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Central/Western Maine Workforce Investment Board

June 30, 2010

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Independent Auditors' Report

**To the Members of the Local Workforce Investment Board and
Chief Local Elected Officials
Central/Western Maine Workforce Investment Board
Lewiston, Maine**

We have audited the accompanying statement of financial position of Central/Western Maine Workforce Investment Board (a quasi-government and nonprofit corporation) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central/Western Maine Workforce Investment Board as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2011, on our consideration of Central/Western Maine Workforce Investment Board'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of program activities is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements of the Board. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Professional Association

Portland, Maine
March 30, 2011

Statement of Financial Position

Central/Western Maine Workforce Investment Board

As of June 30, 2010

Current Assets

Cash and cash equivalents	\$	57,614
Grants receivable		404,846
Prepaid expenses		3,971

Total Current Assets \$ 466,431

Current Liabilities

Accounts payable	\$	412,696
Accrued expenses		30,795

Total Current Liabilities 443,491

Net Assets

Unrestricted		22,940
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Total Net Assets 22,940

Total Liabilities and Net Assets \$ 466,431

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See accompanying independent auditors' report and notes to financial statements.

Statement of Activities

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

Revenues and Other Support

Grants and contracts	\$ 4,766,598
Other income	<u>5,000</u>
Total Revenues and Other Support	4,771,598

Expenses

Service provider expense	4,364,636
Salaries and benefits	299,466
Administration and miscellaneous	53,960
Rent and occupancy	23,970
Travel	21,330
Professional fees	<u>19,445</u>
Total Expenses	<u>4,782,806</u>

Decrease in Net Assets (11,208)

Net assets at beginning of year 34,148

Net Assets at End of Year \$ 22,940

See accompanying independent auditors' report and notes to financial statements.

Statement of Cash Flows

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

Operating Activities

Decrease in net assets	\$ (11,208)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
(Increase) Decrease in operating assets:	
Grants receivable	(255,514)
Prepaid expenses	(2,280)
Increase (Decrease) in operating liabilities:	
Accounts payable	261,200
Accrued expenses	10,884
Net Cash Provided by Operating Activities	<u>3,082</u>

Financing Activities

Proceeds from line of credit	158,087
Repayment of line of credit	<u>(158,087)</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>

	Increase in Cash	3,082
Cash at beginning of year		<u>54,532</u>
	Cash at End of Year	<u>\$ 57,614</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest	<u>\$ 1,776</u>
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See accompanying independent auditors' report and notes to financial statements.

Notes to Financial Statements

Central/Western Maine Workforce Investment Board

Note A - Summary of Significant Accounting Policies

Nature of Organization

Central/Western Maine Workforce Investment Board (the “Board”) is a quasi-governmental body established under the federal Workforce Investment Act of 1998 (the “Act”). Its purpose is to support and enhance employment and training services for the workforces of Oxford, Franklin, Somerset, Androscoggin, and Kennebec counties.

The Board is composed of two governance bodies: the Chief Local Elected Officials (CLEO) and the Local Workforce Investment Board (LWIB). By federal and state law, CLEO is made up of the county commissioners for Oxford, Franklin, Somerset, Androscoggin, and Kennebec counties. CLEO in turn appoints members of the community to LWIB in accordance with the Act.

Both CLEO and LWIB share governance of the Board. Under the Act, CLEO is the body legally charged with grant funds and is responsible for their use. Nevertheless, as representatives of the community, LWIB retains ultimate budgetary and programmatic oversight.

In 2003 the Board incorporated a Maine non-profit corporation (the “501(c)(3)”) to act as the Board’s operational agent. The 501(c)(3) shares the Board’s name as well as common management and governance. See Note H for a subsequent event regarding the 501(c)(3).

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements include a statement of financial position, a statement of activities, and a statement of cash flow. The Board is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted - Represents those resources that have no donor-imposed restrictions, neither permanently nor temporarily, and can be used for any purpose designated by the Board’s governing board.

Temporarily Restricted - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Board pursuant to those stipulations.

Notes to Financial Statements - Continued

Central/Western Maine Workforce Investment Board

Note A - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

Permanently Restricted - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Board.

