

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**
California Environmental Protection Agency
1001 I Street, Sierra Hearing Room
Sacramento, California 95814
August 26, 2005

PANEL MEMBERS

David Filomeo
Chairperson

Barry Broad
Vice Chair

Bob Giroux
Member

Robert Lennox
Member

Janice Roberts
Member

Tyrone Freeman
Member

Scott Gordon
Member

Executive Staff

Ada Carrillo
Acting Executive Director

Susan Bobrow
Acting General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

David Filomeo, Chair, called the public Panel meeting to order at 9:30 a.m.

II. ROLL CALL

Members Present

David A. Filomeo, Chairperson
Barry Broad, Vice Chair
Scott Gordon
Janice Roberts

Members Absent

Tyrone Freeman
Bob Giroux
Robert Lennox

Executive Staff Present

Ada Carrillo, Acting Executive Director
Susan Bobrow, Acting General Counsel

III. APPROVAL OF AGENDA

ACTION: Mr. Broad moved and Ms. Roberts seconded the Panel approve the Agenda.

Motion carried, 4 – 0.

IV. APPROVAL OF MINUTES

ACTION: Mr. Broad moved and Ms. Roberts seconded the Panel approve the Panel Minutes of July 22, 2005.

Motion carried, 4 – 0.

V. REPORTS OF THE CHAIRPERSON/PANEL MEMBERS

None

VI. REPORT OF THE ACTING EXECUTIVE DIRECTOR

Legislative Report

Ms. Carrillo described two bills and the status of each:

Senate Bill 102 (Ducheny) would authorize ETP to fund up to five licensed nurse training projects for individuals currently working as nurse assistants or caregivers. It was recently amended to remove budget act appropriation language for this purpose.

Senate Bill 314 (Romero) would allow training of workers in seasonal industries who do not otherwise qualify for ETP funded training, under the Special Employment Training (SET) category. The bill is permissive and would allow the Panel additional flexibility in reaching the major seasonal industries. California Manufacturing and Technology Association and California Chamber of Commerce had opposed this bill since much of the agricultural industry was perceived not to be paying the Employment Training tax that supports ETP. As amended, SB 314 requires participating employers to pay the tax. This bill moved from the Assembly Appropriations Committee and will go forward to the Assembly Floor and then to the Senate.

Fund Status

Ms. Carrillo stated that in the current ETP fund, with reference to the Fund Status Report for Fiscal Year 2005-06 in the Panel Binder, there was almost \$85,000,000. Although this fund was established solely for the support of the ETP program, almost \$38,000,000 is going to the Department of Social Services for the Cal Works program. This year ETP is moving forward with a budget change proposal requesting to restore the full funding back to ETP.

Request Motion to Delegate in Event of Loss of Quorum

Ms. Carrillo asked for a motion to delegate to the Acting Executive Director the authority to approve projects for which a quorum does not exist in consultation with the Panel Chair or Vice Chair.

ACTION: Mr. Broad moved and Ms. Roberts seconded the Panel delegate to the Acting Executive Director the authority to approve projects for which a quorum does not exist in consultation with the Panel Chair or Vice Chair.

Motion carried, 4 – 0.

Ms. Carrillo asked for a motion to approve those single employer contracts that have been placed on Consent that are less than \$100,000 and do not have any issues.

Consent Calendar Projects

ACTION: Ms. Roberts moved and Mr. Broad seconded the Panel approve the following proposals:

DeKing Screw Products, Inc.	\$15,200
Imtec Acculine, Inc.	\$23,520
Johnson Matthey, Inc.	\$52,000
Superior Anhausner Foods, Inc.	\$77,805
Thermionics Metal Processing Inc.	\$46,060
Trans FX, Inc.	\$8,400
Vacuum Coating Technologies, Inc.	\$17,000

Motion carried, 4 – 0.

