



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 Board), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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 Board'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 Board'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the governmental activities of the Area 7 Workforce Investment Board, Montgomery County, Ohio, as of June 30, 2014, and the change in cash financial position thereof 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. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Board's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position – cash basis and change in net position – cash basis. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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 3, 2015, 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. 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 Board's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 3, 2015

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**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(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 fiscal year ended June 30, 2014, 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 2014 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 position increased by \$1,047,000.
- The Board's program receipts decreased by \$6,392,485.
- The Boards program disbursements decreased by \$8,104,773.

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 Position – 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
(UNAUDITED)
(Continued)**

Reporting the Government as a Whole

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis reflect how the Board did financially during 2014, within the limitations of the cash basis accounting. These two statements report the Board's net position and change in net position. The Statement of Activities – Cash Basis presents the receipt and disbursement activity during 2014. 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 as 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 Position – Cash Basis provides the perspective of the Board as a whole and Table 1 provides a summary of the Board's net position for 2014 compared to 2013.

Table 1
Net Position – Cash Basis

	<u>2014</u>	<u>2013</u>
Assets:		
Cash	<u>\$1,385,137</u>	<u>\$338,137</u>
Net Position:		
Restricted:		
Grant Programs	<u>1,385,137</u>	<u>338,137</u>
Total Net Position	<u><u>\$1,385,137</u></u>	<u><u>\$338,137</u></u>

Table 2 reflects the change in net position during fiscal year 2014 as well as a comparative analysis of fiscal year 2013.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(Continued)**

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

	<u>2014</u>	<u>2013</u>
Program Disbursements:		
Workforce Development:		
Adult	\$5,346,961	\$5,595,524
Dislocated Worker	4,068,705	6,734,999
Dislocated Worker Stimulus		541,135
Rapid Response Grants	1,834,443	2,803,024
Youth	5,669,112	7,984,945
Youth ARRA Stimulus	(15,978)	
National Emergency Grants	11,967,557	13,363,924
One Stop Memorandum of Understanding	772,870	960,667
Temporary Assistance for Needy Families Administration	803,844	
	1,614,511	2,182,580
Total Program Disbursements	<u>32,062,025</u>	<u>40,166,798</u>
Program Receipts:		
Adult	6,042,441	5,446,989
Dislocated Worker	3,989,279	7,154,335
Dislocated Worker Stimulus		425,931
Rapid Response Grants	1,851,306	2,856,824
Youth	5,868,017	7,700,808
National Emergency Grants	11,758,174	12,809,084
One Stop Memorandum of Understanding	772,870	1,013,040
Temporary Assistance for Needy Families Administration	836,808	
	1,880,175	1,984,544
Total Program Receipts	<u>32,999,070</u>	<u>39,391,555</u>
Other Financing Sources/(Uses):		
Investment Earnings	255	114
Refund of Prior Year Disbursements	109,700	20,298
Total Other Financing Sources/(Uses)	<u>109,955</u>	<u>20,412</u>
Increase(Decrease) in Net Position	<u>\$1,047,000</u>	<u>(\$754,831)</u>

Federal and State grants represent 100% of total program 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.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(Continued)**

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, 2013 through June 30, 2014, at a cost of \$606,322, 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, 2013 through June 30, 2014, 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 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 to the Chief Financial 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 POSITION - CASH BASIS
JUNE 30, 2014**

Assets:

Cash	\$1,385,137
Total Assets	<u>1,385,137</u>

Net Position:

Restricted:

Grant Programs	1,385,137
Total Net Position	<u>\$1,385,137</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, 2014**

Program Disbursements:

Workforce Development:

Adult	\$5,346,961
Dislocated Worker	4,068,705
Rapid Response Grants	1,834,443
National Emergency Grants	11,967,557
Youth	5,669,112
Youth ARRA Stimulus	(15,978)
One Stop Memorandum of Understanding	772,870
Temporary Assistance for Needy Families	803,844
Administration	<u>1,614,511</u>
Total Program Disbursements	<u>32,062,025</u>

Program Receipts:

Operating Grants:

Adult	6,042,441
Dislocated Worker	3,989,279
Rapid Response Grants	1,851,306
National Emergency Grants	11,758,174
Youth	5,868,017
One Stop Memorandum of Understanding	772,870
Temporary Assistance for Needy Families	836,808
Administration	<u>1,880,175</u>
Total Program Receipts	<u>32,999,070</u>

Total Receipts over Disbursements	937,045
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Other Financing Sources/(Uses):

Investment Earnings	255
Refund of Prior Year Disbursements	<u>109,700</u>
Total Other Financing Sources/(Uses)	109,955

Change in Net Position	1,047,000
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Net Position Beginning of Year	338,137
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Net Position Ending of Year	<u><u>\$1,385,137</u></u>
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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, 2014**

