



WORKFORCE SOLUTIONS
DEEP EAST TEXAS

RFP 26-439

Independent Auditing Services

Questions & Answers

1. **Question:** Could you share a copy of the most recent annual audit report (FYE 2025 if available)?

Answer: The Workforce Solutions Deep East Texas (WSDet) FY2025 Annual Audit is not complete. WSDet's FY2024 Annual Audit is attached.

2. **Question:** What accounting software does your organization use?

Answer: Mmentive – MIP Accounting Software

3. **Question:** What prompted you to put this engagement out to bid?

Answer: WSDet's current contract for independent auditing services expires on September 30, 2026. In accordance with applicable procurement requirements and WSDet policy, WSDet is conducting a competitive procurement process to obtain auditing services for the upcoming contract period.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Deep East Texas Local Workforce Development Board, Inc.
Lufkin, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Deep East Texas Local Workforce Development Board, Inc. (Corporation) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, 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 referred to above present fairly, in all material respects, the financial position of the Deep East Texas Local Workforce Development Board, Inc. as of September 30, 2024, 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 the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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 the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 the Corporation'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 the Corporation'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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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 and state 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* and the Texas Grant Management Standards, 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 and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2025 on our consideration of the Corporation'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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
June 9, 2025

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 40,698
Grants receivable, net of allowance of \$0	1,885,144
Prepaid items	116,354
Total current assets	<u>2,042,196</u>

Property and equipment:

Equipment	412,354
Furniture and fixtures	4,294
Leasehold improvements	245,687
Website	26,292
Accumulated depreciation	(524,869)
Total property and equipment	<u>163,758</u>

Other assets:

Operating lease right-of-use assets	<u>2,180,284</u>
Total other assets	<u>2,180,284</u>

Total assets	<u>\$ 4,386,238</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 1,750,904
Accrued liabilities	56,028
Operating lease liabilities - current	370,772
Total current liabilities	<u>2,177,704</u>

Long-term Liabilities:

Operating lease liabilities - long-term	<u>1,809,512</u>
Total long-term liabilities	<u>1,809,512</u>

Total liabilities	<u>3,987,216</u>
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Net assets:

Without donor restriction	<u>399,022</u>
Total net assets	<u>399,022</u>

Total liabilities and net assets	<u>\$ 4,386,238</u>
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The notes to the financial statements are an integral part of this statement.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	WITHOUT DONOR RESTRICTIONS	TOTAL
Revenues and other support:		
Grant revenues	\$ 25,938,598	\$ 25,938,598
Contributions and donations	415,380	415,380
Miscellaneous revenues	2,767	2,767
Total revenues and other support	26,356,745	26,356,745
Expenses:		
Program	25,717,031	25,717,031
Administration	716,895	716,895
Total expenses	26,433,926	26,433,926
Change in net assets	(77,181)	(77,181)
Net assets - beginning	476,203	476,203
Net assets - ending	\$ 399,022	\$ 399,022

The notes to the financial statements are an integral part of this statement.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>PROGRAM</u>	<u>ADMINISTRATION</u>	<u>TOTAL</u>
Salaries and benefits	\$ 870,812	\$ 498,315	\$ 1,369,127
Contracted services - operations	4,513,668	-	4,513,668
Contracted services - direct client services	18,604,345	-	18,604,345
Communication expenses	134,972	16,284	151,256
Depreciation	59,877	-	59,877
Equipment and related expenses	118,430	2,948	121,378
General administration expenses	636,384	21,453	657,837
Insurance	19,862	8,780	28,642
Outreach/recruitment	15,580	1,411	16,991
Professional services	87,847	89,332	177,179
Rent and facility related expenses	577,093	36,706	613,799
Staff development	32,064	15,888	47,952
Travel	46,097	25,778	71,875
	<u>\$ 25,717,031</u>	<u>\$ 716,895</u>	<u>\$ 26,433,926</u>
Total			

