

CareerWise

Financial Statements and Single Audit Reports

**December 31, 2021
(With Comparative Totals for December 31, 2020)**

(With Independent Auditor's Report Thereon)

CareerWise Colorado
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Independent Auditor's Report

**Board of Directors
CareerWise Colorado**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CareerWise Colorado which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CareerWise Colorado as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CareerWise Colorado and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CareerWise Colorado's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Board of Directors
CareerWise Colorado**

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CareerWise Colorado’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CareerWise Colorado’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Board of Directors
CareerWise Colorado**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022 on our consideration of CareerWise Colorado'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 solely 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 effectiveness of CareerWise Colorado's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CareerWise Colorado's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of CareerWise Colorado as of December 31, 2020 were audited by predecessor auditors. Their report dated May 20, 2021, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kundinger, Corder & Montoya, P.C.

May 19, 2022

CareerWise Colorado
Statement of Financial Position
December 31, 2021
(With Summarized Information for December 31, 2020)

	2021	2020
Assets		
Cash and cash equivalents	\$ 4,428,523	4,553,373
Grants and contributions receivable (note 1(h))	198,488	118,650
Accounts receivable, net (note 1(h))	122,294	159,691
Prepaid expenses	73,351	94,218
Property and equipment, net (note 3)	26,134	108,306
Total assets	\$ 4,848,790	5,034,238
Liabilities and Net Assets		
Accounts payable	\$ 137,163	41,932
Accrued liabilities	285,467	134,199
Deferred program revenue	32,113	1,988
Paycheck Protection Program Loan (note 5)	–	486,100
Refundable advance	20,000	–
Deferred rent (note 1(g))	102,518	164,371
Total liabilities	577,261	828,590
Net assets		
Net assets without donor restrictions	1,581,160	364,642
Net assets with donor restrictions (note 4)	2,690,369	3,841,006
Total net assets	4,271,529	4,205,648
Commitments (notes 6 and 7)		
Total liabilities and net assets	\$ 4,848,790	5,034,238

See the accompanying notes to the financial statements.

CareerWise Colorado
Statement of Activities
Year Ended December 31, 2021
(With Summarized Information for 2020)

	Without donor restrictions	With donor restrictions	Total 2021	Total 2020
Revenue, Support, and Gains				
Grants and contributions	\$ 158,034	2,869,657	3,027,691	4,025,370
Federal government grant	1,147,241	–	1,147,241	219,934
Paycheck Protection Program loan forgiveness (note 5)	1,055,100	–	1,055,100	–
National strategy engagement consulting	864,562	–	864,562	885,052
Business Partner fees	157,960	–	157,960	96,995
Other income	5,539	–	5,539	12,337
Net assets released from restrictions (note 4)	4,020,294	(4,020,294)	–	–
Total revenue, support, and gains	<u>7,408,730</u>	<u>(1,150,637)</u>	<u>6,258,093</u>	<u>5,239,688</u>
Expenses				
Program services				
Youth apprenticeship program	5,408,964	–	5,408,964	3,993,228
Supporting services				
Management and general	558,369	–	558,369	443,398
Fund raising	224,879	–	224,879	176,888
Total supporting services	<u>783,248</u>	<u>–</u>	<u>783,248</u>	<u>620,286</u>
Total expenses	<u>6,192,212</u>	<u>–</u>	<u>6,192,212</u>	<u>4,613,514</u>
Change in net assets	1,216,518	(1,150,637)	65,881	626,174
Net assets at beginning of year	<u>364,642</u>	<u>3,841,006</u>	<u>4,205,648</u>	<u>3,579,474</u>
Net assets at end of year	<u>\$ 1,581,160</u>	<u>2,690,369</u>	<u>4,271,529</u>	<u>4,205,648</u>

See the accompanying notes to the financial statements.

