

**WORKFORCE ESCAROSA, INC.
DBA CAREERSOURCE ESCAROSA**

FINANCIAL STATEMENTS

JUNE 30, 2020

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Workforce Escarosa, Inc. dba CareerSource Escarosa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Workforce Escarosa, Inc. dba CareerSource Escarosa (CareerSource Escarosa) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CareerSource Escarosa's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of CareerSource Escarosa as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 is fairly stated in all material respects in relation to the basic 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 November 24, 2020, on our consideration of CareerSource Escarosa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CareerSource Escarosa's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
November 24, 2020

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

General Information

Management is pleased to offer the following assessment of the operations of CareerSource Escarosa for the fiscal year ended June 30, 2020.

Financial Highlights

The assets of CareerSource Escarosa exceeded its liabilities at June 30, 2020, by \$180,930.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CareerSource Escarosa's basic financial statements. CareerSource Escarosa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of CareerSource Escarosa's finances in a manner similar to private-sector business. The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities.

The statement of net position presents information on all of CareerSource Escarosa's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CareerSource Escarosa is improving or deteriorating.

The statement of activities presents information showing how the organization's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The basic government-wide financial statements can be found on pages 6 – 7 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. CareerSource Escarosa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. CareerSource Escarosa maintains one governmental fund, which is the General Fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating an organization's near-term financing requirements.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Governmental Funds – Continued

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 8 – 111 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 – 19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Schedule of Expenditures of Federal Awards, which can be found on pages 20 – 22 of this report. This schedule lists all Federal grants awarded to CareerSource Escarosa and the related expenditures for the fiscal year ended June 30, 2020.

Government-Wide Financial Analysis

At the end of the current fiscal year, the CareerSource Escarosa is able to report a positive balance in net position. The same situation held true for the prior fiscal year. CareerSource Escarosa's program revenues increased by \$346,000 from 2019 program revenues. The primary cause of this increase was attributed to the increase in funding related to dislocated workers programs.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
Current and other assets	\$ 508,368	\$ 625,880
Capital assets	<u>259,940</u>	<u>-</u>
Total assets	<u>768,308</u>	<u>625,880</u>
LIABILITIES		
Accounts payable, accrued expenses, and unearned revenue	587,378	522,430
Due to DEO	<u>-</u>	<u>77,128</u>
Total liabilities	<u>587,378</u>	<u>599,558</u>
NET POSITION		
Unrestricted	<u>180,930</u>	<u>26,322</u>
TOTAL NET POSITION	<u><u>\$ 180,930</u></u>	<u><u>\$ 26,322</u></u>
	<u>2020</u>	<u>2019</u>
REVENUES		
Program revenues:		
Operating grants and contributions	\$ 5,958,091	\$ 5,612,118
General revenues:		
Other revenue	<u>9,194</u>	<u>2,902</u>
Total revenues	5,967,285	5,615,020
EXPENSES		
Training, retraining, re-adjustment	<u>5,812,677</u>	<u>5,615,020</u>
CHANGE IN NET POSITION	154,608	-
NET POSITION, BEGINNING OF YEAR	<u>26,322</u>	<u>26,322</u>
NET POSITION, END OF YEAR	<u><u>\$ 180,930</u></u>	<u><u>\$ 26,322</u></u>

Capital Assets

CareerSource Escarosa's investment in capital assets for its governmental activities as of September 30, 2020 amounts to \$259,940 (net of accumulated depreciation). This investment in capital assets includes computer equipment, office equipment, furniture and fixtures. The increase in CareerSource Escarosa's governmental activities investment in capital assets for the current fiscal year amounted to \$259,940 or 100% increase, which was due to CareerSource Escarosa's relocation and buildout of its new main career center in Pensacola, Florida.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Request for Information

This report is designed to provide a general overview of CareerSource Escarosa's finances for all those with an interest. Questions concerning any of the information in this report or requests for additional information should be addressed as follows:

CareerSource Escarosa, Inc.
6913 North 9th Avenue
Pensacola, Florida 32505

BASIC FINANCIAL STATEMENTS

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 414,574
Grant and contract receivables	48,053
Prepays	45,741
Capital assets, net of accumulated depreciation	<u>259,940</u>
TOTAL ASSETS	<u>768,308</u>
LIABILITIES	
Accounts payable and accrued expenses	363,632
Unearned revenue	129,143
Deferred lease liability	<u>94,603</u>
TOTAL LIABILITIES	<u>587,378</u>
NET POSITION	
Unrestricted	<u>180,930</u>
TOTAL NET POSITION	<u><u>\$ 180,930</u></u>