Ms. Carrillo referred to page 11 of the Minutes. At the prior month’s Panel meeting, action was taken on Connecticut General Life Insurance Company for Cigna Companies (Connecticut General) located in Tulare County. Connecticut General is in the business of processing insurance claims. The Connecticut General funding proposal indicated that the company has a 19 percent turnover rate. The company representative was unable to attend the meeting due to a flight delay. Initially, the Panel had approved the project for \$403,520 without questioning the turnover rate. The Panel then requested to reconsider the issue due to concerns about the 19 percent turnover rate. The Panel revised its motion to approve, by adding a condition that the whole cost-per-trainee is at stake if a 20 percent turnover rate is not maintained during the term of the agreement.

At the subject Panel meeting, Ms. Carrillo stated that this condition was much more restrictive than the requirements set out in the regulations. The regulations state that 25 percent of the cost-per-trainee would not be earned if a 20 percent turnover rate was not maintained during the last 12 months of the contract. Ms. Carrillo asked for further clarification on this topic from Mr. Broad and also recommended following the regulatory restriction. Mr. Broad suggested that the item be reconsidered consistent with staff recommendations.

ACTION: Mr. Broad moved and Ms. Roberts seconded reconsideration of the Connecticut General proposal in accordance with staff recommendations.

Motion carried, 4 - 0.

ACTION: Upon reconsideration of the proposal, Mr. Broad moved and Ms. Roberts seconded approval that in the last 12 months of the project,

Connecticut General would not earn the final 25 percent if the company exceeds a 20 percent turnover rate.

VII. REPORT OF THE ACTING GENERAL COUNSEL

Ms. Bobrow announced that ETP will hold an interested persons meeting in connection with the legal department's efforts to improve the subcontracting process. The meeting is expected to be held on September 29, 2005, at the ETP Sacramento office. This date is not final and is subject to change. Upon final notice, the meeting date will be posted on the ETP website and notices will be sent to stakeholders. Ms. Bobrow welcomed input for the meeting agenda.

Ms. Bobrow stated that, later in the day, there would be discussion regarding an audit regulation to be presented by Maureen Reilly, Staff Counsel, with the assistance of the Audit Unit Manager, Chuck Rufo.

VIII. REVIEW AND ACTION ON AGREEMENTS AND AMENDMENTS

Single Employer Proposals

Quest Diagnostics Nichols Institute

Diana Torres, Manager of the San Diego Office, presented a One-Step Agreement for Quest Diagnostics Nichols Institute (Nichols Institute) in the amount of \$499,500. Ms. Torres referred to a revision on page 3 of the Memorandum in the Panel Binder. Previously in the proposal, health benefits were not going to be utilized. However, given the nature of training and the type of jobs employees would be moving into, health benefits would need to be utilized in order to meet the ETP Minimum Wage.

Nichols Institute proposes to train 169 workers. Sixty-nine of the workers would be trained for jobs as Clinical Laboratory Scientists. Nichols Institute requests a waiver of the ETP limit of no more than 200 hours for an individual trainee in order to allow ETP funding for 280 hours of Advanced Technology class/lab training at \$20 per hour, for 69 of these trainees. These trainees would be trained in a total of 2000 hours of which Nichols Institute is funding the balance. The cost per trainee for these 69 trainees would be \$5,600; double the average. Ms. Torres explained that these trainees currently hold positions as specimen processors, laboratory associates, and laboratory assistants. At the end of training, they would be moved into the Clinical Laboratory Scientist position with wages as high as \$28.44 per hour. Nichols Institute will not earn ETP reimbursement until each trainee completes all 2000 hours of training and is retained as a Clinical Laboratory Scientist for a minimum of 90 days.

Ms. Torres introduced Marianne Weinell, Director of Quality and Steve Duscha, Alliance for ETP, on behalf of Nichols Institute.

