

**Workforce Solutions South Plains
RFP 2018-60-2003
Question and Answer Document #1**

Question 1:

Please provide a copy of your financial audit and single audit report for the year ended June 30, 2017.

Answer: See Attachment 1.

Question 2:

Please provide a copy of the most recent Communication with Those Charged with Governance letter for the financial audit (FYE June 30, 2017).

Answer: See Attachment 2.

Question 3:

Please provide a copy of the management letter for FYE June 30, 2017 audit, if any.

Answer: Not applicable.

Question 4:

How many adjusting journal entries did the external auditors propose for the financial audit for the fiscal year ended June 30, 2017?

Answer: Four (4).

Question 5:

What has the timeline been for the audit process of the financial?

Answer: November – March.

Question 6:

When were the following phases of the audit conducted: Planning, Risk Assessment, Interim Testing and Final Year-End fieldwork?

Answer: The Board sends requested documentation, trial balance, general ledger in November. Typically, field work has occurred in early December and/January. Audit Draft by end of January, presentation of draft report to Oversight Committee mid-February, and presentation to full Board end of February.

Question 7:

Does the Workforce Solutions anticipate any growth or funding issues that would impact the scope of the financial and single audit in fiscal year ending June 30, 2018, as compared to fiscal year June 30, 2017?

Answer: No.

Question 8:

Do you anticipate any federal grant programs or any major state grant programs, if any, that would be greater than \$750,000 for the FYE June 30, 2018? If so, how many of each?

Answer: Yes, Federal possibly 5 programs (Child Care and TANF tested in 2017) and State possible 3 programs (Child care tested in 2017).

Question 9:

What have the audit fees been for each of the last two fiscal years for the financial and single audits?

Answer: Range \$37,000 - \$39,000.

Question 10:

What are the budgeted fees for the FYE June 30, 2018 financial and single audit?

Answer: To be determined.

Question 11:

Does your financial/accounting staff prepare the annual financial statements and related disclosures?

Answer: Staff prepared the Schedule of Federal and State Expenditures.

Attachment 1

**SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	Page No.
Independent Auditor's Report	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Schedule of Federal and State Awards	11
Notes to Schedule of Federal and State Awards	14
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 <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by <i>the Uniform Guidance</i> <i>and the State of Texas Single Audit Circular</i>	17
Schedule of Findings and Questioned Costs	19
Summary Schedule of Prior Year Findings	20

GOMEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5177 RICHMOND AVE. SUITE 1100
HOUSTON, TX 77056
TEL: (713) 666-5900
FAX: (713) 666-1049
<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
South Plains Regional Workforce Development Board
dba WorkForce Solutions South Plains
Lubbock, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of South Plains Regional Workforce Development Board dba WorkForce Solutions South Plains (the "SPRWDB") (a nonprofit corporation), 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.

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 and the State of Texas Uniform Grant Management Standards. 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 SPRWDB as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited SPRWDB's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 and state 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*, the *State of Texas Single Audit Circular* and other grant regulations, 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 February 12, 2018 on our consideration of SPRWDB'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 SPRWDB's internal control over financial reporting and compliance.



Houston, TX
February 12, 2018

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	2017	2016
ASSETS		
Assets:		
Cash	\$ 871,704	\$ 291,099
Grants Receivables	375,960	819,005
Prepaid Expenses	18,250	13,439
Total Current Assets	<u>1,265,914</u>	<u>1,123,543</u>
Fixed Assets	951,217	964,177
Less: Accumulated Depreciation	<u>(805,526)</u>	<u>(797,216)</u>
	145,691	166,961
Total Assets	<u><u>\$ 1,411,605</u></u>	<u><u>\$ 1,290,504</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	\$ 1,176,801	\$ 1,072,731
Accrued Liabilities	58,848	22,462
Payroll Taxes Payable	<u>8,455</u>	<u>74</u>
Total Current Liabilities	<u>1,244,104</u>	<u>1,095,267</u>
Net Assets:		
Unrestricted	<u>167,501</u>	<u>195,237</u>
Total Net Assets	<u>167,501</u>	<u>195,237</u>
Total Liabilities and Net Assets	<u><u>\$ 1,411,605</u></u>	<u><u>\$ 1,290,504</u></u>

See accompanying notes to financial statements.

