

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pasco-Hernando Workforce Board, Inc.
(d/b/a CareerSource Pasco Hernando)
Spring Hill, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Pasco-Hernando Workforce Board, Inc. (d/b/a CareerSource Pasco Hernando) (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the fiscal 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 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 *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 the Organization as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 March 30, 2017, on our consideration of the Organization'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

March 30, 2017

FINANCIAL STATEMENTS

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 457,028	\$ 274,766
Grants receivable	299,160	479,694
Accounts receivable	935	935
Prepaid expenses	111,501	133,355
Deposits and other	60,619	60,557
Total current assets	929,243	949,307
Property and equipment, net	54,961	126,342
Total assets	\$ 984,204	\$ 1,075,649
LIABILITIES AND NET ASSETS		
Current liabilities:		
Due to grantors	\$ 16,402	\$ -
Accounts payable	283,317	411,887
Accrued wages and benefits	126,871	87,560
Accrued compensated absences	262,326	175,506
Refundable advances	125,777	163,535
Total current liabilities	814,693	838,488
Net assets:		
Unrestricted	114,550	110,819
Property and equipment	54,961	126,342
Total net assets	169,511	237,161
Total liabilities and net assets	\$ 984,204	\$ 1,075,649

See notes to financial statements

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	2016	2015
	Unrestricted	Unrestricted
Revenues:		
Grant revenue	\$ 7,572,422	\$ 8,108,105
Other income	114,193	105,833
Total revenues	7,686,615	8,213,938
Expenses:		
Program	7,085,368	7,668,079
Administrative	668,897	577,756
Total expenses	7,754,265	8,245,835
Change in net assets	(67,650)	(31,897)
Net assets, beginning of fiscal year	237,161	269,058
Net assets, end of fiscal year	\$ 169,511	\$ 237,161

See notes to financial statements

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (67,650)	\$ (31,897)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	71,381	63,488
(Increase)/Decrease in:		
Grants receivable	180,534	20,422
Prepaid expense	21,854	(45,567)
Deposits and other	(62)	16,137
Increase/(Decrease) in:		
Due to related parties	16,402	
Accounts payable and accrued expenses	(2,439)	(21,030)
Refundable advances	(37,758)	(36,505)
Net cash provided (used) by operating activities	182,262	(34,952)
Cash flows from investing activities:		
Acquisition of fixed assets	-	(35,633)
Net cash (used) by investing activities	-	(35,633)
Total increase (decrease) in cash and cash equivalents	182,262	(70,585)
Cash and cash equivalents, beginning of fiscal year	274,766	345,351
Cash and cash equivalents, end of fiscal year	\$ 457,028	\$ 274,766

See notes to financial statements

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

Pasco-Hernando Workforce Board, Inc. (the "Organization") is a not-for-profit corporation that was established under the laws of the State of Florida. The Organization is one of twenty-four Regional Workforce Development Boards in the State of Florida providing for the development, planning, monitoring and administration of grants and programs. The majority of the Organization's funding is through the following grants: Workforce Innovation and Opportunity Act (WIOA Title I), Temporary Assistance for Needy Families and Wagner Peyser.

The majority of the programs services are administered by a sub-recipient (Goodwill Industries Inc.).

The Organization covers Region 16 which includes Pasco and Hernando counties. The governing body of the Organization consists of Board members who are appointed by local officials to oversee conformance with grant regulations. A substantial portion of the Organization's support and revenue is received from the Florida Department of Economic Opportunity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Organization uses the accrual basis of accounting, in which revenues are recognized when they are earned and expenses are recognized when they are incurred. Revenues and the related expenses of cost-reimbursement grant programs are recognized as allowable costs are incurred. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities". Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Organization recognizes only those contributed services which are provided by individuals possessing "specialized skills".

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted grant revenues are reported in the Statement of Activities as unrestricted revenues if the restrictions are met during the Organization's fiscal year. Federal grant advances are classified as refundable advances until expended for the purpose intended.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Use of Assets and Donated Services

The estimated fair value of the free use of assets owned by others, and the estimated fair value of contributed services of individuals with special skills over which the Organization exercises control, and which constitutes an enhancement to the normal program or services that would not otherwise be performed by paid personnel, the amount of which is clearly measurable, are also recorded and reflected in the accompanying financial statements.

