

FINANCIAL MONITORING REPORT



FINANCIAL MONITORING CONDUCTED BY:

Wipfli LLP

FOR:

**Workforce Investment Board, Inc.
DBA
NEMO Workforce Development Board
111 E Monroe
Paris, MO 65275**

Date of Report: June 6, 2022

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June 6, 2022

The Honorable Chris Gamm
Presiding Commissioner
Pike County Courthouse
115 West Main Street
Bowling Green, M 63334

Michael Purol, Chair
Northeast Workforce Development Board
Poepping, Stone, Bach & Associates, Inc.
801 Broadway, Suite 248
Hannibal, MO 63401

Dear Commissioner Gamm and Mr. Purol:

Wipfli LLP (Wipfli) has conducted a fiscal monitoring review of the Northeast Workforce Development Board (NEMO) financial operations during the months of April and May 2022, on behalf of the Missouri Office of Workforce Development (OWD). In fulfillment of the requirements set out in the Office of Management and Budget 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, the *Workforce Innovation and Opportunity Act (WIOA or Public Law 113-128)*, and other applicable federal and state regulations.

The regulations, among other requirements, mandate the monitoring of activities under federal awards. The scope of the financial monitoring review was designed to ascertain the degree of compliance with the referenced regulations to ensure accountability and integrity of OWD administered federal programs; and to provide reasonable assurance that grant funds are spent in a manner that is reflective of its appropriate intent.

The attached report serves as official notification of the conclusions of the review. For the areas reviewed two compliance findings and four areas of concern were identified to be reported. In addition, opportunities are included for your consideration.

Should you have any questions, please feel free to contact Rebecca Fletcher at (573) 751-2374 or Denes Tobie, CPA at (608) 270-2929

Sincerely,



Wipfli LLP

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I. Executive Summary

The Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) section 2 CFR 200.329, requires the monitoring of activities under Federal awards to assure compliance with applicable Federal requirements. The *Workforce Innovation and Opportunity Act (WIOA) Section 184 (a)(4)*, also mandates the monitoring of each local area within the State to ensure compliance with OMB's Uniform Guidance.

Wipfli conducted a financial monitoring of the Northeast Workforce Development Board (NEMO) financial operations for the period January 1, 2021, through December 31, 2021, in fulfillment of the requirements of the Uniform Guidance, WIOA, and other applicable Federal and State regulations. Wipfli completed the monitoring remotely in response to the COVID-19 pandemic and commenced the monitoring process with a virtual entrance conference to discuss the scope of the review with NEMO personnel. Wipfli concluded the remote monitoring with an exit conference to relay the preliminary results of the review.

Financial monitoring is not an audit and due to the limited scope of the monitoring, may not disclose all systems' weaknesses. The results presented in this report are based on the areas tested by Wipfli. The United States Department of Labor, the Missouri State Auditor's Office or any other applicable federal or state body may conduct reviews and have different conclusions, opinions, and/ or results.

In summary, this report contains two compliance findings, four areas of concern, and several opportunities. See the Compliance Findings and Areas of Concern sections of the report regarding required follow-up action.

Subrecipient Information

Subrecipient	Northeast Workforce Development Board
Subrecipient Mailing Address	PO Box 28 Paris, MO 65275
Subrecipient Location Address (If Different from Mailing Address)	111 East Monroe Paris, MO 65275
Subrecipient Primary Fiscal Contact Person	Ms. Diane Simbro
Telephone	573-795-4906
E-Mail	diane.simbro@nemowib.org

II. Scope of the Financial Monitoring

The scope of Wipfli's financial monitoring included the following:

Date of exit conference	June 6, 2022
Names and titles of those in attendance at the exit conference	Diane Simbro, Executive Director Sarah Hudson, Contracted Fiscal Officer
Sites visited	Due to the pandemic effects of the coronavirus (COVID-19), the financial monitoring was completed remotely.
Financial monitoring staff members who conducted the review	Financial monitoring was completed by Wipfli LLP, a contractor for OWD.
Programs reviewed	Programs funded by the Missouri Office of Workforce Development.
Time period covered in the review	January 1, 2021 – December 31, 2021
Documents reviewed	See Appendix

The purpose of the financial monitoring review is to obtain reasonable assurance the subrecipient is in compliance with statutes, regulations, and terms and conditions of the subawards. Reasonable assurance is the level of confidence or comfort based on professional judgment obtained through interviews, understanding the operations, and testing performed to assess the performance of the subrecipient. The results presented in this report are based on the areas tested by Wipfli.

