



Dave Yost • Auditor of State

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Statement of Net Position – Cash Basis – June 30, 2013	7
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2013	8
Notes to the Basic Financial Statements	9
Federal Awards Expenditures Schedule.....	13
Notes to the Federal Awards Expenditures Schedule	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	17
Schedule of Findings.....	21
Schedule of Prior Audit Findings.....	26
Corrective Action Plan.....	27

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Area 7 Workforce Investment Board
Montgomery County
1111 S. Edwin C. Moses Blvd.
Dayton, Ohio 45422

To the Workforce Investment Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Area 7 Workforce Investment Board, Montgomery County, Ohio (the Board), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the governmental activities of the Area 7 Workforce Investment Board, Montgomery County, Ohio, as of June 30, 2013, and the change in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Board's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position – cash basis and change in net position – cash basis. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Awards Expenditures Schedule also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2014, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Board's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 24, 2014

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

This discussion and analysis of the Area 7 Workforce Investment Board's (the Board) financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2013, within the limitations of the Board's cash basis of accounting. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Board's financial performance.

Highlights

Key Highlights for 2013 are as follows:

- The Board's receipts are solely from support from Federal and State governmental agencies. The federal receipts are designated for employment and training related activities.
- The Board's total net position decreased by \$754,831;
- The Board's program receipts increased by \$4,477,441;
- The Boards program disbursements increased by \$5,918,817;

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board's cash basis of accounting.

Report Components

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the cash activities of the Board.

The notes to the basic financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Board has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Reporting the Board as a Whole

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis reflect how the Board did financially during 2013, within the limitations of the cash basis accounting. These two statements report the Board's net position and change in that net position. The Statement of Activities – Cash Basis presents the receipt and disbursement activity during 2013. These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received as cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements report the Board's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position is one indicator of whether the Board's financial health is improving or deteriorating. When evaluating the Board's financial condition, you should also consider the reliance on non-local financial resources for operations and the need for continued growth in revenue sources.

The Board as a Whole

The Statement of Net Position – Cash Basis provides the perspective of the Board as a whole and Table 1 provides a summary of the Board's net position for 2013 compared to 2012.

**Table 1
Net Position – Cash Basis**

	<u>2012</u>	<u>2013</u>
Assets:		
Cash	\$1,092,968	\$338,137
Net Position:		
Restricted:		
Grant Programs	1,092,968	338,137
Total Net Position	<u>\$1,092,968</u>	<u>\$338,137</u>

Table 2 reflects the change in net position during fiscal year 2013 as well as a comparative analysis of fiscal year 2012.

**Table 2
Change In Net Position – Cash Basis**

	<u>2012</u>	<u>2013</u>
Program Disbursements:		
Workforce Development:		
Adult	\$8,368,208	\$5,595,524
Dislocated Worker	9,448,450	6,734,999
Dislocated Worker Stimulus	642,135	541,135
Rapid Response	558,492	2,803,024
Youth	8,569,649	7,984,945
National Emergency Grant	4,049,768	13,363,924
One Stop Memorandum of Understanding Administration	531,415	960,667
	<u>2,079,864</u>	<u>2,182,580</u>
Total Program Disbursements	34,247,981	40,166,798

(Continued)

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

**Table 2
Change In Net Position – Cash Basis
(Continued)**

	2012	2013
Program Receipts		
Workforce Development:		
Adult	8,488,945	5,446,989
Dislocated Worker	9,544,592	7,154,335
Dislocated Worker Stimulus	666,319	425,931
Rapid Response	569,479	2,856,824
Youth	8,510,316	7,700,808
National Emergency Grant	4,504,597	12,809,084
One Stop Memorandum of Understanding Administration	545,729	1,013,040
	2,084,137	1,984,544
Total Program Receipts	34,914,114	39,391,555
Other Financing Sources/(Uses)		
Interest	134	114
Refund of Prior Year (Receipts)/Expenditures	(215,984)	20,298
Total Other Financing Sources/(Uses)	(215,850)	20,412
Increase(Decrease) in Cash	\$450,283	(\$754,831)

Federal and State grants represent 100% of total receipts.

Administrative receipts represent less than 10% of the total allocation and are primarily comprised of federal grant revenue.

Receipts and disbursements for the year were largely for direct services by member counties for training and supportive and employment related activities for both job seekers and employers within and outside of the Board.

