



Mary Taylor, CPA  
Auditor of State



**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Workforce Investment Board:

We have audited the accompanying financial statement of the governmental activities of Area 7 Workforce Investment Board, Montgomery County, (the Board), as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the governmental activities of the Workforce Investment Board, Montgomery County, as of June 30, 2008, and the change in cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2009, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

August 11, 2009

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

This discussion and analysis of the Area 7 Workforce Investment Policy Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended June 30, 2008, within the limitations of the Board's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

**Highlights**

Key Highlights for 2008 are as follows:

- The Board was formed July 1, 2004 making this our fourth year of operation with the following carry-forward grant allocations from the Ohio Department of Job and Family Services of \$3,286,031 from fiscal years 2006 and 2007:

WIA Administration	\$194,922
WIA Adult	923,919
WIA Dislocated Worker	855,653
WIA Youth	436,907
WIA Special Project	194,910
Veteran's Short Term Training	13,528
WorkKeys Assessment	15,793
Rapid Response	650,399
Total Carry Forward	<u>\$3,286,031</u>

- The Board's receipts are solely from support from Federal and State government agencies. The federal receipts are designated for employment and training related activities.
- The Board's total grant allocations including carry forward of \$3,286,031 during the program year, was \$51,925,012.

**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 Cash Basis Governmental Activities provides information about the cash activities of 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.

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

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

**Reporting the Government as a Whole**

The Statement of Cash Basis Governmental Activities reflects how the Board did financially during 2008, within the limitations of the cash basis accounting. The Statement of Cash Basis Governmental Activities presents the receipts and disbursement activity during 2008. These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

**The Government as a Whole**

Table 1 reflects the change in cash position during fiscal year 2008 as well as a comparative analysis of fiscal year 2007.

**Table 1  
Change In Cash Position**

	2008	2007
<b>Program Disbursements</b>		
<b>Workforce Development:</b>		
Adult	\$9,876,053	\$9,789,566
Dislocated Worker	8,218,012	8,102,583
Rapid Response	3,786,717	1,670,213
WIA Special Project		576,803
Youth	8,938,897	7,991,015
Youth Settlement Funds		116,007
National Emergency Grant	418,111	768,594
Veteran's Short-Term Training	42,259	50,270
One Stop Reed Act Grant		5,751
Work Keys	63,771	
Workforce Services	30,589	60,995
One Stop Memorandum of Understanding	743,244	587,441
User Acceptance		2,752
Administration	2,481,702	2,293,827
 Total Program Disbursements	 34,599,355	 32,015,817

(Continued)



**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

**Table 1  
Change In Cash Position  
(Continued)**

	<b>2008</b>	<b>2007</b>
<b>Program Receipts</b>		
<b>Workforce Development:</b>		
Adult	7,928,401	12,844,411
Dislocated Worker	6,032,288	10,205,316
Rapid Response	3,021,094	1,670,213
WIA Special Project	192,158	576,781
Youth	7,107,684	9,907,033
Youth Settlement Funds		116,030
National Emergency Grant	(74,639)	812,586
Veteran's Short-Term Training	41,208	49,941
One Stop Reed Act Grant		5,997
Work Keys	64,636	
Workforce Services	581	60,615
One Stop Memorandum of Understanding	602,370	587,441
User Acceptance		2,752
Mass Layoff Planning	15,130	
Administration	1,547,295	3,145,924
	<b>26,478,206</b>	<b>39,985,040</b>
Total Program Receipts		
	<b>26,478,206</b>	<b>39,985,040</b>
Increase/(Decrease) in Cash	<b>(\$8,121,149)</b>	<b>\$7,969,223</b>

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.

**Budgeting Highlights**

The Board's budget is reflected in the Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2008, the Board amended its budget several times to reflect changing circumstances. The budgeted receipts and disbursements are prepared on a multi-year program basis. Final budgeted receipts were in excess of final actual receipts due to this basis.

Final disbursements were budgeted at \$60,045,678 while actual disbursements were \$34,599,355. Budgeted receipts were less than appropriations due to \$8,122,149 fund balance at July 1, 2007. The result is a decrease in fund balance of \$8,121,149 for fiscal year 2008.

