



Meliora Partners, Inc.

Assessment Report

Maui Economic Opportunity, Inc.

Kahului, 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.

Findings and Recommendations

Governance

Documents reviewed included the board roster, committee roster, board packets which contained the agendas, minutes, bylaws, board handbook, and committee meeting packets and minutes. Interviews were held with six board members, including the president and the secretary/treasurer.

Minutes from eight board meetings were reviewed covering the time frame from March 2008 through March 2009. Minutes are well written, clear and organized. The agendas for the board meetings are well-prepared, organized, and easy to follow. The committee minutes are also well written and provide a clear understanding of the business that was conducted during the meetings. Committee meeting minutes are filed with the board packet for the meeting at which they were approved.

Board members indicated that meetings are well run and organized, concise, and adequate information is received to conduct the business of the board. Board members indicate that MEO has an excellent standing in the community, is a vibrant organization, and has outstanding leadership. Board members are confident in the ability of the management to lead the organization.

Committees are very active, and much of the work is achieved during committee meetings rather than at board meetings. Current board membership is 24; the average attendance at the eight meetings studied was 15. Of the eight meetings, a quorum was not present at one of the meetings. It was so noted in the minutes, and no actions were taken at that meeting. Every board member is assigned to serve on at least one board committee, and this practice appears to be followed.

Board attendance was studied, and only one board member was noted as having low attendance. This member was seated to the Board in August, 2008, and has only attended one meeting since then.

In review of the Board of Directors handbook, it was noted that members of the Board are required to make an annual personal financial donation to the agency. The May 12, 2008, Executive Committee minutes reflect: "There was discussion regarding board members contributing financially each year to MEO. Because a third of the board consists of residents, representing the clients that MEO serves, it was decided that the language in the manual will be changed to imply financial contributions by board members is encouraged but not mandatory." A motion was then made to approve the new manual with the changes and corrections discussed in the meeting. However, there was no change in wording regarding donations between the draft and final version:

- Page 5: "I will remain a financial donor of MEO." Board Member Commitment Section
- Page 13: "Board members are expected to make an annual financial contribution to MEO." Board Member Fund Raising Section
- Page 33: "Personally contribute financially each year to MEO." Board Member Job Description

The Board handbook includes the evaluation of the CEO as one of the duties of the Board; however, this requirement is not included in the bylaws.

Findings

1. **There were no board member files to review.** Without board files, it is difficult to track recruitment of organizations or individuals, terms, and appointments for any board member or the election process for a resident sector representative. In practice, board member seats appear to be allocated to organizations rather than individuals. The respective organizations, in turn, select a representative to serve on the MEO Board of Directors. The bylaws, however, do not describe a process by which these selections should be made.
2. Board minutes are not signed when approved.
3. Bylaws are unclear as to the procedure used to recruit board members.
4. Bylaws do not specify the Board's responsibility to evaluate the CEO as one of its duties.

5. Committee membership is not representative of the three sectors, as noted below:
 - Building committee: no resident¹ sector representative
 - Finance committee: three representatives each for private and government sectors and only one resident sector representative
 - Personnel committee: four resident sector representatives, but only one representative each for government and private sectors
 - Ad Hoc committee: only one board member. The other two members are community volunteers.
6. The requirement in the Board Manual that Directors make an annual personal financial donation to MEO has been overturned by the Board, but the Manual has not been updated.
7. There are no files for committee meeting minutes.
8. The Board handbook states that the authority to make personnel policy changes belongs to the CEO, who is to then inform the Board of the changes made. The employee manual states:

Appropriate and complete personnel policies will be adopted by the chief executive officer and reviewed by legal counsel for accuracy and completeness. The chief executive officer will report to the board that this has been done, and will report annually that all personnel policies have been reviewed and updated.

Recommendations

1. Board member files should be created to include the following information:

¹ MEO uses the term “resident” to refer to its low income board members.

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- a. details as to how the individual or organization was selected for the seat on the Board;
 - b. minutes of the Board meeting where member was introduced;
 - c. correspondence from the nominating organization, for public and private sector members; and,
 - d. the election process for resident sector members.
2. Board meeting minutes should be signed and dated by the person who took notes and prepared draft minutes, by the secretary who offered them for approval, and by the chair of the meeting that approved them, so that a reader will know that the minutes are the final, approved version.
 3. The bylaws should be rewritten—or operating procedures developed and adopted—to clarify the process used to recruit board members. These procedures should describe how individuals or organizations are to be identified and recruited to place a representative on the board and to indicate how a board member or organization would be replaced.
 4. The bylaws should be rewritten to be consistent with the handbook in outlining the Board’s need to evaluate the CEO.
 5. Board committee members should be reassigned to conform to the Bylaws’ requirement of equal representation by sector.
 6. Remove the requirement of Board members to make financial contributions from the Board handbook.
 7. Establish a file for each committee’s minutes for ease of review.
 8. Rewrite the Board handbook so that the responsibility and authority for making changes to personnel policies is returned to the Board of Directors.
 9. Have CAPLAW review the Bylaws.