Contributions and Donated Assets

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date received.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents

The Board considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. The Board maintains cash and cash equivalents with banks, which at times may exceed federally insured limits. As of June 30, 2010, the Board's cash balances were fully insured. The Board has not experienced any losses in such accounts.

Grants Receivable

Grants receivable consists primarily of amounts due from federal and state grants. The Board expects to collect the grant amounts in full; therefore, no allowance for doubtful accounts has been established for grants as of June 30, 2010.

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value if contributed. The Board's policy is to capitalize acquisitions and major improvements with a cost of \$5,000 or more and to expense repair and maintenance costs that do not extend the useful lives of the assets. Depreciation expense is calculated utilizing the straight-line method based on the estimated useful lives of the depreciable assets. No property plant or equipment existed on June 30, 2010 and no depreciation expense was recorded for the year ended June 30, 2010.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported revenues, support and expenses. Actual results could vary from the estimates used.

Notes to Financial Statements - Continued

Central/Western Maine Workforce Investment Board

Note B - Line of Credit

The Board has an available line of credit of \$100,000, which bears interest at the Prime Rate plus 2%. The Prime Rate at June 30, 2010 was 3.25%. There was no outstanding balance as of June 30, 2010 and the line of credit matured on October 5, 2010.

Note C - Tax Deferred Annuity Plan

The Board has entered into a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan provides for matching contributions, outlined in the plan document, based on employee participation. Employees are fully vested upon entering the plan. The plan expense for the year ended June 30, 2010 was \$9,900.

Note D - Functional Expense Classification

Expenses by function for the year ended June 30, 2010 were as follows:

Program Services	\$ 4,409,556
Supporting Services:	
Fundraising	---
Management and general	<u>373,250</u>
Total Statement of Activities	<u>\$ 4,782,806</u>

Note E - Income Taxes

The 501(c)(3) qualifies as an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The 501(c)(3) has also received income tax exempt status in the State of Maine and files a Form 990 tax return in the U.S. federal jurisdiction and a copy with the State of Maine. With few exceptions, the 501(c)(3) is no longer subject to U.S. federal or Maine income tax examinations by tax authorities for years before 2006 due to the statute of limitations.

The Board and the 501(c)(3) have adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Income Taxes. Management believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Notes to Financial Statements - Continued

Central/Western Maine Workforce Investment Board

Note F - Concentration Risk

Substantially all of the Board's revenue for the year ended June 30, 2010 came from federal grants as passed through the State of Maine and substantially all of the Board's grants receivable are from the State of Maine as of June 30, 2010.

Substantially all of the Board's service provider expenses for the year ended June 30, 2010 were with two vendors and approximately 85% of the Board's accounts payable are with these two vendors as of June 30, 2010.

Note G - Contingent Liability

Financial awards from federal and state governments are subject to compliance requirements. Failure to adhere to such requirements could result in claims against the Board for disallowed costs or noncompliance with grant restrictions. No provision has been made for any liabilities that may arise from such noncompliance since the amounts, if any, cannot be determined at this date.

Note H - Subsequent Events

On October 5, 2010 the Board closed the line of credit mentioned in Note B.

Subsequent to year-end the Board ceased using the 501(c)(3) as its operational agent. On December 2, 2010, the name of the 501(c)(3) was changed to Central/Western Maine Workforce Initiatives in order to separate its business purpose from the Board's. The Board and Central/Western Maine Workforce Initiatives will continue to share management and governance.

Management has made an evaluation of subsequent events to and including March 30, 2011, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

