



Dave Yost • Auditor of State



**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis – June 30, 2011 .....	7
Statement of Activities – Cash Basis For the Fiscal Year Ended June 30, 2011 .....	8
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2011 .....	9
Federal Awards Expenditures Schedule – For the Fiscal Year Ended June 30, 2011 .....	13
Notes to the Federal Awards Expenditures Schedule – For the Fiscal Year Ended June 30, 2011 .....	14
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
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 .....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	24
Corrective Action Plan.....	25

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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, 2011, 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, 2011, and the changes in cash financial position, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2012, 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.

We conducted our audit to opine on the Board's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets and changes in net assets for governmental activities. The Federal Awards Expenditures Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

May 4, 2012

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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, 2011, within the limitations of the Board's cash basis accounting. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Board's financial performance.

**Highlights**

Key Highlights for 2011 are as follows:

- Total net assets increased by \$248,365;
- Total revenues decreased by \$27,509,026;
- Total expenditures decreased by \$27,552,037

**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.

**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.

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

**Reporting the Government as a Whole**

The Statement of Net Assets and Statement of Activities reflect how the Board did financially during 2011, within the limitations of the cash basis accounting. These two statements report the Board's net assets and changes in those assets. The Statement of Activities presents the receipts and disbursement activity during 2011. 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 2011 compared to 2010.

**Table 1  
Net Assets – Cash Basis**

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Cash	<u>\$642,681</u>	<u>\$394,316</u>
<b>Net Assets:</b>		
<b>Restricted:</b>		
Grant Programs	<u>642,681</u>	<u>394,316</u>
Total Net Assets	<u><u>\$642,681</u></u>	<u><u>\$394,316</u></u>



**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(Continued)**

Table 2 reflects the change in net assets during fiscal year 2011 as well as a comparative analysis of fiscal year 2010.

**Table 2  
Change In Net Assets – Cash Basis**

<b>Program Disbursements:</b>	<b>2011</b>	<b>2010</b>
<b>Workforce Development:</b>		
Adult	\$ 7,350,262	\$11,401,461
Adult Stimulus	212,323	
Dislocated Worker	7,777,940	19,672,235
Dislocated Worker Stimulus	983,112	
ARRA/DW Special Project	1,167,174	1,375,569
Rapid Response	4,132,880	4,677,216
Navigator		5,833
Youth	7,260,572	21,887,501
Youth Stimulus	321,381	
National Emergency Grant	3,628,967	4,502,859
Incumbent Worker Training		222,219
Career Advancement Account		313,918
ARRA Ohio Learning Account	1,335,325	
ARRA Project Hire	61,763	
Veteran's Rapid Response	71,610	5,600
One Stop Memorandum of Understanding	343,170	668,808
One Stop System Enhancement	3,139,244	
Administration	2,920,493	3,525,034
<b>Total Program Disbursements</b>	<b>40,706,216</b>	<b>68,258,253</b>
<b>Program Receipts:</b>		
<b>Workforce Development:</b>		
Adult	7,466,674	11,360,817
Adult Stimulus	211,813	
Dislocated Worker	7,579,731	19,427,236
Dislocated Worker Stimulus	736,431	
ARRA/DW Special Project	1,138,002	1,301,304
Rapid Response	4,054,703	4,244,934
Navigator		29,284
Youth	7,379,514	23,745,745
National Emergency Grant	3,923,019	3,729,774
Incumbent Worker Training		119,979
Career Advancement Account	697,537	236,193
ARRA Ohio Learning Account	1,353,907	
ARRA Project Hire	67,546	
Disabled Veteran's Grant	71,610	
BTI	17,429	
One Stop Memorandum of Understanding	400,155	628,451
One Stop System Enhancement	3,217,249	25,000
Administration	2,715,141	3,690,770
<b>Total Program Receipts</b>	<b>41,030,461</b>	<b>68,539,487</b>
<b>Other Financing Sources/(Uses):</b>		
Interest	177	17
Refund Of Prior Year Receipts	(76,057)	
<b>Total Other Financing Sources/(Uses)</b>	<b>(75,880)</b>	<b>17</b>
<b>Increase in Cash</b>	<b>\$ 248,365</b>	<b>\$ 281,251</b>

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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, 2010 through June 30, 2011, at a cost of \$476,252, 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, 2010 through June 30, 2011, 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, 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, 2011**

