

MEMORANDUM

TO: Mark S. Woodard, County Administrator

FROM: Dennis Long

CC: Jewel White, County Attorney
Mike Meidel, Director, Pinellas County Economic Development

SUBJECT: Report and Recommendations Relating To CareerSource Pinellas
Organizational Structure and Governance Model

Date: June 29, 2018

A review of the current organizational structure and governance model for Workforce Pinellas, Inc. d/b/a CareerSource Pinellas (CSPIN), acting in its capacity as the Region 14 local workforce board, was completed in coordination with Pinellas County Economic Development. The primary focus was to evaluate and recommend revisions, alternatives and/or improvements to the organizational framework and governance, in order to promote, enhance and/or augment accountability, transparency, monitoring and oversight, internal controls, the director appointment process, the CSPIN executive director and legal counsel hiring process, and the fiscal agent and administrative entity responsibilities. The objective of this review was to prescribe procedural safeguards that support effective oversight of the executive director and staff by the CSPIN Board of Directors (Board) and of CSPIN by the County, as well as establish the policy making responsibilities of CSPIN in the full Board of Directors.

CSPIN is currently the subject of investigations, inquiries, monitoring and/or reviews by various federal, state, and local agencies. The CSPIN Board terminated the employment of the CEO, and CSPIN is currently operating under the direction of an interim executive director. For a number of years, the former CEO also served as the CEO of the Region 15 Workforce Board (CareerSource Tampa Bay), and there is a shared services arrangement between CSPIN and CareerSource Tampa Bay wherein CSPIN employed the staff assigned to Hillsborough County as well as shared services staff, and was paid/reimbursed for the personnel and other expenditures incurred in this joint arrangement. The CSPIN interim executive director advises that the current plan is to complete the transition of staff and workforce operations for the Hillsborough region to the control of the Region 15 workforce board by the fall of 2018.

BACKGROUND: The Workforce Innovation and Opportunity Act (WIOA) establishes, funds, and coordinates state and local workforce initiatives. The WIOA was effective as of July 1, 2015, with the initial 4 year plans required to be in place by July 1, 2016. Pursuant to the WIOA, the state, chief local elected officials (CEO), and local workforce boards have defined roles in providing policy direction, oversight, and delivery of work-

force programs and services, including operation of the one stop center service delivery system for “Core” programs, as defined in the WIOA. These programs include Adult, Dislocated Worker and Youth Formula programs, Adult Education and Literacy Act programs, Wagner-Peyser Act employment services, and Rehabilitation Act programs. Florida has implemented the WIOA through Chapter 445, Florida Statutes (the WIOA, Chapter 445, F.S., and related federal and state laws and regulations are hereafter referred to as the “Acts”).

As provided in the Acts, regional workforce development areas were designated at the state level. There are 24 workforce program service delivery areas designated in Florida, with one local workforce board appointed for each service area. There are 18 multi-county service areas, and 6 single county service areas. In the multi-county service areas, the general practice is to establish a consortium of local elected officials by interlocal agreement as a separate board (of the local governments) to discharge the duties and responsibilities of the CEO.

In accordance with the Acts, the CEO in the local area “shall serve as the local grant recipient for, and shall be liable for any misuse of, the grant funds allocated to the local area”. Under the predecessor Workforce Investment Act (WIA), in 2004 the County incurred significant outside counsel fees and settled disallowed costs claims arising from the workforce program with the Federal Department of Labor and State Agency for Workforce Innovation (as well as litigation with a third party service provider and a whistleblower claim).

The major responsibilities of the CEO pursuant to the Acts include:

- 1) Appointment of members of the local workforce board;
- 2) Submission of required regional plans jointly with the local workforce board;
- 3) Act as the local grant recipient for funds allocated to Region 14;
- 4) Appointment (at its option) of a sub-grant recipient/fiscal agent for grant funds;
- 5) Approval of the local administrative entity;
- 6) In partnership with the local workforce board, conduct program oversight;
- 7) Approval of the local board serving as a direct services provider;
- 8) Approval of the designation or certification of the one stop operators;
- 9) Approval of the MOUs with one stop partners;
- 10) Approval of the local workforce board budget;
- 11) Negotiating and reaching agreement on local performance measures;
- 12) Establishing the bylaws of the local workforce board;
- 13) Establishing an (interlocal) agreement with the local workforce board addressing the required duties and responsibilities, including the above items.