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008  
(UNAUDITED)  
(Continued)**

**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**

On October 3, 2007, the Board entered into a contract with Clark State Community College, for the period July 1, 2007 through June 30, 2008, at a cost of \$429,785, for continuation and maintenance of Board headquarters and administrative services.

On January 14, 2008, the Board entered into a Memorandum of Understanding with Montgomery County, for the period July 1, 2007 through June 30, 2008, to provide fiscal agent and business driven services. This Memorandum of Understanding was established not to exceed \$124,170 for Montgomery County Auditor and Treasurer to provide financial processing and accountability services for Area 7.

**Contacting the Board's Financial Management**

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

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Program Disbursements:**

**Workforce Development**

Adult	\$9,876,053
Dislocated Worker	8,218,012
Rapid Response	3,786,717
Youth	8,938,897
National Emergency Grant	418,111
Special Project	63,771
Veteran's Short-Term Training	42,259
Workforce Services	30,589
One Stop Memorandum of Understanding	743,244
Administration	2,481,702
Total Program Disbursements	<u>34,599,355</u>

**Program Receipts:**

**Operating Grants**

Adult	7,928,401
Dislocated Worker	6,032,288
Rapid Response	3,021,094
Youth	7,107,684
National Emergency Grant	(74,639)
Special Project	192,158
Veteran's Short-Term Training	41,208
Mass Layoff Planning	15,130
Workforce Services	581
One Stop Memorandum of Understanding	602,370
Work Key	64,636
Administration	1,547,295
Total Program Receipts	<u>26,478,206</u>

Increase (Decrease) in Cash (8,121,149)

Net Assets Beginning of Year 8,122,149

Net Assets End of Year \$1,000

**Assets:**

Cash	<u>\$1,000</u>
Total Assets	1,000

**Net Assets:**

Restricted:	
Grant Programs	<u>1,000</u>
Total Net Assets	<u><u>\$1,000</u></u>

*See accompanying notes to the basic financial statements.*

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>(Optional) Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts:</b>				
Program Year Grant 05-07	\$1,498,318	\$764,548	\$746,094	(\$18,454)
Federal Fiscal Year Grant 05-07	3,049,597	2,192,638	1,920,837	(271,801)
Program Year Grant 06-08		4,828,974	3,457,438	(1,371,536)
Federal Fiscal Year Grant 06-08	10,116,470	9,396,178	4,269,645	(5,126,533)
Program Year Grant 07-09	17,488,034	17,174,884	10,918,699	(6,256,185)
Federal Fiscal Year Grant 07-09	18,337,242	17,567,790	5,165,493	(12,402,297)
Total Receipts	<u>50,489,661</u>	<u>51,925,012</u>	<u>26,478,206</u>	<u>(25,446,806)</u>
<b>Disbursements:</b>				
Program Year Grant 05-07	1,498,090	764,548	563,666	200,882
Federal Fiscal Year Grant 05-07	2,990,907	2,192,639	2,190,015	2,624
Program Year Grant 06-08	7,970,902	12,949,639	6,778,429	6,171,210
Federal Fiscal Year Grant 06-08	10,167,711	9,396,178	8,707,172	689,006
Program Year Grant 07-09	17,488,034	17,174,884	10,107,355	7,067,529
Federal Fiscal Year Grant 07-09	18,337,242	17,567,790	6,252,718	11,315,072
Total Disbursements	<u>58,452,886</u>	<u>60,045,678</u>	<u>34,599,355</u>	<u>25,446,323</u>
Net Change in Fund Balance	(7,963,225)	(8,120,666)	(8,121,149)	(483)
Fund Balance Beginning of Year	<u>8,122,149</u>	<u>8,122,149</u>	<u>8,122,149</u>	
Fund Balance End of Year	<u><u>\$158,924</u></u>	<u><u>\$1,483</u></u>	<u><u>\$1,000</u></u>	<u><u>(\$483)</u></u>

*See accompanying notes to the basic financial statements.*

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**1. DESCRIPTION OF AREA 7 AND THE REPORTING ENTITY**

**A. Description of the Entity**

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

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

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

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

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

**B. Reporting Entity**

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

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

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(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 Board's Basic Financial Statements consist of a Statement of Cash Basis Governmental Activities. The Statement of Cash Basis Governmental Activities displays information about the Board as a whole. The Statement of Cash Basis Governmental Activities presents a comparison between direct expenses and operating grants for each program or function of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Operating revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The comparison of direct expenses with operating revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Board.

