

WORKFORCE MID-SOUTH, INC.
Memphis, Tennessee

Report on Audit of Financial Statements

For the Year Ended June 30, 2023

WORKFORCE MID-SOUTH, INC.
Memphis, Tennessee

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Memphis, Tennessee

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WORKFORCE MID-SOUTH, INC.
MANAGEMENT OFFICIALS AND BOARD OF DIRECTORS
For the Year Ended June 30, 2023

PRESIDENT

Kyla Guyette

DEPUTY DIRECTOR - FINANCE & OPERATIONS

Quintina Richmond

DIRECTOR - WIOA PROGRAMS

Brandee Davis

FISCAL MANAGER OF FINANCE

Quintina Richmond

BOARD OF DIRECTORS

Antoinette Wiseman

Beverly Moore

Carlos Manning

Clavis Brown

Desi Franklin

Douglas Matthews

Ernest Strickland

Frank Olson

Gail Tyree

Greg Wright

James Cole

Jean Reditt-Kimble

Kevin Bradshaw

Kim Turner

Lonnie Coomes

Meka Egwuekwe

Monroe Ballard

Nelson Keaton

Trey McKnight

Patrick Nelson

Paul Shaffer

Ron D. Wade

Sabra Bledsoe

Wight Boggs

Will Douglas

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Workforce Mid-South, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Workforce Mid-South, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Workforce Mid-South, Inc. as of June 30, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Workforce Mid-South, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 9 to the financial statements, the Organization has suffered the loss of a major funder, and has stated that substantial doubt exists about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.





Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Workforce Mid-South, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Workforce Mid-South, Inc.'s internal control. Accordingly, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Workforce Mid-South, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 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 schedule of expenditures of federal awards and state financial assistance 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 January 22, 2024, on our consideration of Workforce Mid-South, Inc.'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 solely 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 the effectiveness of Workforce Mid-South, Inc.'s 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 Workforce Mid-South, Inc.'s internal control over financial reporting and compliance.

Memphis, Tennessee
January 22, 2024

WORKFORCE MID-SOUTH, INC.
Statement of Financial Position
As of June 30, 2023

ASSETS

	June 30, 2023
CURRENT ASSETS:	
Cash and cash equivalents	\$ 79,605
Accounts receivable	2,042,923
Other assets	<u>24,250</u>
Total Current Assets	<u>2,146,778</u>
NON-CURRENT ASSETS:	
Restricted cash	6,349
Fixed Assets:	
Computer equipment	16,152
Less accumulated depreciation	<u>(11,306)</u>
Net Fixed Assets	<u>4,846</u>
Total Non-Current Assets	<u>11,195</u>
TOTAL ASSETS	<u>\$ 2,157,973</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 2,286,749
Accrued payroll	114,950
Regions line-of-credit	<u>78,500</u>
Total Current Liabilities	<u>2,480,199</u>
NON-CURRENT LIABILITIES:	
Unearned revenue	<u>6,349</u>
Total Non-Current Liabilities	<u>6,349</u>
NET ASSETS:	
Without donor restrictions	(334,924)
With donor restrictions	<u>6,349</u>
Total Net Assets	<u>(328,575)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,157,973</u>

