

# **The SkillSource Group, Inc.**

Uniform Guidance  
Supplementary Financial Report  
Year Ended June 30, 2016

## Contents

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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 <i>Government Auditing Standards</i>	1-2
Independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance	3-4
Schedule of expenditures of federal awards	5
Notes to schedule of expenditures of federal awards	6
Schedule of findings and questioned costs	7
Summary schedule of prior audit findings	8

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RSM US LLP

**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  
The SkillSource Group, Inc.  
Vienna, 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 financial statements of The SkillSource Group, Inc. (SkillSource), which comprise the statement of financial position as of June 30, 2016, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SkillSource'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of SkillSource's internal control. Accordingly, we do not express an opinion on the effectiveness of SkillSource'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 SkillSource'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. 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 SkillSource'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 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 SkillSource's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SkillSource's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

McLean, Virginia  
November 18, 2016

**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

To the Board of Directors  
The SkillSource Group, Inc.  
Vienna, Virginia

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

We have audited The SkillSource Group, Inc.'s (SkillSource) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SkillSource's major federal programs for the year ended June 30, 2016. SkillSource'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of SkillSource'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 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). Those standards and the Uniform Guidance 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 SkillSource'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 SkillSource's compliance.

**Opinion on Each Major Federal Program**

In our opinion, SkillSource complied, in all material respects, with the types of 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, 2016.

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

Management of SkillSource 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 SkillSource'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 the Uniform Guidance, 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 SkillSource'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of SkillSource as of and for the year ended June 30, 2016, and we have issued our report thereon dated November 18, 2016, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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.

*RSM US LLP*

McLean, Virginia  
November 18, 2016

**The SkillSource Group, Inc.**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016**

Federal Granting Agency and Program Title	CFDA Number	Expenditures
<b>U.S. Department of Labor (DOL)</b>		
Employment and Training Administration: Workforce Innovation Fund: Virginia Employment through Entrepreneurship Consortium	17.283	\$ 1,905,532
Pass-through from Northern Virginia Community College: Employment and Training Administration: Implementing the Working Families Success Network Model Project	17.283	89,287 <u>1,994,819</u>
Veterans' Employment and Training Service	17.802	<u>149,960</u>
Reentry Employment Opportunities Reintegration of ex-offenders – Non-youth	17.270	<u>179,988</u>
Pass-through from Virginia Community College System: Workforce Investment Act Cluster: Dislocated Worker Formula Grants Youth activities Adult program National Dislocated Worker Grants/WIA National Emergency Grants	17.278 17.259 17.258 17.277	1,524,416 1,431,781 1,268,694 8,320 <u>4,233,211</u>
Pass-through from Northern Virginia Community College: Employment and Training Administration: Trade Adjustment Assistance Community College and Career Training Grants Workforce Innovation Fund	17.282	<u>73,763</u>
<b>Total DOL Expenditures</b>		<u>6,631,741</u>
<b>U.S. Department of Defense (DOD)</b>		
Pass-through from Arlington County, Virginia Government: Community Economic Adjustment Assistance for Advance Planning and Economic Diversification	12.614	139,135 <u>139,135</u>
<b>Total DOD Expenditures</b>		<u>139,135</u>
<b>U.S. Department of Health and Human Services (DHHS)</b>		
Pass-through from Virginia Department of Social Services: Temporary Assistance for Needy Families	93.558	109,422 <u>109,422</u>
<b>Total DHHS Expenditures</b>		<u>109,422</u>
<b>U.S. Department of Transportation (DOT)</b>		
Pass-through from Metropolitan Washington Council of Governments: Job Access and Reverse Commute Program	20.516	56,270 <u>56,270</u>
<b>Total DOT Expenditures</b>		<u>56,270</u>
<b>Total expenditures of federal awards</b>		<u>\$ 6,936,568</u>

See notes to schedule of expenditures of federal awards.

**The SkillSource Group, Inc.**

**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 The SkillSource Group, Inc. (SkillSource) and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of SkillSource, it is not intended to and does not present the financial position, changes in net assets or cash flows of SkillSource.

**Note 2. Indirect Rate**

SkillSource has a negotiated indirect cost rate agreement with the U.S. Department of Labor. As such, SkillSource does not use or is eligible to use the 10% de minimus option of the Uniform Guidance.

**The SkillSource Group, Inc.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

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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 auditor findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

17.283

Workforce Innovation Fund

Dollar threshold used to distinguish between Type A and Type B programs:

      \$750,000      

Auditee qualified as low-risk auditee?

  X   Yes        No

**Section II. Financial Statement Findings and Other Matters**

None reported.

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

None reported.

**The SkillSource Group, Inc.**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016**

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There were no findings reported for the year ended June 30, 2015.