.

In 2019, the cash assets were up a little and the grants receivable was down significantly, due to a timing of payments. Grants receivable decreased \$392K due to the timing of payments and a \$182K decrease related to the Finger Lakes Hired (FLH) program as the total funding under this program was fully expended (contract terminated in July 2019).

With a decrease in grants receivable, there is a corresponding decrease in payables due to service providers. As the money comes in related to these programs, a lot of the money goes out to pay the service providers, thus a corresponding decrease in the payables. Under liabilities, due to service providers decreased \$324K in accordance with the reduction in the grant's receivable.

- **Statements of Activities - under revenue expenses,** there was a small increase in net assets of \$22K this year.

The grant revenue increased \$483K, primarily due to an increase in funding received for the WIOA programs of \$562K, specifically due to an increase in Youth Activities as the result of an increase in referrals from the County and NYSDOL. This increase was offset by a decrease in the LEAP2 program funding of \$151K, due to the program ending in December 2018. Overall there was an increase of just under \$500K.

Program service expenses increased \$574K as a result of increased funding. Specifically, employee salaries and benefits increased \$214K due to 3 additional full-time employees, a 3% increase in salaries, and the re-instatement of the employer 401(K) plan contribution in January 2019. Wage subsidies increased \$427K, due to the WIOA Youth and TANF programs, due to an increase in minimum wage payments and additional participants. These increases were offset by a decrease in oversight payments made to the County of \$83K and a reduction in provider payments of \$76K, primarily due to the LEAP2 program ending. Overall there was an increase in net assets of \$21K.

Craig also reviewed the summary of significant accounting policies under the financial statements:

- Change in Accounting Principle - this principle includes the disclosure relative to the new standard (ASU) 2016-14, which affects all non-profits to apply this new accounting principle, which became effective in December 2018. The following items from the new standard have affected our statements to some degree:

Reducing the number of classes of net assets from 3 to 2, including net assets without donor restrictions and net assets with donor restrictions (this really had no affect on us, other than changing the wording);

Requiring the presentation of expenses in both natural and functional classifications; including the allocation method of these expenses (this had only a minor impact on the overall financials), and

Requiring qualitative and quantitative disclosure regarding the Organization's liquidity and availability of resources.

- Expense Allocations - this briefly describes how you allocate cost between your program and managing general costs.

A motion to approve The Bonadio Group Draft Independent Audit Report as presented was made by Corinda Crossdale and seconded by Seanelle Hawkins. The motion was passed unanimously.

Finance Committee:

Michael DeBole Provided A Packet Covering the Summary of Expenses July 1, 2019 - September 30, 2019

Michael began by reporting the Summer Youth Program for 2019 was very successful this year. We received \$1.5M from the Grant and we spent \$1.47M, or 97% spent. We served 487 participants.

Michael also reported on Monroe BOCES 2, in that initially they were looking to reduce their Navigator but have now decided to keep the 2 Navigators they currently have budgeted.

Michael also explained the Dormitory Authority with the State of New York (DASNY) Capital Project, which is a separate funding stream entirely. This project is for a candidate relationship management system which will be utilized by our Business Services Team. This system will help keep the participants and the businesses organized. There was only 1 vendor capable of providing this service for us. Also, our procurement policy requires The Board to approve the capital investment, as this was over the \$5K amount criteria. We look forward to getting this system started in the next month or so. Mike reviewed in further detail that we were awarded \$116K approximately 1 year ago, we requested approval on the management documentation system, so this is the balance of the funds and this system will help our Business Services Team with keeping the list of participants and businesses that they've contacted linked up, reducing redundancy in their follow-up efforts. This is the last piece of the funding for the project in which we've received approval before.

A motion to approve funding of \$29K for this final leg of the project to be completed by SandBox Union was made by Seanelle Hawkins and seconded by Corinda Crossdale. The motion was passed unanimously.

Michael shared information on the 2020 Medical Benefits, which includes a 6% increase with Excellus. The dental remained flat, which includes changing the dental coverage from Lincoln Financial to MetLife, that includes a comparable plan to the Lincoln Financial plan. With the dental plan coming in \$2K less in premium and including fewer participants, this led to the modest increase. Overall, approximately 59 out of 62 staff will be covered.

A motion to approve 2020 Medical Benefits as presented was made by Corinda Crossdale and seconded by George Scharr. The motion was passed unanimously.