Mr. Broad was concerned about funding training for jobs that require certification (Clinical Lab Scientists) because a portion of these trainees might fail the licensing examination. He asked if a four-year college degree was necessary as a pre-requisite to take the licensing exam. Ms. Weinell commented that a four-year college degree was required. Mr. Broad inquired whether Nichols Institute conducted medium and high complexity testing. Ms. Weinell stated that Nichols Institute conducted high complexity testing only.

Mr. Broad questioned whether training dollars could be reimbursed to ETP for trainees who did not receive a license. Ms. Weinell commented that Nichols Institute was one of the few laboratories approved to offer training in biotechnical topics including Molecular Biology, Cytogenetics, Chemistry, and Microbiology. Ms. Torres stated that the proposed training would take approximately a year to complete. She said that Nichols Institute would place trainees, upon completion of training, under a temporary license so they could earn the ETP wage for the 90-day retention period. Ms. Torres stated that if ETP were to require that trainees must first pass the licensing exam, that many of these trainees could not satisfy the 90-day retention within the 2 year term of the ETP Agreement. Ms. Weinell stated that all of these trainees would move into the higher wage after completion of training, while awaiting their examination and licensure. Mr. Filomeo inquired about the pass rate. Ms. Weinell replied that the pass rate is approximately 60-70 percent.

Mr. Filomeo asked if any individuals had completed this training program. Ms. Weinell said this would be the first class. She stated that for the pilot class, which was started last year, the trainees took a national exam versus a California-based exam and the students who took the national exams have passed so far. Mr. Broad asked how many trainees were in the pilot class. Ms. Weinell replied there were 13. Mr. Broad commented it was an excellent proposal and that there was a critical shortage of people in the state with these credentials.

ACTION: Mr. Broad moved and Mr. Gordon seconded the Panel approve the One-Step Agreement for Nichols Institute in the amount of \$499,500.

Motion carried, 4 – 0.

SMS Technologies, Inc.

Ms. Torres presented a One-Step Agreement for SMS Technologies, Inc. (SMS) in the amount of \$179,634 to train 147 of its employees. SMS is an Electronics Manufacturing Service Industry (EMSI) provider in the San Diego area with 160 employees. There is no substantial contribution because SMS did not earn at least \$250,000 in the first two ETP-funded projects at this same facility. The requested funding for this third project is due to downsizing that occurred during the term of the second ETP agreement, which resulted in fewer trainees than anticipated. SMS also requires new training because it is now in a growth mode. In addition, two new business opportunities require supplemental training of SMS employees.

Ms. Torres introduced Robert L. Blumberg, President. There were no questions from Panel Members.

ACTION: Ms. Robert moved and Mr. Broad seconded the Panel approve the One-Step Agreement for SMS in the amount of \$179,634.

Motion carried, 4 – 0.

Dreamworks Animation SKG, Inc.

Ms. Kendrick, Manager of the North Hollywood Office, presented a One-Step Agreement for Dreamworks Animation SKG, Inc. (Dreamworks) in the amount of \$551,044 to retrain 566 workers from its Glendale and Redwood City facilities. Dreamworks develops and produces computer-generated animated films.

Ms. Kendrick introduced Michael R. Sehgal, Vice President and Head of Training.

Mr. Broad questioned whether production, distribution and releases of motion pictures were going to other countries and states due to incentives, or whether they were distributed locally. Mr. Sehgal responded that the animations would go to organizations which were focused and dedicated on producing animation here in the United States, specifically in California. He said the nature of the industry was advancing technology to meet demands for better visuals and performances.

ACTION: Mr. Broad moved and Ms. Roberts seconded the Panel approve the One-Step Agreement for Dreamworks in the amount of \$551,044.

Motion carried, 4 – 0.

Northrop Grumman Space Technology, a Business Unit of Northrop Grumman Space and Mission Systems Corporation

Mr. Filomeo recused himself from review, discussion, and action on this proposal due to a conflict of interest. Mr. Broad acted as Chair in his place.