**1. Fund Accounting**

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

**2. Governmental Funds**

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

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

**3. Measurement Focus**

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

**4. Basis of Accounting**

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

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(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.

**E. Budgetary Process**

Montgomery County (the fiscal agent) requires the Board to budget all funds. The major documents prepared are the budget based on the WIA grant allocation. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The WIA grant allocation establishes a limit on the amounts the Board may budget. The budget is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board uses the fund object level three level as its legal level of control. Individual grants are limited to their approved budget and the Board must approve an increase or decrease.

The amounts reported as the original budget in the budgetary statements reflect the amounts in the WIA grant allocation when the Board adopted the original budget. The amounts reported as the final budget in the budgetary statements reflect the amounts in the WIA grant allocation in effect at the time of the final budget.

The Board may amend the budget throughout the year with the restriction that the budget may not exceed WIA grant allocations. The amounts reported as the original budget reflect the first budget for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final budget the Board passed during the year.

The budget versus actual statement for the General Fund is part of the financial statements.

**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 \$1,000. 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.

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008  
(Continued)**

**4. RISK MANAGEMENT**

For the fiscal year ended June 30, 2008 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**

On October 3, 2007, the Board entered into a contract with Clark State Community College, for the period July 1, 2007 through June 30, 2008, at a cost of \$429,785, for continuation and maintenance of Board headquarters and administrative services.

On January 14, 2008, the Board entered into a Memorandum of Understanding with Montgomery County, for the period July 1, 2007 through June 30, 2008, 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, 2008 will not have a material adverse effect on the Board.

**8. SUBSEQUENT EVENT**

On April 22, 2009 the Board was awarded \$5,460,302 for the WIA Adult program, \$11,083,624 for the WIA Dislocated Worker program, and \$13,507,380 for the WIA Youth program respectively, as part of the American Recovery and Reinvestment Act of 2009 or ARRA. These funds are "federal stimulus" dollars that are in addition to the normal grant receipts received by the Board and are intended to be utilized as part of the federal government's overall economic stimulus plan.