CareerWise Colorado
Statement of Functional Expenses
Year Ended December 31, 2021
(With Summarized Information for 2020)

	Youth Apprenticeship Program	Supporting services		Total 2021	Total 2020
		Manage- ment and general	Fund raising		
Salaries and benefits	\$ 2,811,153	381,955	203,074	3,396,182	3,181,555
Contractors and consultants	908,749	91,429	4,842	1,005,020	490,175
Grants	881,450	—	—	881,450	99,666
Occupancy	222,408	33,148	9,553	265,109	236,224
Curriculum development	196,062	150	—	196,212	155,113
Depreciation	77,912	3,307	953	82,172	116,624
Events	81,082	—	—	81,082	81,610
Equipment and technology	62,750	9,353	2,696	74,799	63,502
Travel and meetings	65,843	706	1,335	67,884	55,237
Marketing and printing	45,044	3,534	—	48,578	56,409
Professional fees	9,648	27,804	413	37,865	40,974
Staff training and development	24,157	3,600	1,038	28,795	11,735
Communication	19,253	2,866	827	22,946	22,539
Miscellaneous	3,453	517	148	4,118	2,151
Total expenses	\$ 5,408,964	558,369	224,879	6,192,212	4,613,514

See the accompanying notes to the financial statements.

CareerWise Colorado
Statement of Cash Flows
Year Ended December 31, 2021
(With Summarized Information for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 65,881	626,174
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	82,172	116,624
Deferred rent amortization	(61,853)	104,417
Paycheck Protection Program loan forgiveness	(1,055,100)	–
Change in operating assets and liabilities		
Grants and contributions receivable	(79,838)	118,650
Accounts receivable	37,397	(190,179)
Prepaid expenses	20,867	80,240
Accounts payable	95,231	(77,976)
Accrued liabilities	151,268	44,120
Deferred program revenue	30,125	1,998
Refundable advance	20,000	–
Net cash provided by (used in) operating activities	(693,850)	824,068
Cash flows from financing activities		
Paycheck Protection Program loan proceeds	569,000	486,100
Net cash provided by financing activities	569,000	486,100
Net increase (decrease) in cash and cash equivalents	(124,850)	1,310,168
Cash and cash equivalents at beginning of year	4,553,373	3,243,205
Cash and cash equivalents at end of year	\$ 4,428,523	4,553,373
Significant Noncash Transactions		
Tenant improvement allowance used for leasehold improvements	\$ –	59,954

See the accompanying notes to the financial statements.

CareerWise Colorado
Notes to Financial Statements
December 31, 2021

(1) Summary of Significant Accounting Policies

(a) Organization

CareerWise Colorado (CareerWise), a non-profit corporation, was incorporated in the State of Colorado on January 12, 2016, and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. CareerWise began operations in 2016. CareerWise's mission is to create opportunities for youth and businesses across Colorado and around the country by developing and supporting the implementation of an innovative, sustainable youth apprenticeship program model to drive systems change. Through this business-led, student-centered model, CareerWise brings together public and private stakeholders to create new pathways to modern careers, including access to higher education. As an innovative intermediary, CareerWise aligns and supports partners to ensure that students can learn and practice the skills they need for financial and academic success, and that businesses have access to highly trained talent.

As of December 2021, CareerWise has facilitated the hiring of more than 1,000 apprentices at 192 unique companies in four different communities around the country: the state of Colorado; Elkhart County, Indiana; New York City, New York, and Washington D.C. New programs in Buffalo, New York and Upper Peninsula, Michigan also launched in 2021, with plans to hire their first apprentices in 2022. In each location, modern youth apprentices from local school districts are employed in one of approximately thirty distinct occupations in ten different industry or functional career “pathways” – advanced manufacturing, business operations, construction, financial services, education, healthcare, hospitality, information technology, maintenance technology and real estate management. Apprentices are trained on a set of industry-defined “competencies” that align with continued classroom education. The first two cohorts of graduating apprentices achieved a variety of successes, including being employed full-time, pursuing further education and, in many cases, combining continued employment with continued higher education.