Schedule of Program Activities

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

Funding source	Maine Department of Labor		Maine Department of Labor		Maine Department of Labor	
	CT-12A-2007-01081	2009063*7526	20090612*7057	U019G1106176	20081029*2984	20080724*0626
Agreement #						
Agreement Total		\$ 2,794,943	\$ 2,704,681	\$ 231,848	\$ 145,718	\$ 266,252
Agreement Term	7/1/2007 - 6/30/2009	7/1/2009 - 6/30/2011	4/1/2009 - 6/30/2011	10/1/2006 -	10/1/2008 - 9/30/2010	4/1/2008 - 3/31/2010
Basis of Settlement	Cost	Cost	Cost	Cost	Cost	Cost
Program	WIA	WIA	WIA-ARRA	WIRED	NEG Manufactured Housing	NEG San Antonio Shoe
Revenues						
Grants and contracts - Federal	\$ 614,179	\$ 1,899,399	\$ 1,628,386	\$ 70,085	\$ 61,678	\$ 98,524
Grants and contracts - State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	614,179	1,899,399	1,628,386	70,085	61,678	98,524
Expenditures						
Service provider expense	525,928	1,759,567	1,523,081	-	66,595	97,244
Salaries and benefits	58,070	129,172	59,350	32,442	1,056	1,949
Administration and miscellaneous	10,166	12,979	17,730	85	-	-
Rent and occupancy	7,315	5,738	7,384	1,622	130	130
Travel	8,526	3,751	2,393	4,267	-	127
Professional fees	3,285	11,375	4,785	-	-	-
Total Expenditures	613,289	1,922,582	1,614,723	38,416	67,782	99,450
Revenues Over (Under) Expenditures	\$ 890	\$ (23,183)	\$ 13,663	\$ 31,669	\$ (6,104)	\$ (926)

See accompanying independent auditors' report.

Schedule of Program Activities

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

Funding source	Maine Department of Labor	Maine Department of Labor	Coastal Counties Workforce, Inc.	Maine Department of Labor	Maine Department of Labor	Maine Department of Labor
Agreement #	20090519*6252	2008080088*1088	PY08-AREA3-01	12A20090914*1738	12A20091116*2952	
Agreement Total	\$ 248,732	\$ 23,065	\$ 7,000	\$ 309,266	\$ 316,211	
Agreement Term	2/17/2009 - 2/16/2011	4/1/2009 - 12/31/2009	4/1/2010 -	7/1/2009 - 6/30/2011	7/1/2009 - 6/30/2011	
Basis of Settlement	Cost	Cost	Cost	Cost	Cost	Cost
Program	NEG Wausau	New Mainers	NEG Prime Tanning	NEG Formed Fiber	NEG New Page	NEG GE Security
Revenues						
Grants and contracts - Federal	\$ 156,865	\$ (19,410)	\$ 393	\$ 93,904	\$ 43,887	\$ 39,368
Grants and contracts - State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>156,865</u>	<u>(19,410)</u>	<u>393</u>	<u>93,904</u>	<u>43,887</u>	<u>39,368</u>
Expenditures						
Service provider expense	150,693	10,800	393	83,097	53,453	36,893
Salaries and benefits	2,963	-	-	714	1,198	1,245
Administration and miscellaneous	-	-	-	-	-	-
Rent and occupancy	130	-	-	-	-	-
Travel	36	-	-	-	81	171
Professional fees	-	-	-	-	-	-
Total Expenditures	<u>153,823</u>	<u>10,800</u>	<u>393</u>	<u>83,811</u>	<u>54,732</u>	<u>38,308</u>
Revenues Over (Under) Expenditures	<u>\$ 3,042</u>	<u>\$ (30,210)</u>	<u>\$ -</u>	<u>\$ 10,093</u>	<u>\$ (10,845)</u>	<u>\$ 1,060</u>

See accompanying independent auditors' report.