Ms. Kendrick presented a One-Step Agreement for Northrop Grumman Space Technology, a Business Unit of Northrop Grumman Space and Mission Systems Corporation (NGST) in the amount of \$832,000 to train an additional 1,500 employees in the Six Sigma process. NGST develops strategic products and services for space, defense, and electronics technology. NGST's products contribute to aerospace, information systems, communications, government, and commercial markets worldwide. A 50 percent substantial contribution will be assessed this time. The facilities included in this proposal are Redondo Beach, San Diego, San Clemente, and Carpinteria.

Ms. Kendrick introduced Ronald Smith, Vice President, Six Sigma and Rich Ley, Six Sigma Business Manager.

Mr. Broad raised the issue that NGST was continually presenting proposals to ETP to train employees in what he observed to be basic training, not supplemental training. He stated that eventually, 100 percent of NGST's employees would be trained, and that ETP would ultimately fund all of the training. Given ETP's budget restraints, Mr. Broad questioned whether ETP should be responsible for funding the basic training being requested by NGST. He asked that in the future, NGST consider whether funds for training should come from the company's own budget.

Mr. Gordon questioned whether the company's new-hire packet included a training segment. Mr. Smith responded that the new-hire packet had an overview of the whole company including performance expectations and training. Mr. Smith explained there were many types of training including a fellowship program to continue education under an agreement with the University of Southern California. There is also developmental training, which is an option for the employees and their supervisors. Mr. Gordon stated this was a key element, especially if training is part of the employee's requirement to work for the company so that they may streamline through the system. Mr. Ley stated that new employees are aware of what is expected of them and that the company expectations were outlined in the new employee packets.

Mr. Broad stated that due to the lack of a quorum, the proposal would be referred to the Acting Executive Director and Vice Chair for consideration based on the motion passed earlier that morning.

Anritsu Company

Creighton Chan, Manager of the San Francisco Bay Area Office, presented a One-Step Agreement for Anritsu Company (Anritsu) in the amount of \$322,452. Anritsu develops, manufactures, and sells test and measurement systems and high-speed devices and components primarily used by telecommunications, microwave, mobile satellite, wireless, and defense companies. The training outlined in this proposal would allow the company to reach four main goals: (1) to improve its market share and increase the global competitiveness; (2) to implement strategies and invest in capital equipment to meet customer requirements; (3) to produce electronic products free of lead and other chemicals by July 1, 2006; and (4) to accelerate the launch of new product releases. The company would train 477 employees to receive between 24-200 hours of class/lab training.

Mr. Chan introduced Deborah Morton-Padilla, Director of Human Resources. Ms. Roberts commented that the subcontractor's fees were capped at 10 percent of the agreement amount. She stated it should be the earned amount, not the agreement amount. Mr. Chan noted that staff is in the process of reviewing all subcontracts to ensure that these fees are based on the earned amount.

ACTION: Ms. Roberts moved and Mr. Broad seconded the Panel approve the One-Step Agreement for Anritsu in the amount of \$322,452.

Motion carried, 4 – 0.

Aerojet-General Corporation, a Gencorp Company, dba Aerojet

Mr. Filomeo recused himself from review, discussion, and action on this proposal. Mr. Broad acted as Chair in his place.

Ruby Cohen, Manager of the Sacramento Office, presented a One-Step Agreement for Aerojet General Corporation, a Gencorp Company, dba Aerojet (Aerojet) in the amount of \$181,510. Aerojet is an aerospace manufacturer located in the greater Sacramento area, which manufactures specialties including missile propulsion components and armaments for the U.S. Department of Defense. Aerojet is proposing to train 600 employees in business skills, computer skills, continuous improvement, and manufacturing skills. The training will be focused on approximately 500 newly hired individuals, of which 300 have yet to be hired. According to company officials, 70 of the new-hire trainees would come from outside California.