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, Policy Director, and a secretary. The WIB staff 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 Sub-grantees 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 operation of the Adult, Dislocated Worker, Rapid Response, National Emergency Grants 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 include Adult, Dislocated Worker, Rapid Response, Youth, National Emergency Grant, One Stop Memorandum of Understanding, Temporary Assistance for Needy Families 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, 2014
(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 position (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 position (cash basis) presents the financial condition of the governmental activities of the Board at year-end. The Statement of 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.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 \$1,385,137. 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, 2014 the Board maintained Commercial Insurance coverage for the following risks:

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

5. CONTRACTED SERVICES

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

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. CONTRACTUAL OBLIGATIONS

The Board entered into a contract with Clark State Community College, for the period July 1, 2013 through June 30, 2014, at a cost of \$606,322, 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, 2013 through June 30, 2014, 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, 2014 will not have a material adverse effect on the Board.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass - Through Entity Number	Disbursements
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Ohio Department of Job and Family Services</i>			
<i>WIA Cluster:</i>			
Adult Formula Program (SFY14)	17.258	(A)	\$1,208,729
Adult Formula Program Administrative (SFY14)	17.258	(A)	256,741
Adult Formula Program (SFY13)	17.258	(A)	2,944,170
Adult Formula Program Administrative (SFY13)	17.258	(A)	249,955
Adult Formula Program (SFY12)	17.258	(A)	173,638
Adult Formula Program Administrative (SFY12)	17.258	(A)	8,754
State Special Project Initiatives (SFY14)	17.258	(A)	815,852
Ohio Means Jobs Branding (SFY14)	17.258	(A)	204,572
Total WIA -Adult Program			<u>5,862,411</u>
Youth Formula Program (SFY 14)	17.259	(A)	2,115,016
Youth Formula Program Administrative (SFY 14)	17.259	(A)	74,677
Youth Formula Program (SFY 13)	17.259	(A)	3,353,539
Youth Formula Program Administrative (SFY 13)	17.259	(A)	461,895
Youth Formula Program (SFY 12)	17.259	(A)	222,045
Youth Formula Program Administrative (SFY 12)	17.259	(A)	13,112
Youth Formula Program (SFY08)	17.259	(A)	(21,488)
Youth ARRA Stimulus Program (SFY10)	17.259	(A)	(3,925)
Youth ARRA Stimulus Program Administrative (SFY10)	17.259	(A)	(12,053)
Total WIA-Youth Activities			<u>6,202,818</u>
Dislocated Worker Formula Grants (SFY14)	17.278	(A)	488,645
Dislocated Worker Formula Administrative (SFY14)	17.278	(A)	143,442
Dislocated Worker Formula Grants (SFY13)	17.278	(A)	3,025,804
Dislocated Worker Formula Administrative (SFY13)	17.278	(A)	398,834
Dislocated Worker Formula Grants (SFY12)	17.278	(A)	588,110
Dislocated Worker Formula Administrative (SFY12)	17.278	(A)	7,101
Dislocated Worker Formula Grants (SFY11)	17.278	(A)	41,411
Dislocated Worker Formula Grants (SFY10)	17.278	(A)	(6,687)
Dislocated Worker Formula Grants (SFY09)	17.278	(A)	15,111
Dislocated Worker Formula Grants (SFY08)	17.278	(A)	(83,689)
Rapid Response (SFY14)	17.278	(A)	1,367,073
Rapid Response (SFY13)	17.278	(A)	467,370
Total WIA - Dislocated Worker Formula Grants			<u>6,452,525</u>
Total WIA Cluster			<u>18,517,754</u>

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass - Through Entity Number	Disbursements
<i>Workforce Investment Act (WIA) National Emergency Grants:</i>			
National Emergency Grant _ OH-15	17.277	(A)	(517)
National Emergency Grant _ OH-25-FLOOD	17.277	(A)	2,674,877
National Emergency Grant _ OH-26-Windstorm	17.277	(A)	8,964,318
National Emergency Grant _ OH-27-Long-Term Dislocated	17.277	(A)	328,879
Total Workforce Investment Act (WIA) National Emergency Grants			<u>11,967,557</u>
<i>Employment Service/Wagner-Peyser Funded Activities:</i>			
Employment Service/Wagner-Peyser Funded Activities (SFY14)	17.207	(A)	548,095
Employment Service/Wagner-Peyser Funded Activities (SFY13)	17.207	(A)	224,775
Total Employment Service/Wagner-Peyser Funded Activities			<u>772,870</u>
Total Federal Assistance - U.S. Department of Labor			<u>31,258,181</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Job and Family Services</i>			
<i>Temporary Assistance for Needy Families (TANF):</i>			
Connect the DOTS - TANF Demo (SFY14)	93.558	(A)	144,177
Ohio Works First Program (SFY14)	93.558	(A)	659,667
Total Temporary Assistance for Needy Families (TANF):			<u>803,844</u>
Total Federal Assistance - U.S. Department of Health and Human Services			<u>803,844</u>
Total Federal Assistance - All Departments			<u><u>\$32,062,025</u></u>

(A) Entity number not known or not applicable

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

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures (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.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 governmental activities of Area 7 Workforce Investment Board, Montgomery County, (the Board) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated April 3, 2015, wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board'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 Board'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 Board'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 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, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-001.