Capital Assets

The Board does not own any capital assets. All capital assets used by the Board are owned by Montgomery County.

Debt

The Board has no debt obligations.

Contractual Obligations

The Board entered into a contract with Clark State Community College, for the period July 1, 2012 through June 30, 2013, at a cost of \$449,685, for continuation and maintenance of Board headquarters and administrative services.

The Board entered into a Memorandum of Understanding with Montgomery County, for the period July 1, 2012 through June 30, 2013, to provide fiscal agent and business driven services. This Memorandum of Understanding was established not to exceed \$124,170 for Montgomery County Auditor and Treasurer to provide financial processing and accountability services for Area 7 Workforce Investment Board.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Contacting the Board's Financial Management

This financial report is designed to provide the Chief Elected Officials and the Workforce Investment Board with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Chief Financial Officer, Area 7 Workforce Investment Board, 1111 South Edwin C. Moses Blvd., Dayton, Ohio 45422, (937) 225-5590.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

Assets:

Cash	\$338,137
Total Assets	<u>338,137</u>

Net Position:

Restricted:

Grant Programs	338,137
Total Net Position	<u>\$338,137</u>

See accompanying notes to the basic financial statements.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Program Disbursements:

Workforce Development:

Adult	\$5,595,524
Dislocated Worker	6,734,999
Dislocated Worker Stimulus	541,135
Rapid Response Grants	2,803,024
National Emergency Grants	13,363,924
Youth	7,984,945
One Stop Memorandum of Understanding	960,667
Administration	2,182,580
Total Program Disbursements	<u>40,166,798</u>

Program Receipts:

Operating Grants:

Adult	5,446,989
Dislocated Worker	7,154,335
Dislocated Worker Stimulus	425,931
Rapid Response Grants	2,856,824
National Emergency Grants	12,809,084
Youth	7,700,808
One Stop Memorandum of Understanding	1,013,040
Administration	1,984,544
Total Program Receipts	<u>39,391,555</u>

Total Disbursements over Receipts (775,243)

Other Financing Sources/(Uses)

Investment Earnings	114
Vets Incentive	34,000
Vets Incentive	(34,000)
Refund of Prior Year Expenditures	20,298
Total Other Financing Sources/(Uses)	<u>20,412</u>

Change in Net Position (754,831)

Net Position Beginning of Year 1,092,968

Net Position Ending of Year \$338,137

See accompanying notes to the basic financial statements.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF AREA 7 WORKFORCE INVESTMENT BOARD AND THE REPORTING ENTITY

A. Description of the Entity

The Workforce Investment Act (WIA) is a federally funded program that provides employment and job training services to eligible adults, dislocated workers and youth. The United States Department of Labor (DOL) is the federal agency responsible for the program. The Ohio Department of Job and Family Services (ODJFS) is the oversight agency for the State of Ohio.

Area 7 Workforce Investment Board (the Board) is designated as a local Workforce Investment Area under WIA 116 and its geopolitical span includes 43 counties. The grant recipient is the Ohio Area 7 Consortium of Chief Elected Officials from the counties within the local area. The functions of the consortium are carried out by a Board of Governors, which consists of the Chief Elected Official (CEO) of each participating sub area.

In accordance with WIA 117, the consortium established a local Workforce Investment Policy Board (WIB) to set policy for the local workforce investment system. The local board employs an Executive Director, office manager, and one regional representative. The WIB staff perform administrative functions for the Board and are employees of Clark State Community College.

The Grant Recipient (the Consortium) designated Montgomery County Department of Job and Family Services (MCDJFS), an agency that is under the governance of the Montgomery County Board of Commissioners, as the Fiscal Agent for the Area 7 Workforce Investment Board. The Fiscal Agent has responsibility to disburse funds to the participating sub areas known as Sub-grantees at the direction of both the Consortium and the Board. Funds flow from the State to MCDJFS and are passed onto the 43 individual counties based on allocations established by the State. The individual counties have responsibility for the administration of the Adult, Dislocated Worker, Rapid Response, National Emergency Grants and Youth programs for their respective county.

Through a consortium process, the Area 7 Workforce Investment Board has designated 11 regional one-stop operators and 32 satellite one-stop offices throughout Area 7.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included, ensuring that the basic financial statements are not misleading. The primary government of the Board consists of the general fund, departments, and boards that are not legally separate from the Board. The Board's financial statements include Adult, Dislocated Worker, Dislocated Worker Stimulus, Rapid Response, Youth, National Emergency Grant, One Stop Memorandum of Understanding, and Administrative programs. The Board has no component units.

