



North Central Texas Council of Governments

September 26, 2022

Ms. Juanita Budd
Project Director
Equus Workforce Solutions
624 Six Flags Drive, Suite 245
Arlington, TX 76011

Dear Ms. Budd:

The North Central Texas Council of Governments has completed its FY2022 Fiscal Integrity Review of Equus Workforce Solutions in accordance with §12 Bonding Requirements, §13 Insurance Requirements, §16.9 Monitoring, Audits, and Evaluations of contracts FY22-TWC-01, and FY22-TWC-02, Financial Manual for Grants and Contracts, Insurance, Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter B, Rule §802.21 Board Contracting Guidelines, a) Fiscal Integrity Provisions, and 2 CFR 200 Uniform Guidance.

The fiscal results reflected for the FY2022 Fiscal Integrity Review further support the contract period October 1, 2021, through September 30, 2022. This review report covers Equus operations underway during January 1 - December 31, 2021 (Equus's FY21).

The documentation provided for bond and insurance coverage is determined to be acceptable. Based on performance of the FY2022 Fiscal Integrity Review for Equus Workforce Solutions for fiscal year January 1 through December 31, 2021, the Single Audit reporting package "Information and Report of Independent Auditors on the Schedule of Expenditures of Federal Awards" is deemed Pass.

Fiscal Monitoring appreciates Equus's efforts to comply with Uniform Guidance and Single Audit Act requirements, as well as the cooperation and assistance received from Equus employees during the execution of these contracts. If you have any questions, please contact Fatima Parsons at (817) 704-5671.

Sincerely,

Phedra Redifer
Executive Director of Workforce Development

cc: **North Central Texas Workforce Development Board**
Carlton Tidwell, Chairman, Oversight and Accountability

cc: **North Central Texas Council of Governments**
Molly Rendon, Director of Administration
Randy Richardson, Assistant Director of Finance
Debra Kosarek, Sr. Manager Compliance & Continuous Improvement
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FY2022 Fiscal Integrity Review Report
for
Equus Workforce Solutions
Contracts FY22-TWC-01 and FY22-TWC-02

*Prepared by the
Fiscal Monitoring*
**North Central Texas Council of Governments
Workforce Solutions for North Central Texas**
September 26, 2022

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**North Central Texas Council of Governments
Workforce Solutions for North Central Texas
FY2022 Fiscal Integrity Review Report
Equus Workforce Solutions - Contracts FY22-TWC-01 and FY22-TWC-02**

Background

The North Central Texas Council of Governments (NCTCOG) contracts with Equus Workforce Solutions (Equus) to operate and manage Workforce Innovation and Opportunity Act, Trade Adjustment Act, Child Care¹ programs and funding in all 14 counties for the North Central Texas Workforce Development Board (WFD or Board) as part of the Board's oversight responsibility. Equus Workforce Solutions is a subsidiary of BrightSpring Health Services, Inc.²

All funding received from Texas Workforce Commission for the operation and management of these programs is subject to the requirements for accounting for funds listed within TWC's Financial Management for Grants and Contracts. In general, Workforce Boards are required to provide oversight of fiscal, operational, and program requirements in exercising due diligence. NCTCOG Fiscal Monitoring is required to perform a desk review of Equus in accordance with §12 Bonding Requirements, §13 Insurance Requirements, §16.9 Monitoring, Audits, and Evaluations under Equus contracts FY22-TWC-01 and FY22-TWC-02, as well as Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter B, Rule §802.21 Board Contracting Guidelines, a) Fiscal Integrity Provisions.

NCTCOG Fiscal Monitoring (FM) completed its Fiscal Integrity Review related to the financial statements and bonding and insurance requirements of Equus to provide WFD feedback on the integrity of the Workforce and Child Care Systems of the WFD contractor (i.e., Equus) and in compliance with the requirements of the TAC, Single Audit Act, and 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Risk

NCTCOG conducted the Fiscal Integrity Review to address risks resulting from noncompliance to ensure that the Subrecipient:

- Met the external audit requirements for the noted fiscal year.
- Correctly identified Federal awards by CFDA title and number, award name and number, award year and name of Federal Agency.
- Followed Federal award requirements imposed by laws and regulations, provisions of contracts or grant agreements, and any supplemental requirements imposed by the pass-through entity.
- Used Federal awards for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals were achieved.
- Audit may (or may not) have necessitated adjustment of the pass-through entity's own records per audit review.
- Used resources efficiently and effectively for authorized purposes, and protected resources from waste, fraud, and abuse, and misstatement of financial statements, and
- Incurred expenses were allowable, necessary, and reasonable.

