

DRAFT MINUTES

Detroit Employment Solutions Corporation (DESC) Board
Special Audit & Finance Committee Meeting
Wednesday, November 20, 2013

Time: 9:00 a.m. – 10:30 a.m.
Location: Teleconference
Room Location: 440 East Congress, 4th Floor, Detroit, MI 48226
Facilitator: David Carroll, Chairman

Directors Present: David Carroll, Jerry Kaminski, Gwen McNeal, Alice Thompson
DESC Staff Present: Pamela J. Moore, Kristin Bailey, Alessia Baker-Giles, L'Tanya Clegg, Robert Shimkoski, Stephanie Nixon, Jose Reyes

Proceedings

The Special Meeting of the Detroit Employment Solutions Corporation (DESC) Board's Special Audit and Finance Committee was called to order at 9:10 a.m. by Mr. David Carroll, Chair. A motion was made by Director Gwen McNeal to approve the Draft Agenda for November 20, 2013, supported by Chair Carroll. Motion Carried Unanimously.

Review/Approvals

Mr. Robert Shimkoski, Director of Planning at DESC, explained that two procurements were issued: **(1) Employment Etiquette Services** and **(2) Planning Grant for Transportation**. The selected provider for Employment Etiquette Services was Jackets for Jobs. Its proposal included \$197,000.00 in leveraged resources from TJ Maxx and \$12,000.00 leveraged from Quicken Loans.

Mr. Shimkoski then discussed the Planning Grant for Transportation, which is not a service that DESC currently provides. This procurement arose out of a request from the Governor's Office. He stated that only one provider, Urban Business Consultants, Inc., submitted a bid. Ms. Pamela Moore, President/CEO at DESC, stated that there is a need for providing this service and Governor Snyder has also expressed interest in filling this gap. This service would develop a plan to pick up and drop off individuals around large employers and/or schools around Detroit using church buses that sit idle most of the week as well as other resources. Ms. Moore explained that the implementation phase would be the next step.

3-Month PATH Extension Modifications: Ms. Stephanie Nixon, Director of Contract Administration at DESC, explained that DESC was able to extend the procurement on PATH for the nine service providers while DHS made the necessary system changes. Due to the new procurement, three providers needed an extension to relocate their facilities to accommodate DESC's restructuring. Staff is requesting additional funding for moving costs for the month of December for three providers: (1) ACCESS; (2) Development Centers; and (3) Resource Network. Ms. Nixon explained that the spreadsheet distributed to the committee shows \$48,000.00 as the total moving cost for the three providers.

9-Month PATH Budget: Ms. Nixon stated that the balance for the program year would be nine months. Five providers were awarded new contracts beginning January 1, 2014. These providers are (1) ACCESS; (2) Development Centers; (3) Providence/Ross IES; (4) Resource Network; and (5) SERCO. The total allocation for this extension is \$10,459,850.00 and \$150,000.00 for Jackets for Jobs.

Grant Associates Second Six-Month Budget: Ms. Nixon briefly reviewed Grant Associates, Inc.'s second six-month budget, explaining that due to previous issues surrounding its performance, Grant Associates was originally offered a six-month, rather than a one-year contract. This request is for the balance of the contract, the second six-months, which begins January 1, 2014. DESC has reconciled the performance issues and the recommendation is that Grant Associates continue with its operations. The total amount of the contract is \$3,543,752.00.

Marygrove Testing and Assessment Budget Modification: Ms. Nixon reviewed the contract modification for Marygrove, explaining that the contract budget was increased by \$30,509.00 in order to cover closeout overages incurred from the costs of salaries and fringes for staff needed to service PATH participants through the end of the contract period. Marygrove's Workforce Investment Act (WIA) contract termination, effective June 30, 2013, created a budget shortfall through September 30, 2013.

Discussion ensued regarding DESC's coverage of the shortfall in Marygrove's budget. Staff explained that Marygrove presented its budget and the need for the additional funding was found to be reasonable. Director Thompson confirmed that DESC should always inquire about the extenuating circumstances with contractors so the matter can be handled properly. Ms. Moore recommended creating a document stating the request and why it was approved, and note that the funds will be paid out of program dollars. In addition, Ms. Alessia Baker-Giles assured members that this cost was allowable. A motion was made by Director Thompson to approve funding of the following procurement items: (1) Employment Etiquette Services, (2) Planning Grant for Transportation, (3) 3-Month PATH Extension Modifications, (4) 9-Month PATH Budget, (5) Grant Associates Second Six-Month Budget, and (6) Marygrove Testing and Assessment Budget Modification. The motion supported by Director McNeal. Motion Carried Unanimously.