Allowance for Doubtful Accounts

Management believes that all receivables are collectible within one year; therefore, the Organization has not included a provision for uncollectible accounts. Any accounts deemed uncollectible will be charged to expense when the determination is made. There were no uncollectible accounts during the fiscal year ended June 30, 2016.

Fixed Assets

Property and equipment are recorded at cost, if purchased by the Organization, or at fair market value at the date of the gift, if received as a donation. The Organization capitalizes those assets with a cost of \$5,000 or greater. Depreciation is provided using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Software	3
Computer and Office Equipment	3
Vehicles	5
Furniture and Fixture	10

Substantially all fixed assets recorded by the Organization were acquired with Federal funds. Accordingly, certain rules and regulations apply to the acquisition, recording, use and disposition of such fixed assets, including authorization for disposal by the specific grantor agency.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). Management has evaluated the effect of the guidance provided by U.S. Generally Accepted Accounting Principles on Accounting for Uncertainty in Income Taxes. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization at June 30, 2016. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Organization had no uncertain income tax positions. As required by the Internal Revenue Service's regulations, the Organization annually files a Form 990, "Return of Organization Exempt from Income Tax" with the Internal Revenue Service. Those returns for 2015, 2014, and 2013 are currently subject to review and adjustment by the Internal Revenue Service.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all investments with an original maturity of three months or less to be cash equivalents.

At June 30, 2016, the Organization had bank balances totaling \$995,943 in a regional bank. The bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured cash balances at June 30, 2016 were \$745,943.

Paid Leave Time

Organization employees are entitled to certain paid leave time benefits based on length of employment and other factors. These benefits either vest or accumulate and are accrued when they are earned. The amount of paid leave time accrued at June 30, 2016 was \$262,326.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs that are directly related to the Organization's specific purpose has been recorded as a direct expense and included as program services. Certain costs have been allocated among program and supporting services. Benefit costs are allocated based on a percentage of direct costs.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) 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, support and expenses during the period. Actual results could vary from the estimates that were used.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consist of the following at June 30:

	2016	2015
SNAP	\$ 20,571	\$ -
WIOA Adult	78,170	163,249
WIOA Youth	29,959	257,600
USDOL H1B	-	26,862
WIOA Dislocated Workers	114,225	27,588
Reemployment & Eligibility Assessment	38,704	-
Trade Adjustment Assistance	-	2,619
Wagner Peyser	17,531	-
Workforce Innovation	-	1,776
Grants Receivable	299,160	479,694

NOTE 4 - REFUNDABLE ADVANCES

The Organization records advances on grants as refundable advances until it is expended for the purpose of the grant or contract, at which time it becomes unconditional and is recognized as revenue.

Refundable advances consist of the following at June 30:

	2016	2015
Wagner Peyser	\$ -	\$ 108,512
Trade Adjustment Assistance	-	53,102
Welfare Transition	113,238	123
SNAP	-	1,798
DVOP	4,875	-
DWT NEG	3,012	-
LVER	4,652	-
Refundable Advances	\$ 125,777	\$ 163,535

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

Asset	2016	2015
Computer equipment	\$ 288,775	\$ 288,775
Office furniture	99,387	99,387
Office equipment	196,252	196,252
Mobile One-Stop Center	294,932	294,932
Signage	14,652	14,652
Software	41,035	41,035
	<u>935,033</u>	<u>935,033</u>
Less: Accumulated Depreciation	<u>(880,072)</u>	<u>(808,691)</u>
	<u>\$ 54,961</u>	<u>\$ 126,342</u>

Depreciation expense for the fiscal years ended June 30, 2016 and 2015 was \$71,381 and \$63,488, respectively.

