



Date: August 21, 2007
To: Lillian Plummer, Director, Training and Employment Services
From: Internal Audit
Subject: Pre- Contract Award Review for Connectinc, Inc.

Pursuant to a member of your staff's request of July 24, 2007 and clarification subsequently obtained on August 3, 2007 to obtain and review the financial statements for Connectinc, Inc. for the years ended June 30, 2005 and June 30, 2006. We obtained a copy of the proposed contractor's June 30, 2006 audit on August 7, 2006 and the June 30, 2005 audit on August 20, 2007. We reviewed these statements for trends and absolute amounts, in the same manner that we review audited financials submitted for Housing and Community Development contracts. We, also, reviewed the financials and notes for compliance with federal requirements for the TES RFP 2006-07 proposal.

The Executive Summary and Statement of Work Narrative we were provided on August 7, 2007 indicates the contract will be a performance-based reimbursement contract based on the grantee providing Workforce Investment Act, (WIA), follow-up contact services at a cost of \$150 per customer for a maximum amount of \$75,000 or 500 customers. Connectinc, Inc. indicates they will provide monthly reports detailing the number of successful contacts, employment status of participants, monthly mailing content, accomplishments of participants as reported by the participant, pending needs, types and number of employment barriers. Connectinc, Inc. will also provide a quarterly wage report as determined by the Employment Security Commission, (ESC), state network as the results are posted showing the amount of wages generated by WIA follow-up participants. The method of confirmation by the Greensboro/High Point/Guilford County Workforce Development Consortium is not indicated, though the ESC information is a probable source, along with a sample of claimed contacts reviews.

The notes to both the 2005 and 2006 financials indicate that the proposed contractor has experience providing services similar in scope to those proposed in the contract in their geographical area. Additionally, the proposed contractor's financial statements received unqualified opinions for the year(s) under review. Our analysis indicates that the cash position and the current ratio, (ratio of current assets to current liabilities), has improved and that the ratio at the end of the 6/30/2006 period was a favorable 2.36 to 1 ratio. The statement of activities indicates that revenues have risen faster than expenses and in fact provided a \$93,212 increase in net assets for the 6/30/2006 period after a loss of \$41,001 for the previous 6/30/2005 period. Salaries rose 38% as an absolute figure compared to those of the previous year, but rose only 10% as a percentage of gross revenues and were 45% of gross revenues at 6/30/2006. The audited financials indicate working capital of \$184,583, and net assets of \$456,271 the latter is in excess of an arbitrary \$250,000 which we consider necessary for a low risk category for contractor proposals.

Based on the information elicited from our review of the financial statement audits of 6/30/2005 and 6/30/2006 we are satisfied that the proposed contractor has the required financial position and

knowledge to be a viable contractor with the Greensboro Training and Employment division. We caution that this finding is based on year-old information which may have changed in the interim, and caution you to be aware of this possibility.

If you have any questions as to our findings or our methodology, please call us at (336) 373-2230 or (336) 373-2823.



Fred Newnam
Internal Auditor II



Len Lucas
Director, Internal Audit