Financial Management

MEO utilizes the Grants Management System (GMS) accounting software. The version was current and the agency utilized several modules to support billing, payables, payroll, fixed assets, and the general ledger.

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 reports on recent monitorings from the following grantors: Office of Community Services, Senior Community Services Employment, Federal Transit Administration, Child and Adult Care Food Program, National Farmworker Jobs Program, AmeriCorps Program, Employment Core Services for Low-Income Persons, and the Seniors Farmers Market Nutritional Program.

Four financial staff were interviewed during the assessment, as well as the former chief financial officer (now chief operations officer), the purchasing specialist, and the IT director. The interviews revealed that financial staff were well informed about their duties and understood the agency policies and procedures regarding fiscal issues. The average employee tenure in key financial positions is in excess of 10 years, reflecting the company's desire to train and promote personnel from within the agency. Examination of committee minutes and discussions with board members verified that the agency provides detailed information regarding their financial condition and that the board provides oversight of activities.

During the assessment the team tested petty cash, reviewed the last 990 tax return, the previous W-2 and 1099 filings, and the March 31st 2009 federal and state payroll tax filings. To test and verify the accuracy of the financial statements, the team examined the March 31st 2009 bank reconciliations and investment statements from the financial institutions, sampled invoices for coding accuracy and proper approval, reviewed the last inventory of fixed assets and the detail asset registers, examined the detail and aging of accounts payable, and tested the accuracy of significant liabilities. The agency has multiple facilities under construction and the balances appeared reasonable for the work performed.

The team also reviewed timesheets and sampled the personnel files 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 employee wages were tested against the current wage scale.

Grants receivable were not significant because the agency follows the practice of recognizing revenue on a cash basis during the fiscal year and accruing receivables only at fiscal year-end.

Overall, the agency is operating at a high level of fiscal accuracy and has kept the board and management well-informed of their financial condition. The team noted several strengths of the agency finances including:

1. Management understands the need for unrestricted funds and has made significant efforts to establish reserves that can cover unforeseen expenses.
2. Financial information is provided to all areas of the agency. Several managers noted that the monthly financial meetings keep them well-informed about their programs and the status of the agency.
3. The financial department maintains a desirable separation of duties and cross-trains its staff.
4. The purchasing approval process is very thorough.
5. The financial policies are solid and well written.
6. The financial software is utilized very well.
7. Financial managers expect work to be performed against a standard of excellence.

Findings

1. The agency has not adhered to its record retention policy, by retaining fiscal records beyond the seven years required. Disposal of materials no longer required would free up considerable storage space.
2. The agency invalidates the accuracy of its financial reports through its practice of back-posting late arriving invoices to previous periods even though grantor and board reports have been finalized and approved.
3. At the time of the May assessment, the bank statements were last reconciled in February and March.

Recommendations

1. Complete bank reconciliations within 30 days of receipt.
2. Make paycheck direct deposit mandatory for all new employees to speed full utilization and the efficiency it would produce. The agency has recently switched to providing optional direct deposit to all employees.
3. Review and eliminate seldom used accounts. Reducing the 61 revenue and 177 expense accounts would ease budgeting and simplify accounts payable processing.
4. Begin investigation of old outstanding checks after a check is listed as outstanding 90 days. Some currently outstanding checks are over one year old.
5. Streamline the approval process for acquiring equipment in order to take advantage of price quotes in a timely manner. Quotes can sometimes change in the amount of time necessary to obtain required approvals.
6. Investigate the viability of using an administrative cost pool or an indirect rate for charging administrative costs. Currently the agency utilizes the direct charge method, applying administrative personnel hours to individual grants. This method is time consuming and subject to error, given the size of the MEO administrative staff and the need to constantly update administrative allocations for new programs.

Administration

MEO is led by five senior staff members: Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Operations Officer, and Chief Programs Officer. This group has regular weekly meetings. A secondary leadership team consists of these five administrators in addition to program managers. This group also meets on a weekly basis. There appears to be very active communication amongst all managers, and they work together to provide an integration of services for clients.

