

S B & COMPANY, LLC

Knowledge • Quality • Client Service



Presentation to the Board
October 2, 2019





Scope of Services

- Audit of June 30, 2019 financial statements
- Uniform Guidance Single Audit
- Preparation of Federal Form 990
- Pennsylvania Form BCO-10
- Performance of certain agreed upon procedures related to grant compliance
- Recommendations and observations noted during the audit process
- Available for year-round consultation



Summary of the Results

- Plan to issue an unmodified opinion on the financial statements
- No findings for single audit procedures
- We did not discover any instances of fraud
- Discovered no material weakness in internal controls
- Received full cooperation from management



FORCAM Audit Approach

“Focus on Risk, Controls and Misstatement”

FORCAM Audit Approach

Focus on Risk, Controls, and Account Misstatement

Agree on Expectations and Deliverables

Planning - Understand the Business & Risk

Client Acceptance • Client Environment • Tone at the Top
Materiality • Initial Risk Assessment • Audit Plan • Client Expectations

Assess & Test Design & Operations of Controls

What Can Go Wrong? • Test Key Controls • Walkthrough
Map Accounts & Transactions • Identify Key Controls

Financial Close & Reporting Misstatement Analysis

Analyze Balances • Financial Close Process
Principles Applied • Management's Verification

Substantive Testing

Negative Account Analysis • Negative Financial Close
Firm & GAAS Required • Significant Estimates
Negative Operating Controls • Unusual Transactions

GAAS Compliance & Reporting

GAAS Checklist • Review Reports • Wrap Up
Draft Board/Management Presentation
Did We Meet Your Expectations?

Goals:

Detect Financial Statement Misstatement Risk
Detect Error

- Accounting Principle
- Estimate
- Information Processing
- Account Balances

Fraud

Business Failure

Business Improvement Opportunities

Client Expectations

Communicate Value Delivered and Measure Satisfaction








Assessment of Control Environment

CLIENT SERVICE

QUALITY

KNOWLEDGE

Area	Points to Consider	Our Assessment
Control Environment	<ul style="list-style-type: none">▪ Key executive integrity, ethical, and behavior▪ Control consciousness and operating style▪ Commitment to competence▪ Board's participation in governance and oversight▪ Organizational structure, responsibility, and authority▪ HR policies and procedures	
Risk Assessment	<ul style="list-style-type: none">▪ Mechanisms to anticipate, identify, and react to significant events▪ Processes and procedures to identify changes in GAAP, business practices, and internal control	
Control Activities	<ul style="list-style-type: none">▪ Existence of necessary policies and procedures▪ Clear financial objectives with active monitoring▪ Logical segregation of duties▪ Adequate safeguards of documents, records, and assets▪ Assess controls in place	



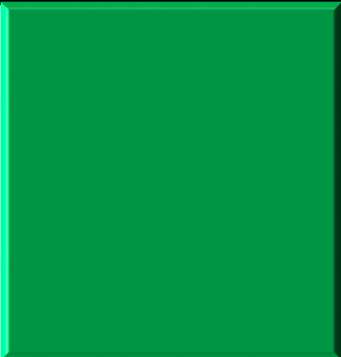

Not effective

Suggested improvements

No Issues Noted



Assessment of Control Environment (continued)

Area	Points to Consider	Our Assessment
Information and Communication	<ul style="list-style-type: none">▪ Adequate performance reports produced from information systems▪ Information systems are connected with business strategy▪ Commitment of HR and finance to develop, test, and monitor IT systems and programs▪ Business continuity and disaster plan for IT▪ Established communication channels for employees to fulfill responsibilities▪ Adequate communication across organization	
Monitoring	<ul style="list-style-type: none">▪ Periodic evaluations of internal controls▪ Implementation of improvement recommendations	



