



Dave Yost • Auditor of State



**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Area 7 Workforce Investment Board  
Montgomery County  
1111 S. Edwin C. Moses Blvd.  
Dayton, Ohio 45422

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, 2010, 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 opinions.

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 Area 7 Workforce Investment Board, Montgomery County, Ohio, as of June 30, 2010, and the changes in its cash financial position 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 January 31, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements taken as a whole. The federal awards expenditures schedule provides additional information required by the 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. The federal awards expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 31, 2011

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(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, 2010, 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 2010 are as follows:

- The Board was formed July 1, 2004 making this our sixth year of operation with the following carry-forward grant allocations from the Ohio Department of Job and Family Services of \$13,880,107 from Program Year 2008, and Fiscal Year 2009:

WIA Administration	\$1,336,920
WIA Adult	2,389,789
WIA Dislocated Worker	3,427,530
WIA Youth	4,575,413
Project HIRE	206,528
Career Advancement Account	93,615
Youth Employment Project	453,873
National Emergency Grant	489,782
Career Advancement Demo	441,588
Career Advancement Accts	465,069
Total Carry Forward	<u>\$13,880,107</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 \$13,880,107 during the program year, was \$94,098,124.

**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, 2010  
(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 to the State Auditor's Office 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 2010, 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 2010. 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 2010 compared to 2009.

**Table 1  
Net Assets – Cash Basis**

	<u>2010</u>	<u>2009</u>
<b>Assets:</b>		
Cash	<u>\$394,316</u>	<u>\$113,065</u>
<b>Net Assets:</b>		
<b>Restricted:</b>		
Grant Programs	<u>394,316</u>	<u>113,065</u>
Total Net Assets	<u>\$394,316</u>	<u>\$113,065</u>

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

Table 2 reflects the change in cash position during fiscal year 2010 as well as a comparative analysis of fiscal year 2009.

**Table 2  
Change In Cash Position**

	<b>2010</b>	<b>2009</b>
<b>Program Disbursements:</b>		
<b>Workforce Development:</b>		
Adult	\$11,401,461	\$11,892,404
Dislocated Worker	19,672,235	15,469,983
Special Project	963,547	332,540
Special Project Stimulus	412,022	
Rapid Response	4,677,216	3,488,763
Youth	21,887,501	11,549,585
National Emergency Grant	4,502,859	3,089,275
Incumbent Worker Training	222,219	550,492
Career Advancement Account	313,918	1,751,253
Veteran's Short Term Training		67,220
Veteran's Rapid Response	5,600	124,044
Navigator	5,833	
Workforce Services		56,730
Mass Layoff Planning		189,372
One Stop Memorandum of Understanding	668,808	689,650
Administration	3,525,034	2,896,864
<b>Total Program Disbursements</b>	<b>68,258,253</b>	<b>52,148,175</b>
<b>Program Receipts</b>		
<b>Workforce Development:</b>		
Adult	11,360,817	11,632,940
Dislocated Worker	19,427,236	14,336,648
Special Project	1,301,304	332,540
Rapid Response	4,244,934	4,832,823
Youth	23,745,745	11,190,853
National Emergency Grant	3,729,774	3,469,889
Incumbent Worker Training	119,979	550,492
Career Advancement Account	236,193	1,739,860
Veteran's Short Term Training		67,220
Veteran's Rapid Response		124,044
Workforce Services		65,840
Mass Layoff Planning		181,553
Navigator	29,284	
One Stop Enhancement	25,000	
One Stop Memorandum of Understanding	628,451	689,650
Interest	17	
Administration	3,690,770	3,045,888
<b>Total Program Receipts</b>	<b>68,539,504</b>	<b>52,260,240</b>
<b>Increase in Cash</b>	<b>\$ 281,251</b>	<b>\$ 112,065</b>

Federal and State grants represent 100% of total receipts.

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

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.

**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, Area 7 Workforce Investment Board, 1111 South Edwin C. Moses Blvd., Dayton, Ohio 45422, (937) 225-5590.

