



North Central Texas Council of Governments

November 19, 2021

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

Dear Ms. Budd:

The North Central Texas Council of Governments completed its FY2021 Fiscal Integrity Review of Equus Workforce Solutions in accordance with §12 Bonding Requirements, §13 Insurance Requirements, §16.9 Monitoring, Audits, and Evaluations of contracts FY21-TWC-01, and FY21-TWC-02, Financial Manual for Grants and Contracts, 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 FY2021 Fiscal Integrity Review further support the contract period October 1, 2020, through September 30, 2021. This review report covers Equus operations underway during January 1 - December 31, 2020 (Equus's FY20).

The documentation provided for bond and insurance coverage is determined to be acceptable. The review of the provider's prior three-year financial history is limited based on the range of data presented due to the merger. Based on performance of the FY2021 Fiscal Integrity Review for Equus Workforce Solutions for fiscal year January 1 through December 31, 2020, the Single Audit reporting package "Information and Report of Independent Auditors on the Schedule of Expenditures of Federal Awards" is deemed Pass.

R&C 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 Debra Pirtle at (817) 704-5622.

Sincerely,

Phedra Redifer

Phedra Redifer (Nov 19, 2021 14:28 CST)

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

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FY2021 Fiscal Integrity Review Report

for

Equus Workforce Solutions

Contracts FY21-TWC-01 and FY21-TWC-02

Prepared by the

Risk and Compliance Division

**North Central Texas Council of Governments
Workforce Solutions for North Central Texas**

November 19, 2021

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**North Central Texas Council of Governments
Workforce Solutions for North Central Texas
FY2021 Fiscal Integrity Review Report
Equus Workforce Services - Contracts FY21-TWC-01 and FY21-TWC-02**

Background

The North Central Texas Council of Governments contracts with Equus Workforce Services to operate and manage Workforce Innovation and Opportunity Act, Trade Adjustment Act, Child Care programs and funding in all 14 counties for the North Central Texas Workforce Development Board as part of the Board's oversight responsibility.

All funding received from Texas Workforce Commission for the operation and management of these programs is subject to the requirements of TWC's Financial Management for Grants and Contracts for the accounting of these funds. Workforce Boards are required to provide oversight of fiscal, operational, and program requirements in exercising due diligence. NCTCOG Risk and Compliance Division 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 FY21-TWC-01 and FY21-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 R&C completed its Fiscal Integrity Review related to the financial statements and bonding and insurance requirements of Equus to ensure the integrity of the Workforce and Child Care Systems 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 limited review of Phoenix Guarantor, Inc., and Subsidiaries, audited financial statements for the year ended December 31, 2020, as issued by KPMG, LLP. Additionally, a limited Single Audit Desk review of the Equus Workforce Services Information and Report of Independent Auditors on the Schedule of Expenditures of Federal Awards for the fiscal year ended December 31, 2020, 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, 2020, through September 30, 2021. This review report covers Equus operations underway during January 1 through December 31, 2020 (Equus's FY20).

Methodology

NCTCOG's Fiscal Integrity Review included completion of a:

- Review of bonding and insurance documentation.
- Limited review of two-years audited financial data of Phoenix Guarantor, Inc. and Subsidiaries for the years ended December 31, 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 Services Information and Report of Independent Auditors on the Schedule of Expenditures of Federal Awards for the fiscal year ended December 31, 2020, 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

R&C 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.

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 the merger, only two years financial statements from the parent company Phoenix Guarantor, Inc. and Subsidiaries were received for the fiscal year ended December 31, 2020, and 2019. No audited financial statements were received for ResCare, Inc., (as a subsidiary of Phoenix Guarantor) as in previous years, and as such, there is no three-year comparison of data.

The limited 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 Services fiscal year ended December 31, 2020, 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 an "other" 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.

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. The above observations are not intended to be interpreted as quality issues. Based on performance of the Fiscal Integrity Review for Equus fiscal year January 1 through December 31, 2020, 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.

Conclusion

Results of the Fiscal Integrity Review for the insurance and bonding are adequate. Based on review of the Phoenix Guarantor, Inc. and Subsidiaries, audited financial statements for the two-years ended December 31, 2020, and 2019, limited conclusions or analysis from the limited review can be made. The Equus Workforce Solutions information, 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 are deemed Pass. This review is considered to be closed upon issuance of this report and no further action is necessary. R&C 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
R&C	Risk & Compliance Division
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.

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