NOTE 6 - GRANTS AND CONCENTRATION

Grants are subject to renewals and period amendments and require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Organization deems the contingency remote since by accepting the contracts and their terms it has accommodated the objectives of the grantors to the provisions of these contracts.

Grants accounted for approximately 99% of revenues for the fiscal year ended June 30, 2016. Should a significant reduction in funding occur, the Organization's ability to fund its programs would be greatly reduced.

NOTE 7 - RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan for its employees who have attained 21 years of age. Voluntary employee contributions are allowed from eligible employees. The Organization makes a matching contribution of up to 5 percent of employees' eligible earnings. Although not required to do so, the Organization may decide to make additional contributions to the Plan. This additional contribution, if made, will be allocated to all employees eligible to participate in the Plan as of the end of each Plan year based on eligible earnings within the computation period. Employees are fully vested in their total account balance in the Plan. During the fiscal year ended June 30, 2016, the Organization made matching contributions of \$80,623 to the Plan.

NOTE 8 - LEASE COMMITMENTS

As Lessee

The Organization leases office space under operating leases with varying terms through 2020. Some of the office lease options contain an escalation clause providing for annual increases in monthly rents. Under the terms of the leases, the Organization is generally responsible for insurance, repairs and maintenance costs. Lease expense under all operating leases for the fiscal years ended June 30, 2016 and 2015 was \$452,422 and \$381,665, which is recorded net of sublease rental income of \$138,536 and \$145,774, respectively. Minimum future annual lease payments under operating leases are as follows:

As Lessee:	
Year Ending June 30,	Total
2017	\$ 431,038
2018	233,282
2019	230,169
2020	159,643
Total	<u>\$ 1,054,132</u>

As Lessor

The Organization has long-term operating lease agreements with certain entities to occupy space in its offices and at One-Stop Career Centers. Minimum future annual rents receivable that have remaining terms are as follows:

Year Ending June 30,	Total
2017	\$ 134,755
2018	76,129
2019	98,480
2020	79,518
Total	<u>\$ 388,882</u>

NOTE 9 - CONTINGENCIES

The Organization is subject to federal and state audits to determine compliance with grant funding requirements. In the event that expenditures would be disallowed, repayment could be required. Government grants require the fulfillment of certain conditions as set forth by applicable laws, rules and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of the funds to the grantor.

NOTE 10 - RELATED PARTIES

The Organization's Board of Directors includes representatives of both the private and public sector industries. During the fiscal year ended June 30, 2016, the Organization entered into several contracts with entities with which certain Board Members are associated for the purpose of providing services to participants. Total payments to these entities during the fiscal year ended June 30, 2016 were \$192,955.

NOTE 11 - IN-KIND REVENUE AND EXPENSE

During the current fiscal year, the Organization received advertising services from Google free of charge. The value of the service of \$80,249 for the current fiscal year is recorded as in-kind revenue and expense. The amounts are included in other income and administrative expense.

NOTE 12 - RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE AND THE STATEMENT OF ACTIVITIES TO OSMIS

As required, the Organization regularly reconciles its financial records to the One Stop Management Information System (OSMIS) maintained by AWI. As of June 30, 2016, no discrepancies were noted.

Amounts expended on Schedule of Expenditures of Federal Awards and revenues and expenses on the Statement of Activities were determined in accordance with the accrual basis of accounting. The following shows a reconciliation of grant revenue on the Schedule of Expenditures of Federal Awards and the amounts reported in OSMIS for the fiscal year ended June 30, 2016:

Expenditures/grant revenue	\$ 7,572,427
Funding directly obtained from the Federal government and other entities, not passed through the State OSMIS system	(221,351)
Amounts due back to grantor	6,468
Net reconciling item for indirect cost adjustments	105,597
Amount reported in OSMIS	<u>\$ 7,463,141</u>

NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition and disclosure through March 30, 2017, the date the financial statements were available to be issued.

