



Mary Taylor, CPA
Auditor of State

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Area 7 Workforce Investment Board
Montgomery County
1111 S. Edwin C. Moses Blvd.
Dayton, Ohio 45408

To the Workforce Investment Board:

We have audited the accompanying financial statements of the governmental activities of Area 7 Workforce Investment Board, Montgomery County, Ohio (the Board), as of and for the year ended June 30, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the governmental activities of the Area 7 Workforce Investment Board, Montgomery County, Ohio as of June 30, 2009, and change in cash financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2010, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the Board's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. We subjected this schedule to the auditing procedures applied in our audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 10, 2010

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

This discussion and analysis of the Area 7 Workforce Investment Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended June 30, 2009, within the limitations of the Board's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

Highlights

Key Highlights for 2009 are as follows:

- The Board was formed July 1, 2004 making this our fifth year of operation with the following carry-forward grant allocations from the Ohio Department of Job and Family Services of \$7,392,574 from fiscal years 2006, 2007, and 2008:

WIA Administration	\$667,613
WIA Adult	1,711,258
WIA Dislocated Worker	1,549,622
WIA Youth	1,384,007
WIA Special Project	38,449
Career Advancement Account	93,615
Mass Layoff Planning	146,422
National Emergency Grant	347,126
Rapid Response	1,394,579
Veteran's Rapid Response	15,170
Veteran's Short Term Training	4,208
Workforce Services	27,140
WorkKeys Assessment	13,365
Total Carry Forward	<u>\$7,392,574</u>

- The Board's receipts are solely from support from Federal and State governmental agencies. The federal receipts are designated for employment and training related activities.
- The Board's total grant allocations including carry forward of \$7,392,574 during the program year, was \$87,954,615.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board's cash basis of accounting.

Report Components

The Statement of Net Assets and Statement of Activities provide information about the cash activities of the Board.

The notes to the basic financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Board has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The Statement of Net Assets and Statement of Activities reflect how the Board did financially during 2009, within the limitations of the cash basis accounting. The two statements report the Board's net assets and changes in those assets. The Statement of Activities presents the receipts and disbursement activity during 2009. These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements report the Board's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position is one indicator of whether the Board's financial health is improving or deteriorating. When evaluating the Board's financial condition, you should also consider the reliance on non-local financial resources for operations and the need for continued growth in revenue sources.

The Government as a Whole

The Statement of Net Assets – Cash Basis provides the perspective of the Board as a whole and Table 1 provides a summary of the Board's net assets for 2009 compared to 2008.

**Table 1
Net Assets – Cash Basis**

	<u>2009</u>	<u>2008</u>
Assets:		
Cash	<u>\$113,065</u>	<u>\$1,000</u>
Net Assets:		
Restricted:		
Grant Programs	<u>113,065</u>	<u>1,000</u>
Total Net Assets	<u>\$113,065</u>	<u>\$1,000</u>

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Table 2 reflects the change in cash position during fiscal year 2009 as well as a comparative analysis of fiscal year 2008.

