



A Michigan Works! Agency

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MEETING:	DESC Audit and Finance Committee Meeting	DATE:	April 23, 2018
ATTENDEES:	DESC Audit and Finance Committee Meeting: Chris Uhl; Mark Redman, Ric Preuss. DESC Staff: Nicole Sherard Freeman, Terri Weems, Cassandra Ricks; Lynnette Robinson Joycelyn Malcolm carr. Visitors: None present	LOCATION:	440 E. Congress, Corporate Conference Room, 3R, Detroit, MI 48226
VIA TELEPHONE:	Alice Thompson; Paul Trulik, Alessia Baker-Giles	CALLED TO ORDER:	10:00 am
ABSENT:	Excused: Maria Woodruff-Wright	ADJOURNED:	10:55 am
FACILITATOR:	Chris Uhl, DESC Audit and Finance Committee Chair.	DATE MINUTES APPROVED/ADOPTED:	June 18, 2018

ITEM	DISCUSSION	OUTCOME /ACTION ITEM(S)
Call to Order, Welcome and Introductions	Chris Uhl, DESC Treasurer and Audit and Finance Committee Chair called the meeting to order at 10:00 am, April 23, 2018.	
Approval of Meeting Consent Agenda	Chris Uhl, DESC Audit and Finance Committee Chair Requested a Motion to approve the Meeting's Draft Agenda. Motioned: Mark Redman Seconded: Alice Thompson Motion Carried-Passed/Approved Unanimously	Approval of Meeting Draft Agenda Motion Carried-Passed/Approved Unanimously
Approval of Meeting Minutes: January 29, 2018	Chris Uhl, Audit and Finance Committee Chair Requested for Motion to approve January 29, 2018 Audit and Finance Committee minutes. Motioned: Alice Thompson Seconded: Paul Trulik Motion Carried-Passed/Approved Unanimously	Approval of Meeting Minutes dated January 29, 2018 Motion Carried-Passed/Approved Unanimously
Old Business	Chris Uhl, DESC Treasurer and Audit and Finance Committee Chair asked if there was any old business to discuss. No old business to discuss.	No old business to discuss.
CEO Report – System Redesign Update	Nicole Sherard Freeman, DESC CEO & President, gave her report on the System Redesign Update: DESC engaged Accenture as a partner in the redesign work. Three specific updates; 1) Stakeholders Engagement; 2) Timing, and 3) Budget. 1. Stakeholder Engagement: Includes employers, job seekers and partners. 19 site visits will be conducted by end of process, 60 out of 100 partners responded to our RFI, 10	



	<p>focus groups were held, including those engaged in work, looking for work and employers. The stakeholder-engagement process has been significant.</p> <p>2. Timing – being mindful of timing of the system redesign. Plan a coordinated approach to manage change where appropriate</p> <p>3. Budget – uncertain about our FY 19 funding. Department of Labor (DOL) and Health and Human Services (HHS) may reduce allocations. Planning to be conservative.</p>	
<p>CFO Report</p>	<p>Terri Weems, DESC CFO gave her report on:</p> <ul style="list-style-type: none"> • <u>Finance Report</u> We will present budget in June and will give the Audit and Finance Committee a draft budget before the June meeting. <p>Our latest forecast on page 2 of the DESC Budget Process and Considerations report, through April is \$61 million. This is an update from the last forecast presented in the fall (\$63 million) and changes relate to timing (EO funding came in later than expected). . Expected expenses are primarily pass through. Approximately 80% of what comes in is expected to be passed through, 10% is direct cost programs, and 10% is for administration.</p> <p>In FY 16 our revenues were \$37.7 million, in FY 17 they were \$43.4 million. We anticipate \$61.1 million for FY 18 and \$51 million for FY 19. The gap between FY 18 and FY 19 is due to reduction in carry-over of WIOA funds into 2019 and one time PATH carry-over in FY 18. We also expect a reduction in City funding (EO fees)</p> <p>In FY 15-16, 90-92% of revenues were from federal sources. Last year 88% were from federal sources and, next year anticipate less than 80% revenues being from Federal sources.</p> <p>The approach to the FY 19 budget is a focus first on outcomes and the expected impact we desire out of the system. Consideration is being given to the number of people becoming employed and moving out of poverty. The Finance department is working with the Program teams to determine how to do this most effectively and efficiently. Currently exploring strategies to braidi funds including PATH, WIOA and exploring how to best deliver training in high demand growth industries. We are being more strategic and creative in blending and braiding funds. We are giving more thought to the training cohorts where trainers would also be responsible for case management. There is more focus on project management and programming.</p>	

We anticipate additional costs associated with the redesign, innovations, investment and staff costs to support strategy. We also anticipate costs associated with the remodeling of Breithaupt CTE.

We submit a draft budget prior to the June meeting to give the Audit and Finance Committee time to review the draft budget and raise questions. In May, we will share draft budget process with the One-Stop Committee, and later in May, we expect to hear from the MWDB as to allocations.

Included in the Appendix is a summary of four funding streams to remind you of our funding sources.

Nicole Sherard-Freeman reported that we met with City Council to discuss our budget (we receive CDBG funds). NFF Report
Nonprofit Finance Fund (NFF) came to help us identify and advance our financial position and strategy.