The notes to the financial statements are an integral part of this statement.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ (77,181)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	59,877
Noncash operating lease expense	368,164
(Increase) in grants receivable	(463,747)
(Increase) in prepaid expenses	(12,840)
Increase in accounts payable	461,923
Increase in accrued liabilities	6,062
(Decrease) in operating lease liabilities	(368,164)
Total adjustments	<u>51,275</u>
Net cash used in operating activities	<u>(25,906)</u>
Cash flows from investing activities:	
Acquisition of property and equipment	<u>(14,000)</u>
Net cash used in investing activities	<u>(14,000)</u>
Net decrease in cash and cash equivalents	(39,906)
Cash and cash equivalents, beginning	<u>80,604</u>
Cash and cash equivalents, ending	<u><u>\$ 40,698</u></u>

The notes to the financial statements are an integral part of this statement.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Deep East Texas Local Workforce Development Board, Inc. (Corporation) conform to generally accepted accounting principles applicable to not-for-profit organizations. The following is a summary of the more significant policies:

Activities

The Corporation is a not-for-profit corporation organized under the laws of the State of Texas in 1996. Its primary purpose is to provide planning, oversight, and evaluation of a consolidated workforce development system in the Deep East Texas area. It sets a strategic direction for workforce development and develops a coherent, integrated system of education, employment, and training programs and services that provide the regional labor market with a highly skilled workforce. The majority of funding is from federal and state grants.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting standards (GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in banks and all unrestricted highly liquid investments with original maturities of three months or less.

Income Taxes

The Corporation is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as a public charity. Form 990 is filed annually. Forms 990 prior to the year ended September 30, 2021 are closed to examination by the Internal Revenue Service. If penalties or interest were incurred, they would be included in general administration expenses.

Grants Receivable

The Corporation recognizes receivables when the revenue has been earned. Grants receivable are primarily due from the Texas Workforce Commission.

No provision has been made for uncollectible grants receivable as of September 30, 2024, as all are deemed collectible.

Property and Equipment

Property and equipment are recorded at cost. Maintenance, repairs, and minor renewals are charged against income when incurred. When assets are retired or otherwise disposed of, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference, less any amount realized from disposition, is reflected in income.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Donations of property and equipment, if any, are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and reclassifies donor restricted net assets to net assets without donor restrictions at that time.

Depreciation is computed using the straight-line method over the estimated useful lives of assets. The estimated useful lives range from 3 to 10 years.

Leases

The Corporation has operating leases of buildings for office space and workforce centers as well as certain equipment. The determination of whether an agreement is a lease is made at inception. Under FASB Accounting Standards Codification (ASC) Topic 842, Leases, an agreement is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined as having both the right to obtain substantially all of the economic benefits from the use of and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the agreement are changed. Topic 842 identifies two types of lease classifications, operating and finance leases. In order to be classified as a finance lease, the lease must meet at least one of the criteria in ASC 842-10-25-2. If none of the criteria are met, the lease is an operating lease.

Right-of-use (ROU) assets represent the right to use an underlying asset for a period of time and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the term of the lease. Since most of the Corporation's leases do not provide an implicit rate, management uses the incremental borrowing rate based on information available at inception of the lease. Operating lease ROU assets include any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized over the lease term.

Operating leases are included in operating lease ROU assets, operating lease liabilities - current, and operating lease liabilities - long-term in the statement of financial position.

Revenue Recognition

Contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction is met in the same reporting period the revenue is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions until the restriction is met. When the restriction is met, 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.

The Corporation receives grants from various agencies to fund their programs. These grants are accounted for in accordance with the provisions of FASB Subtopic 958-605. Since no commensurate value is received by the resource providers, these grants are considered to be contributions. Subtopic 958-605 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. These grants are considered to be conditional contributions and accordingly, revenue is recognized as the related qualifying expenses are incurred. Grant advances received are recognized as unearned revenue until expended for the purpose of the grant.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Net Assets

The Corporation is required to report net assets in two classes, with donor restrictions and without donor restrictions, based on the existence of donor-imposed restrictions. As of September 30, 2024, there were no donor-restricted amounts; therefore, only one class of net assets is presented.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the Corporation's multiple function expenditures.