See accompanying notes to the financial statements

WORKFORCE MID-SOUTH, INC.
Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS:			
Adult Program	\$ 4,256,803	\$ -	\$ 4,256,803
Dislocated Worker Program	3,642,311	-	3,642,311
Youth Program	3,789,024	-	3,789,024
TN DOL WF Program	23,078	-	23,078
Other State Revenue	252,015	-	23,078
Partner Reimbursement - IFA	166,690	-	166,690
EDA Revenue	414,790	-	-
WMS Ticket to Work & Others	14,576	-	14,576
Other Project Funds	11,145	-	11,145
Other Revenue	134,241	-	-
Interest Income	<u>877</u>	<u>-</u>	<u>877</u>
Total Support, Revenue and Reclassifications	<u>12,705,550</u>	<u>-</u>	<u>12,705,550</u>
EXPENSES:			
Adult Program	4,267,897	-	4,267,897
Dislocated Worker Program	3,670,317	-	3,670,317
Youth Program	<u>4,079,809</u>	<u>-</u>	<u>4,079,809</u>
Total Program Services	<u>12,018,023</u>	<u>-</u>	<u>12,018,023</u>
TN DOL WF Program	<u>22,598</u>	<u>-</u>	<u>22,598</u>
General & Administrative	<u>1,139,971</u>	<u>-</u>	<u>1,139,971</u>
Total Expenses	<u>13,180,592</u>	<u>-</u>	<u>13,180,592</u>
CHANGES IN NET ASSETS	(475,042)	-	(475,042)
NET ASSETS, BEGINNING OF YEAR	<u>146,176</u>	<u>6,349</u>	<u>152,525</u>
PRIOR PERIOD ADJUSTMENT	<u>(6,058)</u>	<u>-</u>	<u>(6,058)</u>
NET ASSETS, BEGINNING OF PERIOD, RESTATED	<u>140,118</u>	<u>6,349</u>	<u>146,467</u>
NET ASSETS, END OF YEAR	<u><u>\$ (334,924)</u></u>	<u><u>\$ 6,349</u></u>	<u><u>\$ (328,575)</u></u>

See accompanying notes to the financial statements

WORKFORCE MID-SOUTH, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Adult Program	Dislocated Worker Program	Youth Program	Total WIOA Program Services	TN DOL WF	General & Administrative	June 30, 2023 Total
EXPENSES:							
Provider staff costs	\$ 1,113,261	\$ 798,625	\$ 1,779,270	\$ 3,691,156	\$ 20,544	\$ 126,651	\$ 3,838,351
Provider operating expenses	50,705	39,118	217,556	307,379	-	1,551	308,930
OSO cost	27,073	48,430	21,237	96,740	-	90	96,830
Participant cost	1,842,168	2,016,941	1,324,683	5,183,792	-	131,798	5,315,590
Indirect cost	162,979	90,943	150,300	404,222	2,054	18,571	424,847
Payroll and related expenses	583,927	320,411	307,363	1,211,701	-	-	1,211,701
Travel expense	23,675	17,266	22,496	63,437	-	4,519	67,956
Printing cost	2,599	2,480	1,014	6,093	-	(6,093)	-
Utilities expense	7,126	7,470	3,691	18,287	-	-	18,287
Communication	34,017	22,443	16,424	72,884	-	1,199	74,083
Maintenance & repairs	34,274	48,912	32,259	115,445	-	-	115,445
Professional services	109,586	71,157	50,273	231,016	-	13,464	244,480
Supplies	-	812	-	812	-	-	812
Rent and insurance	260,934	177,267	144,381	582,582	-	135	582,717
Vehicle operation	101	95	44	240	-	-	240
Computer related items	15,472	7,947	8,818	32,237	-	23,230	55,467
Non-WIOA	-	-	-	-	-	116,268	116,268
IFA	-	-	-	-	-	166,040	166,040
Wages	-	-	-	-	-	281,653	281,653
Fringe	-	-	-	-	-	55,413	55,413
Printing	-	-	-	-	-	6,210	6,210
Indirect	-	-	-	-	-	974	974
WMS Provider	-	-	-	-	-	198,298	198,298
Total	<u>\$ 4,267,897</u>	<u>\$ 3,670,317</u>	<u>\$ 4,079,809</u>	<u>\$ 12,018,023</u>	<u>\$ 22,598</u>	<u>\$ 1,139,971</u>	<u>\$ 13,180,592</u>

See accompanying notes to the financial statements

WORKFORCE MID-SOUTH, INC.
Statement of Cash Flows
For the Year Ended June 30, 2023

	June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (475,042)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	3,230
Amortization	-
Changes in current assets and liabilities:	
Grants receivable	1,566,749
Contributions receivable	-
Unearned revenue	(25,679)
Accounts payable	(1,242,365)
Prepaid rent	17,328
Accrued expenses	<u>(18,192)</u>
Net Cash Provided (Used) By Operating Activities	<u>(173,971)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>-</u>
Net Cash Provided (Used) By Investing Activities	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Other changes in net assets	(6,058)
Repayment of debt borrowings	<u>78,500</u>
Net Cash Provided (Used) By Financing Activities	<u>72,442</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(101,529)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>187,483</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 85,954</u></u>
Restricted Cash	\$ 79,605
Unrestricted Cash	<u>6,349</u>
Total Cash	<u><u>\$ 85,954</u></u>