In 2021, CareerWise continued to support a network of affiliate programs, leading a community of practice among the six geographic regions in which CareerWise modern youth apprenticeship is being implemented to capture learning and drive innovation. CareerWise continues to receive notable attention from leading research institutions, such as Harvard Business School, as well as from local and national policymakers. In 2021, CareerWise's Founder and CEO was invited by Colorado Senator John Hickenlooper to testify, alongside a CareerWise apprenticeship alumna, in front of the United States Senate's committee for Housing, Education, Labor, and Pensions about CareerWise's emerging impact. Entering into 2022 and beyond, CareerWise is eager to further deepen partnerships with employers, local, state and federal governments, and the education system to position modern youth apprenticeship as a priority tactic for achieving an equitable post-pandemic recovery.

(b) Basis of Accounting

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

CareerWise Colorado
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Financial Statement Presentation

CareerWise is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CareerWise. These net assets may be used at the discretion of CareerWise's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CareerWise or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2021, there are no net assets with perpetual donor restrictions.

(d) Cash and Cash Equivalents

CareerWise considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(e) Concentrations of Credit Risk

Financial instruments that potentially subject CareerWise to concentrations of credit risk consist of cash and cash equivalents and receivables. CareerWise places its cash and cash equivalents with creditworthy, high quality, financial institutions. Credit risk with respect to receivables is generally diversified due to the large number of entities and creditworthiness of the organizations that comprise CareerWise's customer base.

CareerWise receives cost reimbursement revenue from federal government grants. During 2021, revenue from these grants comprised 18% of CareerWise's total revenue. In addition, one fund contributed 29% of CareerWise's total revenue in 2021. A decrease in the amount of support from these grants could have an adverse effect on CareerWise's operations.

(f) Property and Equipment

Property and equipment is recorded at cost. CareerWise capitalizes all expenditures for property and equipment in excess of \$5,000 with a useful life of more than one year. Depreciation is computed using the straight-line method over estimated useful lives of the assets over three years. Leasehold improvements are amortized ratably over the lesser of the lease term or the estimated useful life.

CareerWise Colorado
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Deferred Rent

CareerWise accounts for free rent periods and scheduled rent increases related to operating leases of its office facilities on a straight-line basis over the lease terms. Differences between cash payments of rent and rent expense are recognized as a deferred rent liability in the statement of financial position. CareerWise also received lease incentives in the form of leasehold improvements from a landlord, which are also included in deferred rent and are adjusted as a component of rent expense on a straight-line basis over the life of the lease. At December 31, 2021, deferred rent totaled \$76,384 and the lease incentive totaled \$26,134.

(h) Revenue Recognition

Grants and contributions and government grants

Grants and contributions are recognized when cash or unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Should CareerWise substantially meet all the conditions in the same period that the contribution was recognized, and barring any further donor-imposed restrictions, CareerWise has elected to recognize the revenue in net assets without donor restrictions. Consequently, at December 31, 2021, conditional contributions totaling \$100,000 related to these grants have not been recognized in the accompanying financial statements. Revenue received in advance of conditions being met is recorded as a refundable advance.

Federal, state, and local government grants are treated as contributions that are conditioned upon specific performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2021, conditional contributions totaling \$3,645,985 relating to these grants have not been recognized in the accompanying financial statements.

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grants and contributions receivable consist of federal cost-reimbursement grants and are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. CareerWise uses the allowance method to determine uncollectable amounts. In determining the collectability of receivables, management considers past collection experience and performs an analysis of subsequent collections. At December 31, 2021, there is no allowance for doubtful accounts related to these receivables. All grants and contributions receivable, totaling \$198,488 at December 31, 2021, are expected to be collected within one year.

CareerWise Colorado
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Revenue Recognition, Continued

Contracts

National strategy engagement consulting represents consulting services provided by CareerWise to other entities. The performance obligation is to perform the consulting services as defined in the contract. These services are charged based on hourly fees, as set in the specific contracts. Hourly fee services are recognized at the point in time that the consulting service is provided. Consulting services are billed monthly and due within 30 days of the invoice date.