See notes to the financial statements.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
FUNCTIONS/PROGRAMS			
Governmental activities:			
Training, retraining and re-adjustment	\$ 5,812,677	\$ 5,958,091	\$ 145,414
General revenues:			
Other			<u>9,194</u>
CHANGE IN NET POSITION			154,608
NET POSITION, BEGINNING OF YEAR			<u>26,322</u>
NET POSITION, END OF YEAR			<u><u>\$ 180,930</u></u>

See notes to the financial statements.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
BALANCE SHEET – GENERAL FUND
JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$ 414,574
Grant and contract receivables	48,053
Prepaid items	<u>45,741</u>

TOTAL ASSETS	<u>\$ 508,368</u>
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LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable and accrued expenses	\$ 295,660
Unearned revenue	<u>129,143</u>

Total liabilities	424,803
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Fund Balance	
Nonspendable	45,741
Unassigned	<u>37,824</u>

Total fund balance	<u>83,565</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 508,368</u>
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See notes to the financial statements.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Fund balance, total governmental funds	\$	83,565
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Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported in the
funds.

Governmental depreciable assets	343,887	
Less: accumulated depreciation	<u>(83,947)</u>	
		259,940

Long-term liabilities are not due and payable in the current
period.

Compensated absences	(67,972)	
Deferred lease liability	<u>(94,603)</u>	
		<u>(162,575)</u>

Net position of governmental activities	\$	<u><u>180,930</u></u>
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See notes to the financial statements.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES

Grants and contracts	\$ 5,958,091
Other revenues	<u>9,194</u>
Total revenues	<u>5,967,285</u>

EXPENDITURES

Current	
Program services	5,228,844
Administrative and general	469,688
Capital outlay	<u>259,940</u>
Total expenditures	<u>5,958,472</u>

NET CHANGE IN FUND BALANCE	8,813
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FUND BALANCE, BEGINNING OF YEAR	<u>74,752</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 83,565</u></u>
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See notes to the financial statements.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balance – governmental funds	\$	8,813
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government-wide financial statements. Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated over the estimated useful lives of the assets.

Expenditures for capital assets		259,940
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	(19,542)	
Change in deferred lease liability	(94,603)	
		(114,145)

Change in net position of governmental activities	\$	154,608
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See notes to the financial statements.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

CareerSource Escarosa was formed in 1996 as a Florida not-for-profit corporation to develop workforce skills to meet current and future demands in Escambia and Santa Rosa Counties. Workforce development prepares individuals for work through secondary and post-secondary education, employer-sponsored training for incumbent workers, and special public programs for the poor and unemployed. CareerSource Escarosa receives its funding from federal and state grants passed primarily through the Florida Department of Economic Opportunity.

The following is a summary of the more significant accounting policies and practices of CareerSource Escarosa, which affect significant elements of the accompanying financial statements:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of CareerSource Escarosa. Governmental activities are normally supported by intergovernmental revenues and other nonexchange transactions.

Reporting Entity

The accounting policies adopted by CareerSource Escarosa conform to accounting principles generally accepted in the United States of America as applied to not-for-profit organizations reporting using the governmental model. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of CareerSource Escarosa (the primary government). There were no entities that required inclusion as a component unit within CareerSource Escarosa's financial statements.

Basis of Presentation

Government-wide financial statements – While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund. Separate financial statements are provided for the governmental fund.

Fund financial statements – The fund financial statements provide information about CareerSource Escarosa's governmental fund:

- The general fund is established to account for resources devoted to financing the general operations of CareerSource Escarosa. All operating resources are recorded in the general fund.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Items not properly included among program revenues are reported as general revenues.

When both restricted and unrestricted resources are available for use, it is CareerSource Escarosa's policy to use restricted resources first, then unrestricted resources as they are needed.

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, CareerSource Escarosa considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. The principal exceptions to this are principal and interest on general long-term debt and compensated absences, which are recorded as expenditures only when payment is due.

CareerSource Escarosa's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets.