Schedule of Program Activities

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

Funding source	<table border="1"> <tr> <td>Maine Department of Labor</td> <td>Maine Department of Labor</td> <td>Coastal Counties Workforce Inc.</td> </tr> <tr> <td>CT-12A-2009012*1070</td> <td>CT-12A-20090423*5646</td> <td>PY09-AREA3-01</td> </tr> <tr> <td>\$ 69,220</td> <td>\$ 43,090</td> <td>\$ 130,500</td> </tr> <tr> <td>7/1/2009 - 6/30/2010</td> <td>3/1/2009 - 3/31/2010</td> <td>10/1/2009 - 8/16/2012</td> </tr> <tr> <td>Cost</td> <td>Cost</td> <td>Cost</td> </tr> </table>			Maine Department of Labor	Maine Department of Labor	Coastal Counties Workforce Inc.	CT-12A-2009012*1070	CT-12A-20090423*5646	PY09-AREA3-01	\$ 69,220	\$ 43,090	\$ 130,500	7/1/2009 - 6/30/2010	3/1/2009 - 3/31/2010	10/1/2009 - 8/16/2012	Cost	Cost	Cost				
	Maine Department of Labor	Maine Department of Labor	Coastal Counties Workforce Inc.																			
CT-12A-2009012*1070	CT-12A-20090423*5646	PY09-AREA3-01																				
\$ 69,220	\$ 43,090	\$ 130,500																				
7/1/2009 - 6/30/2010	3/1/2009 - 3/31/2010	10/1/2009 - 8/16/2012																				
Cost	Cost	Cost																				
Program	Career Center	Incentives Grant	Aging Worker Initiative	Miscellaneous	Total																	
Revenues																						
Grants and contracts - Federal	\$ -	\$ -	\$ 18,945	\$ -	\$ 4,706,203																	
Grants and contracts - State	43,578	19,318	-	(2,501)	60,395																	
Other	-	-	-	5,000	5,000																	
Total Revenues	43,578	19,318	18,945	2,499	4,771,598																	
Expenditures																						
Service provider expense	43,578	13,314	-	-	4,364,636																	
Salaries and benefits	-	-	9,988	1,318	299,466																	
Administration and miscellaneous	-	5,561	4,768	2,671	53,960																	
Rent and occupancy	-	-	-	1,520	23,970																	
Travel	-	810	934	236	21,330																	
Professional fees	-	-	-	-	19,445																	
Total Expenditures	43,578	19,685	15,689	5,745	4,782,807																	
Revenues Over (Under) Expenditures	\$ -	\$ (367)	\$ 3,256	\$ (3,246)	\$ (11,209)																	

See accompanying independent auditors' report.

Schedule of Expenditures of Federal Awards

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Grantors' Number	Federal Revenue	Total Expenses
Total Federal Financial Assistance			\$ -	\$ -

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See accompanying independent auditors' report.

Notes to Schedule of Expenditures of Federal Awards

Central/Western Maine Workforce Investment Board

June 30, 2010

1. **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Central/Western Maine Workforce Investment Board. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the schedule.

2. **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. **Major Program - Federal**

The following programs were considered major as defined by OMB Circular A-133:

Program

CFDA #

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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 Members of the Local Workforce Investment Board and
Chief Local Elected Officials
Central/Western Maine Workforce Investment Board
Lewiston, Maine**

We have audited the financial statements of Central/Western Maine Workforce Investment Board (a quasi-government and nonprofit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated March 30, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Central/Western Maine Workforce Investment Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central/Western Maine Workforce Investment Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs under items 2010-1 to 2010-7 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs under items 2010-8 to 2010-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central/Western Maine Workforce Investment Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-2 and 2010-12 to 2010-14.

Central/Western Maine Workforce Investment Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Central/Western Maine Workforce Investment Board's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the members of the Local Workforce Investment Board and Chief Local Elected Officials, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Professional Association

**Portland, Maine
March 30, 2011**

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

**To the Members of the Local Workforce Investment Board and
Chief Local Elected Officials
Central/Western Maine Workforce Investment Board
Lewiston, Maine**

Compliance

We have audited Central/Western Maine Workforce Investment Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Central/Western Maine Workforce Investment Board's major federal programs for the year ended June 30, 2010. Central/Western Maine Workforce Investment Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Central/Western Maine Workforce Investment Board's management. Our responsibility is to express an opinion on Central/Western Maine Workforce Investment Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Central/Western Maine Workforce Investment Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Central/Western Maine Workforce Investment Board's compliance with those requirements.

As described in item 2010-14 in the accompanying schedule of findings and questioned costs, Central/Western Maine Workforce Investment Board did not comply with requirements regarding XXX that are applicable to its XXX. Compliance with such requirements is necessary, in our opinion, for Central/Western Maine Workforce Investment Board to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Central/Western Maine Workforce Investment Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-12 to 2010-13.

Internal Control Over Compliance

Management of Central/Western Maine Workforce Investment Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Central/Western Maine Workforce Investment Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Central/Western Maine Workforce Investment 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items XXX to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items XXX to be significant deficiencies.