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass Through Grantor/Cluster/Program</u>	<u>CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Labor</u>			
<u>Employment Training Administration</u>			
H-1B Technical Skills Training Grant	17.268	\$ 65,201	\$ 129,460
Workforce Innovation Grant	17.283	-	91,891
Passed through the State of Florida			
Department of Economic Opportunity			
Workforce Innovation and Opportunity Act			
(WIOA) Cluster			
WIOA- Adult Program			
WIOA Adult	17.258	856,498	1,573,367
WIOA Performance Incentives	17.258	-	16,667
WIOA- Youth Program			
WIOA Youth	17.259	658,768	1,229,664
WIOA- Dislocated Worker Program			
WIOA Dislocated Worker	17.278	612,861	1,357,061
WIA/WIOA Cluster Total		<u>2,128,127</u>	<u>4,176,759</u>
Trade Adjustment Assistance	17.245	47,960	47,960
National Emergency - OJT	17.277	-	26,988
Unemployment Compensation	17.225	-	56,022
RESEA	17.225	-	212,865

(Continued)

See notes to schedule of expenditures of federal awards

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Labor</u>			
<u>Employment Training Administration / Veterans</u>			
<u>Employment and Training Service</u>			
Passed through the State of Florida			
Department of Economic Opportunity			
Employment Service Cluster			
Wagner Peyser - performance incentive	17.207	-	83,935
Wagner Peyser	17.207	-	714,330
Disabled Veterans Outreach Program	17.801	-	40,708
Local Veterans Employment Rep Program	17.804	-	47,024
Employment Service Cluster Total		<u>-</u>	<u>885,997</u>
<u>U.S. Department of Agriculture</u>			
<u>Food and Nutrition Service</u>			
Passed through the State of Florida			
Department of Economic Opportunity			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561	<u>-</u>	<u>262,069</u>
<u>U.S. Department of Health and Human Services</u>			
<u>Administration for Children and Families</u>			
Passed through the State of Florida			
Department of Economic Opportunity			
Temporary Assistance to Needy Families Welfare Transition Program			
	93.558	<u>-</u>	<u>1,682,411</u>
Total Expenditures of Federal Awards		<u>\$ 2,241,288</u>	<u>\$ 7,572,422</u>

See notes to schedule of expenditures of federal awards

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE A - SCOPE OF AUDIT PURSUANT TO THE OMB COMPLIANCE SUPPLEMENT

Federal Awards Programs

All Federal grant operations of Pasco-Hernando Workforce Board, Inc. (the Organization) are included in the scope of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement in Appendix XI of the Uniform Guidance (Revised June 2016, the "Compliance Supplement"). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent all Federal award Type A programs with the fiscal year 2016 cash and noncash expenditures in excess of \$750,000 and other grants that ensure coverage of at least 20 percent of Federally granted funds.

The programs tested as major programs include:

<u>Federal Program</u>	<u>CFDA No.</u>
Welfare Transition Program	93.558

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grants to the Organization that had activity during the fiscal year ended June 30, 2016. The basis of accounting is described in Note 2 to the Organization's financial statements.

NOTE C – SUBRECIPIENTS

The Organization provided federal awards to subrecipients as follows during the fiscal year ended June 30, 2016:

<u>Program Title</u>	<u>Federal CFDA#</u>	<u>Amount Provided</u>
H1B - Technical Skills Training Grant	17.268	\$ 65,201
Trade Adjustment Assistance	17.245	47,960
WIOA Cluster:		
WIOA Adult Program	17.258	856,498
WIOA Youth Activities	17.259	658,768
WIOA Dislocated Workers Formula Grants	17.278	612,861
WIOA Cluster Subtotal		2,128,127
Total		\$ 2,241,288
		<u>Amount Provided</u>
<u>Vendor</u>		
Goodwill Industries-Suncoast, Inc.		\$ 2,241,288

NOTE D - SINGLE AUDIT FINDINGS

See Schedule of Findings and Questioned Cost – Federal Awards



**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
Pasco-Hernando Workforce Board, Inc.
(d/b/a CareerSource Pasco Hernando)
Brooksville, Florida

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 Pasco-Hernando Workforce Board, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control (FS 2016-01), described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters involving the internal control over financial reporting and compliance that we reported in the Schedule of Findings and Questioned Costs.

