

DRAFT MINUTES

Detroit Employment Solutions Corporation (DESC) Board
Audit & Finance Committee Meeting
Monday, June 2, 2014

Time: 8:30 a.m. – 10:30 a.m.
Location: 440 East Congress St., 4R Conference Room Detroit, Michigan 48226
Facilitator: David Carroll, Chairman

Directors Present: David Carroll, Alice Thompson, and Gwen McNeal via telephone
DESC Staff Present: Pamela J. Moore, Jose Reyes, Kristin Bailey, Alessia Baker-Giles, Lynne Scully,
Robert Shimkoski, and Cristal Perry

Welcome and Introductions

The Meeting of the Detroit Employment Solutions Corporation Board's Audit and Finance Committee was called to order at 8:40 a.m. by Mr. David Carroll, Chair. A motion was made by Director Gwen McNeal to approve the Draft Agenda for June 2, 2014, supported by Chair Carroll. Motion Carried Unanimously.

Director McNeal motioned for the minutes from the January 27, 2014 meeting be approved, supported by Chair Carroll. Motion Carried Unanimously.

A motion was made by Director McNeal to approve the minutes from the March 24, 2014 meeting, supported by Chair Carroll. Motion Carried Unanimously.

Reviews/Approvals

Internal Audit and Finance Policies

Ms. Lynne Scully, Quality Assurance Manager for DESC, explained that some of the Internal Audit and Finance Policies were already in existence but have been revised due to audit findings and also to allow compliance with state policies. She also explained that according to WIA law, state policy and the WDA, these policies must go before the Corporation Board.

Director Alice Thompson asked whether the policies required legal review. Ms. Pamela Moore, DESC CEO, responded that the policies have been reviewed and approved by DESC's CPA consultant and DESC's Auditors.

Director Thompson motioned for approval of the Internal Audit and Finance Policies upon review and receiving approval letters from DESC's CPA consultant and Auditors, supported by Director McNeal. Motion Carried Unanimously.

FY 2015 Draft Budget

Ms. Alessia Baker-Giles, Director of Finance for DESC, reviewed the budget and explained that the TRADE contract is being reduced by approximately \$2 million. Ms. Baker-Giles explained that by bringing Human Resources in-house, expenses are being reduced by \$125,000 and the rent has been reduced by \$1.3 million.

Ms. Baker-Giles also explained that there is no contingency budgeted right now because a TANF number is needed to determine if we will really have something to put on the contingency line. The contingency line reflects unbudgeted funding so after DESC has everything covered, anything that is left will be put on the contingency line, like an emergency fund. Director McNeal also asked why supportive services had been reduced. Ms. Baker-Giles answered by stating that the \$1.3 million is only for PATH supportive services, the WIA supportive services are included in the sub-contractor line.

Director Thompson asked if utilities were being under-estimated. Ms. Baker-Giles stated that the utilities are now included in all of the leases with the exception of electricity at the Administrative Office.

Director McNeal questioned if there was sufficient money on the staff training line. Ms. Baker-Giles replied that there was money left over from the current year's budget that will carry over to next year. She explained that everything will carry over this year because the 15% carry-in limitation was removed.

Director McNeal motioned to approve the 2015 budget, supported by Director Thompson. Motion Carried Unanimously.

Contract Modification: Corporation for a Skilled Workforce

Ms. Baker-Giles explained that the budget for Corporation for a Skilled Workforce was originally for \$75,000 but it was reduced to \$50,000 in year two because they did not spend the full amount in the first year. However, they have taken on additional assignments, they are working with the Aspen grant and most of the \$50,000 has already been expended and that \$25,000 would have to take them to September 30, 2014.

Ms. Moore explained that they also assist Robert Shimkoski on a variety of things, they facilitated DESC's Strategic Planning session and they also assist DESC with grant applications.

A motion was made by Director Thompson to approve the contract modification for Corporation for a Skilled Workforce, supported by Chair David Carroll. Motion Carried Unanimously.

Discussion: DESC Finance Report

Ms. Baker-Giles explained that the 2014 budget was compared to the year to date actuals as of April 30, 2014. The Benchmark should be at 83% but DESC is currently at 71% and participant training is under-spent, though it is expected to increase as Grant and Associates increase their ITA programs. With the trainings only starting 100% in January this item has been slow with expenditures. Ms. Baker-Giles stated that everything that is not spent this year with WIA will be carried forward to July 1.

Ms. Baker-Giles explained that DESC is still facing challenges with admin costs. The situation is being watched closely and adjustments are being made as necessary. Ms. Giles stated she believed that DESC will still have a small amount of Admin budget available on June 30th.

Discussion: DESC Fund Development Strategy

Ms. Pamela Moore, DESC President/CEO, reported that Butzel Long submitted DESC's IRS petition to change the designation from a private foundation to a public charity. Ms. Kristin Bailey stated that Senator Levin is working with an advocacy group to petition on our behalf to help with the classification change. Ms. Moore stated that in all of her conversations with Bank of America and other Foundations, they ask for concept papers and how some of the programs would be changed or expanded. Certain key foundations are unable to fund us because we are a private foundation so it would be ideal if the classification could be changed by July 1.

Ms. Baker-Giles reported that the IRS has cashed the \$400 check which accompanied the application for classification change and they did update the name in the system to match the federal ID number.

Ms. Moore also stated that the current classification stands in the way of a lot of private funding and that

assistance will be required in deciding what the fundraising goals should be. Alice Thompson suggested determining if a gap remains to be filled or if the objective is to create an excess and if so, what would that excess be.

Adjournment

With no further business to come before the Audit and Finance Committee, the meeting was adjourned at 9:37 a.m.

Prepared by: Cristal Perry