Central/Western Maine Workforce Investment Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Central/Western Maine Workforce Investment Board's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the members of the Local Workforce Investment Board and Chief Local Elected Officials, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Professional Association

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Portland, Maine
March 30, 2011

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Central/Western Maine Workforce Investment Board.
2. Material weaknesses and significant deficiencies relating to the audit of the financial statements are reported in the accompanying Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Noncompliance material to the financial statements of the Central/Western Maine Workforce Investment Board is reported in the accompanying Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. Material weaknesses and significant deficiencies relating to the audit of the major federal award programs are reported in the accompanying Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for the Central/Western Maine Workforce Investment Board expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the Central/Western Maine Workforce Investment Board are reported in Part C of this Schedule.

7. The programs tested as major were:

Program

CFDA #

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Central/Western Maine Workforce Investment Board was not determined to be a low-risk auditee.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

B. FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

2010-1 Segregation of Duties

Condition and Context: During our consideration of internal control, we noted the assignment of responsibilities to the Board's accounting staff did not provide an optimum segregation of duties.

Criteria: Controls are most effective when two different individuals are assigned the responsibility of authorizing transactions, recording transactions, and maintaining the custody of assets.

Cause: During the year ended June 30, 2010, one person performed two or more of these functions in the normal course of performing their duties. The same person issued purchase orders, recorded receipts and disbursements, signed checks, deposited funds in the bank account, reconciled bank statements, and prepared financial reports.

Effect: Errors, omissions, and irregularities may be present and go undetected by management.

Recommendation: We recommend the Board consider modifying responsibilities concerning financial affairs of the Board to provide optimum segregation of duties as well as implementing oversight and independent review functions.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-2 Lack of Controls to Safeguard Federal Assets

Condition and Context: While performing its review of the Board's activities, the United States Department of Labor noted a loan to a member of the accounting staff which was not in accordance with OMB Circular A-87.

Criteria: Employee loans are not permitted by federal regulations, namely OMB Circular A-87.

Cause: The loan in question was issued by circumventing existing controls on disbursements. No documentation, such as a promissory note or other acknowledgement of debt, existed.

Effect: Without proper documentation and approval, it is possible for loans to employees to cause misunderstandings, especially for employees with accounting or oversight functions.

Recommendation: We recommend the Board thoroughly review controls over financial transactions as well as the process in place for the approval of disbursements. A policy prohibiting employee loans should be established and documented.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-3 Lack of Documentation to Support Expenditures

Condition and Context: While performing its review of the Board's activities, the United States Department of Labor noted instances where corroborative documentation was not available to support the reasonableness of certain expenditures. During our audit, we noted additional instances where corroborative documentation, such as invoices or receipts, was not available to support expenditures.

Criteria: One of the responsibilities for maintaining a system of internal control includes maintenance of records to provide an audit trail to support the balances recorded in the accounting records.

Cause: The Department of Labor questioned the reasonableness of a contract and documentation did not exist for the decision-making process leading to the signing of the contract. In addition, we noted several credit card transactions for which invoices or receipts could not be located.

Effect: Supporting documentation aids in providing assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements.

Recommendation: We recommend that all supporting documentation, such as original invoices or receipts and banking source documents, be maintained and systematically filed in the Board's office.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-4 Lack of Proper Approval for Expenditures

Condition and Context: While performing its review of the Board's activities, the United States Department of Labor noted instances where expenditures for CLEO and LWIB members were not approved in accordance with written policy. During our audit, we noted additional expenditures that lacked documented approval.

Criteria: The approval of expenditures before payment is an integral component of a system of internal control.

Cause: Invoices and other documentation lacked notation of approval. Moreover, documentation of the approval of expenditures for CLEO and LWIB members was not available.

Effect: Management approval of expenditures ensures that only valid and approved expenditures are paid. Failure to document approval could allow the payment of incorrect expenditures.

Recommendation: We recommend that the Board's management document its approval of expenditures before payment is made on the expense documentation itself or on a separate form attached to the documentation.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-5 Lack of Review by those Charged with Governance

Condition and Context: While performing its review of the Board's activities, the United States Department of Labor noted that the body charged with ultimate budgetary oversight, the LWIB, is not receiving timely financial information to discharge its responsibilities in managing the operations of the Board. During our audit, we noted that LWIB met infrequently and did not have ultimate financial oversight.

