



Meliora Partners, Inc.

Assessment Report

*Honolulu
Community Action Program, Inc.*

Honolulu, Hawaii

June, 2009



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Disclaimer: The recommendations contained in this report represent the best efforts of the assessment team to understand conditions viewed and disclosed during its visit. Some observations and conclusions may be misinterpretations of what was observed or heard. The report highlights program areas that the reviewers were asked to address or that they believe needed attention. The report is intended as a starting place for discussion and action not as a prescription for specific actions. Recommendations are for individual organizational systems.

6. Advocacy and Community Development (Legislative Briefs, mentoring programs, Fatherhood program, community leadership development)

HCAP has more than 100 sites on O'ahu where programs are delivered. There are five District Centers strategically located around the island, three of which offer employment programs. HCAP program offices are located in Kapalama and Kunia. The main office is located in downtown Honolulu. The Head Start program serves 1,650 preschool children annually in over 85 Head Start classrooms or in its Home-Based or Family Child Care programs.



Findings and Recommendations

Governance

Nine board members were interviewed, including the president and the secretary/treasurer. Board members indicated that meetings are well-run and -organized and concise; adequate information is received to conduct the business of the board. They stated that they feel good about the direction of the agency, they get good training, and they receive adequate financial information. Board members expressed concerns about the human resources function and also the fact that the agency is “asset poor.”

Documents reviewed included governing board and committee rosters; packets containing board agendas and minutes and committee meeting minutes; bylaws and the board policy handbook,.

Board minutes of meetings from January 2008 through January 2009 were reviewed. Minutes are well written, clear and organized. The agendas for the board meetings are well-prepared, organized, and easy to follow. Committee meeting minutes are taken by a variety of staff members or board members.

There were no board member files to review. Without board files, it is difficult to track recruitment of the organization or individual, terms, and appointments for any board member or the election process for a resident sector representative.

Current board membership is 19; two vacancies exist in the resident (low income) sector. District councils are scheduled to name replacements in July. Board attendance was studied, and three board members were noted as having low attendance. The Board bylaws' state that "missing two consecutive official meetings without failure to provide advance notice will be considered an unexcused absence. The executive committee will determine whether the absences were justified."

Three of the board committees are very active, and much of the work is achieved during committee meetings rather than at board meetings. Bylaws state that every board member is to be assigned to a board committee, and this practice appears to be followed. Committee membership is distributed evenly among the three sectors. Each committee has at least one member with very poor attendance.

Finance Committee: Some minutes are signed, some are unsigned, and one board member has only attended two meetings out of the last eight.

Human Resources and Human Rights Committee: The committee has been working on drafting an attendance policy since April, 2008. There is heavy reliance on one board member's

experience as a human resources director. Everything is deferred to her for input, which makes it more difficult to deal with agenda items in a timely fashion. One board member has attended only two meetings out of the last nine. This board committee hired an outside organization to conduct a survey of employee morale, and they followed up the survey with group interviews with staff. Nothing has been done with this information since the fall of 2008. The survey and meetings were done in an attempt to improve morale, but by delaying the process they have actually worsened morale.

Program, Planning & Evaluation Committee: The committee is active and regularly reviewing the PPRR document. One board member has attended only two meetings out of the last ten.

Executive Committee: No minutes were provided for meetings since February, 2008.

Governance Committee: No minutes were provided for meetings since August, 2008. Of the last six meetings, two board members have attended only two meetings.

There are discrepancies between the board bylaws and board policy manual. For instance:

- The policy handbook requires six board meeting per year, and the bylaws require one.
- The policy handbook requires 24-hour notice for a special meeting; the bylaws require two days.
- Duties of officers are not listed consistently in the two documents.

The section in the bylaws about meetings and annual meeting is very vague. There is no mention of an annual meeting in the policy manual. The Board Human Resources committee does not have adjudication of employee grievances as one of its responsibilities.