**Assets:**

Cash	<u>\$642,681</u>
Total Assets	<u>642,681</u>

**Net Assets:**

**Restricted:**

Grant Programs	<u>642,681</u>
Total Net Assets	<u><u>\$642,681</u></u>

*See accompanying notes to the basic financial statements.*

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Program Disbursements:**

**Workforce Development:**

Adult	\$7,350,262
Adult Stimulus	212,323
Dislocated Worker	7,777,940
Dislocated Worker Special Projects	343,055
Dislocated Worker Stimulus	983,112
ARRA Stimulus Special Project	824,119
ARRA Stimulus Rapid Response	2,286,767
ARRA Ohio Learning Accounts	1,335,325
ARRA Project Hire	61,763
Rapid Response Grants	1,846,113
National Emergency Grants	3,628,967
Youth	7,260,572
Youth Stimulus	321,381
Disabled Veterans Grant	71,610
One Stop Memorandum of Understanding	343,170
One Stop System Enhancement Funds	3,139,244
Administration	2,920,493
Total Program Disbursements	<u>40,706,216</u>

**Program Receipts:**

**Operating Grants:**

Adult	7,466,674
Adult Stimulus	211,813
Dislocated Worker	7,579,731
Dislocated Worker Special Projects	567,857
Dislocated Worker Stimulus	736,431
ARRA Stimulus Special Project	570,145
ARRA Stimulus Rapid Response	2,098,002
ARRA Ohio Learning Accounts	1,353,907
ARRA Project Hire	67,546
Rapid Response Grants	1,956,701
National Emergency Grants	3,923,019
Youth	7,379,514
Disabled Veterans Grant	71,610
One Stop Memorandum of Understanding	400,155
One Stop System Enhancement Funds	3,217,249
Career Advancement Accounts	697,537
BTI	17,429
Administration	2,715,141
Total Program Receipts	<u>41,030,461</u>

Total Receipts Over Disbursements 324,245

**Other Financing Sources/(Uses)**

Investment Earnings	177
Refund of Prior year Receipts	(76,057)
Total Other Financing Sources/(Uses)	<u>(75,880)</u>

Change in Net Assets 248,365

Net Assets Beginning of Year 394,316

Net Assets End of Year \$642,681

*See accompanying notes to the basic financial statements.*

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 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 Sub-grantee 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, Adult Stimulus, Dislocated Worker, Dislocated Worker Stimulus, ARRA Special Projects, ARRA Ohio Learning Accounts, ARRA Project Hire, Disabled Veteran's Grant, Rapid Response Stimulus, Youth, Youth Stimulus, National Emergency Grant, One Stop System Enhancement, 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 FISCAL YEAR ENDED JUNE 30, 2011  
(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 a fund accounting system 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 FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 \$642,681. 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, 2011 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.

**6. CONTRACTUAL OBLIGATIONS**

The Board entered into a contract with Clark State Community College, for the period July 1, 2010 through June 30, 2011, at a cost of \$476,252, for continuation and maintenance of Board headquarters and administrative services.

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**6. CONTRACTUAL OBLIGATIONS (Continued)**

The Board entered into a Memorandum of Understanding with Montgomery County, for the period July 1, 2010 through June 30, 2011, 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, 2011 will not have a material adverse effect on the Board.



**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<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)	\$24,132
Adult Program Administrative (SFY 09)	17.258	(A)	5,223
Adult Program (SFY09) - ARRA	17.258	(A)	212,323
Adult Program Administrative (SFY09) - ARRA	17.258	(A)	32,297
Adult Program(SFY 10)	17.258	(A)	3,203,832
Adult Program Administrative (SFY 10)	17.258	(A)	380,317
Adult Program (SFY 11)	17.258	(A)	4,122,298
Adult Program Administrative (SFY 11)	17.258	(A)	342,214
Total WIA -Adult			<u>8,322,636</u>
Youth Activities (SFY 09)	17.259	(A)	34,133
Youth Activities Administrative (SFY 09)	17.259	(A)	13,041
Youth Activities (SFY 09) - ARRA	17.259	(A)	321,381
Youth Activities Administrative (SFY 09) - ARRA	17.259	(A)	218,266
Youth Activities (SFY 10)	17.259	(A)	2,794,320
Youth Activities Administrative (SFY 10)	17.259	(A)	217,775
Youth Activities (SFY 11)	17.259	(A)	4,432,119
Youth Activities Administrative (SFY 11)	17.259	(A)	439,408
Total WIA-Youth			<u>8,470,443</u>
Dislocated Workers (SFY 09)	17.260	(A)	3,027,087
Dislocated Workers Administrative (SFY 09)	17.260	(A)	20,018
Dislocated Workers (SFY 09) - ARRA	17.260	(A)	5,491,086
Dislocated Workers Administrative (SFY 09) - ARRA	17.260	(A)	143,861
Dislocated Workers (SFY 10)	17.260	(A)	4,812,906
Dislocated Workers Administrative (SFY 10)	17.260	(A)	515,362
Dislocated Workers (SFY 11)	17.260	(A)	5,256,902
Dislocated Workers Administrative (SFY 11)	17.260	(A)	592,711
Total Dislocated Workers - CFDA 17.260			<u>19,859,933</u>
Dislocated Workers Formula Grants (SFY 11)	17.278	(A)	499,179
Total WIA - Dislocated Worker			<u>20,359,112</u>
Total Workforce Investment Act (WIA) Cluster			<u>37,152,191</u>
<i>Employment Service Cluster:</i>			
Employment Service/Wagner-Peyser Funded Activities	17.207	(A)	343,170
Disabled Veteran's Outreach Program (DVOP)	17.801	(A)	71,610
Total Employment Service Cluster			<u>414,780</u>
Total Federal Assistance - U.S. Department of Labor			<u>\$37,566,971</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 FISCAL YEAR ENDED JUNE 30, 2011**