Criteria: Review and monitoring procedures are an integral part of internal control.

Cause: Timely financial information is not being provided to the LWIB for their review and approval.

Effect: Lack of review by those charged with governance could allow financial irregularities to go undetected.

Recommendation: Each month the LWIB, or officials designated from that body, should review the bank statements, bank reconciliations, and financial reports, including a statement of financial position, a year-to-date statement of activities with budgetary comparisons, and a statement of cash flows.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-6 Bank Reconciliations

Condition and Context: During our audit we noted inconsistencies in the bank reconciliation process.

Criteria: Periodic bank account reconciliations are an internal control procedure which should be in place.

Cause: Bank reconciliations performed during months before December 2009 had discrepancies in the listing of outstanding checks which prevented the bank accounts from being properly reconciled during those months.

Effect: Without performing the bank reconciliation correctly, mispostings or other irregularities may be present and go undetected by management.

Recommendation: We recommend the Board implement periodic bank reconciliation control procedures. We also recommend routine review and approval of the reconciliation.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-7 Cut-off of Accounts Payable and Accounts Receivable

Condition and Context: During our audit, we noted that not all revenue was recorded when services had been provided and not all expenditures were recorded when the Board had received the services of vendors.

Criteria: Accrual accounting requires that revenue is recorded when earned and expenditures are recorded when incurred. For the Board, as a pass-through entity, this would require revenue as well as expenditures to be recorded when its service providers had performed their contracted work. Accounts receivable and accounts payable at year-end should therefore include all amounts for transactions that occurred during the year.

Cause: Most of the Board's activities relate to paying service providers using federal grants passed through the State of Maine. The Board's requests for payment from the State of Maine are based upon vendors' requests for payment from the Board. Such a transaction stream causes a time lag in the recording of revenue and expenses. The importance of year-end cut-off had not been imparted to the Board's management.

Effect: Accounts receivable and accounts payable were materially misstated.

Recommendation: We recommend that the Board's management review the dates services are performed and received in order to ensure all amounts are recorded as accounts receivable and accounts payable when appropriate.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-8 Compensated Absences Policy Documentation is Inconsistent

Condition and Context: While performing its review of the Board's activities, the United States Department of Labor noted that the Board's application of sick and vacation leave was inconsistent. The vesting policy was ambiguous.

Criteria: Personnel policies should be documented and adhered to.

Cause: The vesting policy had not been properly established.

Effect: Without adhering to documented policies, the actual costs for compensated absences may not be recorded correctly. Disagreements or misunderstandings with departing employees may occur.

Recommendation: The Board should ensure that accounting and financial policies conform to its personnel policies and update them accordingly.

Management's Response:

XXX.

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Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-9 Lack of Debt Collection Policy

Condition and Context: While performing its review of the Board's activities, the United States Department of Labor noted that the Board's internal control document lacked a policy concerning the collection of debts.

Criteria: The Board should have a policy specifying the procedures in place for the collection of amounts owed to it.

Cause: The Board lacked a policy on the collection of debts.

Effect: The existence of a debt collection policy provides a series of steps for management and accounting staff to follow to ensure all amounts owed to the Board are received.

Recommendation: We recommend that the Board adopt a debt collection policy and include it in its internal control documentation.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-10 Lack of Payroll Documentation

Condition and Context: During our audit, we noted certain pay rate documentation was not maintained for employees. In addition, we noted one instance in which a Form I-9 as required by the United States Department of Homeland Security was not on file.

Criteria: Personnel files should contain an up-to-date pay rate authorization, Forms I-9, and other required documents.

Cause: Certain employee files lacked pay rate authorization documentation and others had documentation that was significantly out-of-date. One file lacked a Form I-9.

Effect: Without proper documentation to support each employee's current pay rate, misunderstandings can arise. Disputes concerning pay rates may be difficult to resolve. Failure to maintain a Form I-9 for each employee could result in penalties.