**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass - Through Entity Number</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF LABOR</b>			
<i>Passed Through Ohio Department of Job and Family Services</i>			
<i>Workforce Investment Act (WIA) Cluster:</i>			
WIA - Adult Programs (PY 05)	17.258	(A)	\$10,114
WIA - Adult Programs (PY 05) - Admin		(A)	814
WIA - Adult Programs (SFY 06)		(A)	831,781
WIA - Adult Programs (SFY 06) - Admin		(A)	66,950
WIA - Adult Programs (PY 06)		(A)	111,708
WIA - Adult Programs (PY 06) - Admin		(A)	8,991
WIA - Adult Programs (SFY 07)		(A)	3,887,402
WIA - Adult Programs (SFY 07) - Admin		(A)	312,897
WIA - Adult Programs (PY 07)		(A)	1,394,234
WIA - Adult Programs (PY 07) - Admin		(A)	112,222
WIA - Adult Programs (SFY 08)		(A)	3,640,815
WIA - Adult Programs (SFY 08) - Admin		(A)	293,050
WIA - Adult Special Project		(A)	21,050
Total WIA - Adult			<u>10,692,028</u>
WIA - Youth Activities (PY 05)	17.259	(A)	400,581
WIA - Youth Activities (PY 05) - Admin		(A)	32,243
WIA - Youth Activities (PY 06)		(A)	4,769,225
WIA - Youth Activities (PY 06) - Admin		(A)	383,875
WIA - Youth Activities (PY 07)		(A)	3,769,091
WIA - Youth Activities (PY 07) - Admin		(A)	303,374
WIA - Youth Special Project		(A)	21,050
Total WIA - Youth			<u>9,679,439</u>
WIA - Dislocated Worker (PY 05)	17.260	(A)	41,629
WIA - Dislocated Worker (PY 05) - Admin		(A)	3,351
WIA - Dislocated Worker (SFY 06)		(A)	808,602
WIA - Dislocated Worker (SFY 06) - Admin		(A)	65,084
WIA - Dislocated Worker (PY 06)		(A)	525,961
WIA - Dislocated Worker (PY 06) - Admin		(A)	42,335
WIA - Dislocated Worker (SFY 07)		(A)	3,404,275
WIA - Dislocated Worker (SFY 07) - Admin		(A)	274,010
WIA - Dislocated Worker (PY 07)		(A)	1,933,944
WIA - Dislocated Worker (PY 07) - Admin		(A)	155,663
WIA - Dislocated Worker (SFY 08)		(A)	1,503,601
WIA - Dislocated Worker (SFY 08) - Admin		(A)	121,025
WIA - Dislocated Worker - Rapid Response (PY 05)		(A)	10,905
WIA - Dislocated Worker - Rapid Response (PY 05) - Admin		(A)	878
WIA - Dislocated Worker - Rapid Response (SFY 06)		(A)	362,777
WIA - Dislocated Worker - Rapid Response (SFY 06) - Admin		(A)	29,200
WIA - Dislocated Worker - Rapid Response (PY 06)		(A)	799,162
WIA - Dislocated Worker - Rapid Response (PY 06) - Admin		(A)	64,324
WIA - Dislocated Worker - Rapid Response (SFY 07)		(A)	766,863
WIA - Dislocated Worker - Rapid Response (SFY 07) - Admin		(A)	61,725
WIA - Dislocated Worker - Rapid Response (PY 07)		(A)	1,569,271
WIA - Dislocated Worker - Rapid Response (PY 07) - Admin		(A)	126,311
WIA - Dislocated Worker - Rapid Response (SFY 08)		(A)	277,739
WIA - Dislocated Worker - Rapid Response (SFY 08) - Admin		(A)	22,356
WIA - Dislocated Worker - National Emergency Grant (SFY 08)		(A)	418,111
WIA - Dislocated Worker - Special Project		(A)	21,050
Total WIA - Dislocated Worker			<u>13,410,152</u>
Total Workforce Investment Act Cluster			33,781,619
WIA Pilots, Demonstrations, and Research Projects	17.261	(A)	621
Employment Service/Wagner-Peyser Funded Activities	17.207	(A)	<u>30,589</u>
Total Federal Assistance - United States Department of Labor			<u>\$33,812,829</u>

(A) Project number not known or not applicable

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

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

The Board passes-through certain Federal assistance received from Ohio Department of Job and Family Services to other governments. The Board records expenditures of Federal awards to sub-recipients when requested.

The sub-recipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the Board is responsible for monitoring sub-recipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.



# Mary Taylor, CPA

Auditor of State

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

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

To the Workforce Investment Board:

We have audited the financial statements of the governmental activity of the Area 7 Workforce Investment Board, Montgomery County (the Board) as of and for the year ended June 30, 2008, and have issued our report thereon dated August 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2008-001 and 2008-002 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Board's management in a separate letter dated August 11, 2009.

**Compliance and Other Matters**

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Board's management in a separate letter dated August 11, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

August 11, 2009



# Mary Taylor, CPA

Auditor of State

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

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

To the Workforce Investment Board:

### Compliance

We have audited the compliance of the Area 7 Workforce Investment Board, Montgomery County (the Board) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the Board's major federal programs. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Area 7 Workforce Investment Board, Montgomery County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying schedule of findings as items 2008-003 through 2008-006.

### Internal Control Over Compliance

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

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal program such that there is more than a remote likelihood that the Board's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2008-005 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Board's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider finding 2008-005 to be a material weakness.