**Table 2
Change In Cash Position**

	2009	2008
Program Disbursements:		
Workforce Development:		
Adult	\$11,485,953	\$9,876,053
Adult Stimulus	406,451	
Dislocated Worker	15,123,437	8,218,012
Dislocated Worker Stimulus	346,546	
Special Project	332,540	63,771
Rapid Response	3,488,763	3,786,717
Youth	8,997,626	8,938,897
Youth Stimulus	1,742,726	
Youth Employment	809,233	
National Emergency Grant	3,089,275	418,111
Incumbent Worker Training	550,492	
Career Advancement Account	1,751,253	
Veteran's Short Term Training	67,220	42,259
Workforce Services	56,730	30,589
Mass Layoff Planning	189,372	
Veteran's Rapid Response	124,044	
One Stop Memorandum of Understanding Administration	689,650	743,244
	<u>2,896,864</u>	<u>2,481,702</u>
Total Program Disbursements	<u>52,148,175</u>	<u>34,599,355</u>
Program Receipts		
Workforce Development:		
Adult	11,226,489	7,928,401
Adult Stimulus	406,451	
Dislocated Worker	13,990,102	6,032,288
Dislocated Worker Stimulus	346,546	
Special Project	332,540	192,158
Rapid Response	4,832,823	3,021,094
Youth	8,509,939	7,107,684
Youth Stimulus	1,742,726	
Youth Employment	938,188	
National Emergency Grant	3,469,889	(74,639)
Incumbent Worker Training	550,492	
Career Advancement Account	1,739,860	
Veteran's Short Term Training	67,220	41,208
Workforce Services	65,840	581
Mass Layoff Planning	181,553	15,130
Veteran's Rapid Response	124,044	
One Stop Memorandum of Understanding Work Key Administration	689,650	602,370
	<u>3,045,888</u>	<u>64,636</u>
Total Program Receipts	<u>52,260,240</u>	<u>26,478,206</u>
Increase/(Decrease) in Cash	<u>\$ 112,065</u>	<u>(\$8,121,149)</u>

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)
(Continued)**

Federal and State grants represent 100% of total receipts.

Administrative receipts represent less than 10% of the total allocation and are primarily comprised of federal grant revenue.

Receipts and disbursements for the year were largely for direct services by member counties for training and supportive and employment related activities for both job seekers and employers within and outside of the Board.

Capital Assets

The Board does not own any capital assets. All capital assets used by the Board are owned by Montgomery County.

Debt

The Board has no debt obligations.

Contractual Obligations

The Board entered into a contract with Clark State Community College, for the period July 1, 2008 through June 30, 2009, at a cost of \$464,319, for continuation and maintenance of Board headquarters and administrative services.

The Board entered into a Memorandum of Understanding with Montgomery County, for the period July 1, 2008 through June 30, 2009, to provide fiscal agent and business driven services. This Memorandum of Understanding was established not to exceed \$124,170 for Montgomery County Auditor and Treasurer to provide financial processing and accountability services for Area 7.

Contacting the Board's Financial Management

This financial report is designed to provide the Chief Elected Officials and the Workforce Investment Board with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Theo. A. Adegboruwa, Chief Fiscal Officer, Ohio Area 7 Consortium of Chief Elected Officials, 1111 South Edwin C. Moses Blvd., Dayton, Ohio 45408, (937) 225-5590.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009**

Assets:

Cash	<u>\$113,065</u>
Total Assets	<u>113,065</u>

Net Assets:

Restricted:

Grant Programs	<u>113,065</u>
Total Net Assets	<u><u>\$113,065</u></u>

See accompanying notes to the basic financial statements.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009**

Program Disbursements:

Workforce Development:

Adult	\$11,485,953
Adult Stimulus	406,451
Dislocated Worker	15,123,437
Dislocated Worker Stimulus	346,546
Special Project	332,540
Rapid Response	3,488,763
Youth	8,997,626
Youth Stimulus	1,742,726
Youth Employment	809,233
National Emergency Grant	3,089,275
Incumbent Worker Training	550,492
Career Advancement Account	1,751,253
Veteran's Short Term Training	67,220
Workforce Services	56,730
Mass Layoff Planning	189,372
Veteran's Rapid Response	124,044
One Stop Memorandum of Understanding	689,650
Administration	2,896,864
Total Program Disbursements	<u>52,148,175</u>

Program Receipts:

Operating Grants:

Adult	11,226,489
Adult Stimulus	406,451
Dislocated Worker	13,990,102
Dislocated Worker Stimulus	346,546
Special Project	332,540
Rapid Response	4,832,823
Youth	8,509,939
Youth Stimulus	1,742,726
Youth Employment	938,188
National Emergency Grant	3,469,889
Incumbent Worker Training	550,492
Career Advancement Account	1,739,860
Veteran's Short Term Training	67,220
Workforce Services	65,840
Mass Layoff Planning	181,553
Veteran's Rapid Response	124,044
One Stop Memorandum of Understanding	689,650
Administration	3,045,888
Total Program Receipts	<u>52,260,240</u>

