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June 11, 2018


Board of Directors
Indianapolis Private Industry Council
d/b/a EmployIndy
115 W. Washington St.
Indianapolis, IN 46204

We have reviewed the report prepared by Indianapolis Private Industry Council d/b/a EmployIndy and opined upon by Crowe Horwath LLP, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Indianapolis Private Industry Council d/b/a EmployIndy as of June 30, 2017 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 finding in the report on page 18. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

In our opinion, Crowe Horwath LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
D/B/A EMPLOYINDY
Indianapolis, Indiana

FINANCIAL STATEMENTS
June 30, 2017 and 2016

Indianapolis Private Industry Council d/b/a EmployIndy
Indianapolis, Indiana

Financial Statements
June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Indianapolis Private Industry Council d/b/a EmployIndy
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Indianapolis Private Industry Council d/b/a EmployIndy (EmployIndy), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 organization'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 organization'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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EmployIndy as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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 required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and schedule of expenditures of state and local governmental awards are presented for purposes of additional analysis and are 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 of America. 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 dated February 7, 2018, on our consideration of EmployIndy'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. 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 EmployIndy's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
February 7, 2018

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 1,144,701	\$ 1,137,102
Grant reimbursements receivable	1,807,270	1,321,399
Prepaid expenses	59,592	61,168
Property and equipment, net	<u>14,349</u>	<u>130,218</u>
	<u>\$ 3,025,912</u>	<u>\$ 2,649,887</u>
Liabilities and Net Assets		
Accounts payable	\$ 1,725,086	\$ 1,185,147
Accrued expenses	225,996	163,000
Deferred revenue - PowerTrain fund	57,134	57,134
Other liabilities	<u>256,583</u>	<u>227,251</u>
Total liabilities	2,264,799	1,632,532
Net Assets		
Unrestricted	125,436	233,516
Temporarily restricted	<u>635,677</u>	<u>783,839</u>
Total net assets	<u>761,113</u>	<u>1,017,355</u>
	<u>\$ 3,025,912</u>	<u>\$ 2,649,887</u>

See accompanying notes to financial statements.

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
STATEMENTS OF ACTIVITIES
Years ended June 30, 2017 and 2016

	-----2017-----			-----2016-----		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support						
Contributions	\$ 1,985	\$ 1,095,000	\$ 1,096,985	\$ 1,000	\$ 1,079,382	\$ 1,080,382
Government grants – federal	13,437,674	-	13,437,674	9,827,036	-	9,827,036
Grants – other	1,195,121	-	1,195,121	1,353,707	-	1,353,707
Miscellaneous income	4,664	-	4,664	3,753	-	3,753
Net assets released from restrictions	<u>1,243,162</u>	<u>(1,243,162)</u>	<u>-</u>	<u>1,887,707</u>	<u>(1,887,707)</u>	<u>-</u>
Total revenues, gains, and other support	<u>15,882,606</u>	<u>(148,162)</u>	<u>15,734,444</u>	<u>13,073,203</u>	<u>(808,325)</u>	<u>12,264,878</u>
Expenses						
Workforce development services	14,284,693	-	14,284,693	11,676,360	-	11,676,360
Management and general	<u>1,705,993</u>	<u>-</u>	<u>1,705,993</u>	<u>1,578,208</u>	<u>-</u>	<u>1,578,208</u>
Total expenses	<u>15,990,686</u>	<u>-</u>	<u>15,990,686</u>	<u>13,254,568</u>	<u>-</u>	<u>13,254,568</u>
Change in Net Assets	(108,080)	(148,162)	(256,242)	(181,365)	(808,325)	(989,690)
Net Assets, Beginning of Year	<u>233,516</u>	<u>783,839</u>	<u>1,017,355</u>	<u>414,881</u>	<u>1,592,164</u>	<u>2,007,045</u>
Net Assets, End of Year	<u>\$ 125,436</u>	<u>\$ 635,677</u>	<u>\$ 761,113</u>	<u>\$ 233,516</u>	<u>\$ 783,839</u>	<u>\$ 1,017,355</u>

See accompanying notes to financial statements.

