



STATE OF INDIANA
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March 30, 2017

Board of Directors
Workforce Development Services, Inc.
839 Broadway
Gary, IN 46402

We have reviewed the audit report prepared Wipfli LLP, for the period July 1, 2014 to June 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Workforce Development Services, Inc., as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report. Pages 16 and 17 contain two current audit findings.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**Workforce Development
Services, Inc.**

Gary, Indiana

Financial Statements and Supplementary Information
Year Ended June 30, 2015

Workforce Development Services, Inc.

Financial Statements and Supplementary Information
Year Ended June 30, 2015

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Independent Auditor's Report

Board of Directors
Workforce Development Services, Inc.
Gary, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Workforce Development Services, Inc., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workforce Development Services, Inc. as of June 30, 2015, and the changes in its net deficit and its cash flows for the year then ended in accordance with generally accepted accounting principles in the United States.

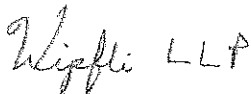
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date October 26, 2015, on our consideration of Workforce Development Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Workforce Development Services, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

October 26, 2015
Madison, Wisconsin

Workforce Development Services, Inc.

Statement of Financial Position

June 30, 2015

<i>Assets</i>	
Current assets:	
Cash	\$ 3,515
Grants receivable	249,676
Other assets	1,334
<hr/>	
Total current assets	254,525
<hr/>	
Equipment	10,411
Less: Accumulated depreciation	1,487
<hr/>	
Equipment - Net	8,924
<hr/>	
TOTAL ASSETS	\$ 263,449
<hr/>	
<i>Liabilities and Net Deficit</i>	
Current liabilities:	
Accounts payable	\$ 124,670
Accrued payroll and related expenses	129,462
Grant funds received in advance	38,458
<hr/>	
Total current liabilities	292,590
<hr/>	
Long-term liabilities:	
Note payable - Related party	27,200
<hr/>	
Total liabilities	319,790
<hr/>	
Net assets (deficit):	
Unrestricted	(66,853)
Temporarily restricted	10,512
<hr/>	
Total net deficit	(56,341)
<hr/>	
TOTAL LIABILITIES AND NET DEFICIT	\$ 263,449
<hr/>	

See accompanying notes to financial statements.

Workforce Development Services, Inc.

Statement of Activities

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Grant revenue	\$ 1,530,458	\$ 0	\$ 1,530,458
Other	135,347	0	135,347
Total revenue	1,665,805	0	1,665,805
Expenses:			
Program activities:			
Job training	897,585	0	897,585
Child care	595,878	0	595,878
After school program	28,723	0	28,723
Community Outreach	101,295	0	101,295
Total program expenses	1,623,481	0	1,623,481
Supportive services:			
Management and general	139,117	0	139,117
Total expenses	1,762,598	0	1,762,598
Change in net assets (deficit)	(96,793)	0	(96,793)
Net assets - Beginning of the year	29,940	10,512	40,452
Net assets (deficit)- End of the year	(\$ 66,853)	\$ 10,512	(\$ 56,341)

See accompanying notes to financial statements.

Workforce Development Services, Inc.

Statement of Cash Flows

Year Ended June 30, 2015

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets (deficit)	(\$ 96,793)
<hr/>	
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:	
Depreciation	1,487
Changes in operating assets and liabilities:	
Grants receivable	15,389
Other assets	(1,234)
Accounts payable	9,126
Accrued payroll and related expenses	25,145
Grant funds received in advance	4,383
<hr/>	
Net cash used in operating activities	(42,497)
<hr/>	
Cash flows from financing activities:	
Payments on notes payable - Related party	(103)
<hr/>	
Change in cash	(42,600)
Cash - Beginning of the year	46,115
<hr/>	
Cash - End of the year	\$ 3,515
<hr/>	

See accompanying notes to financial statements.