See accompanying notes to the financial statements

WORKFORCE MID-SOUTH, INC.
Memphis, Tennessee

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WORKFORCE MID-SOUTH, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Structure

Workforce Mid-South, Inc. (WMS) was formed on April 17, 2020 in the State of Tennessee as a nonprofit corporation – domestic. Operations began on July 1, 2020, the start of the financial year. WMS took over the operating activities of Workforce Investment Network (WIN), an arm of the Shelby County Government in the State of Tennessee. WIN's sole purpose was the implementation of the Workforce Innovation and Opportunity Act (WIOA) of 2014. This is a Federal Government funded Act that is channeled through the State of Tennessee Department of Labor and Workforce Development (TDLWD). WIOA provided authorizing legislation for oversight and administration of the public employment and training programs delivered through statewide systems.

As stated in its charter filed with the Secretary of State, WMS filed with the IRS as a Section 501(c)(3) charitable and educational organization to serve as a Tennessee not-for-profit organization, and shall be funded and equipped to serve the four county areas on West Tennessee, namely Shelby County, Fayette County, Tipton County and Lauderdale County. WMS will actively participate in and contribute to the Lower Workforce Development Board of Greater Memphis mandate for workforce development in the region.

As a nonprofit corporation, WMS also seek funds to support other initiatives that are outside the scope and restrictions of WIOA activities. These initiatives are complementary to, and support the objectives of WIOA and the regional needs of the local communities. WMS as a nonprofit supports economic mobility and workforce advancement for community members throughout the larger mid-south geographic region. The organization also works together with key stakeholders such as policy makers, local businesses, and education entities etc. to better understand the workforce needs, to identify solutions to workforce problems, and to strategically work to meet those needs.

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by WMS. Gifts of cash and other assets are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or restricted as to time.

Certain grants and contracts from foundations and governmental entities are included in deferred revenue due to stipulations within the agreements that contain right of return of funds and barriers (as defined by ASU 2018-08) that make these contributions conditional. These funds are recognized as eligible costs are incurred.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

Government Grants

WMS receives funding from several federal financial assistance programs that supplement its traditional funding sources. Grant revenue on cost-reimbursement grants is recognized after the program expenditures have been incurred. As such, WMS recognizes revenue and records a receivable for the reimbursement amount from the granting agency. Such grant programs are subject to independent audit under the Office of Management and Budget's (OMB's) Uniform Guidance (2 CFR 200), as well as review by grantor agencies. Such review could result in disallowance of expenditures under the terms of the grant or reductions in future grant funds. Based on prior experience, WMS's management believes costs ultimately disallowed, if any, would not materially affect the financial statements.

Basis of Presentation and Accounting

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

In 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. WMS adopted the provisions of this new standard during the year ended June 30, 2021. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources and disclosures related to functional allocation of expenses were expanded. As such, the financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions generally defined as follows:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing job training services.

Functional Expenses

Directly identifiable expenses are classified as program services or general and administrative. Expenses related to more than one function are charged to program services or management and general on the basis of management's estimates of the costs relating to each function. General and administrative expenses include those expenses that are not directly identifiable with any specific function but provide for overall support and direction of the Organization.

Cash and Cash Equivalents

WMS considers all highly liquid debt instruments purchased with initial maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off directly to bad debt. An allowance for doubtful accounts of \$(1,860) was deemed necessary for the year ended June 30, 2023.

Property and Equipment

WMS records property and equipment at the purchase cost or the fair market value on the date received, if donated. Expenditures of \$500 or more are capitalized. Depreciation is computed using the straight-line depreciation method over the estimated useful lives of the assets, generally three to five years.

As of June 30, 2023, WMS fixed assets consisted of \$16,152 in computer equipment with accumulated depreciation of \$11,306. Depreciation expense for the year ended June 30, 2023 was \$3,203.

Compensated Absences

Compensated absences are not reflected in the financial statements because the obligation relates to rights that do not vest or accumulate and the amount cannot be reasonably estimated.

Advertising Expense

WMS expenses the cost of advertising as the expense is incurred. For the year ended June 30, 2023, advertising expense was \$25,591.

