

"FINANCIAL PLANNING / BUDGET" POLICY MONITORING REPORT

TO: CWI Board of Directors
FROM: Francisco Castellanos, Executive Director
RE: INTERNAL MONITORING REPORT - MANAGEMENT LIMITATIONS
Semi-Annual Monitoring on Policy 2.5: **FINANCIAL PLANNING/BUDGET**

I hereby present my monitoring report on your Management Limitations policy 2.5 "Financial planning/Budget" in accordance with the monitoring schedule set forth in board policy. I certify that the information contained in this report, and in the current Statement of Revenues and Expenditures (attached), is true for the period of June 2008 through December 2008.

Signed:  Francisco Castellanos, Executive Director

Signed:  George Bejarano, Director of Financial Operations

BROADEST POLICY PROVISION: *"Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from the board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan."*

CEO's INTERPRETATION: I interpret "material deviation" to mean actual expenditures that are not utilized in a manner consistent with the achievement of board end policies and priorities.

I interpret "fiscal jeopardy" to mean having disallowed costs, expenditures that are over-budget, or expenditures that are under-budget in a manner that is inconsistent with Texas Workforce Commission expenditure policies (which could trigger a de-obligation of funds), or inconsistent with the achievement of board ends policies.

I interpret "multi-year plan" to refer to the Cameron Works Industry Cluster Analysis, its Community Audit and their companion Roadmap multi-year implementation strategy.

I also interpret this policy to indicate that, as CEO, I have the authority to revise the board-approved budget as necessary, consistent with the criteria in this policy. This policy was revised at our September, 2007, board meeting to require that any expenditure exceeding 25% of any HB 1 budget line item must be brought to the board for approval.

POLICY PROVISION #1: *"The Executive Director shall not allow budgeting that risks incurring those situations or conditions described as unacceptable in the "Financial Condition and Activities" policy."*

CEO's INTERPRETATION: I interpret this policy to mean that our budget must plan for compliance with the requirements of that policy. The policy for "Financial Condition and Activities" requires the Executive Director to maintain fiscal integrity and to expend funds in a manner consistent with the Board's ends policies.

REPORT: CWI is responsible for assuring compliance to generally accepted accounting standards including reporting requirements to TWC.

As of this reporting period, we have not exceeded the 25% limitation on expenditures on any administrative line item. **I am therefore reporting compliance.**

POLICY PROVISION #2: *“The Executive Director shall not allow budgeting that omits credible projection of revenues and expenses, separation of capital and operational items, cash flow projections, and disclosure of planning assumptions.”*

CEO’s INTERPRETATION: I interpret this policy to mean that the budget must have adequate data to support the credibility of projections. It must highlight the separation of administrative from program costs/expenses, include a presentation of cash flow expectations for the year, and convey the key assumptions used in creating the projections.

Budgeting categories are unchanged from previous budgets. Revenues and expenses are projected and budgeted on annual program allocations (received from the Texas Workforce Commission) as well as historical spending by the Workforce Center contractor (UMOS) and Child Care Management Services contractor (Southwest Key) in their operational cost. A Statement of Revenues and Expenditures report is prepared monthly in accordance with generally accepted accounting principles (see attachment). The Statement contains the same amount of detail and subsequent audit traceability found sufficient by the auditor last year. **I am therefore reporting compliance.**

The established policy of the CWI Board Governance has been that the budget process was the responsibility of the CWI ED and the Finance Department. Under current Board leadership the process for budget development is proposing to shift the responsibility to an Audit/Finance Adhoc Committee.

POLICY PROVISION #3: *“The Executive Director shall not allow budgeting that plans the expenditure in any fiscal year of more funds than are projected to be received.”*

CEO’s INTERPRETATION: This policy requires that a conservative projection of revenues must exceed our most realistic projection of expense for any fiscal year.

REPORT: Program expenditure benchmarks are established by TWC and passed down to our contractors. A Funds Utilization plan is incorporated in each contract to insure CWI and contractors properly manage funds. WIA requires 80% expenditure of funds in the first year of funding and 100% expended by the end of the second year (June 30). Choices and Food Stamp Employment and Training require 95% expenditure by the end of the year. Child Care requires 95% expenditure by the end of the year.

As of this reporting period, I am reporting compliance.

POLICY PROVISION #4: *“The Executive Director shall not allow budgeting that provides less for Board activities during the year than is set forth in the Governance Investment Policy (in Governance Process).”*

CEO’s INTERPRETATION: As the board establishes its budget for what it believes is important to invest in its own governance, this policy requires that I ensure that the annual budget I prepare for the corporation as a whole allocates at least as much as is stated in the Cost of Governance policy for board prerogatives and functions.

REPORT: CW has implemented reductions in the current budget that decrease the budget for these activities. **I am therefore, reporting compliance**