Increase in Cash	112,065
Net Assets Beginning of Year	<u>1,000</u>
Net Assets End of Year	<u><u>\$113,065</u></u>

See accompanying notes to the basic financial statements.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF AREA 7 AND THE REPORTING ENTITY

A. Description of the Entity

The Workforce Investment Act (WIA) is a federally funded program that provides employment and job training services to eligible adults, dislocated workers and youth. The United States Department of Labor (DOL) is the federal agency responsible for the program. The Ohio Department of Job and Family Services (ODJFS) is the oversight agency for the State of Ohio.

Area 7 Workforce Investment Policy Board (the Board) is designated as a local Workforce Investment Area under WIA 116 and its geopolitical span includes 43 counties. The grant recipient is the Ohio Area 7 Consortium of Chief Elected Officials from the counties within the local area. The functions of the consortium are carried out by a Board of Governors, which consists of the Chief Elected Official (CEO) of each participating sub area.

In accordance with WIA 117, the consortium established a local Workforce Investment Policy Board (WIB) to set policy for the local workforce investment system. The local board employs an Executive Director, office manager, and two regional representatives. The WIB staffs perform administrative functions for the Board and are employees of Clark State Community College.

The Grant Recipient (the Consortium) designated Montgomery County Department of Job and Family Services (MCDJFS), an agency that is under the governance of the Montgomery County Board of Commissioners, as the Fiscal Agent for the Area 7 Board. The Fiscal Agent has responsibility to disburse funds to the participating sub areas known as Subgrantee at the direction of both the Consortium and the Board. Funds flow from the State to MCDJFS and are passed onto the 43 individual counties based on allocations established by the State. The individual counties have responsibility for the administration of the Adult, Dislocated Worker, Rapid Response, and Youth programs for their respective county.

Through a consortium process, the Area 7 Board has designated 11 regional one-stop operators and 32 satellite one-stop offices throughout Area 7.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Board consists of the general fund, departments, and boards that are not legally separate from the Board. The Board's financial statements includes Adult, Dislocated Worker, Rapid Response, Youth, National Emergency Grant, Special Project, Veteran's Short-Term Training, Workforce Services, One Stop Memorandum of Understanding, Mass Layoff Planning, and Administrative programs. The Board has no component units.

The Board's management believes these financial statements present all activities for which the Board is financially accountable.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

These financial statements follow the basis of accounting the Auditor of State prescribes or permits.

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the Board. The statement of net assets presents the financial condition of the governmental activities of the Board at year-end. The Statement Activities displays information about the Board as a whole. The Statement of Activities presents a comparison between direct expenses and operating grants for each program or function of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Operating revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The comparison of direct expenses with operating revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Board.

1. Fund Accounting

The Board uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Board utilizes the governmental category of funds.

2. Governmental Funds

Governmental funds are those through which most governmental functions of the Board typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The General Fund is the Board's only fund:

General Fund - The general fund accounts for all financial resources of the Board. The general fund balance is available for any purpose in accordance with Ohio law.

3. Measurement Focus

The Board has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts are recognized when received in cash, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

4. Basis of Accounting

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Basis of Accounting (Continued)

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as applicable to the Board's cash basis of accounting.

B. Cash

The Montgomery County Treasurer is the custodian for the Board's cash. The Board's assets are held in the Montgomery County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

C. Capital Assets

The Board does not own any capital assets. All capital assets used by the Board are owned by Montgomery County.

D. Long-term Obligations

The Board did not have any long-term obligations.

3. CASH AND DEPOSITS

The Montgomery County Treasurer maintains a cash pool used by all of the County's funds, including those of the Board. The Ohio Revised Code prescribes allowable deposits and investments. At year-end, the carrying amount of the Board's deposits with the Montgomery County Treasurer was \$113,065. Montgomery County, as the fiscal agent for the Board, is responsible for maintaining adequate depositor collateral for all funds in the County's pooled cash and deposit accounts.