The scope of the financial monitoring utilized guidelines established in Uniform Guidance, WIOA, OWD, and the U.S. Department of Labor Employment and Training Administration (ETA). The financial content areas and processes monitored include the following, as applicable:

- Prior year corrective action follow-up
- Internal control environment and oversight
- Financial management
- Financial reporting and reconciliation including reporting to OWD
- Cash management
- Cost allocation
- Payroll and personnel procedures
- Subrecipient management and oversight

- Property and equipment management
- Public access to records and record retention
- Procurement and contract management
- Disbursement testing

Our review did not cover any areas outside of the defined scope of this monitoring.

III. Results of Financial Monitoring Review

Compliance Findings

Compliance findings (findings) are OWD items that disclose areas of significant non-compliance with WIOA, federal regulations, workforce development issuances or guidance, and material weaknesses in internal controls. Findings require written corrective action plans by either accepting OWD's recommendation or proposing and receiving approval for an alternate course of action. Regulatory compliance monitors will provide citations from WIOA, federal regulations, or OWD issuances and procedures to identify specific area of non-compliance and will explain the corrective measures necessary for resolution. The results of our monitoring disclosed two compliance findings. A written Corrective Action Plan to address this compliance finding is due within 30-days of the date of this report. The plan is to be submitted to Wipfli via email to Ms. Denes Tobie, CPA, at dtobie@wipfli.com.

Compliance Finding #1 – Report Submission

Condition: NEMO did not submit its June 30, 2019, and 2020 reporting package by the due date. The June 30, 2021, is still within the automatic six-month extension granted by the Office of Management and Budget (OMB). The reporting package includes the financial statements, schedule of expenditures of federal awards, summary schedule of audit findings, auditor's report, and corrective action plan, and data collection form.

Cause: The Single Audit has not been completed for fiscal years ending 2019 and 2020. This delayed the timely submission of the required reporting package to the Federal Audit Clearinghouse.

Criteria: Uniform Guidance 2 CFR 200.512 states the audit must be completed and the reporting package electronically submitted within the earlier of 30 calendar days after the receipt of the auditor's report or nine months after the end of the audit

period. NEMO's normal due date for the June 30, 2019, reporting package was March 31, 2020.

On June 18, 2020, the Office of Management and Budget (OMB) issued a Memorandum (M-20-26) that provided short-term financial flexibilities due to the COVID-19 pandemic. This Memorandum allows subrecipients with normal due dates from March 30, 2020, through June 30, 2020 to delay the completion of the reporting package for up to six-months beyond the normal due date. This flexibility allows an extended due date for NEMO's reporting package of September 30, 2020.

The June 30, 2020, reporting package has a normal due date of March 31, 2021. The OMB issued Memorandum M-21-20 that provides an automatic six-month extension for all single audit filings for fiscal year ends through June 30, 2021. Therefore, providing due dates for FY20 and FY21 of September 30, 2021 and September 30, 2022 respectively. This extended due date is subsequent to the monitoring period. As of the date of this report, this reporting package had not been submitted.

Corrective Action: It is recommended that NEMO establish procedures to ensure the audits are performed in a timely manner, allowing for the on-time submission of the required reporting package.

Compliance Finding #2 – Financial Statement Reporting

Condition: NEMO was unable to produce complete and accurate financial statements during the monitoring period.

Cause: During the previous monitoring period, inaccuracies were noted in the financial statements due to system issues within their accounting software - Abila MIP. The issues were in process of being remedied and then the Fiscal Officer resigned from NEMO. NEMO has since contracted with a CPA firm, Wilson Toellner, to work with Abila to fix the system issues and bring the financials current. As of the monitoring period, the FY2019 has not been completed. Per the Contracted Fiscal Officer, she is waiting for the FY2019 audit to be completed and finalized so the subsequent years can then be updated.

Criteria: Uniform Guidance 2 CFR 200.302 states the financial management systems must be sufficient to permit the preparation of reports and the system must provide for the accurate, current, and complete disclosure of financial results.

Corrective Action: It is recommended that NEMO continue to work with its software provider to determine the cause of the financial statement balance differences and update all financial records to the current period.