There is no clear definition as to term limits in the bylaws. Article VIII, section 8.3, of the bylaws regarding compensation paid to the board of directors needs to be reviewed and clarified.

The District Council guidelines were also reviewed and proved to be at odds with the policy handbook. The Council guidelines require that each council have 5-15 members; the policy manual requires 20 members. It was noted in review of minutes from two district councils' meetings that the Windward District Council representative to the HCAP Board has not attended a district council meeting in the past year and is, therefore, not reasonably able to represent the interests of that district's citizens. It also seems that the district councils attempt to meet too frequently—it may be more feasible to obtain a quorum if meetings were only held quarterly.

Findings	Recommendations
Meetings are tape recorded and then written up later.	Staff should take notes at the meeting and then prepare draft minutes for review by the Board Secretary.
Board and committee minutes did not contain a signature by the recorder or by the board chairperson upon approval.	The minutes taker's name should be on the minutes for both committees and the governing body. The board chair should sign and date all minutes upon their approval to signify to the board and third parties a final, approved version.
Minutes did not record the manner in which votes were taken.	Note in the minutes how each vote was taken: show of hands, voice vote, written ballot, etc.
Committee minutes are inconsistent.	Develop a simple committee minutes template and train committee members to take notes.

<p>There are no central files for committee meeting minutes. Committees did not deliver their minutes to the executive assistant.</p>	<p>Create an archive file for each committee. All board and committee meeting minutes should be filed in a central location easily accessible to the executive assistant who provides support to the board of directors—and to auditors and program monitors.</p>
<p>There are no Board member files.</p>	<p>Board member files should be established and include the following information:</p> <ul style="list-style-type: none"> • how the individual or organization was selected for the seat on the Board, • minutes of the Board meeting where member was introduced or seated, • correspondence from the nominating organization, as needed, and, • election process, for resident (low income) sector members.
<p>All absent board members are noted as being “excused” on the board minutes. In practice there is no enforcement of an attendance policy.</p>	<p>Clarify the attendance policy in the bylaws. Enforce the policy. Remove non-attending members.</p>
<p>A board member with HR experience is deferred to by her committee and the board as the de facto expert and HR director.</p>	<p>Ensure the HR staff is well qualified. The board should expect this member to review and comment on staff work, not to perform the staff’s work.</p>
<p>The bylaws, board policy handbook, and district council guidelines are not consistent; some sections are unclear.</p>	<p>Review all three documents and make sure they are clear and consistent. Establish fundamental policy in the bylaws.</p>
<p>A district council representative to the HCAP Board of Directors is not attending the district council meetings.</p>	<p>Revise the bylaws and district council guidelines to disqualify board members who do not attend meetings of the district council that elected them.</p>
<p>District councils cannot consistently achieve a quorum.</p>	<p>Meetings should be scheduled less frequently—quarterly, for example.</p>

While the assessment team was onsite, a serious breach of governance occurred. A district manager who had been terminated by the interim executive director approached a board member (who also happened to be the board chair), elected by the council in her district, complaining about her termination. Without consulting the interim executive director or legal counsel, the board chair told the former employee that he would regard their conversation as a grievance. He then re-instated the employee on paid administrative leave. When the interim executive director took exception to this action, the board chair told the interim that he had no authority to take personnel actions, only the board did. In acting this way, the board chair failed to advise the former employee of existing organizational grievance procedures, assumed the authority of the executive, and opened the organization to potential legal liability, for which it has not resources, either to contest or to pay for losses.

Financial Management

Five financial staff were interviewed during the assessment, as well as the IT director and three Human Resources staff members. Documents reviewed prior to arrival included the past three A-133 audits, the most current fiscal and personnel policies, internal financial statements prepared as of March 31, 2009, and board finance and executive committee meeting minutes for the prior year. The agency also provided recent monitoring reports from the Hawaii Office of Community Services (CSBG) and HHS (Head Start).