In accordance with the Acts, the Board of County Commissioners (BCC), acting as the CEO, and CSPIN have entered into the Interlocal Agreement dated as of September 20, 2005, as amended and restated (Interlocal). The Interlocal, in part: (i) requires CSPIN to develop the 4 year plan, subject to the approval of the CEO; (ii) requires CSPIN to adopt an annual budget subject to the approval of the County; (iii) designates CSPIN as the local sub-grant recipient and local fiscal agent for grant funds as autho-

rized in the Acts and provided in the Interlocal; (iv) authorizes CSPIN to act as the local administrative entity as authorized in the Acts; (v) provides for the appointment of a County Commissioner to serve as a CSPIN board member, second vice-chair, and audit committee member, as well as provides for the appointment of other County representatives to the CSPIN audit committee. It should be noted that an updated interlocal agreement was approved and executed by the CSPIN Board; however, that agreement has not been executed by the County and is not in effect, according to the County Attorney's Office (sometimes referred to as Draft Interlocal).

ORGANIZATIONAL STRUCTURE: In its capacity as the region 14 local workforce board, CSPIN operates as a Florida not-for-profit corporation. Worknet Pinellas, Inc. was incorporated in 2001, and previously did business as the local workforce board as a not-for-profit corporation under the WIA. In addition to the Acts, Florida not-for-profit corporations are governed by Chapter 617, Florida Statutes.

As authorized in the Interlocal, CSPIN has been designated by the County as the fiscal agent/sub-grant recipient and administrative entity for the local workforce region. Generally, the fiscal agent receives and disburses grant funds, ensures fiscal integrity and accountability for expenditures of funds, maintains accounting records, prepares financial reports, and responds to financial audit findings. The administrative entity is the agency that provides and/or administers (through staff) local workforce programs and services pursuant to the Acts. CSPIN is also a direct service provider of workforce services and programs.

Based on a review of the organizational structure of the 24 local workforce boards in Florida, including the 4 year plans (effective July 1, 2016) on file with the Florida Department of Economic Opportunity (DEO), it appears that: (i) at least 23 of the 24 Florida local workforce boards operate as not-for-profit corporations pursuant to Chapter 617, Florida Statutes and the Acts; (ii) at least 23 of the 24 Florida local workforce boards have been designated as the local fiscal agent/sub-grant recipient; (iii) at least 20 of 24 Florida local workforce boards act as the administrative entity; (iv) a majority of the Florida local workforce boards are direct service providers (one-stop operators and/or career services providers).

State law expressly provides that local workforce boards are not state agencies. However, alternatives to operating as a not-for-profit corporation were considered, include operating as a dependent special district or as a Sec. 163.01 F. S. separate legal or administrative entity. Under either of those scenarios, the requirements of Florida Statutes relating to public officials and public employees such as the Ethics Code and extra compensation/bonuses would apply to the Board and staff. However, after conferring with the County Attorney's Office, the law in Florida appears to be unsettled as to whether local workforce boards can operate as governmental units subject to all statutory requirements of a special purpose local government. Subject to further direction from County Attorney's Office on this issue, CSPIN should continue to operate as a Florida not-for-profit corporation. However, consideration should be given to including a requirement in the interlocal agreement that CSPIN employees would comply with

the Florida Ethics Code (Chapter 112, Part III, F. S.) relating to public employees, and be governed by statutory provisions relating to extra compensation/bonuses (Sec. 215.425, F.S.).

Pursuant to the Acts, there are multiple options to designating the local workforce board as the fiscal agent, administrative entity and/or a direct service provider. A third party could serve as either the fiscal agent or administrative entity, thereby separating these functions, which supports robust internal controls. Various models are utilized in Florida workforce regions to deliver services. For example, the local state college serves as the fiscal agent and one stop provider for a Florida workforce region. There are regions where the local board serves as the fiscal agent, and the administrative entity services have been contracted out to a third party, or the administrative entity provider has been split between the in house board staff and the third party contractor staff providing direct services. There are also local workforce boards that have contracted out direct services with third party providers.