Assets, Liabilities, and Net Position or Fund Balance

Deposits and Investments

Cash and cash equivalents include amounts in demand deposits, as well as investments that are readily convertible to known amounts of cash. Investments purchased within three months of maturity are considered to be cash equivalents.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded when consumed rather than when purchased.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Capital Assets

Capital assets acquired by CareerSource Escarosa are considered to be owned by CareerSource Escarosa. However, funding sources may maintain an equitable interest in the capital assets purchased with grant monies, as well as the right to determine the use of any proceeds from the sale of these assets. The Federal Government has a reversionary interest in those assets purchased with its funds, which have a cost of \$5,000 or more and an estimated useful life of at least one year.

Capital assets with a value greater than \$5,000 and an estimated useful life of at least one year are recorded at cost when purchased or at estimated acquisition value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to seven years.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Deferred Lease Liability

In the government-wide financial statements, CareerSource Escarosa recognizes expenses for operating leases containing artificially low payments on a straight-line basis over the term of the lease, creating a long-term liability in the early stages of the lease which reverses over time. In the fund financial statements, CareerSource Escarosa recognizes expenditures for operating leases of all kinds to the extent that amounts are payable with expendable, available financial resources.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Compensated Absences

Eligible employees accrue annual and sick leave at varying rates based upon length of employment. Employees are paid for annual leave not taken at the time their employment ends at their current rate of pay. The maximum amount of annual leave that an employee may accumulate and be paid for is based on the number of years of employment with CareerSource Escarosa. Employees are not paid for unused sick leave.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Compensated Absences – Continued

Annual leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Grant and Contract Receivables

Grant and contract receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with grantors and contractors having outstanding balances and current relationships with them, it has concluded that there is minimal risk of non-collection; therefore, no allowance for doubtful accounts is recorded at year end.

Classification of Fund Balance

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which an Organization is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB Statement No. 54, are comprised of the following:

Non-spendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash; for example, inventories and prepaid items.

Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed – includes amounts that can be used only for the specific purposes determined by a formal action of CareerSource Escarosa's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for CareerSource Escarosa that can, by passing a motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the action remains in place until a similar action is taken to remove or revise the limitation.

Assigned – includes amounts that are intended to be used by CareerSource Escarosa for specific purposes, but do not meet the criteria to be classified as committed. The Board of Directors may also assign fund balance when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Fund Balance/Net Position Flow Assumptions

Sometimes CareerSource Escarosa will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is CareerSource Escarosa's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Unearned Revenue

Revenue recognition is deferred in connection with resources that have been received, but not yet earned. Unearned revenue relates to grant drawdowns made prior to meeting all eligibility requirements.

Revenue and Expenditures/Expenses

Revenue Sources

Generally, revenue is received from the State of Florida, Department of Economic Opportunity and is earned on a cost reimbursement basis.

Expenditure/Expense Allocation

Certain costs are allocated to the various grant programs of CareerSource Escarosa based on several factors including employees' time spent, percentage of direct program expenditures, and client counts. The cost allocations are revised monthly depending on application.

Income Taxes

CareerSource Escarosa is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the accompanying financial statements.

CareerSource Escarosa files income tax returns in the U.S. Federal jurisdiction. CareerSource Escarosa's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Income Taxes – Continued

CareerSource Escarosa reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements of CareerSource Escarosa.

Budget Information

The GASB requires a budgetary information comparison to be presented if the general fund has a legally adopted budget. Management has determined that CareerSource Escarosa is not legally required to adopt a budget by the Department of Economic Opportunity, Florida Statutes, or any federal regulations. Therefore, no budgetary comparison schedule has been presented.

Subsequent Events

CareerSource Escarosa has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 24, 2020, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

2. DEPOSITS

Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, CareerSource Escarosa's deposits may not be returned. At year end, the carrying amount of deposits was \$414,574, and the bank balance was \$470,927. Of the bank balance, \$250,000 was insured up to Federal Deposit Insurance Corporation (FDIC) limits.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

3. CAPITAL ASSETS

Capital activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
CAPITAL ASSETS				
Computer equipment	\$ 10,295	\$ 7,862	\$ -	\$ 18,157
Office equipment	41,375	12,618	-	53,993
Office furniture and fixtures	13,812	239,460	-	253,272
Software	18,465	-	-	18,465
Total capital assets	83,947	259,940	-	343,887
Less accumulated depreciation	(83,947)	-	-	(83,947)
CAPITAL ASSETS, NET	<u>\$ -</u>	<u>\$ 259,940</u>	<u>\$ -</u>	<u>\$ 259,940</u>

Since all assets were fully depreciated or placed in service at the end of the fiscal year, depreciation expense was zero for the year ended June 30, 2020.