Income Tax Status

Based upon its classification as a public foundation, WMS is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from Tennessee state franchise and excise taxes under provisions of Tennessee tax regulations. Accordingly, no provision for income taxes is included in the accompanying financial statements. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by management and recognize a tax liability (or asset) if the plan has taken uncertain positions that are more likely than not to be sustained upon examination by the Internal Revenue Service. WMS has analyzed the tax positions taken, and has concluded that as of June 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. WMS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for tax periods in progress.

Use of Estimates

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

Date of Management's Review

Subsequent events were evaluated through January 22, 2024, which is the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

WMS has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects WMS's financial assets (cash and cash equivalents, grants receivable, and contributions receivable) as of June 30, 2023 and reduced by amounts not available for general expenditures within one year:

Financial assets to meet cash needs for general expenditures within one year:	
Cash and cash equivalents	\$ 79,605
Prepaid Rent	21,310
Grants receivable	<u>2,042,923</u>
Total financial assets available within one year	2,143,838
Less amounts unavailable for general expenditures	<u>(6,349)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>2,137,489</u></u>

NOTE 3 - CONTINGENCIES:

WMS receives a portion of its revenue from government grants and contracts, all of which are subject to audit by a government agency. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audit.

NOTE 4 - ECONOMIC DEPENDENCY:

A material part of WMS's resources are dependent on grants and contributions from federal and state governments and agencies, corporations and foundations. Changes in level of funding from these sources could have a significant impact on WMS's ability to provide services.

Management believes these conditions raise substantial doubt about the Organization's ability to continue as a going concern within the next twelve months from the date these financial statements are available to be issued. The ability to continue as a going concern is dependent upon future grants and contributions, positive cash flows, and additional financing.

NOTE 5 - CONCENTRATION OF CREDIT RISK:

The Organization’s credit risk primarily relates to cash and cash equivalents, grants receivable, and contributions receivable. During the year ended June 30, 2023, cash in bank may have exceeded the Federal Deposit Insurance Corporation (“FDIC”) limit of \$250,000. WMS has not experienced any losses in the account and management believes the Organization is not exposed to significant credit risk. As of June 30, 2023, WMS's cash in bank exceeded the FDIC limit by \$NIL.

Approximately 94% of WMS’s revenue is from the WIOA grant.

NOTE 6 - RESTRICTED NET ASSETS:

In July 2020, WMS received a \$500,000 grant from the City of Memphis. The purpose of the grant is to provide necessary economic support to Memphis residents who are experiencing unemployment or working hours restrictions and who would like to participate in workplace development programs in order to learn a new workplace skill. The funds received are considered restricted until the WMS incurs expenditures related to this purpose. As of June 30, 2023, net assets with donor restrictions are \$6,349.

NOTE 7 - ACCOUNTS RECEIVABLE:

The following is a summary of receivables at June 30, 2023:

	<u>2023</u>
Less than one year:	
Grants	\$ 1,589,840
Donation Receivable	36,633
IFA/EDA Partner Sharing	293,716
Local Partner	51,434
2Gen Receivables	56,814
Growth receivables	16,346
Less: Allowance for doubtful accounts	<u>(1,860)</u>
Total	<u>\$ 2,042,923</u>

NOTE 8 - RELATED PARTY:

Communities in Schools is a sub provider for WMS and provides services under the ALN 17.259 WIOA Youth Activities grant. The Director of Federal Programs for Communities in Schools, is the spouse of the Executive Director of Workforce Mid-South, Inc. During the fiscal year ended June 30, 2023, WMS paid a total of \$1,472,980 to Communities in Schools. As of June 30, 2023, WMS had a total of \$180,875 in outstanding invoices due to Communities in Schools.

NOTE 9 - GOING CONCERN:

As mentioned in the subsequent events note, Workforce Mid-South, Inc. receives over 90% of its funding through its fiscal agent relationship with the Greater Memphis Local Workforce Development Board. The Organization has been notified it will no longer be the fiscal agent of the Greater Memphis Local Workforce Development Board's WIOA funds as of January 31, 2024. The loss of this relationship raises substantial doubt about the Organization's ability to continue as a going concern one year after the date of that the financial statements are issued. As of the date of the audit report management has not formulated a plan to address this issue.