While all options should remain on the table, the best approach at this time is for CSPIN to continue as the fiscal agent, administrative entity, and direct service provider for the services it currently provides. When the transition of CareerSource Tampa Bay staff is complete, the organizational structure and governance model has been finalized, and program and services offerings beyond the Core programs have been determined (including the Science Center), the Board, with direction and approval of the BCC, should first determine if CSPIN should continue in the role of direct service provider. Once that decision is made, then the fiscal agent and administrative entity responsibilities can be evaluated and assigned. CSPIN should focus on the Core workforce programs, and consideration should be given to separating the fiscal agent and administrative entity functions based on an analysis of the most efficient and cost effective service delivery model that also supports effective program oversight.

DIRECTORS POLICYMAKING AND OVERSIGHT RESPONSIBILITIES: In accordance with the Acts and the bylaws, the CSPIN Board of Directors (Board) sets policy for workforce governance, administration and operations (with approval of, or in partnership with, the CEO) and provides oversight of programs, administrative costs, performance outcomes and the budget.

The Board operates through a committee system of standing and ad hoc committees, including the Executive Committee, One-stop Committee, Workforce Solutions committee, Finance Committee, Science Center Committee, the Compensation Committee, and the Audit Committee. The bylaws provide that the Executive Committee “shall have and exercise the authority of the Board...” with the exception of adopting, repealing or amending the bylaws, and decisions requiring full Board approval by the Acts (e.g. approval of related party contracts). The bylaws establish a quorum requirement for both the Board and the Executive Committee as one-third (33%) of the members. The bylaws also provide that minutes of the Executive Committee shall be transmitted to all Board members as soon as practical following the meeting, that members have 5 days after receipt to request that the Executive Committee action be scheduled for full

Board consideration, and if no request is made, the Executive Committee action “shall stand”.

It was clear from reviewing the meeting minutes for several years beginning December 2015 that the business and affairs of CSPIN is conducted primarily by the Executive Committee. The Executive Committee (which has 10 members) met approximately 10 times a year, and agendas typically included all CSPIN action items from staff and the other Committees not requiring full Board action.

Changing the governance model to redirect policy and oversight responsibilities to the full Board will: (i) more closely align CSPIN with the express language of the Acts defining local workforce board duties and responsibilities; (ii) encourage participation by all of the Board members in the decision making process; (iii) create more and expanded opportunities for Board members to exercise oversight responsibilities; (iv) support the development of knowledge and expertise of all aspects and challenges relating to workforce programs; (v) support better solutions by leveraging the background, knowledge and experience of all directors. Further, in order to retain the efficiencies and agility of the Executive Committee, the Committee could still meet in months when the full Board does not meet to deal with actions where time is of the essence, except for certain enumerated major decisions reserved to the full Board.

Clearly defining the delegated approval authority from the Board to the executive director, and reporting delegated approvals to the Board are critical elements of effective oversight. Financial and procurement policies and procedures, the Board of Directors Policy Manual adopted in 2004, and various memoranda issued or reissued in 2016 were provided by the CSPIN interim director and reviewed to determine the current extent of the delegated authority of the executive director, and to a lesser extent the finance director. It was also suggested that the former CEO exercised approval authority up to \$150,000. While the policies reviewed did address approval authority of the executive director and finance director for certain purchases and other transactions, the full extent of the delegated authority could not be located in the documents provided, and it was not clear what policies were in effect and how the policies were approved.

Administrative policies, including purchasing and financial policies, must be updated to define the operational standards for CSPIN. All policies and procedures, whether new or modifications/updates to existing policies, should be approved by the Board and incorporated into an administrative policy manual, rather than issued as stand alone policies. The delegation of Board authority to the executive director relating to purchases, contracts, or that otherwise obligate CSPIN should be limited to the level necessary to conduct day-to-day programs and activities, and all approvals pursuant to delegated authority should be periodically reported to the Board (preferably through the Finance Committee).

