Management Letter

To the Board of Directors
Worksystems, Inc.
Portland, Oregon

During our audit of Worksystems, Inc. (the Organization) for the year ended June 30, 2018, we noted certain matters of lesser severity involving internal control and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies or improvements. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Current Year Comments Involving Internal Control:

CD-1 Subrecipient Contracts

During the audit, we noted that a required element of subrecipient contracts was not in place, specifically the requirement to indicate whether or not a contract is a Research and Development Contract. The requirement can be found at CFR 200.331 (A) (xii). Although the Organization does not have R & D funding being passed through to subrecipients, some of its subrecipients may have R & D funding from other funders. R & D funding from multiple funding sources (differing CFDA numbers) is deemed to be a single program cluster of federal dollars for purposes of conducting a Single Audit. The intent of the requirement is to assist all entities in correctly determining whether or not one of their federal grants is R & D and should be tested as part of the R & D Cluster, or if it is not, and would therefore be subject to testing under the normal process (by accumulating all awards under one CFDA number).

Recommendation

We recommend the Organization add a yes or no checkbox to all subawards to indicate whether or not it is a R & D contract.

Current Year Comments Involving Other Matters:

We noted an immaterial amount of unconditional contribution revenue was included in deferred revenue and not recognized as revenue in the appropriate year. As you may be aware, there is a new accounting standard for grants and contributions that was issued in June 2018 that should provide more clarity and consistency for the accounting for conditional and restricted contributions and grants, and is expected to result in more of such funding types being deemed conditional and revenue recognition deferred until the conditions are met.

Recommendation

We recommend the Organization provide training to personnel involved in analyzing and recording contribution and grant revenue prior to the implementation of the new standard.

We appreciate the courtesy and cooperation provided by the employees of the Organization during the course of the audit. We will be happy to discuss the details of this report and assist in any way possible. This report is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Portland, Oregon
December 10, 2018