4. EMPLOYEE BENEFIT PLAN

CareerSource Escarosa leases its employees from a company which sponsors a 401(k) plan that covers substantially all employees. CareerSource Escarosa's contributions to the plan are discretionary and are based on 2% of eligible employees' annual salaries for 2020. Retirement expense for the year ended June 30, 2020, was \$69,132.

5. RELATED PARTY BALANCES AND TRANSACTIONS

Certain businesses of board members provide services either directly or indirectly to CareerSource Escarosa. The services provided are program, general, and administrative services. A couple of the businesses have WIOA youth contracts with CareerSource Escarosa, while the majority of the other businesses provide tuition and books. The amount paid during the fiscal year was \$844,738, and the amount due as of year-end was \$83,516.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

6. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although CareerSource Escarosa expects such amounts, if any, to be immaterial.

7. OPERATING LEASES

The entity leases office space and equipment under operating leases expiring in 2030. The future minimum rental payments under operating leases having remaining terms in excess of one year as of June 30, 2020, for each of the next five years are:

<u>JUNE 30,</u>	<u>Amount</u>
2021	\$ 365,260
2022	399,524
2023	411,510
2024	387,745
2025	436,571
Thereafter	<u>1,825,034</u>
	<u><u>\$ 3,825,644</u></u>

For the year ended June 30, 2020, rental expenditures under the terms of these leases totaled \$508,004.

In June 2020, CareerSource Escarosa relocated its main career center to Eastgate Plaza in Pensacola, Florida. At the beginning of the lease, approximately \$95,000 of in-kind rent was provided for the period April 1, 2020 through June 30, 2020.

On April 19, 2019, CareerSource Escarosa signed a letter of credit for \$350,000 as part of the requirements for a new lease agreement with VGP Eastgate 1, LLC. The terms of the new lease, effective April 30, 2019, allow the landlord to draw upon the letter of credit up to the amount of the damages in the event of a default. The letter of credit matures in April 2021. As of the date of this report, there have been no draws against the letter of credit.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

8. RISK MANAGEMENT

CareerSource Escarosa is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which CareerSource Escarosa carries commercial insurance. Insurance against losses is provided for the following types of risk:

- Personal Property
- Public Officials' Liability

Amounts of settlements, if any, have not exceeded insurance coverage for the past year.

9. SIGNIFICANT FUNDING SOURCE

CareerSource Escarosa receives a substantial amount of its funding from the United States Department of Labor passed through the State of Florida, Department of Economic Opportunity, and from the United States Department of Health and Human Services passed through the State of Florida, Department of Economic Opportunity. A significant reduction in the level of this funding could have an adverse effect on CareerSource Escarosa's programs and activities.

10. SUBSEQUENT EVENT

The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the Company, its performance and its financial results.

COMPLIANCE SECTION

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Contract Number	Pass-Through to Subrecipients	Expenditures
FEDERAL AWARDS				
U. S. Department of Agriculture				
Passed through State of Florida, Department of Economic Opportunity				
SNAP Cluster				
Supplemental Nutrition Assistance Program	10.561	FSH19	\$ -	\$ 31,600
Supplemental Nutrition Assistance Program	10.561	FSH20	-	74,637
Total SNAP Cluster			-	106,237
U. S. Department of Labor				
Passed through State of Florida, Department of Economic Opportunity				
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207	WPA19	-	2,194
Employment Service/Wagner-Peyser Funded Activities	17.207	WPB17	-	644
Employment Service/Wagner-Peyser Funded Activities	17.207	WPB19	-	7,223
Employment Service/Wagner-Peyser Funded Activities	17.207	WPA20	-	167,229
Employment Service/Wagner-Peyser Funded Activities	17.207	WPB20	-	47,331
Disabled Veterans' Outreach Program (DVOP)	17.801	DVP19	-	18,525
Disabled Veterans' Outreach Program (DVOP)	17.801	DVP20	-	27,478
Local Veteran's Employment Representative Program	17.801	LVR19	-	23,387
Local Veteran's Employment Representative Program	17.801	LVR20	-	21,934
Local Veteran's Employment Representative Program	17.801	DLC19	-	8,900
Local Veteran's Employment Representative Program	17.801	DLC20	-	5,273
Total Employment Service Cluster			-	330,118
Passed through State of Florida, Department of Economic Opportunity				
Unemployment Insurance	17.225	UCB19	-	4,812
Unemployment Insurance	17.225	UCR19	-	76,836
			-	81,648
Trade Adjustment Assistance	17.245	TAC17	-	1,257
Trade Adjustment Assistance	17.245	TAC18	-	337
Trade Adjustment Assistance	17.245	TAT17	-	12,566
Trade Adjustment Assistance	17.245	TAT18	-	3,373
			-	17,533