Outreach/Recruitment

Outreach/recruitment costs are expensed as incurred. Outreach/recruitment costs were \$16,991 for September 30, 2024.

Use of Estimates

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

Date of Management Review – Subsequent Events

Management has evaluated subsequent events through June 9, 2025, the date on which the financial statements were available to be issued.

COLLATERALIZED DEPOSITS

The Corporation's cash deposits are all noninterest-bearing and are maintained in a Federal Deposit Insurance Corporation (FDIC) insured institution. At September 30, 2024, cash deposits at the financial institution had a book balance of \$40,698 and a bank balance of \$58,231. At September 30, 2024, the Corporation's deposits were entirely covered by FDIC insurance. There are also pledged securities held by the financial institution's agent bank in the Corporation's name to cover any amount that exceeds FDIC coverage.

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At September 30, 2024, the Corporation had cash and cash equivalents of \$40,698 and grants receivable of \$1,885,144 available to meet its cash needs for general expenditures within one year of the date of the statement of financial position.

CAFETERIA PLAN

The Corporation has made available a Cafeteria Plan under Section 125 of the Internal Revenue Code, which incorporates a Health Expense Reimbursement Plan and a Child and Dependent Reimbursement Plan, to all employees. Employees may elect to contribute a portion of their yearly compensation at their discretion. The Corporation shall cover all plan costs.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classification as follows:

	BALANCE OCTOBER 1, 2023	ADDITIONS	RETIREMENTS	BALANCE SEPTEMBER 30, 2024
Equipment	\$ 398,354	\$ 14,000	\$ -	\$ 412,354
Furniture and fixtures	4,294	-	-	4,294
Leasehold improvements	245,687	-	-	245,687
Website	26,292	-	-	26,292
Total	\$ 674,627	\$ 14,000	\$ -	\$ 688,627

The Corporation's capitalization policy applies a threshold of \$5,000 or more in cost. Depreciation expense for the year ended September 30, 2024 was \$59,877.

LEASES

Lessee

The Corporation has operating leases for office space and workforce center facilities. The remaining lease terms at September 30, 2024 range from eleven months to nine years. There are no options to renew included in the Corporation's leases and the option to terminate a lease only exists in the case of loss of funding. There are no residual value guarantees or restricted covenants in the leases.

When determining whether an agreement contains or is a lease that is subject to Topic 842 and which components to include, the Corporation has elected to use the following practical expedients: (1) leases with an initial term of twelve months or less will have lease payments recognized in the statement of activities a straight-line basis over the lease term; and (2) lease and non-lease components associated with a single lease will not be separated and instead be accounted for as a single lease component for all building and equipment leases.

As of September 30, 2024, the weighted average remaining lease term and discount rate are 6.58 years and 7.23%, respectively. Operating lease expense totaled \$506,951 for the year ended September 30, 2024 and is included in program expenses.

At September 30, 2024, the maturities of lease liabilities were as follows:

Year Ending September 30,	Operating
2025	\$ 514,039
2026	432,570
2027	399,020
2028	399,020
2029	307,726
Thereafter	697,078
Total lease payments	2,749,453
Less: Interest	569,169
Operating lease liabilities	\$ 2,180,284

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

The following summarizes the line items in the statement of financial position which include amounts for leases at September 30, 2024:

Operating leases		
Operating lease right-of-use assets	\$	2,180,284
Operating lease liabilities - current	\$	370,772
Operating lease liabilities – long-term		1,809,512
Total operating lease liabilities	\$	2,180,284

The summary of cash flow information related to leases for the year ended September 30, 2024 is as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$368,164
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Right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$736,877
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Subleases

The Corporation subleases office space in the Workforce Centers to outside entities for terms of twelve to thirty-six months. The leases are cancellable by either party with either a 30-day or 60-day notification. As a result, these are short-term leases and are accounted for as operating leases. Lease income is classified within cash flows from operating activities. The amount of lease income for these leases during the year ended September 30, 2024 totaled \$25,148.