4. RISK MANAGEMENT

For the year ended June 30, 2009 the Board maintained Commercial Insurance coverage for the following risks:

- Director, Officer, Trustee, and Organization Liability \$1,000,000;
- Employment Practicing Liability \$1,000,000;

5. CONTRACTED SERVICES

The Board does not have any employees. They contract for accounting, administrative, use of facility and management services from other governmental agencies.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

6. CONTRACTUAL OBLIGATIONS

The Board entered into a contract with Clark State Community College, for the period July 1, 2008 through June 30, 2009, at a cost of \$464,319, for continuation and maintenance of Board headquarters and administrative services.

The Board entered into a Memorandum of Understanding with Montgomery County, for the period July 1, 2008 through June 30, 2009, to provide fiscal agent and business driven services. This Memorandum of Understanding was established not to exceed \$124,170 for Montgomery County Auditor and Treasurer to provide financial processing and accountability services for Area 7.

7. CONTINGENCIES

A. Litigation

The Board is not a party to any litigation.

B. Grants

The Board receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2009 will not have a material adverse effect on the Board.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass - Through Entity Number	Disbursements
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Ohio Department of Job and Family Services</i>			
<i>Workforce Investment Act (WIA) Cluster:</i>			
Adult Program (SFY 07)	17.258	(A)	\$529,384
Adult Administrative (SFY 07)	17.258	(A)	24,713
Adult Program (SFY 08)	17.258	(A)	4,174,224
Adult Administrative (SFY 08)	17.258	(A)	355,538
Adult Program (SFY 09)	17.258	(A)	6,958,554
Adult Administrative (SFY 09)	17.258	(A)	523,911
Adult Program (SFY 09) - ARRA	17.258	(A)	405,496
Adult Administrative (SFY 09) - ARRA	17.258	(A)	955
Total WIA -Adult			<u>12,972,775</u>
Youth Program (SFY 07)	17.259	(A)	298,348
Youth Administrative (SFY 07)	17.259	(A)	22,465
Youth Program (SFY 08)	17.259	(A)	4,338,854
Youth Administrative (SFY 08)	17.259	(A)	288,454
Youth Program (SFY 09)	17.259	(A)	5,280,504
Youth Administrative (SFY 09)	17.259	(A)	535,853
Youth Program (SFY 09) - ARRA	17.259	(A)	1,740,433
Youth Administrative (SFY 09) - ARRA	17.259	(A)	2,292
Total WIA-Youth			<u>12,507,203</u>
Dislocated Worker Program (SFY 07)	17.260	(A)	1,303,579
Dislocated Worker Administrative (SFY 07)	17.260	(A)	80,815
Dislocated Worker Program (SFY 08)	17.260	(A)	6,150,982
Dislocated Worker Administrative (SFY 08)	17.260	(A)	406,044
Dislocated Worker Program (SFY 09)	17.260	(A)	16,998,137
Dislocated Worker Administrative (SFY 09)	17.260	(A)	656,326
Dislocated Worker Program (SFY 09) - ARRA	17.260	(A)	345,591
Dislocated Worker Administrative (SFY 09) - ARRA	17.260	(A)	955
Total WIA - Dislocated Worker			<u>25,942,429</u>
Total Workforce Investment Act (WIA) Cluster			<u>51,422,407</u>
Employment Service/Wagner-Peyser Funded Activities	17.207	(A)	<u>56,730</u>
Total Federal Assistance - U.S. Department of Labor			<u>\$51,479,137</u>

(A) Project number not known or not applicable

The Notes to the Federal Awards Expenditures Schedule are an integral part of this schedule.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Area 7 Workforce Investment Board (the Board) federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SUB-RECIPIENTS

The Board passes through certain Federal assistance received from the Ohio Department of Job and Family Services to other governments. As Note A describes, the Board records expenditures of Federal awards to sub-recipients when paid in cash.