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals For The Period Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	2017	2016
REVENUES				
Federal Grant Revenue	\$	\$ 11,177,339	\$ 11,177,339	\$ 15,129,466
State Grant Revenue		3,735,418	3,735,418	2,890,984
Other Income	34,896		34,896	29,289
Total Revenue	34,896	14,912,757	14,947,653	18,049,739
Net assets released from restrictions:				
Restrictions satisfied by payments	14,912,757	(14,912,757)		
Total Revenues	14,947,653		14,947,653	18,049,739
EXPENSES				
Program Services:				
Training and Direct Program Services	4,581,020		4,581,020	6,828,300
Childcare Services	9,548,033		9,548,033	10,116,193
Supporting Services	331,597		331,597	729,812
Depreciation	48,793		48,793	27,079
Total Program Services	14,509,443		14,509,443	17,701,384
Supporting Services				
Management and General	465,946		465,946	192,865
Total Supporting Services	465,946		465,946	192,865
Total Expenses	14,975,389		14,975,389	17,894,249
Change in Net Assets	(27,736)		(27,736)	155,490
Net Assets at Beginning of Year	195,237		195,237	39,747
Net Assets, End of Year	<u>\$ 167,501</u>	<u>\$</u>	<u>\$ 167,501</u>	<u>\$ 195,237</u>

See accompanying notes to financial statements.

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals For The Period Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (27,736)	\$ 155,490
Adjustments to reconcile change in net assets to net		
Cash provided (used) by operating activities:		
Depreciation	48,793	27,079
(Increase) decrease in Grants Receivable and Other Receivable	443,045	306,758
(Increase) decrease in Prepaid Expense and Other Current Assets	(4,811)	17,527
Increase (decrease) in Accounts Payable and Other Accrued Expenses	<u>148,837</u>	<u>(357,210)</u>
Total Adjustments	<u>635,864</u>	<u>(5,846)</u>
Net Cash Provided (Used) by Operating Activities	<u>608,128</u>	<u>149,644</u>
Cash Flows From Investing Activities		
Purchase of Fixed Assets	<u>(27,523)</u>	<u>(178,835)</u>
Net Cash Provided (Used) by Investing Activities	<u>(27,523)</u>	<u>(178,835)</u>
NET INCREASE (DECREASE) IN CASH	<u>580,605</u>	<u>(29,191)</u>
CASH AT BEGINNING OF YEAR	<u>291,099</u>	<u>320,290</u>
CASH AT END OF YEAR	<u><u>\$ 871,704</u></u>	<u><u>\$ 291,099</u></u>

See accompanying notes to financial statements.

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

A. Organization:

South Plains Regional Workforce Development Board dba WorkForce Solutions South Plains (“SPRWDB”) was organized under the Texas Nonprofit Corporation Act for the purpose of establishing and supporting job training programs for the South Plains Regional Workforce Development area as required by the Texas Workforce and Economic Competitiveness Act (“TWECA”). This region includes the counties of Lubbock, Garza, Bailey, Cochran, Crosby, Dickens, Floyd, Hale, Hockley, King, Lamb, Lynn, Motley, Terry, and Yoakum, Texas.

B. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION:

The financial statements of SPRWDB have been prepared on the accrual basis of accounting utilizing accounting principles generally accepted in the United States of America. 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.

Unrestricted net assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the organization.

Temporarily restricted net assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time 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.”

Permanently restricted net assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

B. Summary of Significant Accounting Policies: (Continued)

REVENUES, GOVERNMENT GRANTS, CONTRACTS AND REFUNDABLE ADVANCES:

SPRWDB accounts for all government grant awards and contracts as exchange transactions. These grant awards and contracts are recorded as unrestricted revenue in the statement of activity to the extent that expenses or expenditures, in compliance with the specific grant or contract requirements, have been incurred during the period. Refundable advances result from amounts, which have been advanced by government agencies for specific purposes. Revenue from these sources is recognized only to the extent that related expenses have been incurred.

CONTRIBUTIONS:

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets only. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

SPRWDB's revenue is primarily received through grants from the U.S. Government and the State of Texas. Funding received through these government grants is a significant source of revenue upon which SPRWDB depends on to carry out its operations. A decrease in such funding would have a direct effect on the SPRWDB's program services.

Grants receivable represent the excess of grant support earned over cash advances from grantors. These receivables are considered fully collectible. Unearned grant advances represent cash received from grantors in excess of revenue earned.

All SPRWDB assets are restricted by the grantors to use on the respective federal and state programs.

DEFERRED REVENUE:

Deferred revenue results from advances from government agencies, which have been restricted for a specific purpose. Revenue is recognized only to the extent that related expenses have been incurred.