Also reviewed during the assessment were the last 990 tax return, the previous W-2 and 1099 filings, and the March 31, 2009, federal and state payroll tax filings. To test and verify the accuracy of the financial statements, the March 31, 2009, bank reconciliations were examined, invoices were sampled for coding accuracy and proper approval, the detail and aging of accounts payable were examined,

and the accuracy of significant liabilities was tested. Fixed Assets and Other Assets were also reviewed.

HCAP utilizes the Sage MIP fund accounting software. The version was current, and the agency has acquired several software modules to support billing, payables, payroll, fixed assets, and the general ledger. The interviews revealed that financial staff were still in the process of learning the MIP software that was installed in December of 2007. The agency utilizes a third party (Ceridian) to process their payroll, payroll taxes, and W-2's. There is no interface with Ceridian to record payroll to the general ledger, so spreadsheets are utilized to summarize and process the information.

Timesheets were reviewed and personnel files were sampled for proper content, separation of required information, authorization, and accuracy of posted payroll information to the general ledger programs. Employee classifications between salaried and hourly were examined, and we tested employee wages against the current wage scale.

We noted two strengths of the agency finances including:

1. *The financial department maintains a desirable separation of duties and cross-trains its staff.*
2. *The financial policies are solid and well written.*

Findings	Recommendations
<p>1. The internal financial statements presented for the year ending 3/31/09 still contained unreconciled accounts and unadjusted balances in accounts receivable, accrued vacation, and deferred revenue. An adjustment to accrued vacation was recommended in the last audit but has not been made.</p>	<p>1. These adjusting entries should be made, with the offset to program expenses or agency fund balance.</p>
<p>2. Examination of the finance committee minutes and discussions with board members found that financial information presented from management is limited to program spending as compared to budget for each grant.</p>	<p>2. HCAP needs to develop an agency-wide budget accounting for all revenue sources and all expenditure line items, so that a comprehensive financial picture can be presented to the board.</p>
<p>3. Bank reconciliations are prepared timely, but HCAP maintains a long list of outstanding checks, some exceeding a year old.</p>	<p>3. Checks outstanding over 90 days need to be investigated and adjusted. Old checks should be investigated and adjusted off the outstanding list as quickly as possible</p>
<p>4. Activity in an agency bank account is being recorded directly to fund balance.</p>	<p>4. All account activity should be recorded in revenue and expenses so that it is observed by management and the Board of Directors.</p>
<p>5. Administrative personnel record their time directly to grants. A review of administrative timesheets showed several personnel recording the exact hours each day and week to the same grants. In many cases, several grants received</p>	<p>5. A cost allocation plan should be developed with criteria to spread administrative personnel costs across all funded activities. Administrative personnel should then maintain timesheets that reflect actual time-on-activity, rather than</p>

<p>no direct charges for administraction.</p>	<p>percentage-charged-to-grant.</p>
<p>6. The Head Start grant ended 3/31/09. In a review of spending, heavier than normal spending in the last month was noted.</p>	<p>6. The Head Start program should distribute its spending more consistantly throughout the year to avoid last month, last minute purchases.</p>

Administration

HCAP is led by five senior staff members: Chief Executive Officer, Chief Financial Officer, Human Resources Director, Head Start Director, and Community Services Director. The CEO position is currently being filled on an interim basis by the CFO. Interviews were held with the senior staff members, Human Resources staff, Information Technology staff, district managers, and Head Start assistant directors.

Staff indicate that the agency has improved within the past three years with more accurate financial information, better communications, and a more active board. The Head Start staff feel that during the past few years they have developed strong relationships with community partners.

We reviewed monitoring reports from the State Department of Labor and Industrial Relations’ Office of Community Services and Workforce Development divisions, as well as the Administration of Children and Families Office of Head Start. The monitorings were generally positive. There were only two findings in Head Start, both of which were easily correctible. Two Workforce Development findings were both corrected, submitted, and the monitoring was considered closed. The Office of Community Services required no corrective action.