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 Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board'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
Columbus, Ohio

April 3, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 Board) 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, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Board's major federal programs.

Management's Responsibility

The Board'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 Board's compliance for each of the Board'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 Board'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 Board's major programs. However, our audit does not provide a legal determination of the Board'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, 2014.

Other Matters

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 2014-002. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

The Board'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 Board'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 Board's internal control over compliance.

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 compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2014-002.

The Board's response to the internal control over compliance finding we identified is described in the accompanying schedule of findings or corrective action plan. We did not audit the Board'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.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 3, 2015

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**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	<p>WIA Cluster:</p> <ul style="list-style-type: none"> • CFDA 17.258 - WIA Adult Program • CFDA 17.259 – WIA Youth Activities • CFDA 17.278 – WIA Dislocated Workers Formula Grants <p>CFDA 17.277 - Workforce Investment Act (WIA) National Emergency Grants</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$961,861 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code §117.38 states each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Any public office, other than a state agency, that does not file its financial report at the time required by this section shall pay to the auditor of state twenty-five dollars for each day the report remains unfiled after the filing date; provided, that the penalty payments shall not exceed the sum of seven hundred fifty dollars. The auditor of state may waive all or any part of the penalty assessed under this section upon the filing of the past due financial report.

The Board did not file its annual report with the Auditor of State for fiscal year ending June 30, 2014. The Board completed its statements in November 2014 and the required supplementary information in February 2015 for audit.

The Board should implement procedures to ensure the annual financial report is completed timely and filed with the Auditor of State within 60 days after year-end. Failure to timely file can result in penalties/fees and possible loss of federal funding.

Officials' Response: We did not receive a response from officials.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

WIA Cluster – Cash Management

Finding Number	2014-002
CFDA Title and Number	WIA Cluster: <ul style="list-style-type: none"> • CFDA 17.258 - WIA Adult Program • CFDA 17.259 – WIA Youth Activities • CFDA 17.278 – WIA Dislocated Workers Formula Grants
Federal Award Number / Year	SFY 12, 13, and 14
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance and Significant Deficiency

29 CFR 97.21(b) states, in part, that procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or sub-grantee, in accordance with Treasury regulations at 31 CFR part 205. Part (c) further states grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee. Part (i) states grantees and sub-grantees shall promptly, but at least quarterly, remit interest earned on advances to the federal agency. The grantee or sub-grantee may keep interest amounts up to \$100 per year for administrative purposes.

FINDING NUMBER 2014-002
(Continued)

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

- (1) A local area may submit requests for cash draws weekly. Requests are processed by ODJFS within six working days. In accordance with the Cash Management Improvement Act and Title 29 C.F.R. part 97, section 20, cash drawn in advance must be limited to the minimum amount needed for actual, immediate requirements. The local area shall have cash management procedures in place to ensure the time elapsing between the receipt of funds and the disbursement of funds does not exceed a ten-day average for all federal grants. The local area shall monitor the cash management practices of the workforce development agencies to ensure they conform to the same standards.
- (2) Cash drawn shall be traceable to a level of program expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes, rules, and regulations. The accounting systems of the local area shall support internal controls necessary to insure the reporting of activity affiliated with federal grants and state funds remain separated on a grant, program, or project basis.

Ohio Admin. Code §5101:9-7-04(C)(1)(2)(3) states that at the end of each quarter, ODJFS will calculate each local area's average days' cash on hand for all federal funding based on expenditures and cash draws for the WIA data subset as they appear on the county finance information (CFIS) over/under report. The average days' cash on hand will be calculated on an individual grant basis as follows:

- (a) At the end of each quarter, ODJFS will calculate excess cash on hand by deducting the total expenditures over the lifetime of the funding source, up to the budgeted amount, from the total amount of cash draws over the lifetime of the funding source.
- (b) ODJFS will then calculate the average expenditures by dividing the total expenditures by the number of calendar days the funding has been available; and
- (c) Finally, ODJFS will calculate the average days' cash on hand by dividing the excess cash on hand from the amount calculated in paragraph (C)(2)(a) of this rule by the average daily expenditures calculated in paragraph (C)(2)(b) of this rule.

ODJFS will forward the results of the average days' cash on hand calculation to the local area for review.