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (256,242)	\$ (989,690)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	139,363	121,530
Changes in		
Grant reimbursements receivable	(485,871)	(502,092)
Prepaid expenses	1,576	(983)
Contributions receivable	-	240,000
Accounts payable, accrued expenses and other liabilities	632,267	371,812
Deferred revenue	<u>-</u>	<u>(107,503)</u>
Net cash from operating activities	31,093	(866,926)
Cash flows from investing activities		
Purchases of equipment	<u>(23,494)</u>	<u>(2,119)</u>
Net cash from investing activities	(23,494)	(2,119)
Net change in cash	7,599	(869,045)
Cash at beginning of year	<u>1,137,102</u>	<u>2,006,147</u>
Cash at end of year	<u>\$ 1,144,701</u>	<u>\$ 1,137,102</u>

See accompanying notes to financial statements.

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The Indianapolis Private Industry Council d/b/a EmployIndy (“EmployIndy”), the Workforce Development Board (WDB) for Marion County, was incorporated as a not-for-profit organization on June 23, 1983, under the laws of the State of Indiana.

The WDB within each Workforce Service Area (WSA) is responsible for providing policy guidance for, and exercising oversight with respect to, activities under its job training plan in partnership with local units of government. The WDB is also responsible for selecting the WSA’s service providers for allocated Workforce Innovation and Opportunity Act (WIOA) funds from the Indiana Department of Workforce Development. EmployIndy is designated as the fiscal agent for the Marion County WSA by the local elected officials and therefore receives funds directly from the State of Indiana’s Department of Workforce Development under the federal WIOA. These funds represent EmployIndy’s core funding source and are directly allocated to EmployIndy. Although EmployIndy’s primary funding source is WIOA, EmployIndy actively competes for other federal, state and private grants.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash: EmployIndy’s deposit accounts exceeded federally insured limits at June 30, 2017 and 2016 by \$895,000 and \$887,000, respectively.

Property and Equipment: Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. EmployIndy provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Furnishings and equipment	3-10

EmployIndy capitalizes all equipment purchases acquired under government grants if it is probable that EmployIndy will ultimately receive title to the assets. Title to the equipment acquired under government grants is held by the granting agency while used in the program for which it was purchased or other future authorized programs. The disposition of this equipment, as well as the right to a proportionate share of any proceeds therefrom, is subject to funding source regulations.

Impairment of Long-Lived Assets: On an ongoing basis, EmployIndy reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. EmployIndy recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related assets. If impaired, the assets are adjusted to fair value based on the discounted cash flows. No impairment loss has been recognized during the years ended June 30, 2017 and 2016.

Deferred Revenue: Revenues received for services provided, in advance of being earned, is deferred and recognized over the periods in which the services are performed and revenues are earned.

(Continued)

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

During January 2012, EmployIndy entered into a grant agreement with the City of Indianapolis to fund the workforce training program ("PowerTrain"). In June 2013, EmployIndy received \$1.5 million in advance of services. For the year ended June 30, 2017, \$0 was expended and \$57,134 remained as deferred revenue. For the year ended June 30, 2016, \$107,503 was expended and \$57,134 remained as deferred revenue.

Net Asset Classifications: The financial statements have been prepared in accordance with GAAP. This requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, or permanently restricted.

The following classes of net assets are maintained:

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of EmployIndy. The unrestricted net assets of the entity may be used at the discretion of management to support EmployIndy's purposes and operations.

Temporarily Restricted Net Assets - This net asset class includes assets of EmployIndy whose use has been limited by donors to a specific time period or purpose. Amounts are released from restriction when used for satisfaction of the donors' restrictions. Releases during the years ended June 30, 2017 and 2016 totaled \$1,243,162 and \$1,887,707, respectively.