The Board's management believes these financial statements present all activities for which the Board is financially accountable.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

These financial statements follow the basis of accounting the Auditor of State prescribes or permits.

The statement of net position - cash basis, and the statement of activities - cash basis, display information about the Board as a whole. These statements include the financial activities of the Board. The statement of net position - cash basis presents the financial condition of the governmental activities of the Board at year-end. The Statement Activities – Cash Basis displays information about the Board as a whole. The Statement of Activities – Cash Basis presents a comparison between direct expenses and operating grants for each program or function of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, clearly identifiable to a particular function. Operating revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The comparison of direct expenses with operating revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Board.

1. Fund Accounting

The Board uses a fund accounting system to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Board utilizes the governmental category of funds.

2. Governmental Funds

Governmental funds are those through which most governmental functions of the Board typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The General Fund is the Board's only fund:

General Fund - The general fund accounts for all financial resources of the Board. The general fund balance is available for any purpose in accordance with Ohio law.

3. Measurement Focus

The Board has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts are recognized when received in cash, rather than when earned, and disbursements when paid, rather than when a liability is incurred.

4. Basis of Accounting

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as applicable to the Board's cash basis of accounting.

B. Cash

The Montgomery County Treasurer is the custodian for the Board's cash. The Board's assets are held in the Montgomery County's cash and investment pool, and are valued at the County Treasurer's reported carrying amount.

C. Capital Assets

The Board does not own any capital assets. All capital assets used by the Board are owned by Montgomery County.

D. Long-Term Obligations

The Board did not have any long-term obligations.

3. CASH AND DEPOSITS

The Montgomery County Treasurer maintains a cash pool used by all of the County's funds, including those of the Board. The Ohio Revised Code prescribes allowable deposits and investments. At year-end, the carrying amount of the Board's deposits with the Montgomery County Treasurer was \$338,137. Montgomery County, as the fiscal agent for the Board, is responsible for maintaining adequate depositor collateral for all funds in the County's pooled cash and deposit accounts.

4. RISK MANAGEMENT

For the year ended June 30, 2013 the Board maintained Commercial Insurance coverage for the following risks:

- Director, Officer, Trustee, and Organization Liability \$1,000,000;
- Employment Practicing Liability \$1,000,000;

5. CONTRACTED SERVICES

The Board does not have any employees. They contract for accounting, administrative, use of facility and management services from other governmental agencies.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. CONTRACTUAL OBLIGATIONS

The Board entered into a contract with Clark State Community College, for the period July 1, 2012 through June 30, 2013, at a cost of \$449,685, for continuation and maintenance of Board headquarters and administrative services.

The Board entered into a Memorandum of Understanding with Montgomery County, for the period July 1, 2012 through June 30, 2013, to provide fiscal agent and business driven services. This Memorandum of Understanding was established not to exceed \$124,170 for Montgomery County Auditor and Treasurer to provide financial processing and accountability services for Area 7.

7. CONTINGENCIES

A. Litigation

The Board is not a party to any litigation.