Objective

NCTCOG's overall objective of the Fiscal Integrity Review was to 1) review bonding and insurance, 2)

review the provider's prior three-year financial history, and 3) conduct a Single Audit desk review. Components and associated objectives of the Single Audit desk review, in accordance with the applicable CIGIE Guide for Desk Reviews of Single Audit Reports, are noted below:

- Major Program Determination Worksheet – to determine whether the outside auditors properly identified the major programs and to support specified Desk Review Guide Questions.
- Desk Review Guide Questions – to determine whether audit reports performed in accordance with the Single Audit Act and Uniform Guidance are acceptable under reporting requirements, identify any quality issues that may warrant follow-up audit work and/or revisions to the audit report, and identify issues that may require management attention.
- Desk Review Summary – to recap any exceptions, findings, and/or conclusions and determine the appropriate report classification category for the Desk Review.

Scope

The Fiscal Integrity Review included review of bonding and insurance calculations and associated documentation. It also included a three-year review of BrightSpring Health Services, Inc., and Subsidiaries, audited financial statements for the year ended December 31, 2021, as issued by KPMG, LLP. Additionally, a Single Audit Desk review of the Equus Workforce Solutions Information and Report of Independent Auditors on the Schedule of Expenditures of Federal Awards for the fiscal year ended December 31, 2021, as issued by ML Weekes & Company, P.C., was performed. The results reflected for the Fiscal Integrity Review further support the contract period October 1, 2021, through September 30, 2022. This review report covers Equus operations underway during January 1 through December 31, 2021 (Equus's FY21).

Methodology

NCTCOG's Fiscal Integrity Review included completion of a:

- Review of bonding and insurance documentation.
- Review of three-years audited financial data of BrightSpring Health Services. and Subsidiaries for the years ended December 31, 2021, 2020, and 2019, as issued by KPMG, LLP.
- Desk review in accordance with the Single Audit Act, CIGIE, and Uniform Guidance based on Equus Workforce Solutions Information and Report of Independent Auditors on the Schedule of Expenditures of Federal Awards for the fiscal year ended December 31, 2021, as issued by ML Weekes & Company, P.C. Documentation reviewed included the Independent Auditor's Report on the Schedule of Expenditures of Federal Awards, the Report on Compliance with Federal Programs and on Internal Control over Compliance, and the Schedule of Findings and Questioned Costs.

NCTCOG did not test the implementation of internal controls noted in the audited financial reports nor perform tests of operating effectiveness during this desk review process. The examination of documents was neither meant to confirm, support, nor deny information obtained in other areas of the review.

Summary of Results

The following paragraphs provide a summary of the results for each of the three objectives within the Fiscal Integrity Review project performed by FM.

Insurance and Bonding – Adequate

First, FM's review of bonding and insurance is based on the total average payment to Equus from

NCTCOG. The current bond coverage amount per the Commercial policy provides an excess amount of bonding coverage; therefore, the insurance coverage is considered to be adequate. Additionally, the worker's compensation policy is also sufficient.

Three-Year Financial History – Adequate

Generally, the review of the provider's prior three-year financial history includes a high-level fluctuation analysis of the financial statements through a comparison of the current year to the previous two years to ensure significant variances are identified and explained. Due to a corporate merger in 2019, two years financial statements were presented at Phoenix Guarantor, Inc. level in 2019 and 2020 as that is where their enterprise debt was held. However, in 2021, they updated their audit to the ultimate parent level of BrightSpring Health Services, Inc. level and "restated" their prior financial statements to note the name change. Therefore, we reviewed a three- year comparison of data based on BrightSpring Health Services data, which included the original Phoenix Guarantor, Inc. information. As stated by the BrightSpring Health Services, Inc. Chief Accounting Officer, there is no change to the resulting financial statements as a result of the name change and other structuring from BrightSpring Health Services, Inc., and Phoenix Intermediate Holdings Inc. legal entities. BrightSpring Health Services, Inc. is holding companies with no operational specific activity. Per FM review, the financial statements appeared reasonable when considering the transition. Therefore, we reviewed:

- Variances with a threshold calculated at 5% of the greater of total revenues or total assets.
- Notes to the Financial Statements and subsequent events.
- Financial ratios to provide an indicator of the financial health of BrightSpring Health Services, Inc.

