



Dave Yost • Auditor of State

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Workforce Investment Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Area 7 Workforce Investment Board, Montgomery County, Ohio (the Government), as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities of the Area 7 Workforce Investment Board, Montgomery County, Ohio, as of June 30, 2012, and the respective changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

We audited to opine on the Government's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net assets, changes in net assets, governmental activities. The Federal Awards Expenditure 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 analysis and are not a required part of the basic financial statements.

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. We subjected this information 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables, and the Schedule, are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April, 16, 2013, on our consideration of the Government'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

April 16, 2013

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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 fiscal year ended June 30, 2012, within the limitations of the Board's cash basis of 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 2012 are as follows:

- 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 net assets increased by \$450,283;
- The Board's program receipts decreased by \$6,116,347 as ARRA funding wound down in fiscal year 2011;
- The Boards program disbursements decreased by \$6,458,235 as ARRA funding wound down in fiscal year 2011;

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 – Cash Basis and Statement of Activities – Cash Basis 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, 2012
(UNAUDITED)
(Continued)**

Reporting the Government as a Whole

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis reflect how the Board did financially during 2012, 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 2012. 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 is 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 2012 compared to 2011.

**Table 1
Net Assets – Cash Basis**

	<u>2012</u>	<u>2011</u>
Assets:		
Cash	<u>\$1,092,968</u>	<u>\$642,681</u>
Net Assets:		
Restricted:		
Grant Programs	<u>1,092,968</u>	<u>642,681</u>
Total Net Assets	<u>\$1,092,968</u>	<u>\$642,681</u>

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Table 2 reflects the change in net assets during fiscal year 2012 as well as a comparative analysis of fiscal year 2011.

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

	2012	2011
Program Disbursements:		
Workforce Development:		
Adult	\$8,368,208	\$7,350,262
Adult Stimulus		212,323
Dislocated Worker	9,448,450	7,777,940
Dislocated Worker Stimulus	642,135	983,112
ARRA/DW Special Project		1,167,174
Rapid Response	558,492	4,132,880
Youth	8,569,649	7,260,572
Youth Stimulus		321,381
National Emergency Grant	4,049,768	3,628,967
ARRA Ohio Learning Account		1,335,325
ARRA Project Hire		61,763
Veteran's Rapid Response		71,610
One Stop Memorandum of Understanding	531,415	343,170
One Stop System Enhancement		3,139,244
Administration	2,079,864	2,920,493
Total Program Disbursements	34,247,981	40,706,216
Program Receipts		
Workforce Development:		
Adult	8,488,945	7,466,674
Adult Stimulus		211,813
Dislocated Worker	9,544,592	7,579,731
Dislocated Worker Stimulus	666,319	736,431
ARRA/DW Special Project		1,138,002
Rapid Response	569,479	4,054,703
Youth	8,510,316	7,379,514
National Emergency Grant	4,504,597	3,923,019
Career Advancement Account		697,537
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	545,729	400,155
One Stop System Enhancement		3,217,249
Administration	2,084,137	2,715,141
Total Program Receipts	34,914,114	41,030,461
Other Financing Sources/(Uses)		
Interest	134	177
Refund of Prior Year Receipts	(215,984)	(76,057)
Total Other Financing Sources/(Uses)	(215,850)	(75,880)
Increase in Cash	\$ 450,283	\$ 248,365

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2011 through June 30, 2012, at a cost of \$442,914, 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, 2011 through June 30, 2012, to provide fiscal agent and business driven services. This Memorandum of Understanding was established not to exceed \$124,170 for the Montgomery County Auditor and Treasurer to provide financial processing and accountability services for Area 7 Workforce Investment Board.

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 the 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, 2012**

Assets:

Cash	\$1,092,968
Total Assets	<u>1,092,968</u>

Net Assets:

Restricted:

Grant Programs	1,092,968
Total Net Assets	<u>\$1,092,968</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, 2012**

Program Disbursements:

Workforce Development:

Adult	\$8,368,208
Dislocated Worker	9,448,450
Dislocated Worker Stimulus	642,135
Rapid Response Grants	558,492
National Emergency Grants	4,049,768
Youth	8,569,649
One Stop Memorandum of Understanding Administration	531,415
	<u>2,079,864</u>
Total Program Disbursements	<u>34,247,981</u>

Program Receipts:

Operating Grants:

Adult	8,488,945
Dislocated Worker	9,544,592
Dislocated Worker Stimulus	666,319
Rapid Response Grants	569,479
National Emergency Grants	4,504,597
Youth	8,510,316
One Stop Memorandum of Understanding Administration	545,729
	<u>2,084,137</u>
Total Program Receipts	<u>34,914,114</u>

Total Receipts Over Disbursements 666,133

Other Financing Sources/(Uses):

Investment Earnings	134
Refund of Prior Year Receipts	<u>(215,984)</u>
Total Other Financing Sources/(Uses)	<u>(215,850)</u>

Change in Net Assets 450,283

Net Assets Beginning of Year 642,685

Net Assets Ending of Year \$1,092,968

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, 2012**

1. DESCRIPTION OF AREA 7 WORKFORCE INVESTMENT BOARD 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 Workforce Investment 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, Dislocated Worker Stimulus, Rapid Response, Youth, National Emergency Grant, 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.