NOTE 10 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

During the year ended June 30, 2023, Workforce Mid-South, Inc. adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of changes in net assets, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

NOTE 11 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 22, 2024, which is the financial statement issuance date.

WMS is currently the fiscal agent and administrative entity for the Greater Memphis Local Workforce Development Board's WIOA grant funds. WMS receives over 90% of its funds through fiscal agency and administrative relationship between WMS and the Greater Memphis local Workforce Development Board. On December 15, 2023, WMS was notified it will no longer be the fiscal agent for the Greater Memphis Local Workforce Development Board as of January 31, 2024. The removal of WMS as the fiscal agent and administrative entity presents substantial doubt about the Organization's ability to continue one year from the date of the issuance of these financial statements. Management plans to cease operations on January 31, 2024.

SUPPLEMENTARY INFORMATION

WORKFORCE MID-SOUTH, INC.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor	Program/Cluster Name	Assistance Listing Number	Contract Number	Expenditures
<u>Federal Awards</u>				
Direct Funding				
Tennessee Department of Labor	WIOA Adult Program	17.258		\$ 4,256,803
	WIOA Youth Program	17.259		3,789,024
	WIOA Dislocated Worker Formula Grants	17.278		<u>3,642,311</u>
	Total WIOA Cluster			<u>11,688,138</u>
TOTAL FEDERAL AWARDS				\$ <u>11,688,138</u>
<u>State Financial Assistance</u>				
Tennessee Department of Labor				\$ <u>456,359</u>
Total State Financial Assistance				<u>456,359</u>
TOTAL FEDERAL AWARDS & STATE FINANCIAL ASSISTANCE				\$ <u>12,144,497</u>

WORKFORCE MID-SOUTH, INC.
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year Ended June 30, 2023

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Workforce Mid-South, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Workforce Mid-South, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Workforce Mid-South, Inc.

NOTE B—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 and OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C—INDIRECT COST RATE

Workforce Mid-South, Inc. has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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
Workforce Mid-South, Inc.

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 Workforce Mid-South, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 January 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Workforce Mid-South, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Workforce Mid-South, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Workforce Mid-South, Inc.'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.





However, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, 2020-003, 2023-004 and 2023-005 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Workforce Mid-South, Inc.'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 financial statements. 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 certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances of noncompliance are described in the accompanying schedule of findings and questioned cost as items 2023-002, 2020-003, 2023-004 and 2023-005.

Workforce Mid-South, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Workforce Mid-South, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Workforce Mid-South, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Workforce Mid-South, Inc.'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 Workforce Mid-South, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Memphis, Tennessee
January 22, 2024

WORKFORCE MID-SOUTH, INC.
Year Ended June 30, 2023

Schedule of Findings and Responses

FINDING #2023-001 IMPROPER PAYMENT TO VENDOR

CONDITION:

Vendor's ACH banking information was improperly changed.

CRITERIA:

C9014—Procedures exist and are followed to ensure timely action relating to requesting, establishing, issuing, suspending, modifying, and closing user accounts, including proper authorization.

CAUSE OF CONDITION:

Improper payment to vendor.

Context - Workforce Mid-South, Inc. fiscal staff received an e-mail from one of its vendors requesting for Workforce Mid-South, Inc. to change its banking information for ACH payments in the Workforce Mid-South, Inc. financial payment system. The change was made without first confirming the new banking information with the vendor. Subsequently, Workforce Mid-South, Inc. learned the ACH information was not legitimate and the vendors e-mail system had been hacked.

POTENTIAL EFFECT OF CONDITION:

Workforce Mid-South, Inc. did not have procedures in place to properly verify and authorize changes to vendor ACH banking information.

RECOMMENDATION:

Workforce Mid-South, Inc. should implement policies and procedures to ensure vendor ACH change information is properly verified by the vendor and properly authorized by Workforce Mid-South, Inc.'s management.

CLIENT RESPONSE:

A new Fiscal Policy Manual was approved by Workforce Mid-South, Inc. Board of Directors on October 4, 2023, outlining the new process for ACH payments and changes. A new policy was also drafted for Improper Payments and is currently in review by the board for approval. Both polices are attached to this response.