Areas of Concern

Areas of concern (concerns) are OWD items that may or may not be compliance-based but may impede effectiveness and efficiency of providing services to individual and business customers. Concerns are suggestions to management and do not generally require a response unless specifically indicated. Resolved findings and accompanying corrective actions may be included in this category. Concerns, although resolved, may rise to a level of severity that is subject to follow-up during subsequent review. Regulatory compliance monitors may offer suggestions or guidance to assist the entity in making improvements or may make a referral for further technical assistance. The results of our monitoring disclosed four areas of concern. The areas of concern require immediate correction. A written response to address the areas of concern are due within 30 days of the date of the report. The response and action plan are to be submitted to Wipfli via email to Ms. Denes Tobie, CPA, at dtobie@wipfli.com.

Concern #1 – Statewide Sub-State Monitoring

In 2021, Office of Workforce Development's (OWD) issued OWD Issuances 15-2020 and 11-2021 – Statewide Sub-State Monitoring Policy for Local Workforce Development Areas (LWDA) designated under WIOA. The updates include a new requirement that mandates Local Workforce Development Boards (Local WDBs) conduct quarterly programmatic, financial, and equal-opportunity monitoring, annual reviews of one-stop operators, detailed expectations for Annual Reports, and required deadlines. Issuance 15-2020 was effective April 1, 2021, and Issuance 11-2021 superseded 15-2020 and was effective September 24, 2021.

NEMO is the pass-through entity for subawards that were in effect during the monitoring period. During the monitoring, the following observations were noted that did not clearly demonstrate adherence to the OWD Issuances and the approved, Sub-State Monitoring Policy:

Programmatic Monitoring:

1. As required, quarterly programmatic monitoring was performed for the Adult, Dislocated Workers, and Youth Program during the monitoring period. However, there was no clear documentation on how the work performed addressed all the minimum testing requirements listed in the OWD Issuances. This includes the total populations obtained and how determination of samples was selected (or if

testing would be performed on 100%), test steps performed, results of testing, final conclusions, etc.

There was no documentation from the Youth monitoring tools utilized to support if the Out-of-School percentage requirement, 20% work-based learning with educational component requirement, 5% limit on In-School enrolled with 'Requires Additional Assistance' barrier, and 5% over-income exception was tested or if it was applicable.

Additionally, there was also no clear documentation if there were any prior period monitoring observations that required follow up.

Data Element Validation:

2. There was no documentation provided to determine if quarterly data element validation was performed in 2021.

Financial Monitoring:

3. Per management, quarterly financial monitoring is performed in conjunction with programmatic monitoring and reviewing and approving monthly invoices. A separate monitoring program is not prepared or maintained. Although being performed, it is not formally documented how the reviews performed comply with the minimum financial monitoring requirements. Additionally, no documentation is retained to support their determination of salaries and bonuses of subrecipient's staff not exceeding the Executive Level II Cap, their review of the Subrecipient's audit reports, or if subrecipient employee files included E-Verify certification.

Equal Opportunity (EO) Monitoring:

4. There was no documentation provided to determine if quarterly EO monitoring was performed.

Recommendation: We recommend NEMO:

- (1) Develop a plan that lists the monitoring procedures performed for 7/1/21 – 6/30/22, including what is still to be performed for the remainder of the program year. The plan should clearly document the procedures performed, including the quarter the procedures were performed in, any interim reporting that occurred, projected timeframe for the annual report, and how the procedures performed met all minimum requirements listed in the Sub-State Monitoring Policy and OWD Issuance 11-2021. Going forward, at the beginning of the program year an annual plan should be developed listing the monitoring procedures to be

performed including how the procedures to be performed meets the Sub-State Monitoring Policy and OWD Issuance. Any questions regarding procedural compliance with policy or the issuances should be discussed with the applicable personnel at OWD.

- (2) Develop and/or enhance any monitoring tools utilized to ensure the quarterly and annual monitoring procedures performed meet and appropriately document the requirements listed in the Sub-State Monitoring Policy and OWD Issuances. The tools should document the testing performed, results of testing, and reference supporting documentation obtained to come to conclusions in reporting documents communicated to the Board and sent to the subrecipient. Additionally, the monitoring tools, testing workpapers, and other supporting documents utilized to perform testing should note the timeframe the monitoring work covered, who was responsible for performing the work, who reviewed and approved the work, and clearly document how the monitoring steps performed met the minimum requirements.

Concern #2 – Accounting Policy Manual

Per management, since the hiring Wilson Toellner to perform the contracted fiscal officer duties, processes and procedures have since evolved. However, the policies and procedures for the new practices have not been updated but is an item of importance that has been noted. It was stated this will be a priority once all financial and single audits are completed and all financial information is updated and complete.