The accompanying notes are an integral part of this schedule.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Contract Number	Pass-Through to Subrecipients	Expenditures
FEDERAL AWARDS – Continued				
U. S. Department of Labor – Continued				
Passed through State of Florida, Department of Economic Opportunity				
WIOA Cluster				
WIOA Adult Program	17.258	WIA19	\$ -	\$ 345,466
WIOA Adult Program	17.258	WIA20	-	848,236
WIOA Youth Activities	17.259	WIY19	486,918	532,495
WIOA Youth Activities	17.259	WIY20	373,632	414,320
WIOA Dislocated Worker Formula Grants	17.278	WID19	-	810,571
WIOA Dislocated Worker Formula Grants	17.278	WID20	-	399,401
			860,550	3,350,489
WIOA Adult Program	17.258	WIS18	-	78,769
WIOA Youth Activities	17.259	WIS18	-	78,769
WIOA Dislocated Worker Formula Grants	17.278	WIS18	-	96,555
			-	254,093
WIOA Adult Program	17.258	WIS19	-	192,604
WIOA Youth Activities	17.259	WIS19	-	192,604
WIOA Dislocated Worker Formula Grants	17.278	WIS19	-	198,441
			-	583,649
WIOA Adult Program	17.258	WIS20	-	28,058
WIOA Youth Activities	17.259	WIS20	-	28,058
WIOA Dislocated Worker Formula Grants	17.278	WIS20	-	31,565
			-	87,681
WIOA National Dislocated Worker Grant	17.277	WNC20	-	1,484
			-	1,484
Total WIOA Cluster			860,550	4,277,396
U. S. Department of Health and Human Services				
Passed through State of Florida, Department of Economic Opportunity				
Temporary Assistance for Needy Families	93.558	WTS19	-	480,646
Temporary Assistance for Needy Families	93.558	WTS20	-	614,401
			-	1,095,047
TOTAL FEDERAL AWARDS			\$ 860,550	\$ 5,907,979

The accompanying notes are an integral part of this schedule.

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal award activity of CareerSource Escarosa ("CareerSource Escarosa") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Guidance* and *Audits of States, Local Governments and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

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*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

C. DE MINIMIS INDIRECT COST RATE ELECTION

CareerSource Escarosa has elected not to use the 10 percent de minimis indirect cost rate as allowed under *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 Escarosa, Inc. dba CareerSource Escarosa

We have audited, 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, the financial statements of the governmental activities and the General Fund of Workforce Escarosa, Inc. dba CareerSource Escarosa (hereinafter referred to as CareerSource Escarosa) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise CareerSource Escarosa's basic financial statements and have issued our report thereon dated November 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CareerSource Escarosa's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CareerSource Escarosa's internal control. Accordingly, we do not express an opinion on the effectiveness of CareerSource Escarosa's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CareerSource Escarosa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Pensacola, Florida
November 24, 2020

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

To the Board of Directors
Workforce Escarosa, Inc. dba CareerSource Escarosa

Report on Compliance for Each Major Federal Program

We have audited the compliance of Workforce Escarosa, Inc. dba CareerSource Escarosa (hereinafter referred to as CareerSource Escarosa), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement*, that could have a direct and material effect on each of CareerSource Escarosa's major federal programs for the year ended June 30, 2020. CareerSource Escarosa's major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CareerSource Escarosa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the special audit guidance provided by the State of Florida Department of Economic Opportunity; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CareerSource Escarosa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of CareerSource Escarosa's compliance with those requirements.

Basis for Qualified Opinion on WIOA Cluster

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of CareerSource Escarosa with the WIOA Cluster as described in finding number 2020-001 for Eligibility, consequently we were unable to determine whether CareerSource Escarosa complied with those requirements applicable to that program.

Qualified Opinion on WIOA Cluster

In our opinion, except for those possible effects of the matter described in the Basis for Qualified Opinion paragraph, CareerSource Escarosa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the WIOA Cluster for the year ended June 30, 2020.

Unmodified Opinion on the Other Major Federal Program

In our opinion, CareerSource Escarosa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

Other Matters

CareerSource Escarosa's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. CareerSource Escarosa's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of CareerSource Escarosa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CareerSource Escarosa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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.