FINDING #2023—002 – PARTICIPANT ELIGIBILITY-ALN 17.258—WIOA ADULT PROGRAM

CONDITION:

Documentation of selective service registration not in participant's file.

CRITERIA :

WIOA Sec. 134(c)(3)(A) - Participants between the ages of 18 and 26 need to register with the Military Selective Services.

CAUSE OF CONDITION:

Participant folder not properly reviewed and approved prior to admitting the participant into the program.

POTENTIAL EFFECT OF CONDITION:

Cost may have been expended on ineligible participants.

Context - We tested files of 40 participants in the Adult Worker program ALN 17.258 to determine if the files contained proof of eligibility. Of the 40 files we tested, 2 did not contain proof of registration with selective services. Workforce Mid-South, Inc. expends an average of \$3,000 per individual participant in the Adult Worker program. The estimated questioned cost of this finding is \$6,000. Our sample was a statistically valid sample.

RECOMMENDATION:

All files should be reviewed for completeness prior to program admittance.

CLIENT RESPONSE:

Additional staff has been assigned to review case files prior to processing applications. Workforce Mid-South, Inc. will conduct quarterly internal monitoring reviews of all participant files to ensure eligibility and other required documentation is provided and uploaded into the VOS system.

**FINDING #2023—003 – PARTICIPANT ELIGIBILITY-ALN 17.278—WIOA
DISLOCATED WORKER**

CONDITION:

Documentation of selective service registration not in participant's file.

CRITERIA :

Title 20 Chapter V Part 680.210 - Participants in the dislocated workplace program must show proof they meet the criteria of workplace dislocation as defined in WIOA Sec. 134 (c)(3)(A).

CAUSE OF CONDITION:

Participant folder not properly reviewed and approved prior to admitting the participant into the program.

POTENTIAL EFFECT OF CONDITION:

Cost may have been expended on ineligible participants.

Context - We tested files of 40 participants in the Adult Dislocated Worker program ALN 17.278 to determine if the files contained proof of eligibility requirements as defined by WIOA Sec. 134 (3)(A). Of the 40 files we tested, 1 participant did not have proof of eligibility requirements. Workforce Mid-South, Inc. expends an average of \$3,000 per participant in the program. The estimated questioned cost is \$3,000. Our sample was a statistically valid sample.

RECOMMENDATION:

All files should be reviewed for completeness prior to program admittance.

CLIENT RESPONSE:

Additional staff has been assigned to review case files prior to processing applications. Workforce Mid-South, Inc. will conduct quarterly internal monitoring reviews of all participant files to ensure eligibility and other required documentation is provided and uploaded into the VOS system.

FINDING #2023—004 – PARTICIPANT ELIGIBILITY-ALN 17.259—WIOA YOUTH ACTIVITIES

CONDITION:

Documentation of selective service registration not in participant's file.

CRITERIA :

Title 20 Chapter V Part 680.210 - Participants in the Youth Activities program must show proof they meet the criteria "Eligible Youth" as defined in WIOA Sec. 134 (c)(3)(A)

CAUSE OF CONDITION:

Participant folder not properly reviewed and approved prior to admitting the participant into the program.

POTENTIAL EFFECT OF CONDITION:

Cost may have been expended on ineligible participants.

Context - We tested files of 40 participants in the Youth Activities program ALN 17.259 to determine if the files contained proof of eligibility requirements as defined by WIOA Sec. 134 (3)(A). Of the 40 files we tested, 12 participants had incomplete files and did not have proof of eligibility requirements. Workforce Mid-South, Inc. expends an average of \$3,000 per participant in this program. The estimated questioned cost is \$3,600. Our sample was a statistically valid sample.

RECOMMENDATION:

All files should be reviewed for completeness prior to program admittance.

CLIENT RESPONSE:

Additional staff has been assigned to review case files prior to processing applications. Workforce Mid-South, Inc. will conduct quarterly internal monitoring reviews of all participant files to ensure eligibility and other required documentation is provided and uploaded into the VOS system.

FINDING #2023—005 – CONFLICT OF INTEREST

CONDITION:

No evidence of conflict of interest/related party relationship disclosed to board.

CRITERIA:

C0040—There are policies for offering new services, conflicts of interest, and security practices that are adequately communicated to all employees in the Organization.