The following is an analysis of the maturity of the undiscounted operating lease payments to be received from the office space operating leases as of September 30, 2024:

Year Ending September 30,		Operating
2025	\$	21,511
2026		10,409
2027		4,148
Total	\$	36,068

DONATED FACILITIES

The Crockett Economic & Industrial Development Corporation (Crockett EDC) provided office space for the Corporation during the year. Building rent of \$415,380 has been recognized in the financial statements as the estimated fair value of the donated facilities.

CONCENTRATIONS

Most of the Corporation’s revenue is received from the Texas Workforce Commission as pass-through federal and state funds. Consequently, revenue is directly affected by any changes in the funding of the Texas Workforce Commission, which is subject to the political process. Funding for these programs has been stable, and no significant changes are expected. At September 30, 2024, grant receivables of \$1,879,830 are also due from the Texas Workforce Commission.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

RELATED PARTIES

The Corporation utilizes the services of Angelina College, Panola College and Stephen F. Austin State University, as training sites and each entity has an employee serving on the Board of Directors (Board). Payments made to Angelina College, Panola College and Stephen F. Austin State University in fiscal year 2024 totaled \$148,816, \$7,286 and \$4,360, respectively. The owner/director of the Building Blocks Academy entities, which provides childcare services, serves on the Corporation's Board. During fiscal year 2024, payments made to Building Blocks Academy, LLC and Building Blocks Academy 2 totaled \$278,152 and \$41,667, respectively.

Payments made in fiscal year 2024 to a relative of a member of the Board totaled \$101,175 for a lease of facilities in Polk County. Office space is leased to the Corporation by the Crockett EDC, which has an employee on the Board. Payments made to the Crockett EDC for utilities in fiscal year 2024 totaled \$7,168. In fiscal year 2024, the Corporation leased office space to the Alcohol Drug Abuse Council in Polk County which also has an employee serving on the Board. Total payments received from the Alcohol Drug Abuse Council in fiscal year 2024 were \$8,860.

COMMITMENTS AND CONTINGENCIES

The Corporation has received various federal and state grant awards. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. Management believes that any liability for reimbursement which may arise as the result of these audits would not be material to the financial position of the Corporation.

SINGLE AUDIT SECTION

Richard A. Rudel, CPA
Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Susan L. Murrell, CPA
Brenda A. Johnson



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(1947-2024)
Glenda J. Hiers, CPA
(Retired)

**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
Deep East Texas Local Workforce Development Board, Inc.
Lufkin, Texas

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 Deep East Texas Local Workforce Development Board, Inc. (Corporation) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, 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 June 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation'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 or significant deficiencies may exist that were not identified.

**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* - CONTINUED**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation’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 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 Corporation’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 Corporation’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
June 9, 2025

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE AND THE TEXAS GRANT MANAGEMENT STANDARDS**

Board of Directors
Deep East Texas Local Workforce Development Board, Inc.
Lufkin, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Deep East Texas Local Workforce Development Board, Inc.'s (Corporation) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the Texas Grant Management Standards (TxGMS) that could have a direct and material effect on each of the Corporation's major federal and state programs for the year ended September 30, 2024. The Corporation's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Deep East Texas Local Workforce Development Board, Inc. 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 and state programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal and State 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; 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) and TxGMS. Our responsibilities under those standards, the Uniform Guidance, and TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation 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 and state program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

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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 provision of contracts or grant agreements applicable to the Corporation's federal and state programs.