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets of EmployIndy related to contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of EmployIndy. EmployIndy had no permanently restricted net assets as of June 30, 2017 and 2016.

Contributions: Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily restricted net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Government Grants: Support funded by grants is recognized as EmployIndy performs the contracted services under grant agreements. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes: EmployIndy is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

(Continued)

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

GAAP requires EmployIndy to recognize a tax liability only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit will be recorded. EmployIndy has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions.

EmployIndy does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. EmployIndy recognizes interest and/or penalties related to income tax matters in income tax expense. EmployIndy did not have any amounts accrued for interest and penalties at June 30, 2017 or 2016.

Functional Allocation of Expenses: EmployIndy reports expenditures that can be specifically identified with a particular program objective to the appropriate funding source and cost category. EmployIndy's indirect and other pooled expenses are allocated monthly to the various projects or grants based on a cost allocation plan accepted by its oversight agency.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2017, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2017. Management has performed their analysis through February 7, 2018, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

EmployIndy's property and equipment is as follows:

	<u>2017</u>	<u>2016</u>
Furnishings and equipment	\$ 1,172,861	\$ 1,149,367
Accumulated depreciation and amortization	<u>(1,158,512)</u>	<u>(1,019,149)</u>
	<u>\$ 14,349</u>	<u>\$ 130,218</u>

NOTE 3 - LEASES

EmployIndy leases office space and various items of equipment under operating lease arrangements. These leases expire at various dates through August 31, 2018. Rental expense for these leases included in the statements of activities for the years ended June 30, 2017 and 2016 was \$455,348 and \$460,604, respectively.

Minimum annual rental payments required under the operating leases which have remaining terms in excess of one year as of June 30, 2017 are as follows:

2018	\$ 304,824
2019	<u>83,758</u>
	<u>\$ 388,582</u>

(Continued)

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 4 - NET ASSETS

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Workforce Innovations	\$ 205,134	\$ 89,088
Youth Employment Services	401,936	546,031
Hire Up Indy	27,695	146,687
Jobs for America's Graduates	<u>912</u>	<u>2,033</u>
	<u>\$ 635,677</u>	<u>\$ 783,839</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2017</u>	<u>2016</u>
Purpose restrictions accomplished:		
Workforce Innovations	\$ -	\$ 481,344
Youth Employment Services	1,239,095	532,469
Hire Up Indy	2,946	742,101
Jobs for America's Graduates	<u>1,121</u>	<u>131,793</u>
Total net assets released from restrictions	<u>\$ 1,243,162</u>	<u>\$ 1,887,707</u>

NOTE 5 - EMPLOYEE BENEFITS

EmployIndy maintains a 401(k) plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. EmployIndy's contribution consists of a contribution of 7% of eligible compensation that amounted to \$70,978 and \$95,773 for 2017 and 2016, respectively.

NOTE 6 - RELATED PARTY TRANSACTIONS

One voting WDB member of EmployIndy, who also serves on the Youth Council, is employed by a contractor of services for EmployIndy. Payments to this contractor for the years ended June 30, 2017 and 2016 were \$636,732 and \$767,991, respectively.

NOTE 7 - CONCENTRATIONS

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Those matters include the following:

Revenue: For the years ended June 30, 2017 and 2016, revenue from federal funding sources represented approximately 85% and 79%, respectively, of EmployIndy's total revenue. For the years ended June 30, 2017 and 2016, revenue from contributions represented approximately 7% and 9%, respectively, of EmployIndy's total revenue.

Contributions: Approximately 99% of all contributions were received from one donor in 2017 and 2016, respectively.