Michael also reported on FOTA (Financial Oversight & Tech Assistance) from the State. In January 2019, they did an audit for the financial oversight and we received a FMR review letter in November 2019 from the State. We started working on the findings in February 2019. The review letter included that some accruals and obligations were made to the wrong accounts to Peoplesoft. It needs to be reported on a monthly basis and part of that was some minor formula calculations for some obligations and accruals in the amount of \$500-\$600. Another item was an Adult/Dislocated Worker expense, where the cash was ordered incorrectly, but we had it in the correct funding stream. That has been corrected. That was for an OJT account for \$3K. The last finding was TES Billing, which is our Temporary Employment Systems services we use for payroll services contract for the wage subsidies for our Direct Placements. They found discrepancies with the contract rates and the rates that were being charged on the invoices from TES. The process in their system was not accurate with the payroll services contract. They were charging us a steady markup of 36%. In the last 5 months we've been working on a process to make the corrections with TES. We have agreed to use the NCAIS job code system to have an accurate billing rate for the services. So far, it's our understanding that it's been agreed upon with TES that they'll be reimbursing us some funds for the past 2 years, which includes approximately \$7K this year for WIOA and there will be some for the Summer Youth Program, of which the amount has not been finalized yet. Mike clarified that for 2019, the WIOA difference, 36% and 35% billing process and the reimbursement for WIOA 2019 is \$1,300 and the Summer Youth Program was \$3,600. The \$7K was for WIOA 2018. The most important thing is they've identified the issue, we've addressed it with TES, and we are working out a process to recoup the money.

Executive Committee:

Peter Pecor provided information on the Career Center Location Recommendation. Our lease for the Career Center is up at the end of April 2020 and we are required by the Department of Labor to issue a Request For Proposal (RFP) for new locations to receive some competitive figures. We issued an RFP for both the Career Center and our Administrative Offices. The Administrative Offices are here at the United Way Building and the lease is not up until the end of June 2020. We received 8 responses in which the deadline was November 4th. We had established an internal committee for the purpose of reviewing the proposals. A summary of the proposals and meeting minutes from the review meeting were provided. The information provided included the members of the review committee and the locations members were assigned to evaluate. The current Landlord for the Career Center did not respond to the RFP.

In summary, Smart Holdings of New York, LLC received the highest rating and the location of the facility is directly across from the United Way Building. Evaluation summaries for each RFP were provided at this meeting and this information helps to provide understanding on what the process was, how we reviewed and documented the information and what our recommendation is. We are required to give notice by the end of December 2019 to our Landlord on N. Goodman Street, whether we will renew the lease or not.

A motion to approve the move of the Career Center to the Smart Holdings location was made by Timothy Shortsleeve and seconded by Corinda Crossdale. The motion was passed unanimously.

Directors Report:

Peter Pecor reported on the Status of the County Contract. Discussion turned to Richard Turner, who shared the contract had recently been presented to him and that he's been working on referrals to get it through legislative committees for next week. Approval is anticipated at the legislative meeting on December 10th. Richard does not anticipate any issues with receiving the approval. Peter mentioned that after this approval, we'll go to the City, where they will have the opportunity for the inter local-agreement, which is between the County, City and RochesterWorks, Inc.

RWI Board Meeting:

Peter Pecor touched base on Membership Adjustments. We are still in need of adding some private sector members. With the upcoming change in administration, we'll have to wait and see what adjustments we may need to make. Peter reviewed the approval process on becoming a member. For private sector members, the Chamber of Commerce has to make the nomination and then a recommendation to the City and the County. For the education partners, the nominations and recommendations have to come from State Education and labor partners have to come from the Labor Council. Those are nominations and recommendations. As far as staff from the County, the County Executive will appoint their members.

Sergio Esteban assigned an Action Item to Peter Pecor to send information to this committee on how the committee of Board Members is established. Sergio has also asked all board members to think of possibilities for new members.

Other Items:

RWI Executive Finance & Audit Committee Meeting: February 11, 2020

Adjournment:

Sergio Esteban moved to adjourn the meeting at 8:35 A.M.
A motion to adjourn this meeting was made by George Scharr and seconded by Richard Turner.

Approved



Peter Pecor

Submitted by Mary McKeown

Approved:

Peter Pecor: 12/06/19

Michael DeBole: 12/10/19