On a temporary basis, the authority of the interim executive director to approve purchases, contracts, or other obligations should be clearly defined, limited in amount as necessary for CSPIN to conduct its business and affairs, but not more than \$10,000

annually for each purchase, contract or transaction that has not been specifically pre-approved by the Board, and require that the expenditure be supported/authorized in the line item budget. Also, consideration should be given to suspending the authority to approve minor budget modifications delegated to the executive director (changing budgeted line items within an activity or for changes in funding levels), and minor modifications of the budget should be reviewed by the Finance Committee, and approved by the Board (or Executive Committee unless/until the bylaws are revised as recommended herein).

The following specific actions are RECOMMENDED to implement the revised governance model:

- A. The policy and oversight responsibilities, as well as the business and affairs of CSPIN should be conducted primarily by the full Board. Staff and Committee action items and reports should be considered and/or voted on by the full Board. Conducting business through the Executive Committee should be limited to those actions as outlined in C. and D. below.
- B. Increase the number of full Board meetings to bi-monthly (every other month), plus additional meetings as necessary to address major policy decisions such as adoption of plans, the budget, etc. that need action because of time deadlines.
- C. Change the Executive Committee meeting schedule so that it meets: (i) only in months when the full Board does not meet AND time is of the essence in taking any action; (ii) in emergency situations where the failure to act would result in irreparable harm to CSPIN, the Board, staff, or program participants, and the full Board cannot be convened.
- D. Change the bylaws quorum requirements to require at least 40% plus one of the membership for Board meetings, and at least 50% plus one of the membership for Executive Committee meetings. This is consistent with a number of local workforce boards in Florida (although quorum requirements as low as 25% were noted).
- E. Expand the actions in the bylaws that the Executive Committee (or the Finance Committee) cannot approve, and therefore would require full Board approval, to include: (i) approval or modification of the CSPIN annual budget; (ii) approval or amendment of the 4 year or other plans required by the WIOA; (iii) acquisition or conveyance of real estate; (iv) pledging, mortgaging, or encumbering real property, or pledging or encumbering personal property other than in the ordinary course of business for expenditures included in the line item budget; (v) staff pay or compensation plans; (vi) approval or amendment of the CSPIN administrative code/governing policies, including purchasing and financial policies; (vii) approval of and responses to the annual financial audit (viii) hiring, disciplining, and discharging the executive director and legal counsel.
- F. Eliminate the bylaw requirement that the Board treasurer be appointed from the private sector membership. This is not required by the WIOA and excludes Board members from community or governmental organizations that may have knowledge and/or experience in budgeting and financial matters that would add value to the organization.
- G. Change the bylaws relating to the Finance Committee to reflect that all budget modifications must be approved by the full Board, and that the Finance Committee

- shall review financial statements and report on CSPIN's financial status to the full Board (rather than the Executive Committee as stated now in the bylaws).
- H. Clarify the Audit Committee bylaws provision to: (i) specify that in addition to arranging and procuring the required annual Financial audit, the Audit Committee has the authority to arrange and procure Operational and Performance audits (as defined Sec. 11.45 F.S.), performed by independent accounting firms or the Division of Inspector General, Clerk of the Circuit Court and Controller; (ii) specify that in addition to "reviewing" reports, the Audit Committee has the authority to report findings and make recommendations on actions to the full Board.
 - I. Eliminate any reference to "President" in the bylaws and executive director job description. The CEO/Executive Director position, who has the added title of President in the job description, is not an officer of the corporation, and elimination of that title will eliminate any confusion by third parties over the apparent authority of this staff person.
 - J. Revise the Executive Committee consent agenda process in the bylaws from the five day requirement to request a proposed action be brought before the full Board, to seven business days (Monday through Friday, except for CSPIN holidays).