As a sub-recipient, the Board has certain compliance responsibilities, such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipients achieve the award's performance goals.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Area 7 Workforce Investment Board
Montgomery County
1111 S. Edwin C. Moses Blvd.
Dayton, Ohio 45408

To the Workforce Investment Board:

We have audited the financial statements of the governmental activity of the Area 7 Workforce Investment Board, Montgomery County (the Board) as of and for the year ended June 30, 2009 which comprise the Board's basic financial statements, and have issued our report thereon dated February 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Board's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Board's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiency described above, we believe finding number 2009-001 is also a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated February 10, 2010.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Board's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the finance committee, management, the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 10, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Area 7 Workforce Investment Board
Montgomery County
1111 S. Edwin C. Moses Blvd.
Dayton, Ohio 45408

To the Workforce Investment Board:

Compliance

We have audited the compliance of the Area 7 Workforce Investment Board, Montgomery County (the Board) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Board's major federal programs. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Area 7 Workforce Investment Board, Montgomery County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying schedule of findings as items 2009-003 through 2009-006.

In a separate letter to the Board's management dated February 10, 2010, we reported other matters related to federal non-compliance not requiring inclusion in this report.

Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Board's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiencies.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal program such that there is more than a remote likelihood that the Board's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as finding 2009-003, 2009-004 and 2009-006 to be significant deficiencies.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Board's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings we consider finding 2009-004 to be a material weakness.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Board's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the finance committee, management, Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 10, 2010

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster CFDA #17.258 – Adult CFDA #17.259 – Youth CFDA #17.260 – Dislocated Worker
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 1,544,374 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2009-001

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-02 (A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance with finance related legal and contractual requirements and prepare financial statements required by rule 117-02-03 of the Administrative Code.

Ohio Admin. Code Section 117-2-02 (B) further states that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it: existence/occurrence, completeness, rights & obligations, valuation/allocation, and presentation & disclosure.

The annual financial statement filed by Area 7 for 2009 was inaccurate. Furthermore, there was evidence that the accounting system (which includes managements internal control procedures) was not adequate to achieve the five assertions as described by rule 117-02-02 (B) of the Administrative Code.

The following errors were identified in the financial statement submitted to the Auditor of State's Office for fiscal year 2009:

- Disbursement account balances in the Statement of Activities (Cash Basis) were misstated in amounts ranging from \$9,110 to \$2,477,122; and
- Receipt account balances in the Statement of Activities (Cash Basis) were misstated in amounts ranging from \$7,819 to \$2,626,166;

These adjustments have been reflected in the accompanying financial statements.

The following weaknesses were identified in the internal control of Area 7 that could prevent Area 7 from achieving the five assertions as described by rule 117-02-02 (B) of the Administrative Code:

- Area 7 did not record cash receipts for grant funds received from the Ohio Department of Job and Family Services (ODJFS) from the remittance advices provided by ODJFS nor did they notify Montgomery County (fiscal agent) of the these remittance advices. Grant receipts were recorded when corresponding grant disbursements were processed with an assumption by Area 7 that cash received can be pooled and then disbursed for allowable grant expenditures;
- Federal grant allocations and expenditures by grant type, year, and sub-recipient were being monitored utilizing the ACRS system, however, in the Performance system, grant cash balances were not being maintained by grant type, year, and sub-recipient nor was there evidence that reconciliations were performed between the accounting systems.

The financial statement errors identified and the failure of Area 7 to develop and implement internal control practices has caused inaccurate reporting to Montgomery County (fiscal agent), the Ohio Department of Job and Family Services (ODJFS), the Board's sub-recipients, and to the other users of the financial information provided by the Area 7 Workforce Investment Board.

**FINDING NUMBER 2009-001
(Continued)**

To strengthen internal controls, provide for more accurate reporting, and to meet the Board's fiduciary responsibility as monitoring agency over their sub-recipients federal grant funds, the Board should consider the following:

- Record cash receipts for grant funds received from ODJFS from the remittance advices provided by ODJFS and notify Montgomery County (fiscal agent) of the these remittance advices;
- Annual financial statements provided to the Auditor of State's office should be prepared utilizing the Performance accounting system account balances based upon Area 7's reporting model which is the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

Officials' Response:

The Area 7 Workforce Investment Board (WIB) will ensure that all future financial statements will be compiled and reported on a cash basis. The ACRS system records transactions on an accrual basis while the audit was conducted on a cash basis. Additionally, reported expenditures for June are not reimbursed by ODJFS until July and once the reimbursements are received, they are recorded back to June as part of that month's financial activities. These factors will likely lead to substantial differences.

