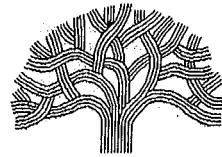


CITY OF OAKLAND



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Finance & Management Agency
Grants Accounting Section

(510) 238-7495
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July 30, 2013

Ms. Gay Plair Cobb, CEO
Oakland Private Industry Council
1212 Broadway, S#300, Oakland, CA 94612

RE: Fiscal Monitoring Report

Dear Ms. Cobb:

This is to advise you of the result of our on-site fiscal monitoring of the Oakland Private Industry Council (OPIC) on May 31, 2013 in connection with its Department of Labor's Workforce Investment Act (WIA) grant contract with the City of Oakland described below:

<u>Program</u>	<u>Period</u>	<u>Amount</u>
Workforce Investment Act –One Stop Operator	7/01/12 – 6/30/13	\$491,542.00
Workforce Investment Act- Comprehensive	7/01/12 – 6/30/13	1,627,733.00
Workforce Investment Act- East Bay Works	7/01/12 – 6/30/13	97,925.00

A fiscal monitoring is not an audit. It is less in scope, detail and objective. The following areas were covered by the review:

- Accounting system and procedures including internal control structure;
- Contract compliance;
- Compliance with Federal, State, Local laws and regulations;
- Test-check of selected records/documents relating to contract transactions;
- Accuracy of cost classification and allocation; and
- Adequacy of insurance coverage.

Review of financial statements submitted during the on-site monitoring showed that OPIC maintains a set of books in accordance with generally accepted accounting principles. We tested paid reimbursement invoices for the months of January 2013 and we determined that all costs claimed were adequately documented and properly authorized. Likewise, all OPIC reimbursement request were submitted directly to the WIB Program Staff that undertake the review of cost allowability, line items cost against approved line items budgets including documentary support and approval and then forward them to the Controller's Office that will determine funds availability based on approved grant contract and adequacy of supporting documents.

A random review of payroll records including the supporting timesheets and approvals of some OPIC personnel was made to test the accuracy of amounts charged against the personnel line items cost in the approved budget of the grant contract funded by various WIA formula funding streams (adult, dislocated worker/rapid response and youth) disclosed no infraction to the terms of the agreement.

Federal and State payroll tax returns were filed and paid through December 31, 2011. General Liability and Worker's Compensation insurance are adequate and valid through the end of the contract.

The following findings/observation were noted during the site fiscal monitoring

Finding #1 : FY2012 Single Audit Findings.

OPIC's single audit report for the year ended June 30, 2012 pursuant to the provision of OMB Circular A-133 disclosed the following six audit findings that does not involved any question cost or non-compliance with the terms and conditions of their grant contracts funded by WIA funds.

a) 2012-01 Delay in Year-end Closing Process:

Condition

OIPC failed to close its books and generate year-end reports, reconciliation, and accurate supporting schedules in a timely manner that contributed to significant delay in the conduct of FY2012 single audit. This is a repeat findings for FY2011 and FY2012 single audit reports.

Auditor's Recommendation:

OPIC management should develop a checklist for financial statement reporting and closing process that includes a monthly and year-end closing dates, the items needed to close the books, the people responsible for providing the information to the fiscal department.

Status at the time of monitoring:

OPIC submitted a monthly and year-end closing checklist but have not provided the closing process/procedures as recommended, according to the Fiscal Director this is an outstanding item to be provided later.

b) 2012-02 Computer Control:

Condition

Interfund accounts were out of balance as a result of some transactions accidentally deleted by IT personnel (run by an outside software company).

OPIC Management Action:

OPIC management has asked their Software Company (MOM) in coordination with OPIC IT to put up a computer security in place that will deny unauthorized personnel access to OPIC's accounting records, including the software consultants. A Team Viewer application is in place as computer security measure. The Software Company Consultants access will be done through a phone call to OPIC's Fiscal Director. At that point, the Software Company will ask the Fiscal Director to turn on the Team Viewer application that will allow the Software Company to log on to OPIC's computer using the ID and Password provided by OPIC's Fiscal Director. Viewer resets the password after each session for security.

Status at the time of monitoring:

OPIC provided a copy of an email communication between OPIC and the Software Company personnel regarding the above security measure arrangement that was also submitted to their Auditor during the audit. According to the Fiscal Director, since then this process have been strictly implemented.

c) 2012-03 Conversion from Cash Basis to Accrual Basis of Accounting for certain grants

Condition

More than 20 adjusting journal entries affecting various funds to correct bookkeeping errors on accruals and other adjustments that should have been made by the Fiscal department during

monthly and year-end closing.