BOARD OF DIRECTORS APPOINTMENT AND MEMBERSHIP: Pursuant to the Acts, the BCC, acting as the CEO, appoints the members of the local workforce board pursuant to the formal nomination and appointment process established by the CEO, which must be consistent with the criteria established by the state. The WIOA defines categories of membership which must be represented on the Board, and requires nominations for certain categories of membership. One of the enumerated duties of the Executive Committee in the CSPIN bylaws is to review qualifications of nominees to the Board, forward the nominations to the full Board for approval (in practice the Executive Committee approved nominations), and submit the nominations to the BCC.

Assuming the Boards and Commissions application process on the County's website is utilized to fill future CSPIN Board vacancies, it is **RECOMMENDED** that: (i) CSPIN bylaws should be revised to delete the nomination/review/approval authority of the Board and Executive Committee; (ii) CSPIN should be required to immediately notify the County of vacancies on the Board; (iii) in addition to posting vacancies on the County website, CSPIN should be required to post notifications of vacancies on its website with information and links to the County website and application process; (iv) certain categories of membership require nominations of applicants, and this requirement should be formally incorporated into the application process, including notifications to the appropriate entities/organizations of vacancies on the Board with invitations for nominations; (v) CSPIN should be provided the opportunity to comment on applicants as part of the appointment process, as opposed to recommending applicants as provided in the bylaws.

It is also **RECOMMENDED** that the CSPIN bylaws be clarified/revised to provide that: (i) the County Commission can remove any director when it determines that the best interests of the workforce programs will be served; (ii) change the authority to recom-

mend revocation of board membership to the County Commission from the Executive Committee to the full Board.

The Board can have up to 45 members. CSPIN currently has 36 members. While there are arguments on both sides regarding the appropriate number of board members, at times it has been difficult to fill vacancies on the CSPIN board and there is often poor attendance at Board meetings. This was the case even with the ability to fully participate in meetings by phone or other electronic means. In my experience, larger boards are often heavily reliant on staff, which makes it more difficult to exercise oversight responsibilities.

It is RECOMMENDED that the BCC cap the number of CSPIN directors in the bylaws (subject to any required approvals from the state). While there is no magic number, there are local workforce boards in Florida that serve populations comparable to or larger than Pinellas County that have smaller boards. For example, CareerSource Central Florida has 29 Board members (5 counties including Orange County), Career Source Northeast Florida (5 counties including Duval) has 19 board members, and CareerSource Palm Beach (Palm Beach County) has less than 25 board members. Therefore, limiting the CSPIN Board to no more than 25 members, or to the minimum number of Board members required by the WIOA, whichever is greater, should create opportunities for improved participation by all Board members (transitioning to this cap should occur over multiple years).

The County should also consider adding an additional elected official to the Board, either from a city or the school board. Another elected official would provide a broad community perspective of the value of workforce programs to the economic viability of the County, the role and operation of taxpayer funded programs, the value of and opportunities for public/private partnerships, and the challenges and opportunities in navigating federal, state, and local bureaucracy.

While not directly within the scope of this review, Board orientation materials for new members should be updated and incorporated into a Board manual, and Board training programs related to both workforce programs or to requirements unique to Florida (such as the Sunshine law or public records law) should be formalized and incorporated into the Board manual. Board training should be required, conducted periodically in person, and training resources available through the DEO, the National Association of Workforce Boards, and other organizations should be made available to the Board members. The ability to participate in meetings by phone or other electronic means should also be retained. The WIOA encourages the use of technology for board and committee meetings, it is expressly allowed by Florida statutes, and 23 of the 24 local workforce boards in Florida have policies permitting attendance by phone or other electronic means.

TRANSPARENCY: Access to information relating to programs and administration was reviewed relating to: (i) compliance with public facing information requirements; (ii) the

flow of information from staff to the Board; (iii) the flow of information from the Board to the County.

The WIOA has a “sunshine” provision that requires CSPIN to make information available to the public on a “regular basis through electronic means and open meetings” on the local plan, board membership, one-stop operators, youth providers, and meeting minutes. Federal regulations also require bylaws to be posted. It appears that CSPIN now satisfies these requirements, and CSPIN has provided additional information online regarding the programs and administration. CSPIN also has policies in place relating to disclosure and approval of related party contracts.