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

B. Summary of Significant Accounting Policies: (Continued)

PROPERTY AND EQUIPMENT:

Fixed assets consists of furniture and equipment purchased that is recorded at cost, less accumulated depreciation. Furniture and equipment contributed is recorded at the estimated fair market value at date of receipt, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets and is recorded as an expense in the plant fund.

Acquisitions of furniture and equipment with grant funds are recorded as capital additions in the period acquired. SPRWDB is accountable to the grantors for all furniture and equipment acquired with grant funds until it is sold or otherwise disposed of.

INCOME TAXES:

SPRWDB qualifies as a tax-exempt organization under section 501(c) (3) of the Internal Revenue Code and has no provision for income taxes. The organization has also been classified as an entity that is not a private foundation within the meaning of section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

SPRWDB is exempt from State of Texas franchise tax and sales and use tax because it is classified by the State of Texas as a *state governmental entity*.

CASH AND CASH EQUIVALENTS:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in demand accounts at local banks. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The bank accounts, at times, exceeded federally insured limits. The Organization has not experienced any losses on such accounts.

SUBCONTRACTORS:

SPRWDB has contracted with several other entities for the provision of services under various grants received by SPRWDB. Funding obligations under these contracts are provisional to receipt of funding by SPRWDB from the original grantor.

COST ALLOCATION:

Costs directly related to specific grant contract functions are charged directly to those functions. Indirect costs are allocated to grant functions based on other reasonable methods.

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

B. Summary of Significant Accounting Policies: (Continued)

RISK MANAGEMENT:

SPRWDB is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all such risks, SPRWDB has purchased commercial insurance in varying amounts to mitigate the risk of loss.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires SPRWDB's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Operating Lease Commitments:

SPRWDB leases its office equipment under non-cancellable lease agreements. These leases are being accounted for as operating leases. SPRWDB's minimum annual lease commitments are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2018	\$ 324,340
2019	120,240
2020	59,977
2021	<u>13,619</u>
Total	<u>\$ 518,174</u>

Operating lease expense amounted to \$ 404,147 for the twelve months ended June 30, 2017.

D. Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2017, are available for the following purposes or periods:

Periods after June 30, 2017	<u><u>\$ 0</u></u>
-----------------------------	--------------------

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

D. Temporarily Restricted Net Assets: (Continued)

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

Federal Assistance	11,177,339
State Assistance	<u>3,735,418</u>
Total restrictions released	<u>\$ 14,912,757</u>

E. Employee Retirement Plan:

SPRWDB has established a defined contribution retirement plan, commonly called a “403(b)(7) retirement plan,” which covers all employees. The plan allows employees to voluntarily contribute a percentage of their monthly earnings to the plan. SPRWDB matches the employee’s contributions in a 2 to 1 ratio, up to three percent of an employee’s salary. Employees become fully vested in their share of SPRWDB’s contributions after three years of service. SPRWDB’s contribution to the plan was \$ 38,343 for the year ended June 30, 2017.

F. Concentrations:

SPRWDB receives the majority of its funding from two sources. Approximately, 55% was received from the U.S. Department of Health and Human Services and 19% from the U.S. Department of Labor. These funds are utilized in the operations of its Child Care and Temporary Assistance for Needy Families programs and its WIOA and other Employment Services programs, respectively. Major funding changes from this grantor could have a significant impact on SPRWDB’s financial condition and on-going operations.

G. Comparative Totals:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the organization’s financial statements for the year ended June 30 of the prior year, from which the summarized information was derived.

H. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through February 12, 2018, the date which the financial statements were available to be issued.