Ms. Cohen introduced Dr. Marvin F. Young, Vice President of Engineering and David W. Duncan, Chief Steward of Local 946 International Association of Machinists and Aerospace Workers. Ms. Roberts asked how the company knew which employees were coming in from outside of California. Mr. Young responded that the individuals filter in throughout the year and that recruiting is an ongoing effort. Historically, they have seen approximately a dozen employees coming in per month. Ms. Roberts commented on the ETP-funded project that was running concurrently, and questioned whether the 530 employees to be trained had been included in that concurrent program. She questioned whether there was a difference in the training curriculum than the training running concurrently. Mr. Young stated that most of the employees would be trained on the New Enterprise Resource Planning software tool which was not previously available. This is a new company initiative set to begin November 2005.

Mr. Broad stated that due to the lack of a quorum, the proposal would be referred to the Acting Executive Director and Vice Chair for consideration based on the motion passed earlier that morning.

PGP International, an ABF Ingredients Company

Ms. Cohen presented a One-Step Agreement for PGP International, an ABF Ingredients Company (PGP International) in the amount of \$221,234 to train 134 employees. PGP International is a manufacturer that develops and markets food ingredients for domestic and international customers in various segments of the food industry. Company officials state that, based on the need for higher quality standards and increased productivity, they are proposing to provide their workers with new skills

including, but not limited to: productive problem solving, communication skills, team building, process improvement, and, vocational English as a second language (as required).

Ms. Cohen introduced Zachary S. Wochock, Chief Executive Officer and Lilia Uribe, Administration Services Coordinator.

ACTION: Mr. Broad moved and Ms. Roberts seconded approval of the One-Step Agreement for PGP International in the amount of \$221,234.

Motion carried, 4 – 0.

Americold Logistics, LLC

Ms. Torres presented a One-Step Agreement for Americold Logistics, LLC (Americold) in the amount of \$273,000 to train 150 employees at its new Victorville facility in San Bernardino County. With reference to the ETP Form 130 Memo in the Panel Packet, it is under the Special Employment Training category for 75 of the 150 trainees, given their barriers to full-time employment. These trainees need not meet the Unemployment Insurance eligibility which requires past employment history. These trainees may also have limited educational backgrounds and communication skills. Targeted trainees have at least 2 identified barriers to full-time employment and would meet the ETP minimum wage of \$11.34 with health benefits.

Ms. Torres introduced Kimberlie Turner, Regional Human Resource Manager and David L. Alloway, President and Founder of Horizon Training & Development.

Ms. Roberts inquired if Americold had received any transfers from other locations to help start up operations. Ms. Turner stated they had received 5 transfers. Ms. Roberts commented on the subcontractor amount of 12.5 percent of the amount awarded and the need for caution regarding the amount to be funded by ETP to subcontractors.

ACTION: Ms. Roberts moved and Mr. Broad seconded the Panel approve the One-Step Agreement for Americold in the amount of \$273,000.

Motion carried, 4 – 0.

South Bay Education Fund

South Bay Education Fund was withdrawn from consideration at this month's Panel meeting.

Multiple Employer Contracts

Franklin Career College, Inc.

Ms. Torres noted a correction to be made on page 1 under employer support cost. It stated 15 percent and the correct amount should read 8 percent. She stated it was reflected correctly in the dollar amount.

Ms. Torres presented a One-Step Agreement for Franklin Career College, Inc., (Franklin) in the amount of \$398,080 to train 64 unemployed individuals to be placed in three separate occupations at the completion of training. The cost per trainee for all 64 individuals would be \$6,220. Franklin justified the cost by stating the number of hours in the curriculum was necessary to train the target population who had limited English language proficiency, a lack of significant work history, and reading and math skills below the seventh grade. These occupations are in fields with defined career and wage progressions. The trainees would be placed at the minimum wage of \$11.00 per hour, which is higher than the ETP Minimum Wage for new hires for both Los Angeles and San Bernardino Counties. Ms. Torres added that Franklin is accepting a lower hourly reimbursement of \$12.92, which is lower than the fixed fee ETP rate of \$15.00 per hour. She also said that Franklin lowered their cost-per-trainee to no higher than a previous similar project approved by the Panel this fiscal year, based on staff's recommendation.