We also noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Board's management in a separate letter dated August 11, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

August 11, 2009

**AREA 7 WORKFORCE INVESTMENT BOARD  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2008**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #'s 17.258, 17.259, & 17.260: Workforce Investment Act Cluster
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 1,014,385 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2008-001**

**Material Noncompliance/Material Weakness**

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

**FINDING NUMBER 2008-001  
(Continued)**

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

The annual financial statement filed by Area 7 for 2008 was inaccurate and incomplete. Furthermore, there was evidence that the accounting system (which includes managements internal control procedures) was not adequate to achieve the five assertions as described by rule 117-02-02 (B) of the Administrative Code.

The following errors were identified in the financial statement submitted to the Auditor of State's Office for fiscal year 2008:

- Receipt and disbursement account balances in the Statement of Cash Basis Governmental Activities were misstated in amounts ranging from \$671 to \$4,867,756;
- Receipt and disbursement account balances in the Statement of Cash Receipts, Disbursements and Changes in Fund Balance - Budget (non-GAAP Basis) and Actual were misstated in amounts ranging from \$403,257 to \$11,200,408 and the ending cash balance was overstated by \$5,026,164; and
- Several financial statement balances were not properly classified with significant errors noted for reporting "Net Amount of Reversals" and "Prior Year Closeout Payments" which were actually transactions that should have been recorded to other financial statement balances.

These adjustments have been reflected in the accompanying financial statements.

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

- Area 7 did not record cash receipts for grant funds received from the Ohio Department of Job and Family Services (ODJFS) from the remittance advices provided by ODJFS nor did they notify Montgomery County (fiscal agent) of the these remittance advices. Grant receipts were recorded when corresponding grant disbursements were processed with an assumption by Area 7 that cash received can be pooled and then disbursed for allowable grant expenditures;
- Budgeted receipts and disbursements are being monitored on ACRS (Area 7's grant accounting system); however, evidence was lacking that Area 7 monitored budgeted receipts and disbursements on the Performance system (the fiscal agent's accounting system), nor was there evidence that reconciliations were performed between ACRS and Performance budgetary information;
- Budgeted amounts were adjusted on the Performance accounting system by the chief financial officer and the accounting staff. Adequate supporting documentation was not maintained to substantiate the validity of these adjustments, and
- Federal grant allocations and expenditures by grant type, year, and sub-recipient were being monitored utilizing the ACRS system, however, in the Performance system, grant cash balances were not being maintained by grant type, year, and sub-recipient nor was there evidence that reconciliations were performed between the accounting systems.

The financial statement errors identified and the failure of Area 7 to develop and implement internal control practices has caused inaccurate reporting to Montgomery County (fiscal agent), ODJFS, the Board's sub-recipients, and to the other users of the financial information provided by the Board, has caused significant audit costs, and has lead to federal non-compliance.



**FINDING NUMBER 2008-001  
(Continued)**

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

- Record cash receipts for grant funds received from ODJFS from the remittance advices provided by ODJFS and notify Montgomery County (fiscal agent) of the these remittance advices;
- Budgeted receipts and disbursements should be entered into the Performance accounting system and monitored by the Area 7's chief financial officer and accounting staff and reconciliations should be performed between ACRS and Performance budgetary information;
- Adjustments posted to the Performance accounting system should be supported by evidential matter to determine the validity of the transaction. Furthermore, the chief financial officer should approve and review all adjustments posted to the Performance accounting system to assure fictitious transactions are not recorded;
- Grant allocations and expenditures by grant type, year, and sub-recipient should be entered into the Performance accounting system and grant cash balances should be maintained. Reconciliations between ACRS and the Performance system should be performed, reviewed by the chief fiscal officer, and approved by the chief fiscal officer; and
- Annual financial statements provided to the Auditor of State's office should be prepared utilizing the Performance accounting system account balances based upon Area 7's reporting model which is the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

**Officials Response/Corrective Action Plan:**

Area 7 Fiscal Office utilizes ACRS (Area Consolidating Reporting System) to track all funds allocated to the Board by fiscal or program year and by year of appropriation. The records are maintained on an accrual basis as required by the Workforce Investment Act regulations. The Montgomery County Auditor's Performance system tracks and maintains Area 7 allocations, receipts and disbursements by CFDA (Catalog of Federal Domestic Assistance numbers) and by year of appropriation. The system is maintained on a cash basis method of accounting.