Report on Internal Control over Compliance – Continued

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a material weakness.

CareerSource Escarosa's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. CareerSource Escarosa's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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 other purpose.

Warren Averett, LLC

Pensacola, Florida
November 24, 2020

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- | | | | | |
|--|-------|-----|----------------------|---------------|
| • Material weakness(es) identified? | _____ | Yes | _____ <u>X</u> _____ | No |
| • Significant deficiency(ies) identified that is/are not considered to be material weaknesses? | _____ | Yes | _____ <u>X</u> _____ | None Reported |
| Noncompliance material to financial statements noted? | _____ | Yes | _____ <u>X</u> _____ | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|--|----------------------|-----|----------------------|---------------|
| • Material weakness(es) identified? | _____ <u>X</u> _____ | Yes | _____ | No |
| • Significant deficiency(ies) identified that is/are not considered to be material weaknesses? | _____ | Yes | _____ <u>X</u> _____ | None Reported |

Type of auditors' report issued on compliance for major programs:

Federal Agency and Name of Major Program	Type of Opinion on Major Program
US Department of Labor / WIOA Cluster	Qualified
US Department of Health and Human Services / TANF	Unmodified
• Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ <u>X</u> _____ Yes _____ No

Identification of major projects:

CFDA Number/ Name of Federal Program or Cluster	Federal CFDA Number
WIOA Cluster	17.258 / 17.259 / 17.277 / 17.278
TANF	93.558
Dollar threshold used to distinguish between type A and type B programs for federal awards?	<u>\$750,000</u>
Auditee qualified as low-risk auditee for federal awards?	_____ <u>X</u> _____ Yes _____ No

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

B. FINANCIAL STATEMENT FINDINGS

There were no findings, which were required to be reported in accordance with government auditing standards generally accepted in the United States of America.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2020-001

U.S. Department of Labor

Passed through State of Florida, Department of Economic Opportunity

WIOA Cluster

Criteria

20 CFR 680.600 states that priority for individualized career services and training services funded with Title I adult funds must be given to recipients of public assistance, other low-income individuals, and individuals who are basic skills deficient in the local area.

Condition

Evidence of preference being given to low-income individuals in the on-the-job ("OJT") program could not be provided.

Cause

The CareerSource Escarosa policy was modified to remove the income eligibility guidelines for participation in the OJT program.

Effect

Lack of documentation prevents CareerSource Escarosa from evidencing compliance with 20 CFR. 680.600.

Questioned Costs

Undeterminable

Context

Of the 40 files tested, 8 files did not contain documentation to support the low-income determination for participants in the OJT program.

Recommendation

CareerSource Escarosa should obtain income verification documentation for all program participants and evidence of preference being given to low-income individuals should be retained.

Views of Responsible Officials and Planned Corrective Actions

See auditee prepared Summary of Prior Audit Findings and Corrective Action Plan.

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

**D. STATE OF FLORIDA, DEPARTMENT OF ECONOMIC OPPORTUNITY REPORTING
REQUIREMENTS**

CareerSource Escarosa performed timely reconciliations between the general ledger accounting system and Subrecipient Enterprise Resource Application.



**SUMMARY OF PRIOR YEAR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

A. SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings for the year ended June 30, 2019.

B. CORRECTIVE ACTION PLAN

Finding 2020-001

During CareerSource Escarosa's ("CSE") FY20 financial audit, 8 OJT participant files were found to be deficient of the required income eligibility documentation. This finding is related to a modification made in July of 2019 as CSE's local operating procedure was changed due to misinterpreting WIOA requirements for program eligibility. The local procedural change caused CSE eligibility personnel to cease collecting income eligibility information to determine if a candidate was suitable to participate in the OJT program. CSE's review by DEO and an external auditor determined that eligibility for OJT must include income for OJT contracts to be in compliance with WIOA law, TEGL 19-16.

CSE has since updated all WIOA operating procedures to identify income eligibility as a requirement for OJT participation. CSE also provided guidance to all eligibility personnel that the income verification is required for eligibility and must be verified and documented in each participant's electronic and/or paper file. Income must be verified to be at 200% or below the LLSIL or dislocated worker status.

For PY 19/20 and PY 20/21, all OJT participants were reviewed to determine if they were income eligible at the time of participation with documentation being added to their case files to mitigate future audit/review findings. All 8 of the OJT participant files identified during that audit in the finding were verified to meet income eligibility via SUNTAX as of November 19, 2020.