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2010**

**Assets:**

Cash	<u>\$394,316</u>
Total Assets	<u>394,316</u>

**Net Assets:**

**Restricted:**

Grant Programs	<u>394,316</u>
Total Net Assets	<u><u>\$394,316</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, 2010**

**Program Disbursements:**

**Workforce Development:**

Adult	\$11,401,461
Dislocated Worker	19,672,235
Special Project	963,547
Special Project Stimulus	412,022
Rapid Response	4,677,216
Youth	21,887,501
National Emergency Grant	4,502,859
Incumbent Worker Training	222,219
Career Advancement Account	313,918
Veteran's Rapid Response	5,600
Navigator	5,833
One Stop Memorandum of Understanding	668,808
Administration	3,525,034
Total Program Disbursements	<u>68,258,253</u>

**Program Receipts:**

**Operating Grants:**

Adult	11,360,817
Dislocated Worker	19,427,236
Special Project	1,301,304
Rapid Response	4,244,934
Youth	23,745,745
National Emergency Grant	3,729,774
Incumbent Worker Training	119,979
Career Advancement Account	236,193
Navigator	29,284
One Stop Enhancement	25,000
One Stop Memorandum of Understanding	628,451
Interest	17
Administration	3,690,770
Total Program Receipts	<u>68,539,504</u>

Increase in Cash	281,251
Net Assets Beginning of Year	<u>113,065</u>
Net Assets End of Year	<u><u>\$394,316</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, 2010**

**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 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 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, Incumbent Worker Training, Career Advancement Account, Navigator, One Stop Memorandum of Understanding, 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, 2010  
(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, 2010  
(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 \$394,316. 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, 2010 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, 2010  
(Continued)**

**6. CONTRACTUAL OBLIGATIONS**

The Board entered into a contract with Clark State Community College, for the period July 1, 2009 through June 30, 2010, at a cost of \$478,282, 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, 2009 through June 30, 2010, 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, 2010 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, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	<b>Federal CFDA Number</b>	<b>Pass - Through Entity Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Passed Through Ohio Department of Job and Family Services</i>			
<i>Workforce Investment Act (WIA) Cluster:</i>			
Adult Program (SFY 09)	17.258	(A)	\$2,482,754
Adult Administrative (SFY 09)	17.258	(A)	226,417
Adult Program (SFY 09) - ARRA	17.258	(A)	3,946,979
Adult Administrative (SFY 09) - ARRA	17.258	(A)	264,205
Adult Program (SFY 10)	17.258	(A)	4,971,728
Adult Administrative (SFY 10)	17.258	(A)	336,233
Total WIA -Adult			<u>12,228,316</u>
Youth Activities Program (SFY 09)	17.259	(A)	5,457,582
Youth Activities Administrative (SFY 09)	17.259	(A)	481,180
Youth Activities Program (SFY 09) - ARRA	17.259	(A)	10,885,048
Youth Activities Administrative (SFY 09) - ARRA	17.259	(A)	427,362
Youth Activities Program (SFY 10)	17.259	(A)	5,544,870
Youth Activities Administrative (SFY 10)	17.259	(A)	643,209
Total WIA-Youth			<u>23,439,251</u>
Dislocated Worker Program (SFY 09)	17.260	(A)	8,043,491
Dislocated Worker Administrative (SFY 09)	17.260	(A)	471,666
Dislocated Worker Program (SFY 09) - ARRA	17.260	(A)	12,393,053
Dislocated Worker Administrative (SFY 09) - ARRA	17.260	(A)	341,115
Dislocated Worker Program (SFY 10)	17.260	(A)	10,333,072
Dislocated Worker Administrative (SFY 10)	17.260	(A)	333,227
Total WIA - Dislocated Worker			<u>31,915,624</u>
Total Workforce Investment Act (WIA) Cluster			<u>67,583,191</u>
Work Incentive Grants	17.266	(A)	<u>5,833</u>
Total Federal Assistance - U.S. Department of Labor			<u><u>\$67,589,024</u></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, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – SUB-RECIPIENTS**

The Board passes certain federal awards received from the Ohio Department of Jobs and Family Services to other governments (sub-recipients). As Note A describes, the Board reports 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.



# Dave Yost • 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 45422

To the Workforce Investment Board:

We have audited the financial statements of the governmental activities of the Area 7 Workforce Investment Board, Montgomery County, (the Board) as of and for the year ended June 30, 2010, which collectively comprise the Board's basic financial statements and have issued our report thereon dated January 31, 2011. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated January 31, 2011.

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 management, the Finance Committee, the Workforce Investment Board, federal awarding agencies and pass-through entities and others within the Board. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 31, 2011



# Dave Yost • Auditor of State

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

Area 7 Workforce Investment Board  
Montgomery County  
1111 S. Edwin C. Moses Blvd  
Dayton, Ohio 45422

To the Workforce Investment Board:

### Compliance

We have audited the compliance of Area 7 Workforce Investment Board (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 could directly and materially affect each of Area 7 Workforce Investment Board's major federal programs for the year ended June 30, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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.

