

TO: Gerald Silva

FROM: Paul Krutko

**SUBJECT: SILICON VALLEY WORK-
FORCE INVESTMENT
NETWORK AUDIT RESPONSE**

DATE: April 21, 2004

Approved

Date

OVERVIEW

In July 2000, the Silicon Workforce Investment Network (SVWIN) was created by the City of San Jose as a new Workforce Investment Board operating in San Jose and southern Santa Clara County. SVWIN replaced the Private Industry Council (PIC) that previously had been operated by the County of Santa Clara. It is housed administratively under the City Manager in the Office of Economic Development.

Unlike the other Workforce Investment Boards that simply transitioned from the longstanding generation of PICs, SVWIN was essentially a start-up organization. The Board, supported by the City staff, developed policies and procedures, fiscal and operating controls, in compliance with The Federal Workforce Investment Act (WIA).

Below is SVWIN's response to the City Auditor's recommendations to improve SVWIN Fiscal and Administrative Controls to provide reasonable assurance that SVWIN will not experience future budget shortfalls.

RESPONSE TO RECOMMENDATION #1

- Report back to City Council after fully resolving the residual \$537,383 RETEC program payment obligations.

SVWIN will make a final report to the City Council and to the Making Government Work Better Committee, once the RETEC closeout has been completed by SVWIN and its RETEC partners to the State of California. SVWIN anticipates that a final closeout of the RETEC grant will be completed by May 31, 2004 and a complete report given to City Council by June 30, 2004, illustrating that all expenditures have been made to RETEC partners and that the \$530,000 shortfall has been resolved.

- Continue to update policies and procedures to address additional operational threats as they arise.

SVWIN, as part of its Continuous Quality Improvement Strategy, will continually update its policies and procedures to reflect changes that occur at the federal state and local level to ensure

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that SVWIN will not be subjected to any major finding from federal, state or local entities or any disallowed cost that may subject the City of San Jose to any significant financial loss.

- Continue to use the Policies and Procedures manual to advise and train all current and new staff.

During the past two years, SVWIN has developed a comprehensive policies and procedures manual and ongoing monthly training for all SVWIN staff and all of its contractors. This is to ensure that all Federal and State policies are adhered to, in addition to City and SVWIN local policies. SVWIN will continue to provide all staff and contractors with updated policies and procedures as they are revised to reflect Federal, State or local policies.

- Continue to provide management oversight to ensure compliance with the new procedures.

SVWIN responded to the RE-TEC shortfall by enacting a comprehensive set of management and fiscal controls that today represent a strong foundation to support SVWIN's current and future operations. SVWIN has implemented the following management and fiscal controls: all contracts are now approved by the SVWIN Finance Committee and Board, full implementation into City's Financial Management System (FMS), electronic approval process for training vouchers, ongoing training of SVWIN's policies and procedures for SVWIN staff, contractors, partners and vendors.

Furthermore, in the event that SVWIN exceeds its 10% administrative cap by \$129,000, SVWIN will use its Administrative Reserve Fund of \$107,000 to partially cover its administrative overrun. Currently, SVWIN Fiscal Staff are coordinating with the EDD State Auditor to identify administrative charges that could be reclassified to program costs to fully resolve the administrative shortfall.

SVWIN appreciates the City's Auditor's review of SVWIN's internal controls, procurement process and its policies and procedures, allowing SVWIN to continue its own internal continuous quality improvement strategies to provide reasonable assurances that SVWIN will not experience future budget shortfalls. SVWIN is confident that this comprehensive package of program and fiscal controls will allow the organization to administer its funding in full compliance with all Federal, State and local requirements.

Paul Krutko
Director, Office of Economic Development