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

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.

This report is intended for the information of the management, Board of Directors, and grantor agencies and is not and should not be used by anyone other than these specified parties.

March 30, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Pasco-Hernando Workforce Board, Inc.
(d/b/a CareerSource Pasco Hernando)
Brooksville, Florida

Report on Compliance for Each Major Federal Program

We have audited Pasco-Hernando Workforce Board, Inc.'s (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the fiscal year ended June 30, 2016. The Organization'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 each of the Organization'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 the 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the 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 the Organization's internal control over compliance.

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. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

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. We consider the deficiency in internal control over compliance (FA 2016-01) described in the accompanying schedule of findings and questioned cost as a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Organization's responses 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

March 30, 2017

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDIT RESULTS

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified Opinion*

Material weakness(es) identified?	___	Yes	___	X	No
Significant deficiency (ies) identified not considered to be Material weakness?	___	X	___	___	None
Noncompliance material to financial statements noted?	___	___	___	X	No

Federal Awards Programs

Internal Control over major federal awards programs:

Material weakness(es) identified?	___	Yes	___	X	No
Significant deficiency (ies) identified not considered to be Material weakness?	___	X	___	___	None

Type of auditor's report issued on compliance for major federal awards programs: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___ X ___
Yes No

Identification of major federal awards programs:

<u>Federal Program</u>	<u>CFDA No.</u>
Temporary Assistance for Needy Families	93.558

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

Auditee qualified as low risk auditee for audit of federal awards program? ___ X ___
Yes No

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT

Significant Deficiency

FS 2016-01 Indirect Cost Rate Application:

Observation: At the end of the fiscal year ended June 30, 2016, before adjustment, the indirect costs charged to each grant were significantly over and under the negotiated indirect cost rate. The Organization received approval for its indirect cost rate proposal from its cognizant agency. Under the Uniform Guidance, the Organization is required to apply indirect costs to all of its Federal awards based on the methodology and rate in this proposal. The Organization was not using the correct methodology when allocating indirect costs on a monthly basis during the year. The Organization was using the same methodology that it used before the Uniform Guidance was effective. If this persists, the Organization could be required to return Federal awards and lose access to future funding.

Recommendation: As soon as possible, the Organization should ensure that it prepares an economically viable indirect cost rate methodology that uses an appropriate base and submits it to its new cognizant agency. Then the Organization should ensure that it is applying the correct methodology when allocating indirect costs on a monthly basis.

Reference Number for Prior Year Finding: Not Applicable.

Management Response: Pasco Hernando Workforce Board, Inc. agrees with your finding and recommendation to prepare an economically viable indirect cost rate methodology and apply it when allocating indirect cost on a monthly basis.

Other Findings

FS 2016-02 Procurement Procedures:

Observation: During procedures we noted that the procurement policy was not applied consistently for certain purchases. Certain invoices were not approved by department heads and purchase orders were used inconsistently. Also noted that there appears to be contradictory language in the procurement policy regarding when purchase orders are required.

Recommendation: The Organization should consider amending the procurement policy to clarify the use of purchase orders and ensure it is following its procurement policy.

Reference Number for Prior Year Finding: Not Applicable.

Management Response: Pasco Hernando Workforce Board Inc. agrees with your finding and recommendation. The VP of Finance will review and update our procurement policy. The VP of Finance will also monitor Purchase Orders for consistency and accuracy to ensure they are in compliance with our procurement policy.

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

FS 2016-03 Employee Election Documentation:

Observation: We noted that during fiscal year 2016 the Organization did not have documentation of the employee elections for insurance deductions.

Recommendation: The Organization should ensure that every employee's personnel file contain documentation of an employee's election for insurance deductions.

Reference Number for Prior Year Finding: Not Applicable.

Management Response: Pasco Hernando Workforce Board Inc. agrees with your finding and recommendation. The Human Resource Manager will update all employee's files to include the employees benefit election for insurance deductions.