**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 Job 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 subrecipient, the Board has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards 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 Area 7 Workforce Investment Board, Montgomery County, (the Board) as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements and have issued our report thereon dated May 4, 2012. 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 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 2011-01 described in the accompanying schedule of findings to be 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Board's management in a separate letter dated May 4, 2012.

The Board's response to the finding identified in our audit 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 management, the audit committee, The Workforce Investment Board, and federal awarding agencies and pass-through entities and others within the Board. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

May 4, 2012



# 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 the Area 7 Workforce Investment Board's major federal program for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Board's major federal program. 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 opine on the Board's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

As described in findings 2011-02 and 2011-03 in the accompanying schedule of findings, the Board did not comply with requirements regarding reporting and sub-recipient monitoring applicable to its Workforce Investment Act Cluster major federal program. 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, 2011.

The results of our auditing procedures also disclosed another instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-04.

### 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, to determine our auditing procedures for the purpose of opining 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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 deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2011-02 and 2011-04 to be material weaknesses.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Board's management in a separate letter dated May 4, 2012.

We intend this report solely for the information and use of the audit committee, management, 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

May 4, 2012

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**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 CFDA #17.259 – ARRA – WIA Youth Activities CFDA #17.260 – WIA Dislocated Workers CFDA #17.260 – ARRA – WIA Dislocated Workers CFDA #17.278 – WIA Dislocated Worker Formula Grants
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 1,127,009 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 2011-01**

**NONCOMPLIANCE AND 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 2011 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 2011:

- Revenue reclassifications ranging from \$510 to \$2,746,149 and totaling \$4,520,955 or 11% of total revenues in the Statement of Activities (Cash Basis)
- Opening net assets, cash, and ending net assets were understated in the amount of \$281,251, which represents 77.82% of total assets and net assets

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.
- Area 7 failed to properly tie the beginning net assets to the fiscal year 2010 net assets, and reconcile cash from the statements to the performance accounting system.

Additionally the Board failed to properly record the fiscal year 2010 information in the comparative financial information provided in the management discussion and analysis.

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 2011-01  
 (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 revenue type.
- Verify that opening balances tie to the prior year audited ending balances.

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

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2011-02
<b>CFDA Title and Number</b>	Workforce Investment Act (WIA) Cluster: CFDA #17.258 – WIA Adult Program CFDA #17.258 – ARRA – WIA Adult Program CFDA #17.259 – WIA Youth Activities CFDA #17.259 – ARRA – WIA Youth Activities CFDA #17.260 – WIA Dislocated Workers CFDA #17.260 – ARRA – WIA Dislocated Workers CFDA #17.278 – WIA Dislocated Worker Formula Grants
<b>Federal Award Number / Year</b>	SFY09, SFY10, SFY11
<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)** requires expenditures and receipts in the workforce development fund to be reported monthly on 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.

Total reported cash receipts and ending cash balances were understated on JFS 01992 "Workforce Investment Act Fund Certification Sheet" by \$23,081,672 and \$20,615,506 respectively. The total Cash Disbursements were overstated by \$2,407,932.

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 cash management and computation of program income by ODJFS with negative financial affects upon the Board.