SUPPLEMENTARY INFORMATION

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant or Identifying Number</u>	<u>Expenditures</u>
<u>Department of Labor</u>			
Direct Programs:			
YouthBuild	17.274	YB2622TH2	\$ 428,112
Reintegration of Ex-offenders	17.270	PE27227ZJO	238,353
H-1B Ready to Work Partnership Grant	17.268	HG26662XNO	2,276,108
WIOA Dislocated Worker National Reserve Demonstration – Summer Jobs and Beyond: Career Pathways for Youth (CPY)	17.280	MI289921JO	<u>880,258</u>
Total Direct Department of Labor			3,822,831
Pass-through programs:			
State of Indiana, Department of Workforce Development Workforce Innovation and Opportunity Act (WIOA) Cluster			
WIOA - Adult	17.258	0016515456	2,968,645
WIOA – Youth	17.259	0016515456	2,625,293
WIOA – Dislocated Worker	17.278	0016515456	1,635,162
Business Solutions	17.278	16515705	120,000
Rapid Response	17.278	AA-26778-15-55-A-18	<u>304,519</u>
Total WIOA Cluster			7,653,619
Employment Service/Wagner-Peyser Funded Activities	17.207	15547389	139,790
Reemployment Services and Eligibility Assessment (RESEA)	17.225	UI-30216-17-60-A-18 and UI-28130-16-60-A-18	598,502
Trade Adjustment Assistance	17.245	TA-26723-15-55-A-18	68,000
National Emergency – Veterans Employment Training	17.277	EM-27352-15-60-A-18	32,885
Apprenticeship USA Expansion and Innovation Grants	17.285	0017552864	<u>7,745</u>
Total Pass-through Department of Labor			<u>8,500,541</u>
Total Department of Labor			<u>13,065,101</u>
<u>Department of Health and Human Services</u>			
Pass-through programs:			
Indiana Department of Workforce Development Temporary Assistance for Needy Families	93.558	1502INSOSR	741,729
<u>Department of Housing and Urban Development</u>			
Pass-through programs:			
City of Indianapolis Community Development Block Grant (CDBG)	14.218	1300002610 and 1300002710	<u>372,573</u>
Total Expenditures of Federal Awards			<u>\$ 13,437,674</u>

See Notes to Schedule of Expenditures of Federal Awards.

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

EmployIndy provided federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount Provided</u>
<u>Department of Labor</u>		
Direct Programs:		
YouthBuild	17.274	333,288
Reintegration of Ex-offenders	17.270	123,145
H-IB Ready to Work Partnership Grant	17.268	1,287,917
WIOA Dislocated Worker National Reserve Demonstration - Summer Jobs and Beyond: Career Pathways for Youth (CPY)	17.280	<u>597,322</u>
Total Direct Department of Labor		2,341,672
Pass-through programs:		
State of Indiana, Department of Workforce Development Workforce Innovation and Opportunity Act (WIOA) Cluster		
WIOA - Adult	17.258	\$ 1,579,941
WIOA - Youth	17.259	1,461,381
WIOA - Dislocated Worker	17.278	<u>856,770</u>
Total WIOA Cluster		3,898,092
<u>Department of Housing and Urban Development</u>		
Pass-through programs:		
City of Indianapolis		
Community Development Block Grant	14.218	<u>349,556</u>
Total federal awards to subrecipients		<u>\$ 6,589,320</u>

See Notes to Schedule of Expenditures of Federal Awards.

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of EmployIndy under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of EmployIndy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of EmployIndy.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, in the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. EmployIndy has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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*

Board of Directors
Indianapolis Private Industry Council d/b/a EmployIndy
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Indianapolis Private Industry Council d/b/a EmployIndy (EmployIndy), which comprise the statement of financial position as of June 30, 2017, 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 February 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered EmployIndy'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 EmployIndy's internal control. Accordingly, we do not express an opinion on the effectiveness of EmployIndy'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

(Continued)

Compliance and Other Matters

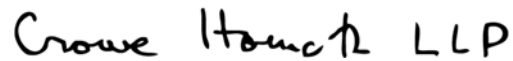
As part of obtaining reasonable assurance about whether EmployIndy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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

EmployIndy's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. EmployIndy's response was not subjected to the 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Indianapolis, Indiana
February 7, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Indianapolis Private Industry Council d/b/a EmployIndy
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited the compliance of Indianapolis Private Industry Council d/b/a EmployIndy (EmployIndy) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of EmployIndy's major federal programs for the year ended June 30, 2017. EmployIndy's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of EmployIndy's major federal programs 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 EmployIndy'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 each major federal program. However, our audit does not provide a legal determination of EmployIndy's compliance.