Ms. Torres introduced Ali Bayrami, President/CEO and Rose Hernandez, Chief Operating Officer.

Mr. Broad commented on the high cost of training. Mr. Bayrami responded that the individuals recruited for training had multiple obstacles to overcome. He stated many individuals had limited English language proficiency and brief work histories. Mr. Bayrami stated their initial proposal was for 480 hours and ETP staff suggested reducing the price and hours. He stated the training was for remedial education, as well as training in job skills needed for returning to the workforce. Mr. Filomeo said he was not concerned with the wage amount; his concern was that 26 percent of their salary or first year's reimbursement from ETP would be spent training the individuals to earn \$24,000 per year. Mr. Bayrami stated after trainees began their employment, many earned \$13.00-\$15.00 after being employed for a year.

Ms. Roberts commented on the 64 new-hire trainees, saying it appeared that only 40 would be hired. Ms. Torres stated that staff did not require participating employers to hire 100 percent of the trainees. She noted that, over the two-year contract period, the training agency would be expected to receive new participating employers. She explained that ETP requires 50 percent of trainees be identified for project consideration to demonstrate employee demand for training.

Ms. Carrillo added that the training entity was at risk since there is no employer record at the beginning of training, when trainees were being taken off the unemployment

lines. The cost-per-trainee for these occupations is consistent with what was recently approved, and the wages are higher even though they are in a depressed area. She noted to Mr. Broad that a general recommendation would be made next month, regarding the high cost of this type of training.

Ms. Roberts stated that, as a human resources director, she commonly used temporary agencies for recruiting employees, and a fee was charged. She inquired if Franklin received any fees from any proposed employers. Mr. Bayrami stated that no, they did not. He said professional development and placement was Franklin's sole responsibility.

Mr. Gordon asked if the trainees would be employed during the time they received training. Mr. Bayrami stated the trainees would remain unemployed. Mr. Gordon asked if they would receive a stipend. Mr. Bayrami said some trainees may receive stipends, but many had exhausted their unemployment benefits. Ms. Carrillo stated they may be collecting Unemployment Insurance benefits. Mr. Filomeo stated if the trainees did not stay in the program, Franklin was at risk for the training costs.

ACTION: Mr. Broad moved and Ms. Roberts seconded Panel approval of the One-Step Agreement for Franklin in the amount of \$398,080.

Motion carried, 4 – 0.

Southeast Los Angeles County Workforce Investment Board (SELACO WIB)

Ms. Kendrick presented a One-Step Agreement for Southeast Los Angeles County Workforce Investment Board (SELACO WIB) in the amount of \$2,299,848 to retrain 2,277 workers. SELACO WIB is a nonprofit organization formed pursuant to the federal Workforce Investment Act of 1998. Employers participating in this agreement would be manufacturers or other companies facing out-of-state competition. Trainees would receive between 24-200 hours from a menu curriculum which includes manufacturing skills, business skills, computer skills, and continuous improvement. Earlier this year, SELACO WIB staff identified areas of major growth in Southern California and isolated the manufacturing industries. SELACO WIB developed a three-year strategic plan which focused on workforce issues, business retention, and expansion.

Ms. Kendrick said the curriculum proposed in the agreement was primarily based on feedback from employers who have participated in prior ETP agreements, along with detailed assessments. The curriculum has been customized to meet the specific needs of the participating employer. Training is mandatory for all core trainees and it is anticipated that at least 90 percent of all training will be conducted at the employer's worksite. She noted that SELACO WIB had submitted letters of support for its training program from: Betty Karnette, Assembly Member, 54th District; Alan Lowenthal, Senate Member, 27th District; and Rudy Bermudez, Assembly Member, 56th District.

