

WORKSYSTEMS, INC.

Reports Required by *GAO Government Auditing Standards* and the Uniform Guidance

and

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

WORKSYSTEMS, INC.

Year Ended June 30, 2018

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**INDEPENDENT AUDITORS' 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**

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

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 Worksystems, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Worksystems, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Worksystems, Inc.

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.

Kim Thompson, LLC

Portland, Oregon
December 10, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Worksystems, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Worksystems, Inc.'s major federal programs for the year ended June 30, 2018. Worksystems, Inc.'s major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Worksystems, Inc.'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 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 Worksystems, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Worksystems, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Worksystems, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Worksystems, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

To the Board of Directors
Worksystems, Inc.

In planning and performing our audit of compliance, we considered Worksystems, Inc.'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 Worksystems, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Worksystems, Inc. as of and for the year ended June 30, 2018, and have issued our report thereon dated December 10, 2018, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.



Portland, Oregon
December 10, 2018

WORKSYSTEMS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures of Federal Awards</u>	<u>Pass-Through to Sub- recipients</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Pass-through assistance:				
Prosper Portland:				
Community Development Block Grant - Adult	14.218	7045-010	\$ 759,530	
Community Development Block Grant - Youth	14.218	7045-010	<u>815,545</u>	
Total CDBG Cluster:			1,575,075	1,552,131
U.S. DEPARTMENT OF LABOR				
WIOA Cluster:				
Pass-through assistance:				
Oregon Office of Higher Education Coordinating Commission:				
Title IB - WIA/WIOA Adult Program:				
Adult Program	17.258	16-268	1,215,371	
Adult Program	17.258	17-141	1,590,829	
Adult Program	17.258	16-268	<u>241,339</u>	
Total Title IB-WIA/WIOA Adult Program:			3,047,539	2,195,155
Title IB - WIA/WIOA Youth Activities:				
Youth Program	17.259	16-268	1,308,648	
Youth Program	17.259	17-141	1,215,779	
Youth Program	17.259	NFA PY17-04/17-141	117,360	
Youth Program	17.259	16-268	215,298	
Youth Program	17.259	17-141	<u>16,113</u>	
Total Title IB-WIA/WIOA Youth Activities:			2,873,198	1,654,944
Title IB - WIA/WIOA Dislocated Workers Formula Grants:				
Dislocated Worker Program	17.278	17-141	129,132	
Dislocated Worker Program	17.278	NFA PY15-06	410,530	
Dislocated Worker Program	17.278	NFA PY15-06	63,810	
Dislocated Worker Program	17.278	16-268	884,982	
Dislocated Worker Program	17.278	14-141	613,272	
Dislocated Worker Program	17.278	16-268	260,108	
Dislocated Worker Program	17.278	NFA PY15-06	<u>34,032</u>	
Total WIOA Cluster			8,316,603	997,163
Title IB - WIA/WIOA Dislocated Workers/NEG:				
Pass-through assistance:				
Oregon Office of Higher Education Coordinating Commission:				
National Emergency Grants				
Total Title IB - WIA/WIOA Dislocated Workers/NEG:	17.277	NFA PY14-06	<u>1,056,490</u>	842,124
Direct assistance:				
Ready to Work Partnership Grants (ReBoot NW)				
H-1B Job Training Grant	17.268	HG-26675-15-60-A-41	2,857,847	
America's Promise Job Driven (NW Promise)				
H-1B Job Training Grant	17.268	HG-30146-17-60-A-41	1,026,872	
H-1B TechHire Partnership Grants (TechRise)				
H-1B Job Training Grant	17.268	HG-29371-16-60-A-41	<u>783,538</u>	
Total H-1B Training Grants:			4,668,257	3,721,723

See Notes to the Schedule of Expenditures of Federal Awards.

WORKSYSTEMS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures of Federal Awards</u>	<u>Pass-Through to Sub- recipients</u>
Workforce Innovation Fund				
Pass-through assistance:				
Willamette Workforce Partnership				
Rethinking Job Search				
Workforce Innovation Fund	17.283	021-16	<u>135,582</u>	
Total Workforce Innovation Fund			<u>135,582</u>	117,263
Reentry Employment Opportunities				
Direct assistance:				
DOL - Employment Training Administration				
Reentry Employment Opportunities (LEAP)	17.270	PE-27206-15-60-A-41	<u>112,922</u>	88,770
Dislocated Worker National Reserve Demonstration Grants				
Direct assistance:				
DOL - Employment Training Administration				
Career Pathways For Youth	17.280	MI-28995-16-60-A-41	<u>284,356</u>	204,393
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
ACA Health Professions Opportunity Grant				
Direct assistance:				
Administration for Children and Families				
Health Careers Northwest	93.093	90FX0044-01-00	<u>2,761,341</u>	2,194,607
Total expenditures of federal awards			<u>\$ 18,910,626</u>	

See Notes to the Schedule of Expenditures of Federal Awards.

WORKSYSTEMS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Worksystems, Inc. and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with requirements of the Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Catalog of Federal Domestic Assistance Programs

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the catalog of federal domestic assistance.

3. Major and Nonmajor Federal Financial Assistance Programs

Federal financial assistance programs with identical assistance (CFDA) numbers are combined in determining whether the programs are major or nonmajor. Type A federal assistance programs are those with combined expenditures of \$750,000 or more during a fiscal year. Type B federal financial assistance programs are those with combined expenditures of less than \$750,000 during a fiscal year.

4. Indirect Cost Rate

Worksystems, Inc. has not used the 10% de minimis indirect cost rate under the Uniform Guidance.

WORKSYSTEMS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section 1 – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued – **Unmodified**
2. Significant deficiencies identified during the audit of the financial statements – **None reported**
3. Material weaknesses identified during the audit of the financial statements – **None**
4. Noncompliance that is material to the financial statements noted – **None**

Federal Awards

5. Significant deficiencies in internal control over major programs identified in the audit of the financial statements – **None reported**
6. Material weaknesses in internal control over major programs identified in the audit of the financial statements – **None**
7. The type of auditors’ report issued on compliance for major programs – **Unmodified**
8. Audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a) – **None**

Identification of Major Programs

- **CFDA #17.277 – National Emergency Grants**
 - **CFDA #17.268 – H-1B Job Training Grant**
9. Dollar threshold used to distinguish between Type A and Type B programs – **\$750,000.**
 10. Is the auditee qualified as a low-risk auditee under the Uniform Guidance – **Yes**

Section 2 – Financial Statement Findings

11. Findings relating to the financial statements reported in accordance with *Government Auditing Standards* – **None**

Section 3 – Federal Award Findings and Questioned Costs

12. Findings and questioned costs relating to federal awards - **None**

WORKSYSTEMS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

None.