Opinion on Each Major Federal Program

In our opinion, EmployIndy 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 programs for the year ended June 30, 2017.

(Continued)

Report on Internal Control Over Compliance

Management of EmployIndy 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 EmployIndy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 EmployIndy'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
February 7, 2018

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<i>WIOA Cluster:</i>
17.258	WIOA Adult
17.259	WIOA Youth
17.278	WIOA Dislocated Worker
17.278	Business Solutions
17.278	Rapid Response
17.280	WIOA Dislocated Worker National Reserve Demonstration – Summer Jobs and Beyond: Career Pathways for Youth (CPY)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

(Continued)

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

Section II – Financial Statement Findings

FINDING 2017-001 – INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Criteria: Management is responsible for establishing and maintaining effective internal control over the financial reporting, including the SEFA.

Condition: The SEFA provided for auditing did not include some federal awards, which resulted in a material amount of Federal award dollars being excluded from the SEFA and incorrectly included on the Schedule of Expenditures of State and Local Awards (SESA). There was also one Federal award that had an incorrect CFDA number on the client prepared SEFA.

Context: An adjustment was made to the SEFA during the course of the audit to add \$1,745,635 from multiple Federal grants to the schedule.

Effect: EmployIndy's SEFA was not complete, resulting in the schedule to be understated by \$1,745,635, while the SESA was overstated by this amount. Management is at risk for not applying proper internal controls over grants. Without proper internal controls over identifying Federal awards, there is risk that compliance with grant requirements may not be met.

Cause: Management did not examine awards from the state of Indiana to determine whether the funding was state or federal pass-through.

Recommendation: We recommend that management strengthen its process related to the reviewing the individual awards it receives to determine the funder, whether it is direct, pass-through, and in order to analyze the proper recording and recognition of revenues and to ensure that all Federal funds are included on the SEFA with correct CFDA numbers.

Views of responsible officials and corrective action plan: Management acknowledges the finding. See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None reported

(Continued)

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2017

FINDING 2016-001 – INTERNAL CONTROLS OVER FINANCIAL REPORTING (Financial Statement Findings)

Condition: A material adjustment was proposed and recorded during the course of the audit fieldwork as a result of grant receivables not recorded when earned.

Status: Resolved.

INDIANAPOLIS PRIVATE INDUSTRY COUNCIL
d/b/a EMPLOYINDY
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL GOVERNMENTAL AWARDS
June 30, 2017

<u>Pass-through/Program Title</u>	<u>Amount</u>
<u>Indiana Department of Workforce Development</u>	
Justice Assistance Grant - JAG	\$ 471,265
WorkINdiana	316,110
Innovative Work and Learn	33,668
Employment Training	<u>25,000</u>
	846,043
<u>City of Indianapolis – Department of Metropolitan Development</u>	
Emarsys TIF	23,000
Salesforce TIF	<u>230,000</u>
	<u>253,000</u>
Total state and local governmental expenditures	<u>1,099,043</u>

**See schedule of expenditures of federal awards on page 10 for federal grant activity.



Response – Corrective Action:

In response to this material weakness, which existing at June 30, 2017, our management and fiscal staff will strengthen its process related to the review and reconciling of any grants received with the Grants and Contract manager to ensure federal grants and awards are properly documented on the schedule of federal awards (SEFA). The SEFA will be reviewed and approved on a quarterly basis by fiscal staff.

We believe these actions will correct this situation. Management is dedicated to improving our control environment and to remedying any identified material weaknesses. We will continue to evaluate and improve our internal control environment.