Findings	Recommendations
Staff expressed a need for more inter-program communications.	Service staff (family advocates, district managers and staff, and other program staff) could reinstitute quarterly meetings.

Services

HCAP provides services through Head Start, LIHEAP, Weatherization, Youth Services, and services to senior and homeless populations. The agency intends to use its stimulus funding to increase the number of homes receiving solar water heaters and energy efficient refrigerators. The Head Start program provides services to 1600 clients. One innovation Head Start has begun is providing a mobile classroom to serve the homeless population. The Community Services division is also very active with providing a variety of services, including a transitional shelter for homeless, and youth employment programs.

Both “divisions” of HCAP actively provide services to low-income families. The assessment team did not observe an integration of services or active cross-training between staff in the two divisions, however. Both the Head Start and the Community Services directors indicated that they desire to have more connection and interaction between the programs. Separation between Head Start and HCAP (or CSBG as it is commonly referred to) surfaces in references to the two areas as if they were separate organizations. Members of the community often identify the Head Start program as Oahu Head Start without recognizing that it is a program within HCAP. The fact that services are housed in different locations contributes to the public belief that Head Start stands alone and hinders achieving a more unified organization.

Findings	Recommendations
<p>Some agency staff expressed concern that they were discouraged from applying for programs for which they are eligible.</p>	<p>Develop written procedures to ensure third-party review of staff applications for assistance. Obtain board approval of the procedure.</p>
<p>Community Action (or CSBG) and Head Start are viewed internally and externally as separate entities.</p>	<p>Undertake a campaign to change the language used within the agency and in information for the general public. Have staff affirm that they work for HCAP. Use HCAP prominently in articles or announcements about agency activities and programs.</p>

Human Resources

The following HR documents were examined: 26 personnel files and job descriptions, the employee manual, and 10 timesheets. Job descriptions contain summaries and essential responsibilities, minimum and maximum qualifications. They classify employees correctly as exempt or nonexempt. The program under which a job is funded appears on the job description. A check of ten employee timesheets determined that the program specified on the job description did not always match the funding source identified on the timesheet. Employee medical information was located in separate files.

Employee personnel files were mostly complete, with a number of exceptions, although without a particular pattern:

- Eight files lacked I-9 forms; five files contained forms with information whited out;
- Eight files did not contain performance evaluations;
- Many performance evaluations were not conducted timely (on or before the employee’s employment anniversary); and,
- Pay raises were not supported by performance evaluations.

The employee manual appears to be adequate. There appears to be a question as to whose role it is to write policies and procedures for the organization. In reading the Human Resources and Human Rights Committee meeting minutes and from attending the June 8th meeting, it appears the Committee defers the final action on policies until Iris Matsumoto reviews them for accuracy. This sends a message of no confidence in the staff’s ability to write and implement policy.

Staff members have been permitted to communicate directly with board members about grievances with other staff or services, which circumvents the executive director’s ability to make personnel decisions. It also taints the grievance procedure that the agency has established.

Findings	Recommendations
Employee files are missing consistent documentation.	Determine a protocol for file contents. Review all files and fill in missing documents (or note inability to locate them).
Many I-9 forms are missing or inaccurate.	Obtain newest guidance on Form I-9. Review all files. Obtain new or corrected forms on all employees.
Personnel file documents are not in chronological order.	Arrange documents in reverse chronological order—newest on top.