CAUSE OF CONDITION:

The husband of the executive director is an executive director of a vendor.

POTENTIAL EFFECT OF CONDITION:

Non-compliance with grant terms. The WIOA grant states that all conflict of interests relationships be disclosed.

RECOMMENDATION:

This related party relationship should be disclosed and approved by the board.

CLIENT RESPONSE:

Workforce Mid-South, Inc. acknowledges there is a family relationship between a WMS staff member and an employee of Communities in Schools Memphis. The CISM employee in question began employment with Communities in Schools of Memphis on September 4, 2022. This is well beyond the date of service procurement so the relationship could not have affected the validity of open procurement. Additionally, service provider procurement at that time was outsourced to a third-party vendor, Thomas Miller and Associates for review, scoring and recommendation.

During the May 2023 GMLWDB meeting, President Guyette disclosed the potential conflict of interest prior to vote in connection to Communities in Schools of Memphis and reminded all present of the previously disclosed relationship discussed in TNDLWD communications.

President Guyette has no direct oversight of the billing or payment to CISM. President Guyette commits to making verbal disclosure of the conflict at any future meeting when a vote is needed for any item relating to CISM.

As always, Workforce Mid-South, Inc. continues to strive for excellent execution of our responsibilities as a Local Workforce Development Area. In that effort, we will continue to improve outlined deficiencies and proactively self-monitor for continuous improvement.

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

To the Board of Directors
Workforce Mid-South, Inc.

Report of Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Workforce Mid-South, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Workforce Mid-South, Inc.'s major federal programs for the year ended June 30, 2023. Workforce Mid-South, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Workforce Mid-South, Inc. complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Workforce Mid-South, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Workforce Mid-South, Inc.'s compliance with the compliance requirements referred to above.





Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Workforce Mid-South, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Workforce Mid-South, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Workforce Mid-South, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Workforce Mid-South, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Workforce Mid-South, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Workforce Mid-South, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. 2023-002, 2023-003, 2023-004, 2023-005. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Workforce Mid-South, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Workforce Mid-South, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, 2023-003, 2023-004, and 2023-005 to be significant deficiencies.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Workforce Mid-South, Inc.'s response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Workforce Mid-South, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance 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 purpose.

Memphis, Tennessee
January 22, 2024

WORKFORCE MID-SOUTH, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditor's report issued on the financial statements. | Unmodified |
| 2. Material noncompliance relating to the financial statements. | No |
| 3. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | |
|---|------------|
| 4. Type of auditor's report issued on compliance for major federal programs. | Unmodified |
| 5. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. Any audit findings reported as required by Section __200.516 of Uniform Guidance? | Yes |
| 7. Federal programs identified as major programs: | |
| a. WIOA Cluster
CFDA #17.258
CFDA #17.259
CFDA #17.278 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

II. FINANCIAL STATEMENT FINDINGS AUDIT

FINDING #2023-001 IMPROPER PAYMENT TO VENDOR

CONDITION:

Vendor's ACH banking information was improperly changed.

CRITERIA:

C9014—Procedures exist and are followed to ensure timely action relating to requesting, establishing, issuing, suspending, modifying, and closing user accounts, including proper authorization.

CAUSE OF CONDITION:

Improper payment to vendor.

Context - Workforce Mid-South, Inc. fiscal staff received an e-mail from one of its vendors requesting for Workforce Mid-South, Inc. to change its banking information for ACH payments in the Workforce Mid-South, Inc. financial payment system. The change was made without first confirming the new banking information with the vendor. Subsequently, Workforce Mid-South, Inc. learned the ACH information was not legitimate and the vendors e-mail system had been hacked.

POTENTIAL EFFECT OF CONDITION:

Workforce Mid-South, Inc. did not have procedures in place to properly verify and authorize changes to vendor ACH banking information.

RECOMMENDATION:

Workforce Mid-South, Inc. should implement policies and procedures to ensure vendor ACH change information is properly verified by the vendor and properly authorized by Workforce Mid-South, Inc.'s management.

CLIENT RESPONSE:

See Schedule of Findings and Responses item 2023-001.