Having all major policy decisions and staff and Committee action items and reports directed primarily to the full Board instead of through the Executive Committee will by itself increase the flow of information on program activities and financial matters to all Board members. In addition to the periodic financial reports, DEO monitoring reports, annual financial audits, and independent accountants’ reports that should be presented to the full Board through the appropriate committee, it is RECOMMENDED that a “voucher and paid bills report” be presented to the Board on a periodic basis, preferably through the Finance Committee.

Assuming that CSPIN continues to serve as the fiscal agent, consideration was given to having the finance director report directly to the Board to ensure independence; however, the weight of authority and most common practice in Florida appears to support the current CSPIN approach that the executive director oversee the staff and financial operations, with the Finance Director reporting to the executive director. Therefore, consideration should also be given to a temporary hire of an independent accounting firm to provide monthly financial reports until CSPIN stabilization, assuming this is an allowable administrative cost.

With regards to the flow of information from CSPIN to the BCC/County, it is RECOMMENDED that at least on a temporary basis, CSPIN be required to provide financial statements on a quarterly basis, any federal or state monitoring reports or communications relating to disallowed cost claim or recommended remedial actions, any independent accountants’ reports, and any audits. After the investigations/reviews are completed and resolved, the County can make a final determination as to the appropriate reporting requirements for CSPIN. Additionally, the BCC should be provided adequate time to review matters and have questions resolved relating to actions that require CEO approval on an annual basis, such as the CSPIN annual budget. Time deadlines for submittal of known annual approval requests should be established based on the BCC meeting schedule in consultation with the County.

INTERNAL CONTROLS: It is beyond the scope of this review to evaluate whether the internal controls of CSPIN were appropriate or effective for its programs and operations. However, it is important to note that one of the goals of internal controls is to create business practices that serve as checks and balances on staff to reduce risk of misappropriation or misuse of funds.

CSPIN did engage its independent accountants' to "assist ... in determining whether WorkNet staff is complying with established internal control policies and procedures, as well as applicable federal, state, and local laws and regulations." The August 22, 2017 report detailed no adverse findings or deviations from the required internal controls. The independent accounting firm now performing the Financial audit was engaged to provide an updated report on internal controls. This report was presented to the Board at the 6/27 meeting, and had critical findings related to waivers of goal attainment requirements of the incentive pay program, mailing gift cards, and the failure to report employee gift card income to the IRS. The interim executive director indicated that she has taken corrective action relating to the findings. Both reports clearly stated that the firm was making no representations on the sufficiency of the internal controls, and that the sufficiency of the procedures was solely the responsibility of CSPIN.

Based upon media reports and the existence of the ongoing investigations, there are sufficient red flags to justify immediately initiating an Operational audit as defined in Sec 11.45 Florida Statutes. As provided in the statute, the purpose of an Operational audit is to "evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse ..." It is RECOMMENDED that the County initiate this review under Sec. 5. E. of the Interlocal (Additional Financial Assurances), and that the Office of Inspector General, Clerk of the Circuit Court and Controller be engaged to perform this review (with the scope of review agreed to in writing between the County and Inspector General).

It is further RECOMMENDED that after the CareerSource Tampa Bay transition is complete and the CSPIN organizational structure is finalized, that CSPIN engage an independent accounting firm (other than the outside auditing firm) to review the CSPIN operations and recommend appropriate internal controls and financial reporting (including reviewing the CSPIN financial software). Thereafter, for a reasonable period of time (at least 2 years) there should be ongoing periodic monitoring regarding compliance with the established internal controls by an independent accounting, again assuming that is an allowable administrative cost.

APPOINTMENT OF THE CEO/EXECUTIVE DIRECTOR AND LEGAL COUNSEL: The WIOA expressly authorizes the local board to hire a director and other staff to assist in carrying out functions of the local board. The local board is also charged in the Acts with establishing objective qualifications for the position of director that ensure that the individual selected has the knowledge, skills, and abilities to meet identified benchmarks and to assist in carrying out the functions of the local board.