Recommendation: We recommend NEMO make the updating of the Accounting Procedures manual a priority once all financial audits are completed, financials are updated, and all financial system issues are remedied.

Concern #3 – Sole Source Procurement

The Fiscal Officer resigned in April 2021 and NEMO deemed themselves to be in an emergency need for a solution. Per the Executive Director, NEMO has struggled with this position for many years as they do not have adequate funding to pay the salary expected for the Fiscal Officer job. Typically, they do not get qualified applicants when then job is posted. After the resignation of their Fiscal Officer, they did not feel they had the time to advertise and proceed through the

hiring process due to challenges already facing NEMO. They felt they needed immediate professional help.

The Executive Director stated they had many verbal conversations with OWD over the issue, who agreed that proceeding with the procurement of Wilson, Toellner, and Associates LLC as in the best interest of NEMO.

However, there was no written documentation to support the sole-source procurement of the contract fiscal officer, as required by policy.

Recommendation: We recommend NEMO follow the non-competitive (sole source) procurement guidelines in the Procurement Manual, which requires written justification for all sole-source procurements, for any similar future procurements.

Concern #4 – Subrecipient Agreement – Gamm, Inc. and Boonslick Regional Planning Commission

NEMO subgrants funds to Gamm, Inc. (Gamm) and Boonslick Regional Planning Commission (BRPC) to perform and administer the WIOA Adult, Dislocated Worker, and Youth Programs and the duties of the One-Stop Operator (OSO).

The final contract renewals ended with Gamm and BRPC on June 30, 2021, and required NEMO put out an RFP. The RFP process was completed in April 2021, resulting in the Board approving the awards to Gamm and BRPC again.

However, the new contracts and Notice of Obligations were not finalized and formally in effect until September 2021. Therefore, the two subrecipients were operating without a formal, executed agreement in place from July 1 to September 2021. Per management, they were unable to complete the contract until they could get budget approvals from OWD.

Recommendation: We recommend that agreements are negotiated, signed, and in place before execution of services.

Opportunities

In planning and performing our monitoring, we considered NEMO's financial internal controls and processes for the purpose of performing monitoring procedures, but not for the purpose of expressing an opinion on the effectiveness of internal controls.

During the monitoring, Wipfli identified opportunities for the entity to consider in strengthening internal controls, improving processing efficiencies, or to incorporate best practices. These opportunities do not require a written corrective action plan.

Internal Controls

1. Documenting policies and procedures will help standardize processes and serve as a communication document to train staff/board members and inform auditors and monitors of the financial controls and procedures adopted by the entity, which strengthens internal controls. Wipfli recommends strengthening internal controls by preparing and documenting policies and procedures, and management decisions, for the following (2 CFR 200.303):

Cash Drawdown/Requests

- During testing of cash draws, NEMO provided supporting documentation for all selected cash drawdown request transactions; however, the supporting documentation provided did not document who prepared the cash draw request and if it was reviewed and approved prior to submission into FRS and who prepared, reviewed, and approved the cash drawdown and expenditure reconciliation worksheet. The Contracted Fiscal Manager appears to be solely responsible for preparation and input into the FRS, with no other review or oversight performed.

We recommend the with the new addition of the Contract Fiscal Manger that the Accounting Procedures Manual be reviewed and updated as necessary to describe the actions NEMO now takes to ensure minimize the time between cash draws and payment of expenses.

Additionally, the preparation of the cash draw request should document who was responsible for preparing, and then should be reviewed and approved by the Executive Director and/or another member of management for appropriateness before submission into FRS. And, the reconciliation between the cash drawdown and expenditures should also document who prepared and then be reviewed and approved by a member of management.

Bank Reconciliations

- During testing of bank reconciliations, NEMO provided bank statements and reconciliations for all 12 months of the monitoring period. Reconciled amounts appropriately tied to the general ledger; however, the supporting

documentation provided did not document who prepared the bank reconciliation and if it was reviewed and approved by another member of management or the Board.

We recommend the with the new addition of the Contract Fiscal Manger that the Accounting Procedures Manual be reviewed and updated as necessary to describe the actions NEMO now takes to perform bank reconciliations and who is responsible for reviewing and approving each reconciliation.

Comparison of Expenditures with Budgeted Amounts

- Currently, the financial manual does not specifically address management's and/or the Board's comparison of expenditures with budgeted amounts for each federal award. However, per discussion with SCWIB management and review of documents being sent to the Executive Committee, budget to expenditures is reviewed monthly. As part of day-to-day operations, approval is made for procurements after reference to the budget for fund availability.