Business Partner fees represent specified fees per apprentice hired out of the apprenticeship program that CareerWise provides to other organizations. The performance obligation is that the apprentice is retained by the employing organization. Services are charged based on amounts as set in the specific contract. Revenue is recognized ratably throughout the contract life, with any revenue received in advance of services provided recorded to deferred program revenue.

Accounts receivable totaling \$122,294 at December 31, 2021, represent contract revenue due and fees earned for services provided. CareerWise uses the allowance method to determine uncollectable amounts. In determining the collectability of receivables, management considers contract terms, past collection experience, and performs an analysis of subsequent collections. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. At December 31, 2021, management has an allowance for doubtful accounts totaling \$3,060 related to these receivables. All accounts receivable are expected to be collected within one year.

(i) Donated Services

A number of volunteers have donated time in connection with CareerWise's activities. These services are not recognized in the accompanying financial statements because they do not meet the criteria for recognition under generally accepted accounting principles.

(j) Functional Allocation of Expenses

The costs of providing various programs and other supporting activities have been summarized on a functional basis in the accompanying statement of functional expenses. CareerWise incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. CareerWise also conducts a number of activities that benefit both its program objective as well as supporting services (i.e. fund raising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as estimates of time and effort incurred by personnel.

(k) Advertising

CareerWise uses advertising to expand public awareness and to promote its apprenticeship program. Advertising costs are expensed as incurred. During the year ended December 31, 2021, CareerWise incurred advertising expense of \$26,830, included with marketing and printing in the statement of functional expenses.

CareerWise Colorado
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(m) Income Taxes

CareerWise is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There were no unrelated business activities during 2021.

Management is required to evaluate tax positions taken by CareerWise, and to recognize a tax liability if CareerWise has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. CareerWise believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. CareerWise is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

(n) Subsequent Events

CareerWise has evaluated subsequent events through May 19, 2022, the date the financial statements were available to be issued. See also note 7.

(o) Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CareerWise's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

(p) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on previously reported net assets or the change in net assets.

CareerWise Colorado
Notes to Financial Statements, Continued

(2) Liquidity and Availability of Financial Assets

The following reflects CareerWise's financial assets that are available for general expenditure within one year as of December 31, 2021:

Financial assets at year-end	
Cash and cash equivalents	\$ 4,428,523
Grants and contributions receivable	198,488
Accounts receivable, net	<u>122,294</u>
Financial assets available for general expenditures within one year	<u>\$ 4,749,305</u>

As part of CareerWise's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. CareerWise is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, CareerWise must maintain sufficient resources to meet those responsibilities to its donors. The restricted nature of these contributions can create fluctuations in cash. Generally, these financial assets are available for general expenditure within one year.

(3) Property and Equipment

Property and equipment consist of the following at December 31, 2021:

Software and website	\$ 297,739
Leasehold improvements	59,954
Furniture, fixtures, and equipment	<u>9,019</u>
Total property and equipment	366,712
Less accumulated depreciation	<u>(340,578)</u>
Net property and equipment	<u>\$ 26,134</u>

(4) Net Assets with Donor Restrictions

Net assets subject to donor restrictions consist of \$2,690,369 for the apprenticeship program at December 31, 2021. \$4,020,294 were released from donor restrictions during the year.

(5) Forgiveness of Paycheck Protection Program Loan

During the years ended December 31, 2021 and 2020, CareerWise received a \$569,000 and \$486,100 loan, respectively, under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The loans were treated as refundable advances of conditional contributions until such time that the loans were explicitly forgiven by the SBA. The loans were fully forgiven during the year ended December 31, 2021 and, therefore, \$1,055,100 was recognized as contribution revenue.