Not effective

Suggested improvements

No issues noted



Evaluation of Key Processes

Process	Function	A	B	C	D	Our Assessment
Treasury	<ul style="list-style-type: none"> ▪ Cash Management ▪ Investment Accounting ▪ Investment Monitoring ▪ Investment Valuation ▪ Investment Policy ▪ Reconciliation 	✓	✓	✓	✓	No issues noted
Estimation	<ul style="list-style-type: none"> ▪ Methodology ▪ Information ▪ Calculation 	✓	✓	✓	✓	
Financial Reporting	<ul style="list-style-type: none"> ▪ Accounting Principles and Disclosure ▪ Closing the Books ▪ Report Preparation ▪ General Ledger and Journal Entry Processing ▪ Verification and Review of Results 	✓	✓	✓	✓	
Expenditures	<ul style="list-style-type: none"> ▪ Purchasing ▪ Receiving ▪ Accounts Payable and Cash Disbursement 	✓	✓	✓	✓	

A	Understand the Process
B	Walk-Through

C	What Can Go Wrong
D	Test of Controls/Substantive

	Not effective
	Suggested improvements
	No issues noted



Evaluation of Key Processes (continued)

Process	Function	A	B	C	D	Our Assessment
Payroll	<ul style="list-style-type: none"> ▪ Hiring ▪ Attendance Reporting ▪ Payroll Accounting and Processing ▪ Payroll Disbursements ▪ Separation 	✓	✓	✓	✓	
Revenue	<ul style="list-style-type: none"> ▪ Billing ▪ Cash Receipts ▪ Revenue Recognition ▪ Cutoff 	✓	✓	✓	✓	
Compliance	<ul style="list-style-type: none"> ▪ Assess Internal and External Risk ▪ Regulatory Compliance ▪ Monitor Compliance ▪ Grant Compliance 	✓	✓	✓	✓	

A	Understand the Process
B	Walk-Through

C	What Can Go Wrong
D	Test of Controls/Substantive

	Not effective
	Suggested improvements
	No issues noted



Key Accounts Assertions and Audit Results

Key Accounts	Assertions	Results
Cash and cash equivalents	Existence, Occurrence, Completeness	
Receivables, net	Existence, Valuation	
Accounts payable and accrued expenses	Completeness, Occurrence	
Revenue	Completeness, Occurrence	
Expenses	Existence, Occurrence	

-  Material adjustments
-  Immaterial adjustments
-  No adjustments



AUDIT RESULTS

KNOWLEDGE

QUALITY

CLIENT SERVICE



Financial Statement Highlights

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 16,721	\$ 18,857
Cash and cash equivalents restricted for program purposes	858,282	827,833
Accounts receivable	955,279	837,865
Total Assets	\$ 1,830,282	\$ 1,684,555
Liabilities and Net Assets		
Accounts payable	\$ 526,085	\$ 466,102
Accrued expenses	27,003	26,211
Unearned revenue	858,282	827,833
Total Liabilities	1,411,370	1,320,146
Net Assets		
Without donor restrictions	418,912	364,409
Total Liabilities and Net Assets	\$ 1,830,282	\$ 1,684,555



Financial Statement Highlights (continued)

Revenue and Other Support

Grants, contracts, and contributions

	<u>2019</u>	<u>2018</u>
	\$ 4,645,027	\$ 4,313,120

Interest income

	10,000	2,809
--	--------	-------

Total Revenue and Other Support

	<u>4,655,027</u>	<u>4,315,929</u>
--	------------------	------------------

Expenses

Salaries, wages and benefits

	442,168	394,360
--	---------	---------

Contracted services

	675,390	943,858
--	---------	---------

Training

	223,159	59,744
--	---------	--------

Space and utilities

	415,428	385,550
--	---------	---------

Travel and meetings

	41,081	34,292
--	--------	--------

Telephone

	34,159	17,612
--	--------	--------

Maintenance and small equipment

	53,436	30,905
--	--------	--------

Office supplies

	59,924	40,529
--	--------	--------

Printing and publications

	14,509	24,108
--	--------	--------

Subcontractor Expenses

	2,252,042	2,211,683
--	-----------	-----------

Miscellaneous

	389,228	15,432
--	---------	--------

Total Expenses

	<u>4,600,524</u>	<u>4,158,073</u>
--	------------------	------------------

Change in net assets

	54,503	157,856
--	--------	---------

Net Assets, beginning of period

	364,409	206,553
--	---------	---------

Net Assets, End of Period

	<u>\$ 418,912</u>	<u>\$ 364,409</u>
--	-------------------	-------------------



REQUIRED COMMUNICATIONS

KNOWLEDGE

QUALITY

CLIENT SERVICE



Required Communications

1. Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)

