

# **Experience Works, Inc. and Affiliate**

OMB Circular A-133  
Supplementary Financial Report  
June 30, 2014

**Experience Works, Inc. and Affiliate**

**OMB Circular A-133  
Supplementary Financial Report  
Year Ended June 30, 2014**

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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards***

To the Board of Directors  
Experience Works, Inc.  
Arlington, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Experience Works, Inc. and Affiliate (the Organization), which comprise the consolidated balance sheet as of June 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 31, 2015

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

McLean, Virginia  
March 31, 2015



**Independent Auditor's Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on the Schedule of  
Expenditures of Federal Awards Required by OMB Circular A-133**

To the Board of Directors  
Experience Works, Inc.  
Arlington, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited Experience Works, Inc.'s (the Organization) 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 the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization 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, 2014.

### **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the consolidated financial statements of the Organization as of and for the year ended June 30, 2014, and we have issued our report thereon dated March 31, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



McLean, Virginia  
March 31, 2015

Experience Works, Inc. and Affiliate

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

Federal Grant/Pass-Through Grantor/Program or Grant Name	CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Labor</b>			
<i>Direct:</i>			
Senior Community Service Employment Program			
Direct Programs Employment and Training Administration	17.235	AD-23223-1255-A-51	\$ 82,101,222
<b>Total Senior Community Service Employment         Program – Direct Grants</b>			<u>82,101,222</u>
<i>Passed through:</i>			
Arkansas Department of Human Services – Division of Aging and Adult Services	17.235	4501379136	1,516,998
Florida Department of Elder Affairs	17.235	XA413	4,016,341
Southwest Georgia Council on Aging	17.235	2014-3	342,242
Idaho Commission on Aging	17.235	N/A	406,925
Illinois Department on Aging	17.235	V13EW	375,695
Kentucky Cabinet for Health and Family Services – Barren River	17.235	PON2-725-1300003164 2	113,753
Kentucky Cabinet for Health and Family Services – Lincoln Trail	17.235	PON2-725-1300003164 2	159,774
Minnesota Department of Employment and Economic Development	17.235	4315100	403,902
Missouri Department of Health and Senior Services	17.235	C311180001	419,820
Montana Department of Labor and Industry	17.235	12-22A-EW	516,082
Nebraska State Unit on Aging	17.235	15036-Y3	226,167
North Dakota Aging Services	17.235	190-08955	422,974
New York Ontario County	17.235	N/A	26,923
Oregon Department of Human Resources	17.235	138797	1,206,040
Pennsylvania Department of Aging – Northern Region	17.235	4100063586	678,205
Pennsylvania Department of Aging – South Central Region	17.235	4100063584	421,973
Pennsylvania Department of Aging – South East Region	17.235	4100063582	471,455
Pennsylvania Department of Aging – Western Region	17.235	4100063585	504,442
South Carolina Lt. Governor’s Office on Aging	17.235	SVDOL13-EW	507,865
South Dakota Department of Labor	17.235	N/A	533,657
Texas Workforce Commission	17.235	2912SEP002	4,661,053
Wyoming Department of Workforce Services	17.235	89021	<u>435,381</u>
<b>Total Senior Community Service Employment –         Program Pass-Through Grants</b>			<u>18,367,667</u>
<b>Total Senior Community Service Employment Program</b>			<u>100,468,889</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 100,468,889</u>

See Notes to Schedule of Expenditures of Federal Awards.

## Experience Works, Inc. and Affiliate

### Notes to Schedule of Expenditures of Federal Awards

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#### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Experience Works, Inc. (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some of the amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic consolidated financial statements.

#### Note 2. Reconciliation of Expenses

A reconciliation of total expenditures as listed in the schedule of expenditures of federal awards to expenses listed on the statement of activities is as follows:

Federal Expenditures per SEFA	\$ 100,468,889
Non-Federal Expenditures	419,995
	<u>\$ 100,888,884</u>
Statement of Activities	
Federal programs	\$ 94,667,458
Other activities, non-federal	325,049
Supporting services	5,896,377
	<u>\$ 100,888,884</u>

#### Note 3. Indirect Cost Rate

The Organization determines its indirect cost rate in accordance with OMB Circular A-122. Costs not directly identifiable to specific programs are accumulated in an indirect cost pool. The total of the indirect cost pool is divided by the appropriate base to arrive at the indirect cost rate. The base consists of direct costs (less unallowable elements) of the Organization's principal activities.

Indirect Cost Rate	
Allowable management and general expenses	<u>\$ 5,887,206</u>
Management and general direct cost base	<u>\$ 68,714,106</u>
Management and general administrative rate	8.57%
Provisional Rate per Negotiated Indirect Cost Rate Agreement (2014):	
Management and general administrative rate	8.09%

#### Note 4. Non-Federal Contributions

Title V of the Older Americans Act, as amended, stipulates that no more than 90% of total program costs are to be paid from federal sources. SCSEP regulations require the Organization to match federal program expenses with program costs provided from non-federal sources sufficient to ensure that this 90% limitation is met.

These non-federal costs are provided by the Organization in the form of in-kind contributions of direct supervision provided to participants by their Host Agency supervisors and related expenses, which totaled approximately \$22,260,000 for the year ended June 30, 2014. Although the value of these services is significant, the Organization does not record such value in its consolidated financial statements since the criteria for recognition is not met.

**Experience Works, Inc. and Affiliate**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**Section I. Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.235	Senior Community Service Employment Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>  3,000,000  </u>
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes <u>      </u> No

(Continued)

**Experience Works, Inc. and Affiliate**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2014**

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**Section II. Financial Statement Findings**

None Reported.

**Section III. Federal Awards Findings and Questioned Costs**

None Reported.

## Experience Works, Inc. and Affiliate

### Summary Schedule of Prior Audit Findings Year Ended June 30, 2014

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#### Finding 2013-01: Cash Management

**Condition:** In accordance with the Office of Management and Budget (OMB) Circular A-110's requirements, cash advances must be limited to actual, immediate cash requirements of the Organization in carrying out the purpose of the approved program or project. During testing, one of 18 sampled transactions where funds were drawn from a prior year grant to fund a current year grant. Management experienced delays obtaining reimbursements for this current grant within the same SCSEP major program. Management submitted the federal funds of \$17,567 back to the federal government once the funding delays were mitigated.

**Current status:** Management put a process in place in PY12 program year that requires the use of unrestricted funds to prepay any expense that relates to the new grant year for which funding has not been made available. Corrective action was taken. Accordingly, this finding has been closed.

#### Finding 2013-02: Reporting

**Condition:** The Organization is required to comply with various reporting requirements of the Senior Community Service Employment Program at the state level. During testing of 40 financial reports, the following exceptions were identified:

- One monthly financial report for Idaho Commission on Aging grant due on July 25, 2012, was submitted four days after due date.
- The Organization did not retain evidence that five financial reports were submitted to state grantors as required.
- The Organization did not retain evidence to support the review and approval process for one monthly financial report for Oregon State Department of Human Services.

**Current status:** Management has centralized the Financial Reporting and Billings functions at the National Office. All financial reports for pass-through grants go through a multi-level review process. Corrective action was taken. Accordingly, this finding has been closed.