Although procedures are being performed, we recommend the Financial Manual be updated to reference how management prepares reports and how management and the board reviews expenditures to budgeted amounts for each Federal Award.

Updating Policies and Procedures

- Per discussion with management, there is no formal policy or procedure for updating policies and procedures. Typically, they monitor OWD issuances for any updates, revisions, etc., review the Local Policy, and make changes as deemed necessary.

With the Executive Director retiring effective June 30, 2022 and the recent procurement for contracted fiscal officer services, we recommend the applicable policies and procedures be updated to document the process for monitoring, updating, reviewing, and approving NEMO's policies and procedures.

Board Oversight and Board Related Items

2. The Uniform Guidance requires non-federal entities to establish and maintain a system of internal control (2 CFR 200.303) and a financial management system that includes records documenting compliance with federal statutes, regulations, and terms and conditions of the award (2 CFR 200.302). Further, the NEMO

board is to provide operational oversight to help develop a quality workforce development system (20 CFR 679.300).

- There was no formalized training performed during the year. Additionally, there is no formalized training plan for the Board.

We recommend providing regular board training, at least annually, that includes training on fraud risks and internal controls. This training should be separate from an orientation training that would be offered to new board members and helps ensure Board members are prepared to carry out and understand their roles and responsibilities. Regular board training will also help members understand the grant regulations, interpret financial results, assess financial stability, understand program outcomes, monitor key strategic results, understand fraud risk and internal controls, and more.

- There is no formalized, annual performance and compensation review of the Executive Director. Rather, the process is performed informally.

We recommend NEMO implements a process to have the Board perform a formal, performance and compensation review of the Executive Director. The review should be documented and noted as being performed part of a closed session during a board meeting.

Timekeeping

1. The Uniform Guidance standards for documentation of personnel expenses (2 CFR 200.430(i)(1)) states that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed and support the distribution of the employee's salary or wage among specific activities or cost objectives if the employee works on more than one federal award.

- During our review, there was no documentation provided to support a summary memo was prepared to document the work performed.

To help ensure the entity's records reflect work performed, we recommend employees include a summary memo or note of work performed for each day, week, or period. This is in addition to the allocation of hours worked among different grants and/or programs (cost objective) to support the

distribution of the employee's salary or wage if the employee works in more than one federal award.

2. As part of NEMO's internal controls, there is a process for the Executive Director to review and approve staff timesheets; however, although it communicated to us that the Board Secretary/Treasurer approves the Executive Director's timesheet, there was no documentation provided to support the statement.

We recommend NEMO consider providing the Executive Director's timesheets to the Board with the board packet. It would not be necessary for the Board to approve the timesheets, as the reporting will take place after payroll has been processed but will provide a review as part of strengthening internal controls.

Property and Inventory Management

3. There was no documentation to support the who is responsible for performing the annual inventory, if the inventory was reconciled to the general ledger, and if the inventory count and reconciliation was reviewed or approved by anyone other than the preparer.

We recommend NEMO implement a procedure to complete and formally document when an inventory of equipment was completed and reconciled to the general ledger.

Documentation should include who was responsible for performing the inventory, the date the inventory was completed, reconciliation to the G/L, and who was responsible for reviewing the preparation and completion of the work.

Management should also consider communicating to the board when the equipment inventory was performed as part of a financial update. The date should include the completion date, additions or dispositions, method of disposal, and if any proceeds were received. If proceeds were received, communicate how it was booked.

Prior Year Corrective Action Status

The prior financial monitoring was conducted in April 2021, with two identified compliance findings and two areas of concern. Based on current year testing, the compliance findings relating to single audit submission to the Federal Audit

Clearinghouse and financial reporting issues are still present and have not been resolved. The two Areas of Concern appears to have been resolved.

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IV. APPENDIX

The entity provided specific documentation throughout the monitoring process, as requested. In general, selected documents reviewed during monitoring include the following, in addition to other documents requested to complete testing:

1. Financial reports, such as trial balances and detail general ledgers
2. Reports, such as obligation reports, financial reports, prior year monitoring report
3. Select policies and procedures – financial
4. Select policies and procedures – human resources/ personnel
5. Bank statements and reconciliations
6. Information regarding the entity's cost allocation method
7. Subrecipient agreements and monitoring records
8. Information regarding employee compensation and payroll transactions
9. Procurement records and disbursement transactions