

Audit Team

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M E M O R A N D U M

DATE: February 26, 2020

TO: Mayor Schaaf, President Kaplan, Members of the City Council, City Administrator Landreth, City Attorney Parker, and Oakland Residents

FROM: City Auditor Courtney Ruby, CPA, CFE

SUBJECT: **Workforce Development Board Follow-Up Audit Report**

INTRODUCTION & BACKGROUND

The Oakland Workforce Development Board (WDB) oversees federally funded employment and training programs and the delivery of these services to Oakland residents and businesses through six contracted service providers. These programs and services help struggling job seekers succeed in the labor market by providing access to employment, education, and training, as well as matching businesses with skilled workers. Two of the Board’s core responsibilities are: awarding and allocating federal Workforce Innovation and Opportunity Act (WIOA) funds to contracted service providers and conducting regular monitoring of the contracted service providers.

The Board’s staff, who are City of Oakland employees (City staff) led by an Executive Director through the guidance of the Board, conduct two types of monitoring of the service providers: (1) program monitoring, and (2) fiscal and procurement monitoring.

Both types of monitoring are conducted once per year for every service provider. Program monitoring is handled by City staff in the Office of Economic and Workforce Development (OEWD) and fiscal and procurement monitoring is handled by City staff in the Finance Department (Finance). Finance is also responsible for calculating administrative costs.

In November 2018, the City Auditor’s Office (Office) released the Workforce Development Audit report. The audit’s primary objective was to determine whether the WDB appropriately monitored grantees awarded with service provider contracts and whether it complied with federal requirements, including accurately charging administrative costs. The 2018 audit report contained six findings and six recommendations for the Workforce Development team and the Finance Department to address.

FOLLOW-UP AUDIT OBJECTIVE

The Office follows up on previously issued audit reports to assess the implementation status of the report's recommendations. The purpose of this follow-up report is to assess management's progress in implementing the 2018 WDB audit recommendations.

FOLLOW-UP AUDIT RESULTS

The Office's follow-up process found that the Office of Economic and Workforce Development and the Finance Department implemented all recommendations as shown in the attached Follow-Up Audit Matrix on page three.

FOLLOW-UP AUDIT METHODOLOGY

The Office's follow-up assessment included reviewing supporting documentation, conducting interviews, and when applicable, performing on-site visits.

The table below lists criteria used to measure the implementation status of the 2018 audit recommendations.

Implemented	The recommendation has been fully implemented and no additional management action is needed.
Partially Implemented	The recommendation has been partially implemented; however, part of the recommendation remains open. Further action is needed to close the recommendation.
Not Implemented	The recommendation has not been implemented.

CITY ADMINISTRATOR'S RESPONSE

The City Administrator, the Finance Director, and the Director of Economic and Workforce Development have reviewed the results of the Workforce Development Follow-Up Audit and agreed with the results.

ACKNOWLEDGMENT

I want to express our appreciation to staff from the Finance Department and the Office of the Economic and Workforce Development for their cooperation during this audit and their strong commitment to improving practices.

No.	2018 Audit Report Findings	2018 Audit Report Recommendations	Status of 2018 Recommendations
1	City staff cannot confirm administrative cost calculations met federal requirements each year.	1.1 Ensure administrative costs are calculated accurately each year and are within the 10 percent federal limit; 1.2 Document the procedures applied in calculating administrative fees; 1.3 Supervisors or managers should perform a detailed quality review of administrative fee calculations each year, ensuring all administrative costs are included accurately and completely; and 1.4 Ensure all prior state findings related to administrative fees are addressed and corrected to ensure these findings are not repeated.	<p>Implemented</p> <p>Finance revised their procedures for calculating administrative costs and for quality review of their calculations.</p> <p>The 2017-2018 report issued by the State in April 2019 did not include any findings.</p>
2	Inactive participants were not removed from the active list.	2.1 Include a thorough review of the participant lists of all grantees and look for participants incorrectly reported as active. This procedure should be a standard part of the monitoring process for each grantee; 2.2 Ensure service providers remove inactive clients from the records in a timely manner by reviewing participant lists; 2.3 The Board and the Office of Economic and Workforce Development should align funding decisions based on the results of both program and fiscal monitoring. Policies regarding the	<p>Implemented</p> <p>OEWD worked with the service providers to ensure all inactive clients were removed from the records.</p> <p>Additionally, OEWD requested providers to address whether they are removing inactive and deceased clients in a timely manner.</p> <p>OEWD now performs monthly and quarterly reviews of available service provider reports to ensure compliance.</p>



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		<p>renewal of contracts should be updated to hold non-compliant grantees accountable; and</p> <p>2.4 The Board should reinforce OEWD’s oversight responsibilities to ensure compliance with federal and state regulations.</p>	
3	Procedures for cash holds are not followed.	<p>3.1 Follow the ‘cash hold’ directive issued by the agency; and</p> <p>3.2 Update procedures to include the steps required for a ‘cash hold’ including the notifications to other City departments, including the OEWD Executive Director.</p>	<p>Implemented</p> <p>Finance formalized procedures for cash holds, including updated written policies so that there are clear instructions for City staff to follow when they receive a ‘cash hold’ request.</p>
4	City staff did not escalate Single Audit findings.	<p>4.1 Update and document procedures for City staff to apply in the monitoring process, as related to Single Audit findings; and</p> <p>4.2 Emphasize the importance of Single Audit findings, and the need to escalate these to management promptly; and monitor Single Audit findings appropriately until they are deemed resolved by an independent auditor.</p>	<p>Implemented</p> <p>Finance developed procedures to clarify for City staff how to handle and properly escalate Single Audit findings.</p>



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5	Grantee findings are not addressed timely or completely.	5.1 Update procedures to ensure proper monitoring of unresponsive grantees; and 5.2 Define the criteria for resolving a finding, such as proof of remediation, and ensure final monitoring reports are issued.	Implemented OEWD updated existing procedures to ensure proper monitoring of unresponsive grantees, including criteria for resolving a finding. Backup documentation is now obtained prior to closing out a finding.
6	State and Federal findings on the WDB are not tracked and cannot be confirmed as resolved.	City Staff should report Federal and State findings and a timeline to resolve the outstanding issues to the WDB, so the Board can take actions to ensure compliance.	Implemented The last two Federal and State reports of the WDB did not identify any outstanding issues or findings.

Oakland’s City Auditor is an elected official and works for, and reports to, the residents of Oakland. The Auditor’s job is to provide oversight to the City’s activities. The Auditor has the authority to access and audit City financial and administrative records, plus the policies and procedures of all City agencies and departments.

To make sure this work is done objectively and without bias, the City Auditor is not connected to any other City department and has no day-to-day financial management or accounting duties for the City of Oakland. This autonomy allows for independent analyses, ensuring tax dollars and other resources serve the public interest.

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