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-Through Grantor Program Title	CFDA #	Pass-Through Grantor's Award	Expenditures	Amount Relating to Subrecipients
<u>FEDERAL PROGRAMS:</u>				
<u>U S DEPARTMENT OF AGRICULTURE</u>				
Passed through Texas Workforce Commission:				
Supplemental Nutrition Assistance Program-ABAWD	10.561	0216SNE000	\$ 33,973.2	32,092
Supplemental Nutrition Assistance Program	10.561	0216SNE000	45,040	28,017
Supplemental Nutrition Assistance Program-ABAWD	10.561	0217SNE000	25,342	22,736
Supplemental Nutrition Assistance Program	10.561	0217SNE000	88,208	52,304
Supplemental Nutrition Assistance Program - WCI	10.561	0216WCI000	26	
Supplemental Nutrition Assistance Program - WCI	10.561	0216WCI002	78	
Total U. S. Department of Agriculture Passes Through TWC			<u>192,667</u>	<u>135,149</u>
<u>U S DEPARTMENT OF LABOR</u>				
Passed through Texas Workforce Commission:				
RAG-Employment Services	17.207	0216RAG000	4,530	
RAG-Employment Services	17.207	0217RAG000	9,869	
WCI-Employment Services	17.207	0216WCI000	1,852	
WCI-Employment Services	17.207	0216WCI002	13,328	
Employment Services	17.207	0216WPA000	70,975	19,560
Employment Services	17.207	0217WPA000	42,176	4,061
Total ES Cluster			<u>142,730</u>	<u>23,621</u>
Trade Adjustment Assistance	17.245	0216TRA000	299,532	284,556
Trade Adjustment Assistance	17.245	0217TRA000	171,098	163,947
WCI-Trade Adjustment Assistance	17.245	0216WCI000	66	
WCI-Trade Adjustment Assistance	17.245	0216WCI002	198	
Total One stop			<u>470,894</u>	<u>448,503</u>
WIOA - Adult Formula Funds	17.258	0215WOA000	150,167	59,758
WIOA - Adult Formula Funds	17.258	0216WOA000	475,395	343,499
WIA Adult Funds - High Demand Job Training Program	17.258	0215HJT000	5,948	5,948
WIA Adult Funds - High Demand Job Training Program	17.258	0216HJT000	67,950	58,718
WIA Adult Funds - High Demand Job Training Program	17.258	0217HJT000	25,632	8,614
WIA Adult Funds - Recognized Skills Certification	17.258	0215RSC000	9,143	7,600
WIOA Adult Formula - Workforce Commission Initiatives	17.258	0216WCI000	7,999	
WIOA Adult Formula - Workforce Commission Initiatives	17.258	0216WCI002	24,089	
WIOA Adult Formula - Board Service Award	17.258	0217BSA000	3,057	2,900
WIOA - Youth Funds	17.259	0215WOY000	152,171	74,560
WIOA - Youth Funds	17.259	0216WOY000	496,455	328,146
WIOA - Dislocated Worker	17.278	0215WOD000	164,062	62,739
WIOA - Dislocated Worker	17.278	0216WOD000	397,253	322,878
WIOA-Dislocated Worker - Local Innovation Partnership	17.278	0215WIP000	271	
WIOA Dislocated Worker - Workforce Commission Initiatives	17.278	0216WCI002	33,410	
WIOA - Rapid Response	17.278	0217WOR000	2,937	
Total WIA Cluster			<u>2,015,939</u>	<u>1,275,360</u>
RAG-Temporary Labor Certification for Foreign Workers	17.273	0216RAG000	399	
RAG-Temporary Labor Certification for Foreign Workers	17.273	0217RAG000	869	
WIA - National Emergency Grants - Cargill	17.277	0213NEG000	131,280	99,325
National Emergency Grant - Dislocated Worker	17.277	0217NDW000	45,443	19,033
Total U.S. Department of Labor passed through TWC			<u>2,807,554</u>	<u>1,865,842</u>
Total US Department of Labor			<u>2,807,554</u>	<u>1,865,842</u>
<u>U S DEPARTMENT OF EDUCATION</u>				
Passed through Texas Workforce Commission:				
WCI-Adult Education	84.002	0216WCI000	6,657	
Total U.S. Department of Education passed through TWC			<u>6,657</u>	<u>-</u>