The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, and provide for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

The significant accounting policies used by management are described in the notes to the financial statements.

3. Auditor's Judgments About the Quality of Accounting Policies

We discuss our judgments about the quality, not just the acceptability, of accounting policies selected by management, the consistency of their application, and the clarity and completeness of the financial statements, which include related disclosures.

We have reviewed the significant accounting policies adopted by Workforce Solutions for North Central Pennsylvania (WFS) and have determined that these policies are acceptable accounting policies.



Required Communications (continued)

4. Audit Adjustments

We are required to inform the WFS' oversight body about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the entity's financial reporting process. We also are required to inform the WFS' oversight body about unadjusted audit differences that were determined by management to be individually and in the aggregate, immaterial.

There were no passed adjustments identified during the audit process.

5. Fraud and Illegal Acts

We are required to report to the WFS' oversight body any fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.

Our procedures identified no instances of fraud or illegal acts.

6. Material Weaknesses in Internal Control

We are required to communicate all significant deficiencies in the WFS' systems of internal controls, whether or not they are also material weaknesses.

There were no material weaknesses noted during the audit.



Required Communications (continued)

7. Other Information in Documents Containing Audited Financial Statements

None.

8. Disagreements with Management on Financial Accounting and Reporting Matters

None.

9. Serious Difficulties Encountered in Performing the Audit

None.

10. Major Issues Discussed with Management Prior to Acceptance

None.

11. Management Representations

We will receive certain written representations from management as part of the completion of the audit.

12. Consultation with Other Accountants

To our knowledge, there were no consultations with other accountants since our appointment as the WFS' independent public accountants.

13. Independence

As part of our client acceptance process, we go through a process to ensure we are independent of the WFS. We are independent of the WFS.

14. Non-attest Services

We perform non-attest services for the WFS. They include preparation of the financial statements and Form 990.



Required Communications (continued)

15. Our Responsibility Related to Fraud

- Plan and perform the audit to obtain reasonable assurance that there is no material misstatement caused by error or fraud;
- Comply with AU-C Section 240: Consideration of Fraud in a Financial Statement Audit;
- Approach all audits with an understanding that fraud could occur in any entity, at any time, by anyone; and
- Perform mandatory procedures required by GAAS and our firm policies.

Examples of Procedures Performed

- Discuss thoughts and ideas on where the financial statements might be susceptible to material misstatement due to fraud;
- Understand pressures on the financial statement results;
- Understand the tone and culture of the WFS;
- Look for unusual or unexpected transactions, relationships, or procedures;
- Discussions with individuals outside of finance;
- Evaluate key processes and controls; and
- Consider information gathered throughout the audit.



Responsibility for Mitigating Fraud



External Auditor

- Evaluate management programs and controls to deter and detect fraud for identified risks
- Reasonable assurance that financial statements are free of material misstatement due to fraudulent financial reporting or misappropriation of assets
- Compliance with fraud standard (SAS 99)
 - Conversations with finance and operations personnel
 - Disaggregated analytics
 - Surprise audit procedures
 - Journal entry testing

Management:

- CFO/Controller: controls to deter and detect fraud
- General Counsel/Compliance: monitoring

Audit Committee:

- Evaluate management identification of fraud risk
- Evaluate implementation of fraud controls
- Reinforce “tone at the top”
- Conduct special investigations



KNOWLEDGE

QUALITY

CLIENT SERVICE