B. Grants

The Board receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2013 will not have a material adverse effect on the Board.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR	Federal	Pass -	
<i>Pass Through Grantor</i>	CFDA	Through	
Program Title	Number	Entity	Disbursements
		Number	
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Ohio Department of Job and Family Services</i>			
<i>Workforce Investment Act (WIA) Cluster:</i>			
Adult Program (SFY13)	17.258	(A)	\$2,939,220
Adult Program Administrative (SFY13)	17.258	(A)	201,505
Adult Program (SFY11)	17.258	(A)	160,048
Adult Program Administrative (SFY11)	17.258	(A)	100,938
Adult Program (SFY12)	17.258	(A)	2,496,256
Adult Program Administrative (SFY12)	17.258	(A)	402,529
Total WIA -Adult Program			<u>6,300,496</u>
Youth Activities (SFY 13)	17.259	(A)	3,831,069
Youth Activities Administrative (SFY 13)	17.259	(A)	323,543
Youth Activities (SFY 11)	17.259	(A)	420,976
Youth Activities Administrative (SFY 11)	17.259	(A)	32,615
Youth Activities (SFY 12)	17.259	(A)	3,732,900
Youth Activities Administrative (SFY 12)	17.259	(A)	332,755
Total WIA-Youth Activities			<u>8,673,858</u>
WIA Dislocated Workers (SFY10)	17.260	(A)	414,404
ARRA Stimulus - Dislocated Workers (SFY10)	17.260	(A)	541,135
Total - WIA Dislocated Workers			<u>955,539</u>
Dislocated Worker Formula Grants (SFY13)	17.278	(A)	2,137,573
Dislocated Worker Formula Grants Administrative (SFY13)	17.278	(A)	245,215
Dislocated Worker Formula Grants (SFY13)	17.278	(A)	2,803,024
Dislocated Worker Formula Grants (SFY11)	17.278	(A)	926,791
Dislocated Worker Formula Grants Administrative (SFY11)	17.278	(A)	62,070
Dislocated Worker Formula Grants (SFY12)	17.278	(A)	3,670,635
Dislocated Worker Formula Grants Administrative (SFY12)	17.278	(A)	481,410
Total WIA - Dislocated Worker Formula Grants			<u>10,326,718</u>
Total Workforce Investment Act (WIA) Cluster			<u>26,256,611</u>
<i>Workforce Investment Act (WIA) National Emergency Grants</i>			
National Emergency Grant _ OH-24-MASCO	17.277	(A)	95,002
National Emergency Grant _ OH-25-FLOOD	17.277	(A)	7,993,614
National Emergency Grant _ OH-26-FLOOD	17.277	(A)	4,860,904
Total Workforce Investment Act (WIA) National Emergency Grants			<u>12,949,520</u>
<i>Employment Service Cluster:</i>			
Employment Service/Wagner-Peyser Funded Activities (SFY12)	17.207	(A)	271,823
Employment Service/Wagner-Peyser Funded Activities (SFY13)	17.207	(A)	688,844
Local Veterans' Employment Representative Program	17.804	(A)	34,000
Total Employment Service Cluster			<u>994,667</u>
Total Federal Assistance - U.S. Department of Labor			<u>\$40,200,798</u>

(A) Project number not known or not applicable

The Notes to the Federal Awards Expenditures Schedule are an integral part of this schedule.

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Award Expenditures Schedule (the Schedule) reports the Area 7 Workforce Investment Board's (the Board's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SUB-RECIPIENTS

The Board passes certain federal awards received from the Ohio Department of Job and Family Services to other governments (sub-recipients). As Note A describes, the Board reports expenditures of Federal awards to sub-recipients when paid in cash.

As a sub-recipient, the Board has certain compliance responsibilities, such as monitoring its sub-recipients to help assure they use these subawards as authorized by laws, regulations and the provisions of contracts or grant agreements, and that sub-recipients achieve the award's performance goals.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Area 7 Workforce Investment Board
Montgomery County
1111 S. Edwin C. Moses Blvd.
Dayton, Ohio 45422

To the Workforce Investment Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities of Area 7 Workforce Investment Board, Montgomery County, (the Board) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated April 24, 2014 wherein we noted the Board uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

April 24, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Area 7 Workforce Investment Board
Montgomery County
1111 S. Edwin C. Moses Blvd.
Dayton, Ohio 45422

To the Workforce Investment Board:

Report on Compliance for Each Major Federal Program

We have audited the Area 7 Workforce Investment Board's (the Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Area 7 Workforce Investment Board's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Board's major federal programs.

Management's Responsibility

The Board's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for each of the Board's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Board's major programs. However, our audit does not provide a legal determination of the Board's compliance.

Basis for Qualified Opinion on Workforce Investment Act Cluster and Workforce Investment Act National Emergency Grant

As described in Findings 2013-001 and 2013-002 in the accompanying schedule of findings, the Board did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2013-001	17.258/17.259/17.260/17.278	Workforce Investment Act (WIA) Cluster	Cash Management
2013-002	17.258/17.259/17.260/17.278	Workforce Investment Act (WIA) Cluster	Reporting
	17.277	Workforce Investment Act (WIA) National Emergency Grants	

Compliance with these requirements is necessary, in our opinion, for the Board to comply with the requirements applicable to these programs.

Qualified Opinion Workforce Investment Act Cluster and Workforce Investment Act National Emergency Grant

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Workforce Investment Act Cluster and Workforce Investment Act National Emergency Grant* paragraph, the Area 7 Workforce Investment Board complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Workforce Investment Act Cluster and Workforce Investment Act National Emergency Grant* Federal Programs for the year ended June 30, 2013.