Reports provided to the Area 7 Board on a bi-monthly basis accurately reflect monthly activities of all of the 43 member counties in terms of budgets, expenditures, obligations and cash receipts.

Cash receipts from ODJFS are being recorded in ACRS+ by funding source, program or fiscal year and they are being forwarded to the Montgomery County Auditor's Office for remittance to the sub-recipients.

Budget/allocations as well as cash disbursements or remittance to the sub-recipients are recorded in the Montgomery County Performance system and they are monitored both by Area 7 fiscal and Montgomery County Auditor's Office staff assigned to Area 7 project.

Adjustments made in Performance System (if any) are usually for moving budgets for FIFO adjustments and they are being properly documented. The adjustments (if any) are usually reviewed and approved by both Area 7 CFO and County Auditor's personnel assigned to the project.

Grant allocations and cash disbursements are entered into the Performance System as they occur. This has always been a requirement from day one. Area 7 Fiscal office cannot remit cash to the sub-recipients without meeting this requirement.

Financial reports specifically prepared for Auditor of State's office will be prepared using data from Performance System since the audit is done on a cash basis method of accounting.

**FINDING NUMBER 2008-002**

**Material Noncompliance/Material Weakness**

Finding Number 2008-005 describes deficiencies in preparing the Board's schedule of expenditures of federal awards. We believe this finding also represents material noncompliance and a material weakness under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**3. FINDINGS FOR FEDERAL AWARDS**

**FINDING NUMBER 2008-003**

**Material Noncompliance**

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

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

A recalculation of Area 7 grant cash balances for program year 2006 through state fiscal year 2008 was performed to determine the cash balances for the adult, dislocated, youth, and rapid response grants. The ending cash balance of all of Area 7's grants was \$1,000 on the Performance system (the fiscal agent's accounting system) at June 30, 2008 and negative or positive grant cash balances of more than \$1,000 would indicate that Area 7 has not complied with cash management practices as required by the Ohio Department of Job and Family Services and applicable laws and regulations of the federal government. The recalculation resulted in the following cash grant balances in Area 7's most significant grants:

**FINDING NUMBER 2008-003  
 (Continued)**

<b>Grant</b>	<b>(Negative) Positive Cash Balance</b>
WIA - Adult Programs (PY 06)	\$ 14,636
WIA - Adult Programs (SFY 07)	(229,401)
WIA - Adult Programs (PY 07)	266,647
WIA - Adult Programs (SFY 08)	49,641
WIA - Youth Activities (PY 06)	(152,217)
WIA - Youth Activities (PY 07)	(8,339)
WIA - Dislocated Worker (PY 06)	(325,980)
WIA - Dislocated Worker (SFY 07)	(582,952)
WIA - Dislocated Worker (PY 07)	683,955
WIA - Dislocated Worker (SFY 08)	(336,257)
WIA - Dislocated Worker - Rapid Response (PY 06)	(517,795)
WIA - Dislocated Worker - Rapid Response (SFY 07)	22,616
WIA - Dislocated Worker - Rapid Response (PY 07)	(161,059)
WIA - Dislocated Worker - Rapid Response (SFY 08)	(216,249)
<b>Total</b>	<u><u>(\$1,492,754)</u></u>

The recalculation indicates that Area 7 has requested and disbursed funds to its sub-recipients utilizing inappropriate cash management practices. The *One-Stop Comprehensive Financial Management Technical Assistance Guide* Chapter II-6 (published by the Department of Labor, July 2002) provides guidance on cash management activities and states that “reimbursement is the preferred method of payment” if effective and efficient methods of minimizing the time elapsing between the transfer of funds from the state to local areas cannot be established.

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

**Officials Response/Corrective Action Plan:**

Area 7 financial system is setup on the basis of reimbursement to its sub-recipients. When a request for cash draw is made to ODJFS and received, that receipt is immediately released to the sub-recipients via Montgomery County Auditor’s Office. However, during the month of June (end of fiscal year), the draw system is shut down by ODJFS for end of the year processing. This often results in a negative cash balance situation. In an effort to prevent ‘excess cash on hand’ problem, new cash draw is often done in the month of July to cover some of the June expenditures (since closeout usually take months to complete).