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-Through Grantor Program Title	CFDA #	Pass-Through Grantor's Award	Expenditures	Amount Relating to Subrecipients
U S DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Texas Workforce Commission:				
TANF/Choices	93.558	0216TAN000	484,447	326,346
TANF/Choices	93.558	0217TAN000	878,088	579,995
TANF Non-Custodial Parent Program	93.558	0216NCP000	33,964	28,320
TANF Non-Custodial Parent Program	93.558	0217NCP000	103,502	85,863
TANF - Workforce Commission Initiatives	93.558	0216WCI000	238	
TANF - Workforce Commission Initiatives	93.558	0216WCI002	2,848	
TANF-Employment Services	93.558	0216WPA000	12,525	
TANF - Board Service Award	93.558	0217BSA000	3,057	2,900
Total TANF Cluster			1,518,669	1,023,424
Childcare-CCAA	93.575	0216CAA000	18,494	
Childcare-CCAA	93.575	0217CAA000	60,883	
Childcare-CCDF	93.575	0216CCF000	1,056,934	
Childcare-CCDF	93.575	0217CCF000	2,321,529	
Childcare-Quality Initiatives	93.575	0215CQI000	42,123	37,926
Childcare-Quality	93.575	0216CCQ000	71,158	71,158
Childcare-Quality	93.575	0217CCQ000	206,336	200,947
Childcare-Performance Award Quality	93.575	0217PAQ000	23,117	23,117
Childcare- Workforce Commission Initiatives	93.575	0216WCI000	499	
Childcare- Workforce Commission Initiatives	93.575	0216WCI002	3,191	
Childcare Mandatory	93.596	0217CCC000	518,926	
Childcare-CCDF	93.596	0216CCF000	834,029	291,158
Childcare-CCDF	93.596	0217CCF000	1,083,611	492,031
Childcare-Local Match	93.596	0216CCM000	358,218	61,000
Childcare-Local Match	93.596	0217CCM000	9,457	
Total Childcare Cluster			6,608,505	1,177,337
ChildCare-Title XX Trans from TANF	93.667	0216CCF000	11,719	
ChildCare-Title XX Trans from TANF	93.667	0217CCF000	23,334	
Total U.S. Department of HHS passed through TWC			8,162,227	2,200,761
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 11,169,105	4,201,752

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-Through Grantor Program Title	CFDA #	Pass-Through Grantor's Award	Expenditures	Amount Relating to Subrecipients
U S DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Texas Workforce Commission:				
STATE PROGRAMS:				
STATE GENERAL REVENUE				
Passed through Texas Workforce Commission:				
Childcare Mandatory		0217CCC000	273,001	
Childcare-Local Match		0217CCM000	30,000	
Childcare DFPS		0216CCP000	433,687	18,478
Childcare DFPS		0217CCP000	1,768,807	35,069
Childcare-CCDF		0216CCF000	397,588	
Childcare-CCDF		0217CCF000	507,462	
TANF Non-Custodial Parent Program		0216NCP000	16,982	13,949
TANF Non-Custodial Parent Program		0217NCP000	56,137	46,234
Resource Admin Grant - General Revenue		0216RAG000	1,111	
Resource Admin Grant - Special Admin Fund		0216RAG000	534	
Resource Admin Grant - General Revenue		0217RAG000	2,421	
Supplemental Nutrition Assistance Program		0216SNE000	18,397	11,443
Supplemental Nutrition Assistance Program		0217SNE000	34,446	20,340
TANF/Choices		0216TAN000	65,157	44,502
TANF/Choices		0217TAN000	118,102	79,090
WCI-Workforce Commission Initiatives		0216WCI000	26	
WCI-Workforce Commission Initiatives		0216WCI002	78	
Total State Revenue Passed Through Texas Workforce Commission			3,723,936	269,105
Passed through Texas Veterans Commission:				
Tx Veterans Commission DVOP/RVER		2412	8	-
Tx Veterans Commission DVOP/RVER		2415	1,559	-
Tx Veterans Commission DVOP/RVER		2416	9,915	-
Total State Revenue Passed Through Texas Veterans Commission			11,482	-
TOTAL EXPENDITURES OF STATE AWARDS			\$ 3,735,418	269,105
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 14,904,523	4,470,857

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of federal and state awards (the Schedule) includes federal and state grant activity of SPRWDB under programs of the federal and state 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the State of Texas Single Audit Circular* and other grant regulations. Because the Schedule presents only a selected portion of the operation of SPRWDB, it is not intended to and does not present the financial position, changes in net assets or cash flows of SPRWDB.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

SPRWDB has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Reconciliation of Federal and State Revenues and Schedule of Expenditures of Federal and State Awards (SEFA):

Total expenditure of federal and State awards per the SEFA	\$	14,904,523
Summer Earn and Learn Program		8,234
Total federal revenues per the Audit Report	\$	<u>14,912,757</u>

GOMEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5177 RICHMOND AVE. SUITE 1100
HOUSTON, TX 77056
TEL: (713) 666-5900
FAX: (713) 666-1049
<http://www.gomezandco.com>

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

To the Board of Directors of
South Plains Regional Workforce Development Board
dba WorkForce Solutions South Plains
Lubbock, Texas

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 and State of Texas Uniform Grant Management Standards, the financial statements of South Plains Regional Workforce Development Board dba WorkForce Solutions South Plains (the "SPRWDB") (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SPRWDB'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 SPRWDB's internal control. Accordingly, we do not express an opinion on the effectiveness of SPRWDB'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.