Sources of funding on job descriptions and timesheets do not always match.	Remove funding sources from job descriptions.
Performance evaluations are not conducted timely.	Advise supervisors of evaluation due dates 30 days in advance.
Board decision-making on personnel policies is delayed by review of an expert board member.	Have the board expert consult with the staff during the development/revision of policies so the committee can review an already vetted document.
Staff members take grievances directly to board members, rather than observing approved grievance procedure.	<p>Clarify grievance procedures in the employee manual to exclude direct contact with board members.</p> <p>Limit the board role in handling grievances in either bylaws or board procedures to review of procedural correctness by the staff. Enforce discipline on members and staff who disregard established procedures.</p>

Planning

The community needs assessment was reviewed. The needs assessment was written as part of the community action plan and covers programming from October 2008 through September 2009. The assessment was completed prior to October and will be the primary document for a three-year planning cycle. 2004 population information was used, which included age distribution, race, income, net worth, labor force statistics, educational attainment, and household size. Five year projections were created to get an indication of families living at poverty level, service indicators and literacy indicators.

Goals and strategies were aligned with the national goals for accountability. Everything has a measurable outcome, and the plan can be easily monitored. There is evidence of monitoring on the plan taking place at the program planning and evaluation committees of the board and Head Start.



Assessment Overview

Between June 8-12, 2009, a team of five Meliora consultants conducted an assessment of HCAP. Team members included:

Management Specialists	Magi York Lisa Umphrey	Financial Specialists	Dan Miller Chariti Steuhm Mark Morgan
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The team examined documents such as board minutes, bylaws and member information; program monitoring reports; grant contracts and agreements; and financial reports. Administration, financial, and program staff were interviewed. The team met with nine board members.



Meliora Partners, Inc.

Meliora Partners, Inc. is a nonprofit technical assistance organization dedicated to preventing emerging organizational vulnerabilities or crises from compromising the capacity of community action agencies to achieve quality outcomes for low income families and the communities in which they live. The organization assists state Community Services Block Grant (CSBG) offices and community action agencies to intervene in a timely way so as to avert crises. The team has been funded continuously since 1999 to provide these services nationally. To date, Meliora Peer-to-Peer team members have assisted more than 90 community action agencies in over 30 states. The team consists of three management specialists, two financial specialists, and two support staff. More information about Meliora Partners can be found at www.meliorapartners.org.

Attachment A: Recommended Adjustments

HONOLULU COMMUNITY ACTION PROGRAM, INC. BALANCE SHEET AS OF MARCH 31, 2009

	Balance <u>3/31/2009</u>	Updated Balance <u>3/31/2009</u>
ASSETS		
Cash & Cash Equivalents	2,846,957.03	2,846,957.03
Federal Grants Receivable	1,266,476.44	599,385.02
Non-federal Receivable	242,292.44	30,615.28
USDA	404,516.61	303,347.14
Due from PHAC	150,000.00	150,000.00
HS FDFY Program Receivable	158,165.17	108,171.62
Other Receivable	27,844.56	1,046.67
Prepaid Expenses	24,289.81	24,289.81
Other Current Assets	40,677.69	40,677.69
Office Equipment	1,088,081.39	1,088,081.39
Building	48,400.00	48,400.00
Vehicles	850,928.05	850,928.05
Furniture & Fixtures	207,015.73	207,015.73
Accumulated Depreciation	(1,790,719.20)	(1,950,719.20)
	5,564,925.72	4,348,196.23
LIABILITIES		
Accounts Payable	574,875.27	574,875.27
Due to US Dept of HHS	150,000.00	150,000.00
Salaries & Wages Payable	574,012.96	574,012.96
Accrued Expenses	304,574.22	304,574.22
Accrued Vacation	360,000.34	266,926.32
Accrued Employee Benefits	104,772.89	104,772.89
Refundable Advances	55,673.04	169,463.31
Other Short term Liabilities	4,500.00	4,500.00
	2,128,408.72	2,149,124.97
Prior Period Adjustments	90,372.09	
Special Purpose	1,369,974.65	
Special Purpose - Building	40,701.56	
Interfund Transfer	3,474.70	
Retained Earnings	579,719.68	
Retained Earnings Hololoa's	20,621.11	
Current Year Net Income	1,331,653.21	
	7,693,334.44	