Ms. Kendrick introduced Ron Crossley, Executive Director; Larry Lee, Business Services Manager; Cecilia Mauricio, Human Resources Manager for FS Precision Tech (a participating employer); and Kevin J. Kucera, SELACO WIB Board Member, with Machinists Automotive Trades, Local Union 1484.

ACTION: Mr. Broad moved and Ms. Roberts seconded the Panel approve the One-Step Agreement for SELACO WIB in the amount of \$2,299,848.

Motion carried, 4 – 0.

2005-06 Strategic Plan

Mike Rice, Manager of Planning and Research for ETP, presented the Strategic Plan for Fiscal Year (FY) 2005-06 with reference to the Memorandum to Panel Members dated August 26, 2005, in the Panel Packet. He said the Panel is required to update its Strategic Plan and submit it to the Governor and Legislature annually. The proposed plan has been updated based on an assessment of the California economy, the Panel's role in the economy, available staff resources, and ETP's budget. In view of these factors, the Plan outlined funding priorities for the year, and proposed corresponding goals and objectives.

Mr. Rice stated the proposed action, which is to approve the 2005-06 Strategic Plan with direction to staff to incorporate any requested changes, and delegation of authority to the Executive Director for final approval. He asked Panel Members if they had any questions. Ms. Roberts referred to Goal #6, Increase ETP Funding to Standard Levels. She asked if there was an action plan as to how it would work. Mr. Rice responded that for many years, the budget act had transferred a large portion of what is in the Employment Training Fund to several other programs, primarily to the Department of Social Services for CalWorks. It has been an ongoing issue, and budget change proposals have been submitted in the past to recapture these funds. He stated the first step was to submit a budget change proposal. It would first go to Labor Agency for approval, then to Department of Finance; if approved, it would be submitted as a proposed change in the budget to elevate ETP funds to the standard level, which is \$76,000,000.

ACTION: Mr. Broad moved and Ms. Roberts seconded the Panel approve the 2005-06 Strategic Plan.

Motion carried, 4 – 0.

Audit Regulations

Maureen Reilly, Staff Counsel for ETP, presented the Proposed Amendments to Section 4448, Title 22, California Code of Regulations on auditing procedures and standards. She explained that the current regulation does not specify the procedures to be followed and makes no mention of sampling or statistical sampling. She said the

proposed amendment would incorporate language currently in the standard ETP Agreement, to the effect that ETP auditors follow the Generally Accepted Government Auditing Standards. The amendment would also specify that the auditors may use statistical sampling in order to extrapolate the overpayment. Ms. Reilly stated that Chuck Rufo, ETP's Audit Manager, was available to explain more about extrapolation if needed. She pointed out a correction to be made under subsection (a) line 5 to change "its criteria" to "his or her" criteria.

Ms. Reilly pointed out a few other areas in which the proposed amendment would clarify the language currently in the contract. This amendment includes a reference to a government website where individuals could find the Generally Accepted Government Auditing Standards. The auditor must use his or her professional judgment in making certain determinations in the course of the audit. The audited employer would have an opportunity to refute the findings of the extrapolation and the result in overpayment. When a probable overpayment is determined by statistical sampling and extrapolation, the final audit report shall include the following: (1) the statistical sampling methodology; (2) the sample size; (3) the population from which the sample was drawn; (4) the calculations used to extrapolate the overpayment; and (5) the confidence level used to set the precision of the extrapolation. Throughout her presentation, Ms. Reilly referred to the Memorandum to Panel Members dated August 26, 2005, in the Panel Packet, which includes a detailed explanation of the proposed amendment along with the strikeout-and-underline revisions.

Mr. Filomeo referred to section (b), line 1, and noted a change to be made from "its selection" to "his or her" selection. Mr. Filomeo requested clarification on when sampling would result in extrapolation. Mr. Rufo responded that there is a materiality level; usually this is a percentage that ETP allows the contractor for error. If the percentage is not exceeded in the initial sample, ETP does not extrapolate. If the percentage is exceeded, this indicates a high degree of error, so that auditors could not reasonably test 100 percent of the audit population, which is when the formula for extrapolation would be used. Mr. Filomeo clarified, if 28 percent exceeded the threshold, it would then be incumbent upon the company to refute the claims and bring in a full-blown review. Mr. Rufo agreed with Mr. Filomeo.