Other Matters

The Board's responses to our noncompliance findings are described in the accompanying schedule of findings. We did not audit the Board's responses and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement 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 as items 2013-001 and 2013-002 to be material weaknesses.

The Board's responses to our internal control over compliance findings are described in the accompanying schedule of findings. We did not audit the Board's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

April 24, 2014

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**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act (WIA) Cluster: CFDA #17.258 – WIA Adult Program CFDA #17.259 – WIA Youth Activities CFDA #17.260 – WIA Dislocated Worker CFDA #17.260 – ARRA WIA Dislocated Workers CFDA 17.278 – WIA Dislocated Worker Formula Grants Workforce Investment Act (WIA) National Emergency Grant - CFDA #17.277
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$1,206,024 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDING FOR FEDERAL AWARDS

Finding Number	2013-001
CFDA Title and Number	Workforce Investment Act Cluster: CFDA #17.258 – WIA Adult Program CFDA #17.259 – WIA Youth Activities CFDA #17.260 – WIA Dislocated Worker CFDA #17.260 – ARRA WIA Dislocated Workers CFDA #17.278 – WIA Dislocated Worker Formula Grants
Federal Award Number / Year	SFY10, SFY11, SFY12 and SFY13
Federal Agency	United States Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

NONCOMPLIANCE/MATERIAL WEAKNESS – CASH MANAGEMENT

29 CFR 97.21 (b) states, in part, that procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or sub-grantee, in accordance with Treasury regulations at 31 CFR part 205. Part (c) further states grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee.

Ohio Admin. Code Section 5101:9-7-04(B) states that when a local area is funded on a reimbursement basis, program costs are paid with local funds before reimbursement is requested. When funds are drawn in advance, the local area shall follow procedures to minimize the time elapsing between the transfer of funds from the state and local disbursement. Disbursements to a local area administering federal programs shall cover allowable expenditures consistent with federal and state regulations.

- (1) A local area may submit requests for cash draws weekly. Requests are processed by ODJFS within six working days. In accordance with the Cash Management Improvement Act and Title 29 C.F.R. part 97, section 20, cash drawn in advance must be limited to the minimum amount needed for actual, immediate requirements. The local area shall have cash management procedures in place to ensure the time elapsing between the receipt of funds and the disbursement of funds does not exceed a ten-day average for all federal grants. The local area shall monitor the cash management practices of the workforce development agencies to ensure they conform to the same standards.
- (2) Cash drawn shall be traceable to a level of program expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes, rules, and regulations. The accounting systems of the local area shall support internal controls necessary to insure the reporting of activity affiliated with federal grants and state funds remain separated on a grant, program, or project basis.

Additionally, **Ohio Admin. Code Section 5101:9-7-04(C)(1)(2)(3)** states that at the end of each quarter, ODJFS will calculate each local area's average days' cash on hand for all federal funding based on expenditures and cash draws for the WIA data subset as they appear on the county finance information (CFIS) over/under report. The average days' cash on hand will be calculated on an individual grant basis as follows:

- (a) At the end of each quarter, ODJFS will calculate excess cash on hand by deducting the total expenditures over the lifetime of the funding source, up to the budgeted amount, from the total amount of cash draws over the lifetime of the funding source.

**FINDING 2013-001
 (Continued)**

- (b) ODJFS will then calculate the average expenditures by dividing the total expenditures by the number of calendar days the funding has been available; and
- (c) Finally, ODJFS will calculate the average days' cash on hand by dividing the excess cash on hand from the amount calculated in paragraph (C)(2)(a) of this rule by the average daily expenditures calculated in paragraph (C)(2)(b) of this rule.

ODJFS will forward the results of the average days' cash on hand calculation to the local area for review.

- (a) If an event, beyond the reasonable control of the local area, results in noncompliance with the cash management requirements, the local area shall document the event and upon request of ODJFS provide documentation to the ODJFS office of fiscal and monitoring services (OFMS).
- (b) If circumstances resulting in the noncompliance are caused by internal control deficiencies or operational processes, the local area shall document the steps implemented to avoid a reoccurrence and upon request provide the documentation to the ODJFS OFMS.
- (c) ODJFS may take additional action to ensure the cash management practices of the local area are in compliance with paragraph (B)(1) of this rule.