For the second part of this process, NFF performed the following:

1. Helped us develop a tool to anticipate cash flow needs at an enterprise level in addition to the fund level at which we manage.. This process has been very manual and time consuming. We look to automate wherever possible.
2. Helped us to begin assessing program and financial data together to understand the costs and impacts of programs.

We expect to use this analysis to help our deliver at a high level. This process helps us to start the conversation with our providers and it helps us to compare costs across programs, how we maximize benefits.

We look forward to partnering with NFF in the future wherever possible as we believe our partners would greatly benefit from NFF's input.

- Policies and Procedures

We are cycling through all our policies and procedures to make sure they are up to date. Over the course of the year, we will bring updates to the Audit and Finance Committee for review and approval.

To date, we've updated 2 policies:

1. Travel Policy - The policy was updated with wordsmithing and direction to staff on when to use and not use the corporate card.

	<p>2. Fiscal Onsite Monitoring Policy – The State monitors DESC three times a year. Results have been improving over time. Our last monitor visit resulted in no major action we had to correct. Our policy provides that DESC monitors meet with each of our partners four times a year and cover monitoring guides . We recommend performing the same reviews, but over a reduced number of visits (3). We have an increase in partners and expect that freeing up monitors would result in higher quality reviews. A reduction in the number of visits would make us more comparable to other MWAs across the state who perform one visit per year.</p> <p>After discussion on the benefits of reducing visits, the Committee suggested the team focus on a risk based approach. DESC will revise this policy and bring back a recommendation to the Audit and Finance Committee in June.</p>	
<p>Questions and Answers</p>	<p>Q: 3-10-year plans, what would you expect to do see? A: We will continue building the budget on the other side of the house. Seeking philanthropic investments in areas not funded before. We will continue to pursue corporate funding to continue programs. We anticipate being less reliant federal funding, though we will never leave federal dollars on the table.</p> <p>Q.: Are you seeing the Corporate community increasingly recognizing need for investment? A: Yes, we are growing increasingly optimistic, with every career investment in the Career Education Centers, and doing it well with the right equipment, the return on investment is evidenced, and we are hopeful that corporate sponsors will invest increasingly.</p> <p>Q: Are most of the traditional philanthropic dollars tied to GDYT? A: Most are geared toward to GDYT and the CTE sites.</p> <p>Q: Are there are any other areas the philanthropic community would be interested in? A: Ralph Wilson have been interested in workforce development not tied to GDYT. There are at least 4 other philanthropic investors’ portfolios that are thinking about the areas that would relate to workforce development and being cognizant of the areas that their Boards are interested in. There is a general sense of coordination and interest in funding investments that have not traditionally been funded.</p> <p>Q: Have you reached out to the Balmer group? A: Through the Mayor’s office – through Ryan, we are reaching out to Balmer. We meet with Ryan every 2 weeks. Workforce Development is in Ryan’s top 3 priorities.</p> <p>Q: What do you mean by Innovation in System Redesign?</p>	

	<p>A: How we deliver the services. At a very high level, we are talking about what our footprint looks like. Also, it means technology, bringing technology to make the System Redesign efficient to enable people.</p> <p>Q: Do you know the costs for System Redesign? A: Not currently. We need to engage the stake holders first. There will be incremental costs for things like technology and transition costs and there may be decreases associated with consolidation of space costs. There will be both increases and decreases in the System Redesign budget.</p> <p>Q: How has fundraising been going for Breithaupt? A: Fundraising has been going well. Announcements will be coming in the next few days.</p> <p>Q: When we make policy changes, what is our process for communicating policy and how do we provide policy training, and support after which we have activated policy change. A: We include examples in our policy and the regulatory procedures that initiated policy and specifics on how to execute the policy along with templates.</p> <p>Q: Looking at the size of the grant, risk, report card, change in management, did you consider reducing visits more, from 3 to 1 visits? Why lock yourself into a certain number? A: We do take an extra look at those partners who have monitoring comments, we spend more time reviewing them, that speaks to the risk. We will review the benefits of reducing visits further for smaller risk partners.</p> <p>Audit and Finance Committee Suggestions: Be thoughtful of how we can reach the philanthropic community on the System Redesign budget. We will help to connect when we are at that point.</p> <p>Contact Chase to help with the funding for the Cash Flow modeling for our partners.</p> <p>Kudos to the staff for doing a great job, for clarity of reports and system redesign..</p>	
Public Comments	No members of the public were present.	No members of the public were present.
Adjournment	<p>Chris Uhl, DESC Treasurer and Audit and Finance Committee Chair Requested for Motion to adjourn the meeting</p> <p>Motioned: Ric Preuss Seconded: Alice Thompson Motion Carried – Passed/Approved Unanimously</p>	<p>Approval of Adjournment</p> <p>Motion Carried – Passed/Approved Unanimously</p>

DRAFT SUBMITTED BY:

Printed Name: Cheryl Hildreth

Title: Administrative Assistant

Signature: *Cheryl Hildreth*

Date: April 23, 2018

DATE MINUTES ADOPTED/APPROVED: June 18, 2018 Initials: *L.R.*

NEXT MEETING: June 18, 2018 at 10:00am – 11:30 am

