



North Central Texas Council of Governments

September 21, 2023

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 FY2023 Fiscal Integrity Review of APM Equus Workforce Solutions in accordance with §12 Bonding Requirements, §13 Insurance Requirements, §16.9 Monitoring, Audits, and Evaluations of contract FY23-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 FY2023 Fiscal Integrity Review further support the contract period October 1, 2022, through September 30, 2023. This review report covers APM Equus operations underway during January 1 - October 31, 2022 (Equus' FY22).

The documentation provided for bond and insurance coverage is determined to be acceptable. The provider's prior three-year financial history analysis includes 2022, is for ten months data due to the acquisition by APM Equus Holding Corporation on November 1, 2022. Based on the performance of the FY2023 Fiscal Integrity Review for Equus Workforce Solutions for fiscal year January 1 through October 31, 2022, the Single Audit reporting package "Information and Report of Independent Auditors on the Schedule of Expenditures of Federal Awards" the rating assigned is Pass.

Fiscal Monitoring appreciates Equus' 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 Reyna, Continuous Improvement Manager

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FY2023 Fiscal Integrity Review Report
for
APM Equus Holdings Corporation
Contract FY23-TWC-02

*Prepared by the
Fiscal Monitoring*
**North Central Texas Council of Governments
Workforce Solutions for North Central Texas**
September 21, 2023

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**North Central Texas Council of Governments
Workforce Solutions for North Central Texas
FY2023 Fiscal Integrity Review Report
APM Equus Holdings Corporation - Contract FY23-TWC-02**

Background

The North Central Texas Council of Governments (NCTCOG) contracts with APM Equus Holdings Corporation (Equus) to operate and manage Workforce Innovation and Opportunity Act, Trade Adjustment Act, 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 was a subsidiary of BrightSpring Health Services, Inc from January 1, 2022 - October 31, 2022. On November 1, 2022, Arbor E&T, LLC dba/Equus Workforce Solutions was acquired by Advanced Personnel Management Group Pty Ltd (APM), the ultimate parent company of Equus.¹

All funding received from the 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 Manual 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 (FM) 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 contract FY23-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 (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 System of the WFD subrecipient (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 Assistance Listing 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, 2022, 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 October 31, 2022, 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, 2022, through September 30, 2023. This review report covers Equus Workforce Solutions operations for the ten months operations ended October 31, 2022 (Equus' FY22).

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, 2022, 2021, and 2020, 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 October 31, 2022, 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 adequate. Additionally, the worker's compensation policy is also sufficient.

Three-Year Financial History – Adequate

The review of the BrightSpring Health Services' Inc 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. As mentioned, Arbor E&T, LLC dba/Equus Workforce Solutions (BrightSpring Health Services subsidiary) was acquired by Advance Personnel Management Group Pty Ltd (APM) November 1, 2023. So, APM is now the ultimate parent company of Equus. As a result of this, the BrightSprings consolidated financial statements comprised of Equus financial statements from January 1, 2022 - October 31, 2022. Additionally, due to the acquisition, Equus' fiscal year moved from the year-end period of December to June. APM completed its financial audit for the year ended June 30, 2023, and stated the revenue and profit contribution of the acquisition from November 1, 2022, to June 30, 2023, in its consolidated financial statements. Information from APM financial statements is not included in this fiscal review.

We reviewed a three-year comparison of BrightSprings Health Services data, which included the ten months of Equus financial statements. Per FM review, the financial statements appeared reasonable 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, 2022, 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 for the ten months ended October 31, 2022, 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. until November 1, 2022), three-year financial statements, insurance and bonding, and single audit documents did not produce any findings. Adequate documentation support was provided by the Subrecipient during the project. Overall, the Fiscal Integrity Review rating assigned is “Pass” based on FM’s work. This review is closed upon issuance of this report and no further action is necessary. NCTCOG appreciates the cooperation and assistance received from Equus employees during the execution of the contract.

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
AICPA	American Institute of Certified Public Accountants
APM	Advanced Personnel Management Human Services International Limited, APM Equus Holdings Corporation
CIGIE	Council of the Inspectors General on Integrity and Efficiency (2021 edition)
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

¹APM Human Services International is a for-profit company located in Australia. On November 1, 2022, the Group, through its wholly owned subsidiary, APM Equus Holdings Corporation (“Equus Holdings”) acquired 100% of the shares of Equus Workforce Solutions and certain affiliates (Equus).

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