The Area 7 Workforce Investment Board (the Board) was reported to have cash on hand in excess of this requirement for the Workforce Investment Act Cluster funds for all 4 quarters in fiscal year end 2013. For the Quarters ended September 2012, December 2012, March 2013 and June 2013 the Board had cash on hand of 17.7 days, 12.6 days, 26.3 days and 60.5 days, respectively which exceeded the 10 day average.

The Board should establish cash management practices for advanced funds to provide that cash is held for no more than ten days average per quarter and to provide for proper accounting of the grant monies. These cash management practices should be established with the counties the Board serves. If efficient and effective cash management practices cannot be established with counties served, the Board should reimburse the counties for actual expenditures paid from local funds of that county.

Officials' Response:

See Corrective Action Plan, page 27

Finding Number	2013-002
CFDA Title and Number	Workforce Investment Act Cluster: CFDA #17.258 – WIA Adult Program CFDA #17.259 – WIA Youth Activities CFDA #17.260 – WIA Dislocated Worker CFDA #17.260 – ARRA WIA Dislocated Workers CFDA #17.278 – WIA Dislocated Worker Formula Grants Workforce Investment Act (WIA) National Emergency Grant - CFDA #17.277
Federal Award Number / Year	SFY10, SFY11, SFY12 and SFY13
Federal Agency	United States Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

FINDING NUMBER 2013-002
(Continued)

NONCOMPLIANCE/MATERIAL WEAKNESS – REPORTING

29 CFR 97.41(b) states, in part, that grantees will use Standard Form 269 or 269A, Financial Status Report, to report the status of funds for all non-construction grants and for construction grants when required in accordance with §97.41(e)(2)(iii) of this section. Each grantee will report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency. If the Federal agency requires accrual information and the grantee's accounting records are not normally kept on the accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through and analysis of the documentation on hand. The Federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly. If the Federal agency does not specify the frequency of the report, it will be submitted annually. A final report will be required upon expiration or termination of grant support.

Ohio Admin. Code Section 5101:9-7-04.1 states that the following accounting procedures are necessary for local accountability in the reconciliation of federal and state funds.

(A) Quarter-end reporting.

- (1) The local area is accountable for the workforce development fund as reconciled each quarter and shall review reports and make adjustments and/or corrections prior to the final approval and submission of financial data to the Ohio administrative knowledge system (OAKS) for the closing quarter. The local area has access to system reporting throughout the quarter in order to make ongoing adjustments/corrections.
- (2) The local area has access to reports based on financial data submitted in county finance information system (CFIS) in accordance with rule [5101:9-7-29](#) of the Administrative Code.
 - (a) Each quarter's over/under report is cumulative over the lifetime of the funding source.
 - (b) The local area is given five business days after the eighteenth day of the month following the last month of the quarter to review reports for accuracy.
- (3) No later than five business days after the eighteenth day of the month following the last month of the quarter, the local area shall submit any final adjustments and/or revisions OAKS.
 - (a) Once the five-day review period is complete, the Ohio department of job and family services (ODJFS) suspends reporting access to CFIS for the closing quarter in order to begin the quarter reconciliation process.
 - (b) The local area shall make any allowable changes that arise after the five-day review period to open grants in the current quarter.

(B) Quarter reconciliation.

- (1) ODJFS notifies the local area when the quarter reconciliation process is completed. The local area shall review reports for accuracy and immediately notify ODJFS of any discrepancies.
- (2) State funded allocations and federally funded sub-grants are reconciled at the end of their period of availability. The period of availability includes the funding period and the liquidation period.
- (3) ODJFS may make adjustments as necessary to fully reconcile federal grants and/or state allocations that are being closed.
 - (a) If reported expenditures and adjustments in all funding sources being closed exceeds cash drawn in all funding sources being closed, ODJFS may issue additional funds on closed grants.
 - (b) If the total of reported expenditures and adjustments in all funding sources being closed is less than cash drawn in all funding sources being closed, ODJFS may adjust draws in open available grants.

**FINDING 2013-002
(Continued)**

- (c) The local area shall retain financial, programmatic, statistical, recipient records, and supporting documents in accordance with the records retention requirements outlined in rule [5101:9-9-21](#) of the Administrative Code. This documentation may be subject to inspection, monitoring, and audit by ODJFS and the Ohio auditor of state.