The CSPIN bylaws are silent as to hiring, disciplining or discharging the executive director. The bylaws establish a Compensation Committee that is charged with reviewing and evaluating the employee review process, employee benefits programs, employee training policies, and assisting with the provision of fair labor practices in the workplace. Reviewing, evaluating or making recommendations relating to employee pay or compensation plans are not listed as a responsibility of the Compensation Committee.

The June 2, 2004 Board of Directors Policy Manual states that one of the duties of the Board is to employ a President and CEO; however the policy references the February 18, 2004 bylaws, which have been amended and superseded. While pursuant to Sec. 445.007 F.S. the Governor may remove the executive director of the board or the designated person responsible for the operational and administrative functions for cause, there is nothing therein that addresses hiring authority. The CEO job description states that the CEO is hired by the Board.

While there is nothing in the Acts that would prohibit the County from having input into the hiring of the executive director or legal counsel, this would not be consistent with the express language of the WIOA and federal regulations that specify that the local board has the hiring authority and must establish qualifications for the executive director and other staff. County involvement in this process would also raise a host of unresolved legal questions, and the County Attorney's Office should be consulted if there are specific questions. Therefore, hiring the executive director and legal counsel should be the responsibility of the CSPIN Board.

Because of the absence of clear direction as to the hiring process in the bylaws or administrative policies, it is RECOMMENDED that the bylaws be amended to create a CSPIN Ad Hoc Executive Director and Legal Counsel Selection Committee. Having a committee of 5 members, consisting of the County Commissioner serving as the Vice-Chair, the County Economic Development Department Board member, the CSPIN Chair, the City/School Board elected official (if added to the Board), and one (or 2) member(s) appointed by the Chair. The Chair should designate the chair of the Selection Committee. The Committee duties would include reviewing and recommending any revisions to the qualifications/job description for the Executive Director or Legal Counsel, and determining the recruitment process, all of which would be subject to approval by the Board. The Committee would be responsible for screening and ranking applications for the Executive Director and proposals/applications for legal representation, which would be submitted to the Board for final approval and hiring. Staff of the County and CSPIN should be authorized to serve as staff to the Committee. The final terms of employment or retention may be recommended by the Committee. The Committee would be subject to the Sunshine Law.

Additionally, the bylaws should include a provision that hiring, disciplining, and discharging the executive director and legal counsel is a Board responsibility.

SUMMARY: Instituting the structural changes recommended herein should: (i) focus policy making responsibilities in the CSPIN Board of Directors, rather than Board committees; (ii) improve the flow of information from staff to the CSPIN Board of Directors, and from CSPIN to the County; (iii) facilitate improved program oversight by the CSPIN Board; (iv) foster an appropriate balance between the CSPIN Board policy making responsibilities and CEO/staff responsibilities to "assist in carrying out functions" of the Board. All recommendations are subject to legal review by the County Attorney's Office, are not dependent on the outcome of the pending investigations/reviews, and can be implemented over time as determined jointly by CSPIN and the BCC.

The following represents a summary of all recommendations:

- A. The policy and oversight responsibilities, as well as the business and affairs of CSPIN should be conducted primarily by the full Board.
- B. Increase the number of full Board meetings to allow full consideration of all action items from staff and the committees.
- C. Limit Executive Committee meetings in the bylaws to months when the full Board does not meet and time is of the essence in taking any action, or to emergency situations where the failure to act would result in irreparable harm.
- D. Change the bylaws quorum requirements to require at least 40% plus one of the membership for Board meetings, and at least 50% plus one of the membership for Executive Committee meetings.
- E. In addition to adopting/amending the bylaws and acting on matters required by the Acts, provide in the bylaws that the following matters can only be approved by the full Board: (i) approval or modification of the CSPIN annual budget; (ii) approval or amendment of the 4 year or other plans required by the WIOA; (iii) acquisition or conveyance of real estate; (iv) pledging, mortgaging, or encumbering real property, or pledging or encumbering personal property other than in the ordinary course of business for expenditures included in the line item budget; (v) staff pay or compensation plans; (vi) approval or amendment of the CSPIN administrative code/governing policies, including purchasing and financial policies; (vii) approval of the annual financial audit and responses thereto; (viii) hiring, disciplining, and discharging the executive director and legal counsel.
- F. Eliminate the bylaw requirement that the Board treasurer be appointed from the private sector membership.
- G. Change the bylaws relating to the Finance Committee to reflect that all budget modifications must be approved by the full Board, and that the Finance Committee shall review financial statements and report on CSPIN's financial status to the full Board.
- H. Clarify the Audit Committee bylaws provision to: (i) specify that in addition to arranging and procuring the required annual Financial audit, the Audit Committee has the authority to arrange and procure Operational and Performance audits (as defined Sec. 11.45 F.S.), performed by independent firms or the Division of Inspector General, Clerk of the Circuit Court and Controller; (ii) specify that in addition to "reviewing" reports, the Audit Committee has the authority to report findings and make recommendations on actions to the full Board.
- I. Eliminate any reference to "President" in the bylaws, because the CEO/Executive Director/President is not an officer of the corporation.
- J. Revise the Executive Committee consent agenda process in the bylaws from the five day requirement to request a proposed action be brought before the full Board, to seven business days.
- K. Update the CSPIN Board of Directors policy manual to incorporate all policies, including financial and purchasing policies.
- L. Define the approval authority granted to the executive director for purchases, contracts, and other obligations; limit that authority to a level that is necessary to con-

- duct the day to day business of CSPIN for expenditures that are included in the line item budget; require all delegated approvals to be reported to the full Board.
- M. On a temporary basis, limit the approval authority of the interim executive director to no more than \$10,000 annually for each purchase, contract or obligation not specifically pre-approved by the full Board; suspend the executive director approval authority to approve minor budget modifications, and require approval by the full Board (or Executive Committee) through the Finance Committee.
 - N. Clarify the bylaws to specify the power of the BCC to remove directors when it determines it is in the best interests of the workforce programs; change the authority to recommend revocation of membership from the Executive Committee to the full Board.
 - O. The BCC should formally adopt the County Boards and Commissions application process for appointment of directors, including incorporating the requirements of the Acts into the application, and amending the bylaws to eliminate any inconsistencies with the BCC process.
 - P. Cap the number of board members in the bylaws to no more than 35 now, and to no more than 25 or the minimum number of directors required by the WIOA, whichever is greater, by July 1, 2020.
 - Q. Direct all financial information and program monitoring reports to the full Board through the appropriate committee, including but not limited to the periodic financial statements, federal and state monitoring reports, financial and other audits, independent accountants' reports; add the requirement of a "voucher and paid bills" report to the required reporting to the full Board, and route it through the Finance Committee.
 - R. On a temporary basis, require CSPIN to provide quarterly financial reports to the BCC, as well as any federal or state agency monitoring reports or claims for disallowed costs, and any independent accountants' reports; after stabilization of CSPIN, the County can determine information that should be provided by CSPIN on a permanent basis.
 - S. Pursuant to the terms of the Interlocal, the County should immediately initiate an Operational audit of CSPIN to evaluate management's performance in establishing and maintaining internal controls, conducted by the Clerk's Office of Inspector General.
 - T. Require CSPIN to retain an independent accounting firm (other than the outside auditing firm) to recommend appropriate internal controls, after stabilization.
 - U. Amend the bylaws to confirm the full board has the authority to hire the executive director and legal counsel; create a CSPIN executive director and legal counsel search committee in the bylaws; duties include updating qualifications and recommending a search process (subject to full board approval), screening and ranking applications/proposals; members to include the County Commissioner Vice-Chair and PCED Board member.

The following additional matters should be given due consideration as part of any organizational restructuring or revisions to the governance model:

- A. Requiring CSPIN employees to comply with the Florida Ethics Code and statutes relating to extra compensation/bonuses, through the interlocal agreement.
- B. Separating the fiscal agent and administrative entity responsibilities.
- C. Adding an additional elected official to the Board.
- D. Making the finance director a direct report to the Board.

I am, of course, available to answer any questions or follow up on any issues.