Discussion: DESC Fund Development Strategy

Ms. Moore asked whether it is appropriate at this point in DESC's existence to return to this committee with every procurement item, every expense and every contract modification. She suggested that once the budget is approved, staff should be allowed to spend according to the line items that have been pre-approved. She also suggested having a higher-level conversation about issues such as fund development and program cost. Ms. Moore also asked Director Thompson to provide insight on how non-profits operate pertaining to this issue.

Director Thompson shared that she submits a budget to her board to approve for the next year since her organization operates on a calendar-year basis. She explained that she provides two budgets: the Finance Committee receives a detailed budget with all line items included, and the full Board receives a summary. However, once the budget is approved, she does not have to go back again to ask for approval for anything in the budget. Also, every other month, Director Thompson provides the Finance Committee with a financial report, and they discuss line items and any variances. Director McNeal noted that once the Bureau of Services for Blind Persons submits its budget, it does not need to return to the committee or board for line items. Ms. Moore stated that staff can provide the Audit and Finance Committee a lot of detail in a line item budget and can also provide quite a bit of data going forward with reports of any variances. She believes more time should be spent on discussing how other non-profits operate, including their fundraising and development efforts.

Ms. Moore stated that DESC audits have been satisfactory, and she hopes that staff have proven that the agency is fiscally responsible. Director Thompson explained that Black Family Development, in order to ensure

transparency, always includes an agenda item about compliance and it states on the agenda that “all required taxes are paid”. This specific item on the agenda is labelled as “Risk Management.” Anything that is occurring that could possibly be a risk is discussed so that the Board is kept up to date with any and all issues. Ms. Moore stated that at the next Audit and Finance meeting, staff could present a similar report in order to allow for true transparency.

Mr. Larry Good, Consultant from Corporation for a Skilled Workforce, agreed that it is a good idea to move the Audit and Finance Committee’s discussions into the area of financial strategy development. He stated that another practice he has observed is taking key financial indicators and turning them into a type of dashboard where members can see a picture of DESC on one page. He noted that he has models that he can share that have been used over time. This will make it easier to focus on the right questions and also save time.

Ms. Moore asked Mr. Good to share a few points from DESC’s internal strategy meeting about where the agency is heading. He stated that as one looks at the organization now and all that has been accomplished so far, the question now is about the agency’s financial strategy and what it will be going forward over the next few years. Specifically, how does the organization move forward to have impact on important issues in the city? This will include programs that are already funded. However, inevitably there will be the need for additional dollars as well as partnerships with others in the community. How does DESC raise money for those initiatives? There is a need for money that is more flexible than federal dollars. Some avenues that can be looked at for additional dollars are corporate and membership fundraising and applying for discretionary grants that will permit DESC to be more creative with the things that are not limited by federal spending requirements. DESC is now 1.5 years into its development and one year post-strategic planning retreat, and is ready to begin moving forward with certain plans. Ms. Moore proposed circling back to Mr. Good for additional insight and recommendation. In addition, Director Gregory is very interested in where the organization is headed regarding fund development. Staff believes that these recommendations need to be brought back to this committee in addition to the Strategic Planning Committee in order to have a more involved conversation about fund development. Director McNeal noted that this also relates to the conversation of changing the mission of this committee, which will allow the committee to move forward with efforts it ordinarily would not be able to do.

Discussion: In-House Approval Amount

Ms. Moore explained that she is currently able to sign up to \$25,000.00 and stated that this amount only covers certain items, such as supplies from Staples. Most service provider checks are much larger. Ms. Moore stated that the committee briefly had this conversation a couple of months ago and agreed that the threshold should be raised, but did not determine the increased amount designation. Currently, there are two signers on all checks above \$25,000.00. Staff is asking whether the committee will consider raising that threshold. Ms. Moore shared with members that checks that are signed are already approved by this committee and the Board. Ms. Baker-Giles shared that the average amount of a check paid to contractors is around \$200,000. Chair Carroll inquired about the amount that Ms. Moore believes is needed to alleviate the issue with getting signatures. A motion was made by Director McNeal that the signage amount for checks for the President/CEO be increased to \$250,000.00, supported by Chair Carroll. Motion Carried Unanimously. Director Thompson suggested that it might be helpful when presenting to the DESC Board an approximate number of checks that will be needed. Ms. Moore agreed.

The committee also discussed the scheduling of meetings for 2014. Ms. Moore asked if a meeting every other month was reasonable, and the Committee agreed. She recommended that if there are no agenda items for a particular meeting, it could be cancelled. The Committee agreed with her recommendation.

Adjournment

With no further business to come before the Audit and Finance Committee, the meeting was adjourned at 10:15 a.m.

Prepared by: L'Tanya Clegg