CareerWise Colorado
Notes to Financial Statements, Continued

(6) Retirement Plan

CareerWise maintains a 401(k)-retirement plan (the Plan) which covers substantially all employees. Eligible employees may begin to participate in the Plan with elective deferral contributions on the first day of the calendar month coinciding with or next following the date of hire. Participants are eligible to contribute an amount not to exceed limits set by the Internal Revenue Service. Under the Plan, CareerWise may make a discretionary safe harbor contribution. During the year ended December 31, 2021, CareerWise made contributions to the plan totaling \$87,998.

(7) Lease

CareerWise leases office space under a non-cancelable operating lease through July 2027. Effective June 1, 2022, CareerWise will end its original lease, which is set to expire in May 2023, and a new amendment will take affect with the current landlord. Future minimum lease payments at December 31 are as follows:

2022	\$ 200,808
2023	164,105
2024	166,777
2025	169,449
2026	172,121
Thereafter	<u>101,313</u>
	<u>\$ 974,573</u>

Total rental expense incurred during the year ended December 31, 2021 was \$312,455.

CareerWise Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal grantor/pass-through grantor/program or cluster title	Identifying Number	Assistance listing number	Federal expend- itures	Passed through to subrecipients
U.S. Department of Labor				
Direct Programs				
Youth Apprenticeship Readiness Grant Program	FOA-ETA-20-06	17.285	\$ 1,147,241	695,687
Total Direct Programs			<u>1,147,241</u>	<u>695,687</u>
Total U.S. Department of Labor			<u>1,147,241</u>	<u>695,687</u>
Total Expenditures of Federal Awards			<u>\$ 1,147,241</u>	<u>695,687</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of CareerWise Colorado (CareerWise) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CareerWise, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CareerWise.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

CareerWise has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



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

**Board of Directors
CareerWise Colorado**

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 financial statements of CareerWise Colorado, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CareerWise Colorado's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CareerWise Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of CareerWise Colorado'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CareerWise Colorado's financial statements are free from 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 financial statements. 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 2021-001, 2021-002, and 2021-003.

**Board of Directors
CareerWise Colorado**

CareerWise Colorado's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on CareerWise Colorado's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. CareerWise Colorado's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kundinger, Corder & Montoya, P.C.

May 19, 2022



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

**Board of Directors
CareerWise Colorado**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited CareerWise Colorado's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of CareerWise Colorado's major federal programs for the year ended December 31, 2021. CareerWise Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CareerWise Colorado 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 December 31, 2021.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CareerWise Colorado and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CareerWise Colorado's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CareerWise Colorado's federal programs.

Board of Directors CareerWise Colorado

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CareerWise Colorado's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CareerWise Colorado's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CareerWise Colorado's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CareerWise Colorado's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CareerWise Colorado's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on CareerWise Colorado's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. CareerWise Colorado's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

**Board of Directors
CareerWise Colorado**

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on CareerWise Colorado's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. CareerWise Colorado's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kundinger, Corder & Montoya, P.C.

May 19, 2022

CareerWise Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

A. Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of CareerWise Colorado (CareerWise) were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of CareerWise, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Three significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the *Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*. No material weaknesses were reported.
5. The auditor’s report on compliance for the major federal award program CareerWise expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was the U.S. Department of Labor Youth Apprenticeship Readiness Grant Program (Assistance Listing No. 17.285).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. CareerWise was determined to not be a low-risk auditee.

B. Findings–Financial Statements Audit

None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Federal Agency: U.S. Department of Labor

Federal Program and Assistance Listing Number: Youth Apprenticeship Readiness Grant Program, 17.285

Identification Number: FOA-ETA-20-06

Grant Period: July 1, 2020 – June 30, 2024

2021-001 Procurement and Suspension and Debarment – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: CareerWise must document their procurement process in writing, comply with applicable state and local laws and regulations, and conform to applicable federal statutes and procurement requirements identified in 2 CFR part 200. In addition, CareerWise is prohibited from contracting with parties that are suspended or debarred. Under the guidelines, before contracting with a non-federal entity, the grantee must verify that the non-federal entity is not suspended, debarred, or otherwise excluded from participating in the transaction.