- (a) If an event, beyond the reasonable control of the local area, results in noncompliance with the cash management requirements, the local area shall document the event and upon request of ODJFS provide documentation to the ODJFS office of fiscal and monitoring services (OFMS).
- (b) If circumstances resulting in the noncompliance are caused by internal control deficiencies or operational processes, the local area shall document the steps implemented to avoid a reoccurrence and upon request provide the documentation to the ODJFS OFMS.
- (c) ODJFS may take additional action to ensure the cash management practices of the local area are in compliance with paragraph (B)(1) of this rule.

Ohio Admin. Code §5101: 9-7-04(D) states, in part, that an interest liability accrues if federal funds are received prior to the day the funds are paid. A local area shall calculate and report earned interest quarterly. ODJFS will complete the quarterly interest reconciliation using the "State Treasury Asset Reserve of Ohio" (STAR Ohio) rate and send a preliminary spreadsheet to the local area.

FINDING NUMBER 2014-002
(Continued)

- (1) Interest on the cumulative amount of excess cash on hand shall be compounded daily and calculated by the local area using either the average monthly interest rate earned or the STAR Ohio interest rate published on the Ohio treasurer of state website.
- (2) As part of the quarterly interest reconciliation, the local area may take into consideration the months in which the local area used local funds for program purposes other than for local match and, therefore, operated on a reimbursement basis, provided the local area requests funds timely as set forth in this rule. When the monthly interest liability as calculated in paragraph (D)(1) of this rule is a negative number and when the local area has documentation identifying the funds used as local funds, the resulting negative number may be used to offset any interest liability from other months during the quarter. The format of the quarterly reconciliation will include, at a minimum, the following:
 - (a) The monthly interest liability owed by the local area or the monthly offsetting interest liability based upon the local area using local funds for program purposes for each applicable federal program allocation; and
 - (b) The total net interest liability owed by the local area or the total net offsetting interest liability based upon the local area using local funds for program purposes for each applicable federal program allocation for the quarter.
- (3) The total net interest liability owed by the local area or the total net offsetting interest liability based upon the local area using local funds for program purposes for each applicable federal program allocation for the federal fiscal year (FFY). In accordance with 29 C.F.R. 97.21(i), a local area, as sub-grantee, may keep interest amounts up to one hundred dollars per year for administrative expenses.
- (4) For each applicable federal program allocation with a total net offsetting interest liability (a negative number calculated in the quarterly reconciliation), no adjustment to program income will be necessary. ODJFS shall not be liable to the local area for any interest liability based upon the local area using local funds for program purposes.

The Board was reported to have cash on hand in excess of this requirement for the Workforce Investment Act Cluster funds for the first quarter in fiscal year end 2014. For the quarter ending September 2013, the Board had cash on hand of 46.6 days, which exceeded the 10 day average. However, during the remaining quarters of fiscal year 2014, the process of receiving and disbursing funds was updated and funds are now disbursed simultaneously to receipt.

In addition, the Board did not complete the quarterly interest calculations during Fiscal Year 2014. The Board recorded interest earned of \$255, which exceeded the allowable \$100.

To provide for proper accounting of the grant monies, the Board should continue to monitor and follow the new cash management practices for advanced fund to minimize cash held for no more than ten days average per quarter. Additionally, the Board should perform the required interest calculations and return excess interest to the appropriate authorities.

Officials' Response:

See Corrective Action Plan – page 30.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	29 CFR 97.21(b) and Ohio Admin. Code §5101:9-7-04(B) and §5101:9-7-04(C)(1)(2)(3) – Workforce Investment Act Cluster (WIA) Cash Management	No	Repeated as Finding 2014-002
2013-002	29 CFR 97.41(b) and Ohio Admin. Code §5101:9-7-04.1 – Workforce Investment Act (WIA) Cluster - Quarterly Reporting	Yes	

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-002	<p>Area 7 has procedures in place to minimize the time elapsing between receipt and disbursement of draws. The Area did have excess cash on hand for the first quarter but that was due to the implementation of the State's CFIS WIA Fiscal System and drawing down additional funds for all member counties and also those who had NEG grants and a need to make sure the cash was available for ongoing business. Draw requests were not able to be processed in the new State system for quite some time until Go-Live data, new FY allocations/budgets, reconciled valid grant budgets, expenditures, revenue etc. was all set up and implemented in the new CFIS WIA Fiscal System. That was the special circumstance around the excess cash on hand for the July-Sept '13 quarter. As stated in the Finding, the process of receiving and disbursing funds was updated and funds are now disbursed simultaneously to receipt.</p> <p>As for the interest, the State did not calculate an interest issue in excess of the allowable \$100 for administrative purposes on any valid, active funds for the audit period. The interest actually earned was not incurred on active, valid federal funds. The interest earned in the Area's bank account was due to other funds.</p>	Completed	Danny Dawson



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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 7, 2015