Recommendation: We recommend that the Board develop a formal pay rate authorization form to be maintained in each employee's personnel file. The form should be updated annually (or as pay rates change) and signed and dated by a responsible member of management. We also recommend that a Form I-9 be kept for each employee.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-11 Lack of Approval for Journal Entries

Condition and Context: During our audit we noted that non-routine journal entries lacked documented approval by a manager.

Criteria: The approval of entries to the accounting records is a core management function.

Cause: Non-routine journal entries lacked notation of approval by a manager, such as the Executive Director.

Effect: Management approval of non-routine journal entries ensures only valid and approved entries are made to the accounting records. Failure to document approval could allow the recording of incorrect entries.

Recommendation: We recommend that the Board's management document its approval of general journal entries on the documentation supporting the entry or on a separate form attached to the documentation.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-12 Procurement Procedures not Consistent with Federal Requirements

Condition and Context: While performing its review of the Board's activities, the United States Department of Labor noted that the Board did not perform a free and open competition for the provision of peer support services, subrecipient monitoring services, report preparation services, and youth services from certain vendors.

Criteria: Federal regulation 29 CFR 95.43 requires a free and open competition for the procurement of goods and services involving federal funds. Procurement requirements are further set forth in the Financial Systems Manual, Section K from the State of Maine Department of Labor.

Cause: Evidence of a free and open competition was not available.

Effect: Failure to comply with laws and regulations surrounding procurement could jeopardize the Board's funding.

Recommendation: We recommend that the Board thoroughly review its procurement procedures and align them with federal and State requirements.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

2010-13 Organizational Structure not in Compliance with the Workforce Investment Act

Condition and Context: While performing its review of the Board's activities, the United States Department of Labor noted that the Board's Executive Director did not have a reporting obligation to the body having ultimate fiscal and budgetary oversight over the organization (the Local Workforce Investment Board, or LWIB). The Department of Labor also noted that the LWIB was improperly constituted and had improperly transferred its powers to the Chief Local Elected Officials (CLEO).

Criteria: The Board is an unincorporated entity established by and governed under the federal Workforce Investment Act of 1998 (the "Act"). The Board is composed of two governance bodies: CLEO and LWIB. Both CLEO and LWIB share governance of the Board. Under the Act, CLEO is the body legally charged with grant funds and is responsible for their use. Nevertheless, as representatives of the community, LWIB retains ultimate budgetary and programmatic oversight.

Cause: The Executive Director was responsible for reporting to CLEO and not to LWIB as required by the Act. Moreover, LWIB's membership did not conform to the Act and its powers had been improperly delegated to CLEO.

Effect: Failure to comply with the Act could recognize in de-recognition of the Board by the United States Department of Labor.

Recommendation: We recommend that the Board thoroughly review its organizational structure and reform its policies to place it in compliance with the Workforce Investment Act of 1998.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2010-14 Subrecipient Monitoring not Performed

Condition and Context: During the course of our audit we noted that the Board did not monitor the performance of its subrecipients in accordance with federal regulations.

Criteria: United States law 31 USC 7502(f)(2)(B), OMB Circular A-133, A-102 Common Rule, OMB Circular A-110, Section 1512(h) of the American Recovery and Reinvestment Act of 2009, and other federal laws and regulations require recipients of federal funds to monitor their subrecipient's fiscal management and compliance with federal laws and regulations.

Cause: Subrecipient monitoring was not performed.

Effect: Failure to comply with laws and regulations could jeopardize the Board's funding.

Recommendation: We recommend that the Board implement procedures to monitor its subrecipients.

Management's Response:

XXX.

Schedule of Findings and Questioned Costs - Continued

Central/Western Maine Workforce Investment Board

For the Year Ended June 30, 2010

D. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Item 2009-1

Condition: Various amounts of travel were not reasonable and were not approved by the board.

Recommendation: The prior auditor recommended that the amount of the disallowed costs needed to be reimbursed to Central/Western Maine Workforce Investment Board and that the policy needed to be followed from then on.

Questioned costs: \$854.73 in travel reimbursements.

Current status: The CLEO member returned the \$854.73 in reimbursements and the amount was refunded to the State of Maine. Nevertheless, as described in finding 2010-4, the approval policy has not been adhered to.

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