FINDING NUMBER 2009-002

Noncompliance

Ohio Rev. Code Section 117.38 requires that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Additionally, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

Area 7 Workforce Investment Board did not file its annual report with the Auditor of State within the required timeframe as no report has been filed nor did they publish notice in a local newspaper stating the financial report is available for public inspection. The Area 7 Workforce Investment Board should file their annual report within the stated time period and publish notice in the local newspaper to comply with this requirement.

Officials' Response:

The Area 7 Workforce Investment Board's oversight agency typically does not process fiscal closeouts reports until 3 to 4 months after the end of the fiscal year. Area 7 WIB agrees to file within the prescribed timelines, even if the data is incomplete (i.e., not the final closeout report).

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2009-003

Noncompliance/Significant Deficiency

Ohio Admin. Code Section 5101: 9-7-04(B) requires that when a WIA area is funded on a reimbursement basis, program costs shall be paid by local funds before reimbursement is requested. When funds are drawn in advance, the WIA area shall follow procedures to minimize the time elapsing between the transfer of funds from the state and local disbursement. Disbursements to a WIA area administering federal programs shall cover allowable expenditures consistent with federal and state regulations prior to the disbursement of federal program funds.

1. Requests for cash draws may be submitted weekly and processed by ODJFS in nine working days. In accordance with the Cash Management Improvement Act and 29 C.F.R. 97.20, cash drawn in advance must be limited to the minimum amount needed for actual, immediate requirements. The WIA area shall have cash management procedures in place to ensure the time elapsing between the receipt of funds and the disbursement of funds does not exceed a ten day average on a monthly basis for all federal and state operating allocations.
2. Cash drawn in advance shall be traceable to a level of program expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. The accounting systems of the WIA area shall support internal controls necessary to ensure federal grants and state funds remain separated on a grant, program, or project basis.

A calculation per **Ohio Admin. Code Section 5101: 9-7-04(B)** of average days cash on hand for February 2009 was 37.62.

Additionally grant cash balances for state fiscal year 2007 through state fiscal year 2009 were not maintained for the adult, dislocated, youth, and other grant funds in the Performance Accounting system. Furthermore, ODJFS's County Financial Information System (CFIS) reports and cash draw reports have negative over/under balances and negative receipts in various amounts with the largest negative amount of \$570,392. The negative balances and receipts indicate that Area 7 has requested and disbursed funds to its sub-recipients utilizing inappropriate cash management practices.

The *One-Stop Comprehensive Financial Management Technical Assistance Guide* Chapter II-6 (published by the Department of Labor, July 2002) provides guidance on cash management activities and states that "reimbursement is the preferred method of payment" if effective and efficient methods of minimizing the time elapsing between the transfer of funds from the state to local areas cannot be established.

To provide for the proper accounting of the grant monies Area 7 should consider establishing cash management practices for advanced funds to minimize that cash is held for no more than ten days average per month. These cash management practices should be established with counties Area 7 serves. If efficient and effective cash management practices cannot be established with the counties served, Area 7 should reimburse the counties for actual expenditures paid for from local funds of that county.

Officials' Response:

The Area 7 Workforce Investment Board will work with our funding agency to resolve this finding as much of the resolution lies outside the control of the Workforce Investment Board.

FINDING NUMBER 2009-004

Noncompliance/Material Weakness

Ohio Admin. Code Section 5101:9-31-05 (D) requires expenditures and receipts in the workforce development fund to be reported monthly on the JFS 01992, "Workforce Investment Act Fund Certification Sheet." This report is due to the Ohio Department of Job and Family Services (ODJFS) on the twentieth of each month.