Workforce Development Services, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Operations

Workforce Development Services, Inc. (the "Organization") was organized as a nonprofit corporation in 2003. The Organization was formed to assist in meeting the training and employment needs of workers and employers throughout northwest Indiana. The Organization is primarily supported through federal and state government grants. Approximately 35% of the funding is federal funds received from Indiana Association for Child Care Resource and Referral and approximately 54% of the funding is federal and state pass-through funds received from The Center of Workforce Innovations, Inc.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Workforce Development Services, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Property and equipment are items with a cost of \$1,000 or more and a useful life of more than one year. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Estimated useful life of equipment is 7 years. Depreciation expense recorded in the year ended June 30, 2015 was \$1,487.

Property and equipment purchased with grant funds are held in trust by the Organization for the benefit of the people of the State of Indiana while used in the program for which they were purchased or in other future authorized programs and, therefore, are not recorded in these financial statements. Their disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The cumulative cost of equipment purchased with grant funds is \$121,271.

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Workforce Development Services, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Cost Allocation

The Organization utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs, which are common to more than one program, have been identified and classified into cost pools. These cost pools have been allocated to the programs based on formulas developed by the Organization for each pool.

Income Taxes

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and Indiana income taxes.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions

Subsequent Events

Subsequent events have been evaluated through October 26, 2015, which is the date the financial statements were available to be issued.

Note 2 **Concentration of Credit Risk**

The Organization maintains depository relationships with one area financial institution. Account balances are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year balances in these accounts may exceed the insurance limits. The Organization has not experienced any losses with these accounts. Management believes the Organization is not exposed to any significant credit risk on its cash.

Note 3 **Grants Receivable**

Grants receivable at June 30, 2015, consisted of the following:

Indiana Association for Child Care Resource and Referral	\$ 192,801
Other	56,875
<u>Total</u>	<u>\$ 249,676</u>

Workforce Development Services, Inc.

Notes to Financial Statements

Note 4 **Note Payable – Related Party**

The Organization has an unsecured, non-interest-bearing note payable in the amount of \$27,200 that was provided by the Organization's Executive Director. No stated repayment terms have been established relating to this note payable.

Note 5 **Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$10,512 are an unspent donation for youth initiative in the Gary school district.

Note 6 **Operating Leases**

The Organization leases facilities for the operation of its programs on a month-to-month basis. Rent expense for the year ended June 30, 2015, was \$25,249.

Note 7 **Retirement Plan**

The Organization maintains a retirement plan that covers all employees who have completed one year of service or 1,000 service hours and are 21 years old. The retirement benefits are fully vested with the employee at the time of contribution. The Organization contributes 5% of the annual compensation of the participating employees. The contribution for the year ended June 30, 2015, was \$21,527.

Note 8 **Continuity of Operations**

The grant awards which were received by the Organization from the Indiana Association for Child Care Resource and Referral and the Center of Workforce Innovations, Inc. were not renewed by the grantors. As a result the programs funded with the grants from the Indiana Association for Child Care Resource and Referral and the Center of Workforce Innovations, Inc. were discontinued September 30, 2015 and June 30, 2015, respectively. In total these two grants accounted for approximately 89% of the Organization's revenue for the year ended June 30, 2015. The Organization is in the process of diversifying and creating new revenue sources. If the Organization is unable to create new revenue sources, it could adversely affect the Organization's operations going forward.

Supplementary Information

Workforce Development Services, Inc.

Schedule A

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Federal Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE						
Department of Labor						
17.259	CWI-14-WIA-Y-02	WIA Youth Activities	Center of Workforce Innovations, Inc.	07/01/14-06/30/15	932,200	\$ 907,200
Department of Health and Human Services						
93.596	F1-4-45--14-87-1895	Child Care Programs for Lake, Porter, and Laporte	Indiana Association of Child Care Resource and Referral	7/1/14 - 6/30/15	529,668	588,645
TOTAL FEDERAL PROGRAMS						\$ 1,495,845

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Workforce Development Services, Inc. under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of Workforce Development Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Workforce Development Services, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

See Independent Auditor's Report.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Workforce Development Services, Inc.
Gary, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Workforce Development Services, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Workforce Development Services, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Workforce Development Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Workforce Development Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Workforce Development Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Management's Response to Findings