Cause: While policies and procedures were in place, they were not documented in accordance with Uniform Guidance and the method used by management to procure new services under U.S. Department of Labor funding did not follow all the required elements.

CareerWise Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

C. Findings and Questioned Costs – Major Federal Award Programs Audit, Continued

2021-001 Procurement and Suspension and Debarment – Significant Deficiency in Internal Control over Compliance, Continued

Cause, continued: During the course of the audit, it was noted that Program Managers check vendors prior to entering into a covered transaction to determine if the vendor is debarred, suspended, or otherwise excluded, but there was no documentation evidencing that verifications were being completed.

Effect: Without following a written procurement policy that includes all required elements under Uniform Guidance, procurements under federal awards may not have been made in compliance with applicable Federal regulations, and covered transaction payments could have been made to parties that were federally suspended, debarred, or otherwise disqualified.

Context: Program expenditures made to certain vendors exceeded either the micro-purchase or covered transaction threshold, triggering the testing of this compliance area during the audit.

Questioned Costs: This finding did not result in any questioned costs.

Identification of Repeat Findings: This is not a repeat finding.

Recommendation: We recommend CareerWise enhance their written procurement policy to include all required elements by Uniform Guidance. Procedures should be included that outline processes and control activities specifically defining oversight of contractors' performance, which personnel are responsible for each step in the process and who is performing the review over the process, including conflicts of interest and who is responsible for ensuring vendors under covered transactions are not suspended, debarred, or otherwise disqualified.

Views of Responsible Officials and Planned Corrective Actions: CareerWise has updated their procurement policy to ensure that all elements required are clearly documented in accordance with Uniform Guidance. As of the date of this report, the draft policy is being reviewed by management. Full implementation will occur no later than December 31, 2022.

Federal Agency: U.S. Department of Labor

Federal Program and Assistance Listing Number: Youth Apprenticeship Readiness Grant Program, 17.285

Identification Number: FOA-ETA-20-06

Grant Period: July 1, 2020 – June 30, 2024

2021-002 Reporting – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (FFATA) that are codified in Title 2 U.S. Code of Federal Regulations, Part 170 - Reporting Subaward and Executive Compensation Information, prime grant recipients awarded a new Federal grant greater than or equal to \$25,000 are subject to FFATA subaward reporting requirements. The prime awardee is required to file a FFATA subaward report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$25,000. The report must be filed in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

CareerWise Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

C. Findings and Questioned Costs – Major Federal Award Programs Audit, Continued

2021-002 Reporting – Significant Deficiency in Internal Control over Compliance, Continued

Cause: Management was unaware of the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.

Effect: CareerWise did not meet the reporting compliance requirements set forth under the grant agreement.

Context:

Transactions Tested	Subaward reported	not reported	Report timely	not reported	Subaward amount incorrect	Subaward missing key elements
1	1		N/A		N/A	N/A
Dollar Amount of Tested Transactions	Subaward reported	not reported	Report timely	not reported	Subaward amount incorrect	Subaward missing key elements
\$563,506	\$563,506		N/A		N/A	N/A

Questioned Costs: This finding did not result in any questioned costs.

Identification of Repeat Findings: This is not a repeat finding.

Recommendation: We recommend CareerWise staff obtain training on the FFATA requirements and establish policies and procedures to ensure timely compliance with the reporting requirements.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will revise its quarterly subgrantee reporting procedures to ensure that the required FFATA report is included in the process, in accordance with 2 CFR Part 170. After communicating this additional procedure to subgrantees, CareerWise will also assign, provide training on, and execute FFATA reporting procedures. CareerWise will continue to execute detailed narrative, financial, and performance reporting, in addition to the FFATA, on any subgrant greater than or equal to \$25,000. Full implementation will occur no later than December 31, 2022.