As described in findings 2010-002 through 2010-004 in the accompanying schedule of findings, the Board did not comply with requirements regarding reporting, earmarking, and sub-recipient monitoring applicable to its Workforce Investment Act Cluster major federal programs. Compliance with these requirements is necessary, in our opinion, for the Board to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Area 7 Workforce Investment Board complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2010.

### 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-002 to be a material weakness.

The Board's responses to the finding we identified is described in the accompanying schedule of findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

January 31, 2011

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Workforce Investment Act Cluster CFDA #17.258 – WIA Adult Program CFDA #17.258 – ARRA-WIA Adult Program CFDA #17.259 – WIA Youth Activities Program CFDA #17.259 – ARRA WIA Youth Activities CFDA #17.260 – WIA Dislocated Workers CFDA #17.260 – ARRA-WIA Dislocated Workers
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 2,027,671 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2010-001**

**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, in part, 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 2010 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 2010:

- Receipt account balances in the Statement of Activities (Cash Basis) were misstated in amounts ranging from \$421 to \$27,980,372;

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 by revenue type. Grant receipts were recorded by CFDA number, thereby reclassifications for the basic financial statements were required.

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.

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 revenue type.

**FINDING NUMBER 2010-001  
 (Continued)**

**Official's Response:** The Area 7 Workforce Board already complied with this finding from prior audit. All financial statements submitted to the State Auditor's Office for Program Year 2009 were compiled and reported on a cash basis. The ACRS system, and the newly implemented MIP system, records transactions on an accrual basis as required by the state oversight agency (ODJFS) and the Dept. of Labor. Additionally, reported expenditures for June are not reimbursed by ODJFS until July. Once the reimbursements are received, they are recorded back to June as part of that month's financial activities. These factors will lead to substantial reporting differences.

**AOS Position:**

We agree with the above, except revenue reclassifications were adjusted on the financial statements to correspond with receipts per the Ohio Department of Jobs and Family Services.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>	
<b>Finding Number</b>	2010-002
<b>CFDA Title and Number</b>	Workforce Investment Act Cluster CFDA #17.258 – Adult CFDA #17.259 – Youth CFDA #17.260 – Dislocated Worker
<b>Federal Award Number / Year</b>	SFY 2009 and SFY 2010
<b>Federal Agency</b>	United States Department of Labor
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Admin. Code Section 5101:9-31-05-(D)** states, in part, expenditures and receipts in the workforce development fund will 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 the following month.

The total year end reported cash receipts, cash disbursements, and ending cash balances were understated on the JFS 01992 "Workforce Investment Act Fund Certification Sheet" by \$750,298, \$420,308, and \$7,498,574 respectively.

These errors are caused by the fiscal office utilizing grant accounting system receipts and disbursements in "Section A: WIA Fund Statement (Cash Only)" of the JFS 01992 report instead of utilizing the Montgomery County Auditor's cash accounting system receipts and disbursement amounts.

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.

**FINDING NUMBER 2010-002  
 (Continued)**

To provide for more accurate reporting, the chief fiscal officer should review the JFS 01992 reports for errors and agree amounts in "Section A: WIA Fund Statement (Cash Only)" to the Montgomery County Auditor's cash accounting system receipts and disbursements totals.

**Official's Response:** See Corrective Action Plan on page 25.

<b>Finding Number</b>	2010-003
<b>CFDA Title and Number</b>	Workforce Investment Act Cluster CFDA #17.258 – Adult CFDA #17.259 – Youth CFDA #17.260 – Dislocated Worker
<b>Federal Award Number / Year</b>	SFY 2009 and SFY 2010
<b>Federal Agency</b>	United States Department of Labor
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**NONCOMPLIANCE**

**20 C.F.R. Section 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.

The fiscal office compiled information to comply with the thirty percent out-of-school youth requirement and reported results to the Board. This information was compiled from e-mails sent from the sub-recipients to the fiscal office. The following errors were noted for the monitoring of the thirty percent out-of-school youth expenditures requirement:

- Allen, Knox, Lawrence, Ottawa, and Wyandot counties did not report any youth expenditures, however, Area 7 youth payments to these counties totaled \$2,522,467 for program year 2008, program year 2009, and American Recovery and Reinvestment Act (ARRA) stimulus funds;
- Clinton County did not report any amounts for ARRA stimulus youth expenditures; however, Area 7 youth payments to the county totaled \$25,163; and
- Willams County reported \$203,611 youth expenditures in total for program year 2008, program year 2009, and ARRA stimulus funds, however, Area 7 reported a total of \$72,314 in total youth expenditures for a variance of \$131,297.

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.