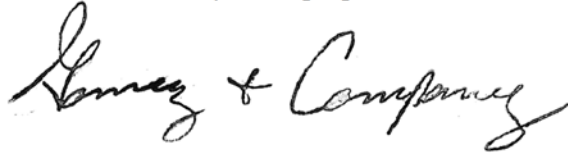
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 SPRWDB'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*.

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.

A handwritten signature in cursive script that reads "Hines & Company". The signature is written in dark ink and is positioned above the printed location and date.

Houston, TX
February 12, 2018

GOMEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5177 RICHMOND AVE. SUITE 1100
HOUSTON, TX 77056
TEL: (713) 666-5900
FAX: (713) 666-1049
<http://www.gomezandco.com>

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

To the Board of Directors of
South Plains Regional Workforce Development Board
dba WorkForce Solutions South Plains
Lubbock, Texas

Report on Compliance for Each Major Federal and State Program

We have audited South Plains Regional Workforce Development Board dba WorkForce Solutions South Plains (the "SPRWDB")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of SPRWDB's major federal and state programs for the year ended June 30, 2017. SPRWDB's major federal and state 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 the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SPRWDB's major federal and state 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); and the *State of Texas Single Audit Circular*. Those standards, Uniform Guidance and the State of Texas Single Audit Circular, 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 SPRWDB'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 and state program. However, our audit does not provide a legal determination of SPRWDB's compliance.

Opinion on Each Major Federal and State Program

In our opinion, SPRWDB 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 and state programs for the year ended June 30, 2017.

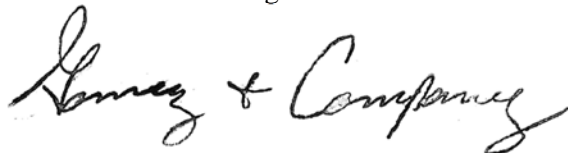
Report on Internal Control over Compliance

Management of SPRWDB 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 SPRWDB's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and State of Texas Single Audit Circular, 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 SPRWDB'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 and state 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 and state 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 and state 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 the Uniform Guidance and State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Loney & Company".

Houston, TX
February 12, 2018

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal and state award programs.
5. The auditor's report on compliance for the major federal and state award programs expresses an unmodified opinion on all major federal and state programs.
6. The audit did not disclose any audit findings which are required to be reported accordance with 2 CFR section 200.516(a) of the Uniform Guidance and the State of Texas Single Audit Circular.
7. Major programs:
 - Federal Grantor
 - U.S. Department of Health & Human Services
 - Passed through Texas Workforce Commission
 - Childcare* CFDA Number 93.575
 - Childcare* CFDA Number 93.596
 - TANF* CFDA Number 93.558
 - State Grantor
 - Texas Workforce Commission
 - Childcare Mandatory 0217CCC000
 - Childcare – Local Match 0217CCM000
 - Childcare DFPS* 0216CCP000
 - Childcare DFPS* 0217CCP000
 - Childcare CCDF* 0216CCF000
 - Childcare CCDF* 0217CCF000
8. A \$750,000 Federal threshold and a \$300,000 State threshold was used to distinguish between Type A and Type B programs as described in 2 CFR section 200.718 and the State of Texas Single Audit Circular .510(a).
9. South Plains Regional Workforce Development Board dba WorkForce Solutions South Plains qualifies as a low-risk auditee.

Current Year Findings

No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a) and the State of Texas Single Audit Circular.

Questioned
Costs

\$ -0-

*denotes cluster

SOUTH PLAINS REGIONAL WORKFORCE DEVELOPMENT BOARD
dba WORKFORCE SOLUTIONS SOUTH PLAINS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2017

Summary Schedule of Prior Year Findings

No findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a) and the State of Texas Single Audit Circular for the twelve months ended June 30, 2016.

\$ -0-

Attachment 2

GOMEZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5177 RICHMOND AVE. SUITE 1100
HOUSTON, TX 77056
TEL: (713) 666-5900
FAX: (713) 666-1049
<http://www.gomezandco.com>

February 12, 2018

Board of Directors
South Plains Regional Workforce Development Board dba Workforce Solutions South Plains
Lubbock, Texas

We have audited the financial statements of South Plains Regional Workforce Development Board dba Workforce Solutions South Plains (SPRWDB) for the year ended June 30, 2017, and have issued our report thereon dated February 12, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 12, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SPRWDB are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates.

Audit Findings

Our audit report dated February 12, 2018 did not disclose any audit findings that are required to be disclosed.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 12, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees of SPRWDB and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Hines & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Houston, Texas