FS 2016-04 Financial Policies and Procedures Manual:

Observation: We noted that the Organization's financial policies and procedures manual was not updated to reflect the Uniform Guidance.

Recommendation: The Organization should update its financial policies and procedures manual to reflect the Uniform Guidance.

Reference Number for Prior Year Finding: Not Applicable.

Management Response: Pasco Hernando Workforce Board Inc. agrees with your finding and recommendation. The VP of Finance will update the Financial Policies and Procedures Manual to be in compliance with the Uniform Guidelines.

FS 2016-05 Unallocated costs:

Observation: We noted that before the start of the audit the Organization did not fully allocate its cost pools. As a result, grants were not charged the correct amounts for the year.

Recommendation: The Organization should ensure that before the start of the audit all cost pools are fully allocated according to its allocation methodologies.

Reference Number for Prior Year Finding: Not Applicable.

Management Response: Pasco Hernando Workforce Board Inc. agrees with your finding and recommendation. The organization will ensure all cost pool accounts are reviewed and fully allocated prior to closing in accordance with our allocation methodology.

PASCO-HERNANDO WORKFORCE BOARD, INC.
(d/b/a CareerSource Pasco Hernando)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

C. PRIOR YEAR FINDING – FINANCIAL STATEMENTS AUDIT

FS 2015-01 Suspended Checks in Accounting System:

Current Status: Recommendation has been implemented.

D. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

Significant Deficiency

FA 2016-01 Indirect Cost Rate Application:

Awards: Applies to all Federal awards during fiscal year 2016.

Criteria: The Organization received approval for its indirect cost rate proposal from its cognizant agency. Under the Uniform Guidance, the Organization is required to apply indirect costs to all of its Federal awards based on the methodology and rate in this proposal.

Condition: At the end of the fiscal year ended June 30, 2016, before adjustment, the indirect costs charged to each grant were significantly over and under the negotiated indirect cost rate.

Cause: The Organization was not using the correct methodology when allocating indirect costs on a monthly basis during the year. The Organization was using the same methodology that it used before the Uniform Guidance was effective.

Effect: If this persists, the Organization could be required to return Federal awards and lose access to future funding.

Related Prior Year Finding: Not applicable

Recommendations: As soon as possible, the Organization should ensure that it prepares an economically viable indirect cost rate methodology that uses an appropriate base and submits it to its new cognizant agency. Then the Organization should ensure that it is applying the correct methodology when allocating indirect costs on a monthly basis.

Management Response: Pasco Hernando Workforce Board Inc. agrees to your finding, the organization has hired a new VP of Finance. She will prepare an indirect cost rate methodology that uses an appropriate base which will be submitted to our new cognizant agency. The organization will review its indirect cost rate methodology monthly to ensure accuracy when allocating our indirect cost.

E. OTHER ISSUES

No summary schedule of prior audit findings and corrective action plan is required because there were no prior audit findings related to federal award programs.

Pasco Hernando Workforce Board, Inc.
PASCO / HERNANDO COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
Fiscal year ending June 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
FS 2016-01 and FA 2016-01	Pasco Hernando Workforce Board Inc. will prepare and economically viable indirect cost rate methodology and apply it when allocating indirect cost on a monthly basis	6-30-17	Theresa Miner, Sr. VP of Finance
FS 2016-02	The Sr. VP of Finance will review and update our procurement policy. The Sr. VP of Finance will also monitor purchase orders for consistency and accuracy to ensure they are in compliance with our procurement policy.	6-30-17	Theresa Miner, Sr. VP of Finance
FS 2016-03	The Human Resource Manager will update all employee's files to include the employees benefit election for insurance deductions.	6-30-17	Heather Harter, Human Resource Manager
FS 2016-04	The Sr. VP of Finance will update the Financial Policies and Procedures manual to be in compliance with the Uniform Guidelines.	6-30-17	Theresa Miner Sr. VP of Finance
FS 2016-05	The Sr. VP of Finance will ensure all cost pool accounts are reviewed and fully allocated prior to closing in accordance with our allocation methodology.	6-30-17	Theresa Miner Sr. VP of Finance