CareerWise Colorado
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

C. Findings and Questioned Costs – Major Federal Award Programs Audit, Continued

Federal Agency: U.S. Department of Labor

Federal Program and Assistance Listing Number: Youth Apprenticeship Readiness Grant Program, 17.285

Identification Number: FOA-ETA-20-06

Grant Period: July 1, 2020 – June 30, 2024

2021-003 Subrecipient Monitoring – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: Established subrecipient monitoring policies were not followed with regard to documenting the annual review over subrecipient activities nor did the policies include requesting and reviewing the subrecipient’s annual audit report and following-up when issues are identified.

Cause: Although the documentation for Federal subrecipient expenditures was properly reviewed, management was not aware that they must review the annual subrecipient audit report and follow-up when issues are identified. Management did not document their annual review of subrecipient activities as required by Uniform Guidance.

Effect: Not requesting a copy of the annual subrecipient audit or following-up on issues identified may result in misuse of grant funds that may not be identified and corrected on a timely basis.

Context: Uniform Guidance requires that subrecipient activities be monitored, including that subrecipients take timely and appropriate action on all deficiencies pertaining to the award that are detected through audits, on site review, and other means.

Questioned Costs: This finding did not result in any questioned costs.

Identification of Repeat Findings: This is not a repeat finding.

Recommendation: We recommend management review Uniform Guidance Part 6 and update their subrecipient policies to ensure proper internal control procedures are in place for effective subrecipient monitoring and to document their annual review process.

Views of Responsible Officials and Planned Corrective Actions: CareerWise is in the process of updating subgrantee monitoring policies with proper control procedures necessary to ensure the highest level of transparency and accountability, and to avoid any potential misuse of grant funds. Annual review of subgrantee activities by CareerWise will be documented in a permanent file and the policies for that review will be updated to include a review of each subgrantee's annual audit.

CareerWise Colorado
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021

None.

CareerWise Colorado
Corrective Action Plan
Year Ended December 31, 2021

CareerWise Colorado respectfully submits the following corrective action plan for the year ended December 31, 2021.

Name and address of independent public accounting firm:

Kundinger, Corder, & Montoya, P.C.

475 Lincoln Street, Suite 200

Denver, CO 80203

Audit Period: January 1, 2021 – December 31, 2021

The finding from the December 31, 2021, schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

Findings – Financial Statements Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

Finding 2021-001:

U.S. Department of Labor

Youth Apprenticeship Readiness Grant Program, 17.285

2021-001 Procurement and Suspension and Debarment – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: CareerWise must document their procurement process in writing, comply with applicable state and local laws and regulations, and conform to applicable federal statutes and procurement requirements identified in 2 CFR part 200. In addition, CareerWise is prohibited from contracting with parties that are suspended or debarred. Under the guidelines, before contracting with a non-federal entity, the grantee must verify that the non-federal entity is not suspended, debarred, or otherwise excluded from participating in the transaction.

Cause: While policies and procedures were in place, they were not documented in accordance with Uniform Guidance and the method used by management to procure new services under U.S. Department of Labor funding did not follow all the required elements. During the course of the audit, it was noted that Program Managers check vendors prior to entering into a covered transaction to determine if the vendor is debarred,

suspended, or otherwise excluded, but there was no documentation evidencing that verifications were being completed.

Effect: Without following a written procurement policy that includes all required elements under Uniform Guidance, procurements under federal awards may not have been made in compliance with applicable Federal regulations, and covered transaction payments could have been made to parties that were federally suspended, debarred, or otherwise disqualified.

Context: Program expenditures made to certain vendors exceeded either the micro-purchase or covered transaction threshold, triggering the testing of this compliance area during the audit.

Questioned Costs: This finding did not result in any questioned costs.

Identification of Repeat Findings: This is not a repeat finding.