Single Audit Desk Review – Adequate

Equus is a for-profit entity, and per 2 CFR 200.501(h) for the period under review, Single Audit requirements do not apply; therefore, no findings are noted. Based on performance of the Fiscal Integrity Review for Equus fiscal year January 1 through December 31, 2021, the auditor's reports, including the Independent Auditor's Report on the Schedule of Expenditures of Federal Awards, the Report on Compliance with Federal Programs and on Internal Control over Compliance, and the Schedule of Findings and Questioned Costs, contain no quality issues or only minor quality issues that do not require corrective action for the audit under review or future audits, according to the CIGIE Guide for Desk Reviews of Single Audits definitions. The below observations are not intended to be interpreted as quality issues.

The review of the Independent Auditor's Report on the Schedule of Expenditures of Federal Awards, the Report on Compliance with Federal Programs and on Internal Control over Compliance, and the Schedule of Findings and Questioned Costs for Equus Workforce Solutions fiscal year ended December 31, 2021, noted the following reporting and presentation observations pertaining to SEFA inconsistencies according to Uniform Guidance §200.510(b) and AICPA Audit Guide Government Auditing Standards and Single Audits Guide AAG-GAS 7.08 & 7.13. The SEFA:

- a. included total awards expended by program/cluster and referred to a program/cluster grouping and listing process in Note 3 that utilizes a single Catalog of Federal Domestic Assistance numbers to represent a cluster grouping without identifying each program in the grouping separately as a component of the cluster per applicable 2 CFR 200, Appendix XI Compliance Supplement.
- b. included nonfederal awards as another category; however, the title of the report was not modified to indicate nonfederal awards are included.
- c. did not list:
 - i. total Federal awards expended since an "other" category is included in total
 - ii. individual Federal programs by Federal agency
 - iii. individual Federal programs associated with identified Federal clusters of programs.

Conclusion

Results of the Fiscal Integrity Review for the BrightSpring Health Services, Inc. (parent of Equus Workforce Solutions, Inc.)² insurance and bonding, three-year financial statements, and single audit documents did not produce any findings. Adequate documentation support was provided from the Subrecipient during the project. Overall, the Fiscal Integrity Review is deemed to “pass” based on FM’s work. This review is considered to be closed upon issuance of this report and no further action is necessary. FM appreciates the cooperation and assistance received from Equus employees during the execution of the contracts.

Appendix A

Acronyms

2 CFR 200	Uniform Guidance, Title 2 U.S. Federal Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
AAG-GAS	Citations from AICPA Audit Guide “Government Auditing Standards and Single Audits” updated 3/1/2019
CFDA	Catalog of Federal Domestic Assistance
CIGIE	Council of the Inspectors General on Integrity and Efficiency
Equus	Equus Workforce Solutions
NCTCOG	North Central Texas Council of Governments
NCTWDB	North Central Texas Workforce Development Board
FM	Fiscal Monitoring
SEFA	Schedule of Expenditures of Federal Awards
TAC	Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter B Contracting, Rule §802.21 Board Contracting Guidelines
TWC	Texas Workforce Commission

Conclusion Definitions

Per CIGIE Guide for Desk Reviews of Single Audit Reports:

- ***Pass*** - Report contains no quality issues or only minor quality issues that do not require corrective action for the audit under review or future audits.
- ***Pass with Deficiencies*** - Report contains quality deficiencies that should be brought to the attention of the auditor (and auditee, where appropriate) for correction in future audits.
- ***Fail*** - Report contains quality deficiencies that may affect the reliability of the audit report and/or may require the auditor to conduct additional audit work to support the opinions in the report under review, and which must be corrected in the audit report under review.

Notes

¹Beginning on October 1, 2022, Equus Workforce Solutions no longer services the Child Care Program. The responsibility was assigned to another entity unrelated to Equus Workforce Solutions.

²On or around September 28, 2022, NCTCOG was notified that Equus Workforce Solutions will have operations transferred to another parent company called APM by December 31, 2022. This will be a consideration during the next Fiscal Integrity Review.

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