**FINDING NUMBER 2011-02  
 (Continued)**

To provide more accurate reporting, the chief financial 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 disbursement totals.

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

<b>Finding Number</b>	2011-03
<b>CFDA Title and Number</b>	Workforce Investment Act (WIA) Cluster: CFDA #17.258 – WIA Adult Program CFDA #17.258 – ARRA – WIA Adult Program CFDA #17.259 – WIA Youth Activities CFDA #17.259 – ARRA – WIA Youth Activities CFDA #17.260 – WIA Dislocated Workers CFDA #17.260 – ARRA – WIA Dislocated Workers CFDA #17.278 – WIA Dislocated Worker Formula Grants
<b>Federal Award Number / Year</b>	SFY09, SFY10, SFY11
<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-recipient of federal funds follows the requirement 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 all areas of compliance, but serves as a means of evaluating those compliance elements that can be monitored to reasonably ensure credibility of the federal program. This rule does not negate federal, state, or local requirements of the Workforce Investment Act 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 expending \$500,000 or more in Federal Awards during their fiscal year, have met their audit requirements.

**FINDING NUMBER 2011-03  
 (Continued)**

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 and did not properly follow up on audit findings related to the Workforce Investment Act monies. Additionally the Area did not receive confirmation of the sub-recipients duns number prior to contracting.

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

<b>Finding Number</b>	2011-04
<b>CFDA Title and Number</b>	N/A
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	N/A
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**29 C.F.R. §99.310(b)** states, in part, the auditee shall prepare a federal awards expenditures schedule for the period covered by the auditees financial statements. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs.
2. For Federal awards received as a sub-recipient, list the name of the pass through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the Catalog of Domestic Federal Assistance (CFDA) number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.

The following error was identified on Area 7's expenditures of federal awards expenditures schedule:

\$3,139,244 of One Stop Enhancement state funds from the Ohio Department of Job and Family Services was on the federal awards expenditures schedule.

The federal awards expenditures schedule has been adjusted to correct the error.

To strengthen the reliability of the federal awards expenditures schedule and to comply with applicable laws and regulations, the Board should review the funding sources of all grants to determine whether the funds are federal or state to determine that only federal funding sources are included on the Schedule.

**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)  
JUNE 30, 2011**

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>
2010-01	Ohio Admin Code Sections 117-2-02-(A) and 117-2-02-(B): Receipt account balances were misstated in amounts ranging from \$421 to \$27,980,372	No	Repeated as Finding 2011-01
2010-02	Ohio Admin. Code Section 5101:9-31-05-(D): The Board failed to properly report cash receipts, disbursements, and ending fund cash balances on JFS 01992 Reports.	No	Repeated as Finding 2011-02
2010-03	20 C.F.R. Section 664.320(a): The Board failed to properly monitor the 30% youth requirement	Yes	
2010-04	Ohio Admin. Code Section 5101:9-1-88(A) and Ohio Admin. Code Section 5101:9-1-88(I)(3): The Board failed to properly document the monitoring of sub recipients.	No	Repeated as Finding 2011-03

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-01	The Area 7 Fiscal Office has revised the financial statement of activities to identify the actual cash ending balance of the prior year. The Area 7 Fiscal Office will ensure that opening balances tie to prior year audited ending balances.	6/30/12	Theo Adegboruwa, Chief Financial Officer
2011-02	Regarding 1992 Reports, the overstatement of disbursements issues is related to the legacy financial reporting system (known as ACRS+). Information from that system was known to change often as result of updates made by subrecipients from revised financial uploads. This is no longer an issue with our new fund accounting system (known as MIP) that became fully operational July 1, 2011. Subrecipients are no longer required to send monthly financial upload.	6/30/12	Theo Adegboruwa, Chief Financial Officer
2011-03	The Area 7 Workforce Board is currently putting an A-133 monitoring policy to address this issue. Draft language has been forwarded to Board members and subrecipients for comments. An issue we have identified in this process is that a large number of our subrecipients are not actively involved or informed of the A-133 Audit start or end date. We will look to engage county auditors in order to meet this requirement.	6/30/12	Theo Adegboruwa, Chief Financial Officer  John Trott, Executive Director
2011-04	It was the understanding of the Area 7 Fiscal Office that the One Stop System Enhancement funding was partially from both Unemployment Insurance funds and ARRA funds. We will revise the schedule to exclude One Stop Enhancement funding.	6/30/12	Theo Adegboruwa, Chief Financial Officer





# 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  
JUNE 12, 2012**