Auditor's Recommendation

OPIC's review of adjusting journal entries that convert accounting of grants from cash basis to accrual basis be done in a timely manner to capture any errors made.

Status at the time of monitoring

The recording of some funds in cash basis during fiscal year ending June 30, 2012, which was immediately corrected, was an error. To avoid a repeat of such error in the future OPIC Fiscal department implemented a detailed month-end closing process. This closing process as contained in the Management response have yet to be put in place as acknowledged by the Fiscal Director during our onsite monitoring.

d) 2012-04 Bank Reconciliation

Condition

OPIC general bank reconciliations disclosed a number of unreconciled differences.

Auditor's Recommendation

Bank reconciliation should be reviewed for accuracy and completeness on a timely basis by the Fiscal Manager. The review should include tests of mechanical accuracy and tracing of reconciling items to the relevant source documents. Unreconciled amounts should be investigated and not be allowed to carry over from month to month.

Status at the time of monitoring

The auditor's recommendation has not been implemented. In fact, the general bank reconciliation for the month of March 2013 has a discrepancy of \$10.00 between the bank balance and the general ledger bank balance which has not been adjusted in the book at the time of our monitoring visit. The amount of discrepancy was identified as a reconciling item in the bank reconciliation but the corresponding journal entry was not made to adjust the book balance.

e) 2012-05 Schedule of Expenditures and Federal Awards (SEFA)

Condition

The SEFA prepared by OPIC contained inaccurate and incomplete information. SEFA expenditures and grant award information were improperly classified and reported and required continuous revisions during the audit.

Auditor's Recommendation

OPIC management should implement effective controls over the preparation and reporting of Federal Awards expenditures.

Management Response/Action Plan

OPIC Fiscal Department has updated its policies and procedures manual that includes formal instructions for the preparation of SEFA.

f) 2012-06 Revenue and Expenditures Reconciliation

Condition

OPIC did not use accounting to separately record expenditures related to Alameda County's NUMMI grant, revenues related to East Bay Works grants and WIA program support revenues for the City of Richmond, Contra Costa and Alameda County.

Auditor's Recommendation

OPIC should implement procedures to correctly identify and account for program related activities.

Status at the time of monitoring

OPIC submitted a chart of accounts that includes separate codes for the above programs.

Recommendation:

The above findings indicate inadequate administrative oversight on the part of OPIC's Fiscal Department, we therefore recommend that, sufficient and effective controls should be put in place to ensure financial transactions are recorded and reconciled timely and accurately.

Finding # 2: Discrepancy of WIA (Fund 022) Revenue Recorded.

OPIC's Statement of Revenue and Expenditures as of March 31, 2013 showed a YTD revenue recorded from July 1, 2012 to March 31, 2013 of \$2,339,477.11 but City records showed a total payments to OPIC reimbursement invoices of \$1,689,203.14 for the same period or a total of over-recorded revenue of \$650,273.97.

Recommendation:

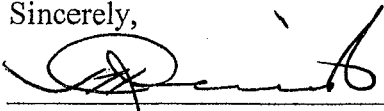
We recommend that OPIC review its WIA revenue records for the above period and reconcile it to the actual amount paid by the City and abide by the guidelines under 29 CFR (b1) that states, in part, that financial reporting must be accurate, current and have complete disclosure of the financial results in accordance with the financial reporting of the grant.

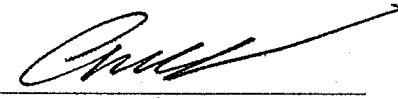
We request that a written response to each findings listed above be submitted together with all supporting documentation within fifteen (15) days from the date of this report.

We want to thank Mr. Victor Chumbe and his staff for their cooperation and assistance during the review.

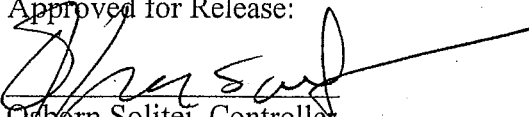
If you have any questions regarding this report, please call me at (510) 238-7495 or e-mail me at fkiocho@oaklandnet.com. Thank you.

Sincerely,


Felipe Kiocho, Accountant III


Andy Yang, Accountant II

Approved for Release:


Osborn Solitei, Controller

Enclosures

Cc: John Bailey, WIB-WIA Executive Director
Al Auletta, WIB Manager