Turning to procedural matters, Ms. Reilly explained that if the Panel approves the proposed amendment it will be noticed for public comment in the California Notice Register and on the ETP website. There is a 45-day public comment period. If comments are received, they are reviewed and beneficial changes would be made, at which point the proposed amendment could come back to the Panel for review. If there are no comments, the proposed amendment would go directly to the Office of Administrative Law, where there is a 30 day review period. If satisfactory to the Office of Administrative Law, the amendments would become final.

ACTION: Ms. Roberts moved and Mr. Broad seconded the Proposed Amendment to Section 4448, Audits.

Motion carried, 4 – 0.

Marketing Request for Proposals

Charles Lundberg, Economic Development Director for ETP, presented the Marketing Request for Proposals with reference to the Memorandum to the Panel dated August 26, 2005 in the Panel Packet. Historically, ETP has used a variety of marketing partners. In the last three years, ETP has had marketing contracts with California Manufacturing & Technology Association and California Labor Federation, AFL-CIO. The contracts will expire November 2005 and Mr. Lundberg requested Panel approval of \$425,000 to issue Request for Proposals (RFPs) for new marketing services to begin December 2005.

Three one-year marketing contracts were outlined: (1) a contract in the amount of \$250,000 for a statewide manufacturing or business organization; (2) a contract in the amount of \$150,000 with a statewide labor organization; (3) a small promotional contract in the amount of \$25,000 with a statewide membership organization to market to their members. He said these amounts were based on the current ETP budget, as well as funds used in previous initiatives. Staff recommended that the Panel approve the request to allocate \$425,000 toward marketing contracts and direct staff to prepare the RFPs with the goal of implementing contracts by December 1, 2005.

Mr. Broad observed that the Marketing Proposal Memo did not mention that the \$250,000 contract would be performance-based. Mr. Lundberg replied that the two marketing contracts would be performance-based. If the organizations did not bring in contracts, they would not be paid. Mr. Broad inquired about the \$25,000 promotional contract Mr. Lundberg replied that it would not be specifically performance-based. This would be a statewide promotional effort to generate leads and bring a sense of awareness of the ETP program in areas of the state which were hard to reach. Ms. Carrillo stated the contract would be based on meeting certain deliverables, and payment would be based on completing these activities, such as writing articles in newsletters. Mr. Lundberg agreed that proposals should be presented to ETP with specific deliverables in terms of marketing efforts.

Ms. Roberts requested further clarification on the Request for Proposal (RFP) process. Mr. Lundberg stated the goal was to replicate what ETP had done 2 ½ years prior, to put out an RFP with very specific details of the performance-based requirements. The proposals would then be reviewed internally and scored, and winners would be awarded the contracts. Ms. Roberts inquired about the percentage or ratio of performance-based pay for every proposal approved by the Panel. Mr. Lundberg stated the percentage would be noted as the proposals were presented. Ms. Roberts suggested ETP look into job fairs and local colleges for marketing strategies.

Mr. Filomeo requested an amendment to include the phrase “performance-based” for a statewide manufacturing or business organization.

ACTION: Mr. Broad moved and Ms. Roberts seconded Panel approval that staff be directed to move forward with the RFP process for marketing contracts and amend the memo to include that the statewide manufacturing or business organization contract would be performance-based.

Motion carried, 4 – 0.

IX. PUBLIC COMMENT

There was no Public Comment at this month's Panel meeting.

X. EXECUTIVE SESSION

There was no Executive Session at this month's Panel meeting.

XI. ADJOURN

ACTION: Mr. Broad moved and Ms. Roberts seconded to adjourn the meeting at 11:42 a.m.

Motion carried, 4 – 0.