Workforce Development Services, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Workforce Development Services, Inc.'s response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Wipfli LLP

October 26, 2015
Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

Board of Directors
Workforce Development Services, Inc.
Gary, Indiana

Report on Compliance for Each Major Federal Program

We have audited Workforce Development Services, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Workforce Development Services, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Workforce Development Services, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Workforce Development Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide legal determination Workforce Development Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Workforce Development Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

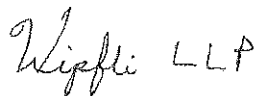
Management of Workforce Development Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Workforce Development Services, Inc.'s internal control over compliance with the types of compliance requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Workforce Development Services, Inc.'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Workforce Development Services, Inc.'s response to internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Workforce Development Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

October 26, 2015
Madison, Wisconsin

Workforce Development Services, Inc.

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Workforce Development Services, Inc.
2. A significant deficiency relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Workforce Development Services, Inc. were disclosed during the audit.
4. A significant deficiency was disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for Workforce Development Services, Inc. expresses an unmodified opinion.
6. There was one audit findings relative to the major federal award programs for Workforce Development Services, Inc.
7. The program tested as a major program was:
U.S. Department of Labor
- WIA Youth Activities - CFDA #17.259
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Workforce Development Services, Inc. was determined not to be a low-risk auditee.

Workforce Development Services, Inc.

Schedule of Findings and Questioned Costs (Continued)

B. Findings – Financial Statements Audit

2015-001 AUDIT ADJUSTMENTS

Condition

During the audit, Wipfli proposed and management subsequently posted adjusting journal entries to correct significant account balances. The lack of effective control and accountability for grant funds received in advance, accruals, accounts payable, net assets revenues and expenses indicates a significant deficiency in internal controls.

Criteria

OMB Circular A-110, Subpart C.21(b)(3), requires that *...the grant recipient has effective control over and accountability for all funds, property, and other assets.*

Effect

The audit adjustments represent a significant deficiency in internal control over financial reporting.

Recommendation

Wipfli noted the reconciliation and accounting processes were greatly improved over the prior year. Wipfli recommends that Workforce Development Services, Inc. continue their implementation of procedures to ensure that accounts are properly reconciled and the working trial balance agrees to supporting documentation.

Management Response

WDS will continue with the implementation of the accounting policies and procedures to ensure that accounts are properly reconciled and the working trail balance agrees to the support documentation. This should be completed before the end of the December 2015.

Workforce Development Services, Inc.

Schedule of Findings and Questioned Costs (Continued)

C. Findings and Questioned Costs – Major Federal Award Program Audit

Questioned Costs: None

Findings:

DEPARTMENT OF LABOR

Workforce Investment Act – Youth – CFDA #17.159, Grant CWI-09-WIA-ADY-04, Grant period July 1, 2014 through June 30, 2015.

Condition:

2015-001 AUDIT ADJUSTMENTS

These findings applied to this grant and represent deficiencies in internal control applicable to a major program.

Workforce Development Services, Inc.

Schedule of Prior Year Findings and Questioned Costs

D. Prior Year Findings:

Findings – Financial Statements Audit

2014-001 AUDIT ADJUSTMENTS

Condition

It was noted that material accounts were not being reconciled or monitored on a regular basis. As a result of the reconciliations not being completed on a timely basis, material adjustments were needed as a result of the audit at year end. The lack of effective control over and accountability for accounts receivable, grants receivable, grant funds received in advance, accruals, accounts payable, revenues and expenses indicates a material weakness in internal controls.

Status

Wipfli noted that while improvements over the prior year have been made by management to address the financial oversight and reconciliation of account balances, a control deficiency still exists for the current year. See current year finding 2015-001.

2014-002 MISSING INVOICES

Condition

It was noted during testing of disbursements through the accounts payable system that 2 of 16 disbursements lacked support at the time of the audit. The client was subsequently able to provide support for the disbursements. The lack of effective control over and accountability for disbursements through the accounts payable system is considered a significant deficiency in internal controls.

Status

This issue has been resolved.