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.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets – cash basis and the statement of activities – cash basis, display information about the Board as a whole. These statements include the financial activities of the Board. The statement of net assets – cash basis presents the financial condition of the governmental activities of the Board at year-end. The Statement Activities – cash basis displays information about the Board as a whole. The Statement of Activities – cash basis 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.

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.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,092,968. 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, 2012 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, 2011 through June 30, 2012, at a cost of \$442,914, 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, 2011 through June 30, 2012, 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.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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, 2012 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, 2012**

FEDERAL GRANTOR	Federal	Pass - Through	
<i>Pass Through Grantor</i>	CFDA	Entity	
<u>Program Title</u>	<u>Number</u>	<u>Number</u>	<u>Disbursements</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Ohio Department of Job and Family Services</i>			
<i>Workforce Investment Act (WIA) Cluster:</i>			
Adult Program (SFY10)	17.258	(A)	\$103,560
Adult Program Administrative (SFY10)	17.258	(A)	6,354
Adult Program (SFY11)	17.258	(A)	3,327,134
Adult Program Administrative (SFY11)	17.258	(A)	488,380
Adult Program (SFY12)	17.258	(A)	4,937,514
Adult Program Administrative (SFY12)	17.258	(A)	197,829
Total WIA -Adult Program			<u>9,060,771</u>
Youth Activities (SFY 10)	17.259	(A)	820,668
Youth Activities Administrative (SFY 10)	17.259	(A)	6,755
Youth Activities (SFY 11)	17.259	(A)	4,595,573
Youth Activities Administrative (SFY 11)	17.259	(A)	295,796
Youth Activities (SFY 12)	17.259	(A)	3,153,408
Youth Activities Administrative (SFY 12)	17.259	(A)	329,710
Total WIA-Youth Activities			<u>9,201,910</u>
Dislocated Workers (SFY10)	17.260	(A)	853,971
Dislocated Workers Administrative (SFY10)	17.260	(A)	56,367
National Emergency Grant (SFY10)	17.260	(A)	882,644
ARRA Stimulus - Dislocated Workers (SFY10)	17.260	(A)	642,135
Dislocated Workers (SFY11)	17.260	(A)	4,752,105
Dislocated Workers Administrative (SFY11)	17.260	(A)	481,085
Dislocated Worker Formula Grants (SFY12)	17.278	(A)	3,842,374
Dislocated Worker Formula Grants Administrative (SFY12)	17.278	(A)	217,588
Dislocated Worker Formula Grants (SFY11)	17.278	(A)	558,492
Total WIA - Dislocated Workers			<u>12,286,761</u>
Total Workforce Investment Act (WIA) Cluster			<u>30,549,442</u>
Workforce Investment Act National Emergency Grants			
National Emergency Grant _ OH-24-MASCO	17.277	(A)	83,483
National Emergency Grant _ OH-25-FLOOD	17.277	(A)	3,083,641
Total National Emergency Grants			<u>3,167,124</u>
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	(A)	415,031
Disabled Veteran's Outreach Program (DVOP)	17.801	(A)	116,384
Total Employment Service Cluster			<u>531,415</u>
Total Federal Assistance - U.S. Department of Labor			<u>\$34,247,981</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, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Area 7 Workforce Investment Board's (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 sub-recipient, the Board has certain compliance responsibilities, such as monitoring its sub-recipients 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Area 7 Workforce Investment Board, Montgomery County, (the Government) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements and have issued our report thereon dated April 16, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Government's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Government's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Government'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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 16, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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:

Report on Compliance for Each Major Federal Program

We have audited the Area 7 Workforce Investment Board's (the Government) compliance with the applicable 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 the Area 7 Workforce Investment Board's major federal programs for the year ended June 30, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Government's major federal programs.

Management's Responsibility

The Government's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Government's compliance for each of the Government's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Government's major programs. However, our audit does not provide a legal determination of the Government's compliance.