#### FINDING NUMBER 2008-004

##### Material NonCompliance

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

All JFS 01992 reports were filed late for fiscal year 2008. Reports were filed as much as 161 days late. The reported cash receipts, cash disbursements, and ending cash balances were incorrect. Variances noted included:

- Total cash receipts reported to ODJFS for fiscal year 2008 were misstated by \$799,420;
- Total cash disbursements reported to ODJFS for fiscal year 2008 were misstated by \$1,187,403; and
- At June 30, 2008 ending cash balance was misstated by \$5,961,727.

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

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

##### Officials Response/Corrective Action Plan:

The JFS 01992 monthly reports will be timely revised and submitted to ODJFS as new revised financial uploads are received from subrecipients. They will be closely monitored by the CFO as recommended by the auditor.

#### FINDING NUMBER 2008-005

##### Material Noncompliance/Material Weakness

**29 C.F.R. § 99.310** requires Area 7 to prepare a schedule of expenditures of federal awards for the period covered by the Area 7 Board's financial statements. At a minimum, the schedule shall:

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

**FINDING NUMBER 2008-005  
(Continued)**

Several errors were identified on Area 7's expenditures of federal awards schedule some of which include:

- \$3,094,986 was reported as an Ohio Department of Job and Family Services closeout payment with no identifying CFDA number. This amount was actually a reimbursement of prior year revenue which should not be reported on the expenditures of federal awards schedule;
- \$622,930 was reported as Unemployment Insurance. Area 7 did not receive nor did they have expenditures for unemployment insurance;
- Area 7 did not report expenditures of \$30,589 in Employment Service/Wagner-Peyser Funded Activities, CFDA number 17.207 and \$621 in Pilots, Demonstrations, and Research Projects, CFDA number 17.261;
- Area 7 reported \$37,693,321 in federal awards expenditures while evidential matter supported only \$33,812,829 in expenditures for an overall variance of \$3,880,492; and
- The client prepared expenditures of federal awards schedule had several incorrect reported amounts ranging from \$621 to \$1,658,534 resulting in fifty-nine adjustments to the schedule.

These adjustments have been reflected in the accompanying federal awards schedule.

To strengthen the reliability of the expenditures of federal awards schedule and to comply with applicable laws and regulations, the Board should perform the following:

- Review applicable Code of Federal Regulations, Department of Labor technical guides and letters, and Ohio Department of Job and Family Services guidance on the proper reporting of federal expenditures;
- Only report actual expenditures from the cash accounting records for federal expenditures; and
- Consult with the Department of Labor or the Ohio Department of Job and Family Services to identify all federal grants received and the appropriate CFDA numbers assigned to those grants.

**Officials Response/Corrective Action Plan:**

As previously stated, Area 7 records are being maintained in accordance with Code of Federal Regulations and the records are maintained on an accrual basis of accounting but the audit is performed on cash basis method of accounting. This will at times creates variances in expenditures.

As requested by the auditor, financial reports being provided to the auditor will be prepared on a cash basis method of accounting for disbursements.

The grants are always identified by CFDA.

**FINDING NUMBER 2008-006**

**Material Noncompliance**

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

**FINDING NUMBER 2008-006  
(Continued)**

A single audit was performed for fiscal year 2007; however, Area 7 did not submit the required reporting package to the federal clearinghouse by the required date. This resulted in Area 7 being designated as a "high risk auditee".

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

**Officials Response/Corrective Action Plan:**

Over the last three audits conducted by the Auditor of State, Area 7 has submitted the Clearinghouse cover sheet that came with the audit report. However, there was no Clearinghouse cover sheet enclosed with the fiscal year 2007 audit report. We will obtain a copy of Clearinghouse cover sheet from the auditor, sign it and mail it to Clearinghouse Center immediately.



**Mary Taylor, CPA**  
Auditor of State

**AREA 7 WORKFORCE INVESTMENT BOARD**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 10, 2009**