The total reported cash receipts, cash disbursements, and ending cash balances were incorrect on the JFS 01992 "Workforce Investment Act Fund Certification Sheet." Variances included:

- Total cash receipts reported to ODJFS for fiscal year 2009 were overstated by \$2,384,354;
- Total cash disbursements reported to ODJFS for fiscal year 2009 were understated by \$4,491,570 and
- The ending cash balance at June 30, 2009 was overstated by \$914,197.

Other errors included reporting the same amounts for cash receipts and disbursements on the November and December reports and the November report had a mathematical error resulting in ending cash balance being miscalculated by \$8,082,162. The \$8,082,162 error was carried forward to the subsequent reports resulting in December through June reports being incorrect.

ODJFS utilizes the JFS 01992 reports to monitor cash management of the grants and to compute program income. Inaccurate information reported by the Board could lead to significant errors in the cash management and computation of program income by ODJFS with negative financial affects upon the Board.

To provide for more accurate reporting, the chief fiscal officer should review the JFS 01992 reports for errors and agree amounts from the financial ledgers to the reports and the reports should be submitted timely.

Officials' Response:

The Area 7 Workforce Investment Board will ensure that the information reported on JFS 01992 is accurate and that any changes necessitated by a county revision are equally correct.

FINDING NUMBER 2009-005

Noncompliance

The Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C Section .320 (a) provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

A single audit was performed for fiscal year 2008; however, Area 7 has not submitted the required reporting package to the federal clearinghouse. Pursuant to (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .530 (a) Area 7 will be designated as a "high risk auditee" in the subsequent audit period for not filing the reporting package timely.

Area 7 should develop policies and procedures to file the required reporting package by the required date.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2009-006

Noncompliance/Significant Deficiency

20 C.F.R. 664.320(a) requires thirty percent of the Youth Activity funds allocated to the local areas, except for the local area expenditures for administration, must be used to provide services to out-of-school youth.

Area 7 did not monitor this requirement through their administrative office, fiscal office, or through the monitoring reviews of the counties. Failure to monitor this thirty percent rule could cause the Area as a whole to have questioned costs and potentially the repayment of federal monies or reduction in federal grants.

To strengthen internal controls and to meet the Board's fiduciary responsibility as monitoring agency over their sub-recipients federal grant funds, the Board should consider the following:

- Incorporate language into the Area 7 Sub-Grant Agreement that the sub-grantee is required to allocate thirty percent of Youth Activity funds for out-of-school youth activities except for administrative expenditures;
- Designate either the administrative office or the fiscal office to monitor the counties compliance with this requirement; and
- Develop and implement a monitoring review procedure into the site reviews performed by the contracted monitors to alert Area 7 to noncompliance with this thirty percent requirement.

Officials' Response:

While there is no coding structure within the provided funds reporting systems to track this requirement, Area 7 Workforce Investment Board agrees. The Workforce Investment Board will devise a system to meet this compliance issue.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE YEAR ENDED JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	OAC 117-2-02 (A) & (B) – Failure to maintain a proper accounting system that supports financial statement assertions	No	Repeated as Finding 2009-001
2008-002	29 CFR § 99.310 – Errors in Federal Awards Expenditures Schedule	No	Partially Corrected, reported in a separate letter to management of the Area 7 Workforce Investment Board.
2008-003	OAC 5101:9-7-04(B) – Federal Cash Management Practices	No	Repeated as Finding 2009-003
2008-004	OAC 5101:9-31-05(D) – Failure to Report Correct Amounts on JFS 01992 Reports	No	Repeated as Finding 2009-004
2008-005	29 CFR § 99.310 – Errors in Schedule of Expenditure of Federal Awards	No	Partially Corrected, reported in a separate letter to management of the Area 7 Workforce Investment Board.
2008-006	OMB Circular A-133 Section .320(a) – Failure to submit single audit report package to federal clearinghouse	No	Repeated as Finding 2009-005



Mary Taylor, CPA
Auditor of State

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 16, 2010**