Interviews were held with the senior staff members, with the exception of the Chief Programs Officer, and with all the program managers. In addition, Human Resources staff were interviewed as was the assistant transportation director.

All staff interviewed indicated that strong communication exists in the management of the organization, which they found to be a strength. The agency has a commitment to staff development and succession planning.

Administrative staff also seem to be dedicated to the mission of the organization and its work with low-income people. The five senior staff appeared to be extremely progressive in their planning and innovative with their program design.

Program managers feel a responsibility to the agency as a whole and not just to their own programs. For example, staff from other programs assist with taking LIHEAP applications and use this opportunity to discuss other needs of the families applying for service. They can use this information to make referrals to other programs within the agency.

The agency employs two IT staff. Each office has email access. All of the offices are networked. Most equipment appears to be up to date, within the past three to five years. The IT staff provide excellent training to any staff member who requests it. They maintain a website and an intranet for MEO employees.

Findings

1. Case management staff have to do intake by hand and then return to their office for input into a computer. This duplication of work is not an efficient use of time.

Recommendations

1. Provide laptop computers for case management staff so they don't have to do intake by hand and then return to office for input into computer. This requires a duplication of work and is not an efficient use of time.

Services

MEO places great emphasis on integration of services. Program workers are very active in providing information about other programs and strive to

eliminate duplicate activities on the parts of the clients. When possible, they try to consolidate the amount of time clients need to spend traveling back and forth to the office to apply for services.

Human Resources

The Chief Human Resources Officer was able to produce all of the documents requested for review. The HR office is very well organized, with an efficient division of responsibilities. Medical files for all employees are maintained separate from their personnel files. Performance reviews are done annually according to the records reviewed. Promotion of staff within the organization is encouraged, and a staff development commitment exists to make intra-agency promotions possible. This was evidenced by the number of program directors and senior staff members who joined the agency at entry-level positions and have risen to major leadership roles within the organization.

In our review of the agency's personnel handbook, many rules appeared to contradict the environment of the organization. The handbook contains stringent rules, such not being allowed to chew gum, not having unkempt or dirty hair; certain colors of hair are not allowed, nor is chipped nail polish.

The Welcome Statement in the personnel handbook reads:

In order to keep our policies and guidelines current, we reserve the right to add to, alter and/or eliminate policies, guidelines, benefits, and procedures at anytime without notice. It is important to remember that the policies and guidelines described in this handbook can only be changed or modified with the written approval of the Chief Executive Officer.

The preceding language, in addition to that in the board handbook, grants the CEO the ability to change personnel policy without permission of the board of directors. The paragraph appears to grant authority to managers of the agency powers to make personnel decisions outside of policy. When the employee handbook was discussed with the Chief of HR, she stated that the CEO had the right to change policy as needed without board approval.

Findings

1. Overly stringent rules may present as much risk to the agency as not having rules.

2. The employee handbook violates the Head Start Act of 2007, which vests complete responsibility for policies in the governing board of a grantee.
3. The board handbook relinquishes its policy-making authority to the CEO and is in contradiction to its bylaws.

Recommendations

1. Submit the employee handbook for review with CAPLAW.

Planning

MEO has a four-year strategic plan that covers the time period of 2005-2009. The Board receives a quarterly update report documenting progress toward the goals outlined in the strategic plan. The strategic plan appears to incorporate all of the work of the organization and allows the board a complete understanding of the agency's work. Currently the senior executive staff and the program directors are engaged in creating a new strategic planning document. They are incorporating the needs assessment completed by the SMC Group for the Maui County. MEO worked directly with the consultants to ensure that the needs of low-income were considered as part of the assessment process.

Several program managers indicated that they hold forums with the community and families to discuss unmet needs and gaps of services in the county.

MEO has a pre-grant review process called PAWG which requires the program director to research the request for proposal to ensure that it fits with the mission of the program and agency and that the program can be self sustaining following grant funds. This is an excellent planning tool.

Findings

1. The goals as outlined in the strategic plan are not reported on in the same order in the quarterly report.

Recommendations

1. Align the strategic plan and the reporting system for ease of review.



Assessment Overview

Between June 1-5, a team of four Meliora consultants conducted an assessment of MEO. Team members included:

Management Specialists		Magi York Lisa Umphrey		Financial Specialists		Dan Miller Chariti Steuhm
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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, all with program management responsibilities. The team met with six board members, including the current president and secretary/treasurer and the past president.



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.