Opinion on Each Major Federal Program

In our opinion, the Area 7 Workforce Investment Board complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2012-001. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

The Government's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Government's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Government'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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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's applicable 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's 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 2012-001 to be a material weakness.

The Government's response to our internal control compliance finding is described in the accompanying schedule of findings. We did not audit the Government's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

April 16, 2013

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act (WIA) Cluster: CFDA #17.258 – WIA Adult Program CFDA #17.259 – WIA Youth Activities CFDA #17.260 – WIA Dislocated Worker CFDA #17.260 – ARRA WIA Dislocated Workers CFDA 17.278 – WIA Dislocated Worker Formula Grants Workforce Investment Act National Emergency Grant - CFDA #17.277
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$1,027,439 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDING FOR FEDERAL AWARDS

Finding Number	2012-001
CFDA Title and Number	Workforce Investment Act Cluster: CFDA #17.258 – WIA Adult Program CFDA #17.259 – WIA Youth Activities CFDA #17.260 – WIA Dislocated Worker CFDA #17.260 – ARRA WIA Dislocated Workers CFDA 17.278 – WIA Dislocated Worker Formula Grants Workforce Investment Act National Emergency Grant - CFDA #17.277
Federal Award Number / Year	SFY10, SFY11 and SFY12
Federal Agency	United States Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance/Material Weakness

OMB Circular A-133 Section 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. In addition, **2 C.F.R. 176.210(d)** requires that recipients agree to require their sub-recipients to include on their Schedule of Expenditures of Federal Awards (SEFA) information to specifically identify Recovery Act (ARRA) funding similar to the requirements for the recipient SEFA described in **2 CFR 172.210(b)**. This information is needed to allow the recipient to properly monitor sub-recipient expenditures of ARRA funds. as well as oversight by the Federal awarding agencies, Offices of Inspector General and the Government Accountability Office

Additionally, Ohio Admin. Code Section 5101:9-1-88 (A)(1) states that County family services agencies (CFSA) and workforce development agencies (WDA), as sub-recipients of the Ohio department of job and family services (ODJFS), are required to monitor their sub-recipients. This rule establishes minimal standard monitoring requirements for CFSA's and WDAs. This rule does not negate federal, state, or local requirements of the Workforce Investment Act or other specific federal program. **Ohio Admin. Code Section 5101:9-1-88(F)(1)** states, in part, that sub-recipient monitoring requirements are established by ODJFS to provide reasonable assurance that federal award information and compliance requirements are identified to sub-recipients, sub-recipient activities are monitored, sub-recipient audit findings are resolved, and the impact of any sub-recipient non-compliance on the pass-through entity is evaluated. Sub-recipient monitoring may include, but not be limited to, review of audit reports to determine compliance with any existing corrective action plan.

The Area 7 Workforce Investment Board receives federal grant funds from the Ohio Department of Jobs and Family Services and passes all those funds through to the 43 counties within their area to provide services. Review of sub-recipient audit reports for the period, noted that 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 and the National Emergency Grant monies. The Board's sub-recipient agreements failed to include a requirement for their sub-recipients to properly identify ARRA expenditures on their SEFA.

The Board should implement procedures to verify all required reviews are documented and any additional required follow-ups are accurately documented including determining compliance with an existing corrective action plan.

Officials Response: See page 22

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Admin. Code Section 117-02-(A)/(B) – Financial Statement Errors	Yes	
2011-02	Ohio Admin. Code Section 5101:9-31-05(D) – Failure to file accurate 1992 Reports with ODJFS	Yes	
2011-03	Ohio Admin. Code Section 5101:9-1-88(A) – Subrecipient Monitoring	No	Repeated as 2012-001.
2011-04	29 C.F.R. Section 99.310(b) – Federal Awards Expenditures Schedule errors.	Yes	

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	<p>In response to this issue, the Area 7 Workforce Board passed resolution P7-204, "Fiscal Reviews and A-133 Audits, in August of 2012. The policy clearly defines monitoring expectations and responsibilities for the workforce area and for subrecipients. These expectations include annual program and fiscal monitoring for all Area 7 subrecipients. In addition, the policy addresses A-133 expectations. Specifically, those sub-grantees who have received an annual A-133 Single Audit must provide a copy of their annual A-133 Single Audit to the Area 7 Chief Financial Officer, with a copy to the Area 7 Executive Director, whether or not the sub-grantee's WIA program received a finding. If the sub-grantee did receive a WIA-related finding, the sub-grantee must work with Area 7 to establish a mutually-acceptable corrective action plan.</p>	Immediate	Hubert Dawson, CFO



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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
MAY 14, 2013**