**Official's Response:** See Corrective Action Plan on page 25.

<b>Finding Number</b>	2010-004
<b>CFDA Title and Number</b>	Workforce Investment Act Cluster CFDA #17.258 – Adult CFDA #17.259 – Youth CFDA #17.260 – Dislocated Worker
<b>Federal Award Number / Year</b>	SFY 2009 and SFY 2010
<b>Federal Agency</b>	United States Department of Labor
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**NONCOMPLIANCE**

**Ohio Admin. Code Section 5101:9-1-88(A)** states the Ohio Department of Job and Family Services (ODJFS), as a recipient of federal funding, is requiring local agencies, as sub-recipients, to monitor their sub-recipients. The standard monitoring protocol for local agencies in the oversight of sub-recipients of federal funding follows the requirements set forth in the Office of Management and Budget (OMB) Circular A-133, compliance supplement, part 3, and other applicable federal principles. Sub-recipient monitoring is not an audit. Sub-recipient monitoring does not test for all areas of compliance, but serves as a means of evaluating those compliance elements that can be monitored to reasonably ensure the credibility of the federal program. This rule does not negate federal, state, or local requirements of the Workforce Investment Act or other specific federal programs.

In addition, **Ohio Admin. Code Section 5101:9-1-88(I)(3)** states in accordance with the local agency's annual risk assessment review, as described in paragraph (F) of this rule, and audit requirements, as described in paragraph (B)(5) of this rule, sub-recipient monitoring may also include evaluation of the following element.

Audit requirements, in which the reviewer will provide reasonable assurance the sub-recipient has obtained required audits and has submitted and is in compliance with any corrective action plan resulting from said audits. The reviewer will examine the audit report and any existing corrective action plan and obtain documentation of compliance with the existing corrective action plan.

Additionally, OMB Circular A-133 §\_\_400(d)(4) mandates the Board to determine whether its sub-recipients have met their audit requirements.

The Board failed to properly document the monitoring of its sub-recipients to verify that they had completed their required annual audit and that they had submitted and are in compliance with their corrective action plan, additionally the Board did not properly follow up on the audit findings related to the Workforce Investment Act monies.

The Board should implement procedures to verify that all required reviews are documented and any additional required follow-ups are accurately documented.

**Official's Response:** See Corrective Action Plan on page 25.

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
FOR THE YEAR ENDED JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	OAC 117-2-02 (A) & (B) – Failure to maintain a proper accounting system that supports financial statement assertions	No	Repeated as Finding 2010-001
2009-002	Ohio Rev. Code Section 117.38 – Failure to file the financial report within the required timeframe	No	Repeated and Reported in separate letter to management.
2009-003	OAC 5101:9-7-04(B) – Federal Cash Management Practices	No	Repeated and Reported in separate letter to management.
2009-004	OAC 5101:9-31-05(D) – Failure to Report Correct Amounts on JFS 01992 Reports	No	Repeated as Finding 2010-002
2009-005	OMB Circular A-133 Section .320(a) – Failure to submit single audit report package to federal clearinghouse	Yes	
2009-006	20. C.F.R 664.320(a) – Failure to monitor the youth expenditure earmarking requirements.	No	Repeated as Finding 2010-003

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-002	The Area 7 Workforce Board will ensure that the information reported on JFS 01992 is accurate and that any changes necessitated by a county revision are equally correct.	June 30, 2011	Theo Adegboruwa, Chief Financial Officer
2010-003	The Area 7 Workforce Board provided updated information to the Auditor of State for this issue. The Board will delegate monitoring of this requirement to the Area 7 Fiscal Office. In the past, monitoring of this requirement was difficult because the state oversight agency provided no means to track expenses for this program and population. The implementation of the Gazelle/MIP system in Area 7 removes that deficiency. Future performance in this area will be monitored and reviewed on a timely basis.	June 30, 2011	Theo Adegboruwa, Chief Financial Officer
2010-004	The Area 7 Workforce Board Fiscal Office conducted intensive fiscal reviews and readiness tests during the past year in preparation for implementation of the MIP/Gazelle system. Each of the 43 counties in Area 7 received site visits to review fiscal and program procedures. While not conducting monitoring sessions in the conventional sense, Area 7 provided more fiscal technical assistance and review in 2010 than in any year to date. Now that the MIP system is fully implemented, Area 7 will conduct regular fiscal monitoring reviews and will comply with requirements to ensure that sub-recipients have obtained required audits and are compliant with related corrective action plans.	June 30, 2011	Theo Adegboruwa, Chief Financial Officer

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# Dave Yost • 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 22, 2011