Recommendation: We recommend CareerWise enhance their written procurement policy to include all required elements by Uniform Guidance. Procedures should be included that outline processes and control activities specifically defining oversight of contractors' performance, which personnel are responsible for each step in the process and who is performing the review over the process, including conflicts of interest and who is responsible for ensuring vendors under covered transactions are not suspended, debarred, or otherwise disqualified.

Views of Responsible Officials and Planned Corrective Actions: CareerWise has updated their procurement policy to ensure that all elements required are clearly documented in accordance with Uniform Guidance. As of the date of this report, the draft policy is being reviewed by management. Full implementation will occur no later than December 31, 2022.

Name of Contact Person: Kathryn Beach

Proposed Completion Date: 12/31/2022

Finding 2021-002:

U.S. Department of Labor

Youth Apprenticeship Readiness Grant Program, 17.285

2021-002 Reporting – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (FFATA) that are codified in Title 2 U.S. Code of Federal Regulations, Part 170 - Reporting Subaward and Executive Compensation Information, prime grant recipients awarded a new Federal grant greater than or equal to \$25,000 are subject to FFATA subaward reporting requirements. The prime awardee is required to file a FFATA subaward report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$25,000. The report must be filed in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Cause: Management was unaware of the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.

Effect: CareerWise did not meet the reporting compliance requirements set forth under the grant agreement.

Context:

Transactions Tested	Subaward reported not	Report timely not	Subaward amount incorrect	Subaward missing key elements
1	1	N/A	N/A	N/A

Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$563,506	\$563,506	N/A	N/A	N/A

Questioned Costs: This finding did not result in any questioned costs.

Identification of Repeat Findings: This is not a repeat finding.

Recommendation: We recommend CareerWise staff obtain training on the FFATA requirements and establish policies and procedures to ensure timely compliance with the reporting requirements.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will revise its quarterly subgrantee reporting procedures to ensure that the required FFATA report is included in the process, in accordance with 2 CFR Part 170. After communicating this additional procedure to subgrantees, CareerWise will also assign, provide training on, and execute FFATA reporting procedures. CareerWise will continue to execute detailed narrative, financial, and performance reporting, in addition to the FFATA, on any subgrant greater than or equal to \$25,000. Full implementation will occur no later than December 31, 2022.

Name of Contact Person: Kathryn Beach

Proposed Completion Date: 12/31/2022

Finding 2021-003:

U.S. Department of Labor

Youth Apprenticeship Readiness Grant Program, 17.285

2021-003 Subrecipient Monitoring – Significant Deficiency in Internal Control over Compliance

Criteria and Condition: Established subrecipient monitoring policies were not followed with regard to documenting the annual review over subrecipient activities nor did the policies include requesting and reviewing the subrecipient’s annual audit report and following-up when issues are identified.

Cause: Although the documentation for Federal subrecipient expenditures was properly reviewed, management was not aware that they must review the annual subrecipient audit report and follow-

up when issues are identified. Management did not document their annual review of subrecipient activities as required by Uniform Guidance.

Effect: Not requesting a copy of the annual subrecipient audit or following-up on issues identified may result in misuse of grant funds that may not be identified and corrected on a timely basis.

Context: Uniform Guidance requires that subrecipient activities be monitored, including that subrecipients take timely and appropriate action on all deficiencies pertaining to the award that are detected through audits, on site review, and other means.

Questioned Costs: This finding did not result in any questioned costs.

Identification of Repeat Findings: This is not a repeat finding.

Recommendation: We recommend management review Uniform Guidance Part 6 and update their subrecipient policies to ensure proper internal control procedures are in place for effective subrecipient monitoring and to document their annual review process.

Views of Responsible Officials and Planned Corrective Actions: CareerWise is in the process of updating subgrantee monitoring policies with proper control procedures necessary to ensure the highest level of transparency and accountability, and to avoid any potential misuse of grant funds. Annual review of subgrantee activities by CareerWise will be documented in a permanent file and the policies for that review will be updated to include a review of each subgrantee's annual audit.

Name of Contact Person: Kathryn Beach

Proposed Completion Date: 12/31/2022