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

WIOA Cluster, Federal CFDA #17.258, 17.259, 17.278

FINDING #2023—002 – PARTICIPANT ELIGIBILITY-ALN 17.258—WIOA ADULT PROGRAM

CONDITION:

Documentation of selective service registration not in participant's file.

CRITERIA:

WIOA Sec. 134(c)(3)(A) - Participants between the ages of 18 and 26 need to register with the Military Selective Services.

CAUSE OF CONDITION:

Participant folder not properly reviewed and approved prior to admitting the participant into the program.

POTENTIAL EFFECT OF CONDITION:

Cost may have been expended on ineligible participants.

Context - We tested files of 40 participants in the Adult Worker program ALN 17.258 to determine if the files contained proof of eligibility. Of the 40 files we tested, 2 did not contain proof of registration with selective services. Workforce Mid-South, Inc. expends an average of \$3,000 per individual participant in the Adult Worker program. The estimated questioned cost of this finding is \$6,000. Our sample was a statistically valid sample.

RECOMMENDATION:

All files should be reviewed for completeness prior to program admittance.

CLIENT RESPONSE:

See Schedule of Findings and Responses item 2023-002.

**FINDING #2023—003 – PARTICIPANT ELIGIBILITY-ALN 17.278—WIOA
DISLOCATED WORKER**

CONDITION:

Documentation of selective service registration not in participant's file.

CRITERIA:

Title 20 Chapter V Part 680.210 - Participants in the dislocated workplace program must show proof they meet the criteria of workplace dislocation as defined in WIOA Sec. 134 (c)(3)(A).

CAUSE OF CONDITION:

Participant folder not properly reviewed and approved prior to admitting the participant into the program.

POTENTIAL EFFECT OF CONDITION:

Cost may have been expended on ineligible participants.

Context - We tested files of 40 participants in the Adult Dislocated Worker program ALN 17.278 to determine if the files contained proof of eligibility requirements as defined by WIOA Sec. 134 (3)(A). Of the 40 files we tested, 1 participant did not have proof of eligibility requirements. Workforce Mid-South, Inc. expends an average of \$3,000 per participant in the program. The estimated questioned cost is \$3,000. Our sample was a statistically valid sample.

RECOMMENDATION:

All files should be reviewed for completeness prior to program admittance.

CLIENT RESPONSE:

See Schedule of Findings and Responses item 2023-003.

FINDING #2023—004 – PARTICIPANT ELIGIBILITY-ALN 17.259—WIOA YOUTH ACTIVITIES

CONDITION:

Documentation of selective service registration not in participant’s file.

CRITERIA:

Title 20 Chapter V Part 680.210 - Participants in the Youth Activities program must show proof they meet the criteria “Eligible Youth” as defined in WIOA Sec. 134 (c)(3)(A).

CAUSE OF CONDITION:

Participant folder not properly reviewed and approved prior to admitting the participant into the program.

POTENTIAL EFFECT OF CONDITION:

Cost may have been expended on ineligible participants.

Context - We tested files of 40 participants in the Youth Activities program ALN 17.259 to determine if the files contained proof of eligibility requirements as defined by WIOA Sec. 134 (3)(A). Of the 40 files we tested, 12 participants had incomplete files and did not have proof of eligibility requirements. Workforce Mid-South, Inc. expends an average of \$3,000 per participant in this program. The estimated questioned cost is \$3,600. Our sample was a statistically valid sample.

RECOMMENDATION:

All files should be reviewed for completeness prior to program admittance.

CLIENT RESPONSE:

See Schedule of Findings and Responses item 2023-004.

FINDING #2023—005 – CONFLICT OF INTEREST

CONDITION:

No evidence of conflict of interest/related party relationship disclosed to board.

CRITERIA:

C0040—There are policies for offering new services, conflicts of interest, and security practices that are adequately communicated to all employees in the Organization.

CAUSE OF CONDITION:

The husband of the executive director is an executive director of a vendor.

POTENTIAL EFFECT OF CONDITION:

Non-compliance with grant terms. The WIOA grant states that all conflict of interests relationships be disclosed.

RECOMMENDATION:

This related party relationship should be disclosed and approved by the board.

CLIENT RESPONSE:

See Schedule of Findings and Responses item 2023-005.

WORKFORCE MID-SOUTH, INC.
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2023

There were no prior year findings