Review of the Quarterly Financial Certifications for FY13 noted that the last 3 quarters were filed with ODJFS; however, they were not signed nor reconciled to the underlying financial records. To provide for proper accounting of the grant monies, the Board should establish procedures to complete and certify quarterly financial reports prior to submitting to the Ohio Department of Jobs and Family Services. Additionally the reports should reconcile and agree to the underlying books and records of the Board.

Officials' Response:

See Corrective Action Plan, page 28

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	OMB Circular A-133 Section 400(D)(4) and Ohio Admin. Code Section 5101:9-1-88(A)(1) – Sub-recipient Monitoring	Yes	

**AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	<p>When the State issues grant revenue to an Area, it is reported in CFIS as draws by specific fund source by the State for the Area, was then and still is now. When the funds were received by Area 7 and issued to the member counties, the counties were required to record the revenue by grant in Area 7's financial ledger suite (Sage Micro Information Products Fund Accounting System, better known as MIP) for appropriate tracking purposes. The programmed conversion of financials from MIP for each member county would eliminate those revenues, meaning entries to the code of 470950, so that they weren't reported as revenue to the State again since the State had already loaded, or reported them in the State's financial system (CFIS) for the Area. When those counties were recording the revenue incorrectly by using Account Code 426053, it wasn't apparent that there was a problem because all they saw on MIP financial reports were that they had receipts, whether they were revenue, cancelled warrants, vendor reimbursements, etc. They have no knowledge of how Area 7's financial systems are programmed to report appropriately to the State. As stated earlier, the conversion would eliminate anything coded to 470950 but not 426053. That code is a State receipt code but IS NOT a revenue code. Therefore, it was not programmed to be eliminated from financials when reported to the State. When the county's financials were reported to the State each month for those counties that used 426053, it appeared that there were a lot of receipts in addition to revenue for the Area. Reporting and system wise for the State, this reduced, or offset the Area's expenditures giving a reported appearance of being over-advanced. So, the State loaded draws in CFIS for the Area, then counties (at fault) coded the revenue as receipts which was inflating over-advancements by fund. Upon reviewing an Over/Under Financial Report from CFIS, you will see that draws (advancements) are offset by expenditures and any receipts to determine if the grant or fund is over-advanced or under-advanced for an Area. As the State would process that report for all of Area 7, it appeared the Area was grossly over-advanced, or over-funded on a cash basis. This was fixed by reviewing reports for all member counties of Area 7 to determine which counties were incorrectly using the 426053 account code to record revenue.</p>	Completed	Danny Dawson Chief Financial Officer

AREA 7 WORKFORCE INVESTMENT BOARD
MONTGOMERY COUNTY
CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013
Page 2

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001 (Continued)	Financial adjustments were made to change those recorded revenues from receipts (426053) to revenue (470950). Once this was done, there were no longer duplicate entries for revenue (once by the State, and again by the at-fault counties). This corrected the incorrect appearance of out-of-compliance, or excess COH for the Area. In addition to the above, with the inception of CFIS Web WIA for all Areas and their member counties, the Area Fiscal Agents now load, distribute and/or report the draws for the counties in CFIS Web WIA the same as the State does for an Area. MIP conversion files have been reprogrammed for uploading and reporting county's financials appropriately in the new CFIS Web WIA system and appropriate guidance has been implemented for recording of revenues by Area 7 and its member counties as Sub-Areas of Area 7. Now, all sub-area's financials are reported to the area's fiscal agent the same as an area's financials are reported to the State. Areas and sub-areas are using the same State financial system (CFIS) for monthly summarized financials and reports. All areas now have the capability of reviewing their sub-areas monthly financials on the same manner they will be reported to the State as an area.		
2013-002	Quarterly Financial Certifications were submitted without signature. The reason for non-signature was due to the inappropriate way that the Quarterly Financial Certification were reported from CFIS. Area 7 could not certify what cash all 43 member counties within the area have on hand. Area 7 can only certify the cash it has on hand as Fiscal Agent of the Area. This process has been changed with the implementation of CFIS Web WIA; and each sub-area, as well as area, do certify their respective financials, including cash. With the implementation of CFIS Web WIA and the correct cash balances per sub-area and area being submitted to BCFTA, Area 7 has and will certify all future Quarterly Financial Certifications as its own certification of Area 7 Fiscal Agent	Completed	Danny Dawson Chief Financial Officer



Dave Yost • Auditor of State

AREA 7 WORKFORCE INVESTMENT BOARD

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 5, 2014**