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 the Corporation'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*, the Uniform Guidance, and TxGMS will always detect a material noncompliance when it exists. The risk of not detecting a 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 the Corporation's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and TxGMS, 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 the Corporation'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 the Corporation'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 and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE AND THE TEXAS GRANT MANAGEMENT STANDARDS - CONTINUED**

Report on 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 or state 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 or state 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 or state 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 and TxGMS. Accordingly, this report is not suitable for any other purpose.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
June 9, 2025

**DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUND	GRANT/CONTRACT	ASSISTANCE LISTING NUMBER	PASS THROUGH GRANTOR NUMBER	PASSED THROUGH TO SUBRECIPIENTS	EXPENDITURES
FEDERAL AWARDS:					
U.S. Department of Agriculture:					
Passed through Texas Workforce Commission:					
SNAP Cluster:					
396, 397	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1724SNE001	\$ 133,207	\$ 209,870
	Total SNAP Cluster			<u>133,207</u>	<u>209,870</u>
	Total U.S. Department of Agriculture			<u>133,207</u>	<u>209,870</u>
U.S. Department of Labor:					
Passed through Texas Workforce Commission:					
Employment Service Cluster:					
357	Employment Service/Wagner-Peyser Funded Activities	17.207	1723WPA001	9,373	25,994
395	Employment Service/Wagner-Peyser Funded Activities	17.207	1724WPA001	39,608	86,820
401	Employment Service/Wagner-Peyser Funded Activities	17.207	1724WCI001	3,956	5,820
	Total Assistance Listing Number 17.207			<u>52,937</u>	<u>118,634</u>
400	Disabled Veterans' Outreach Program	17.801	1724TVC001	10,088	22,465
	Total Employment Service Cluster			<u>63,025</u>	<u>141,099</u>
361	Unemployment Insurance	17.225	1723REA001	80,915	124,659
399	Unemployment Insurance	17.225	1724REA001	136,719	215,699
	Total Assistance Listing Number 17.225			<u>217,634</u>	<u>340,358</u>
360	Trade Adjustment Assistance	17.245	1723TRA001	(538)	1,117
398	Trade Adjustment Assistance	17.245	1724TRA001	-	2,951
	Total Assistance Listing Number 17.245			<u>(538)</u>	<u>4,068</u>
WIOA Cluster:					
345	WIOA Adult Program	17.258	1722WOA001	-	1,242
380	WIOA Adult Program	17.258	1723WOA001	841,467	1,129,946
426	WIOA Adult Program	17.258	1724WOA001	197,082	246,698
375	WIOA Adult Program	17.258	1723EXT001	-	13,617
407	WIOA Adult Program	17.258	1724EXT001	600	41,628
376	WIOA Adult Program	17.258	1723WOS001	38,084	43,342
406	WIOA Adult Program	17.258	1724WOZ001	64,528	69,951
	Total Assistance Listing Number 17.258			<u>1,141,761</u>	<u>1,546,424</u>

See independent auditor's report on schedule of expenditures of federal and state awards.

**DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUND	GRANT/CONTRACT	ASSISTANCE LISTING NUMBER	PASS THROUGH GRANTOR NUMBER	PASSED THROUGH TO SUBRECIPIENTS	EXPENDITURES
341, 342					
343, 344	WIOA Youth Activities	17.259	1722WOY001	403,540	538,214
381, 382					
383, 384	WIOA Youth Activities	17.259	1723WOY001	627,990	769,880
	Total Assistance Listing Number 17.259			1,031,530	1,308,094
346	WIOA Dislocated Worker Formula Grants	17.278	1722WOD001	447,332	627,137
385	WIOA Dislocated Worker Formula Grants	17.278	1723WOD001	176,187	237,970
379	WIOA Dislocated Worker Formula Grants	17.278	1723WOR001	(1,822)	6,102
408	WIOA Dislocated Worker Formula Grants	17.278	1724WOR001	-	4,932
404	WIOA Dislocated Worker Formula Grants	17.278	1724BSA001	-	26,735
	Total Assistance Listing Number 17.278			621,697	902,876
	Total WIOA Cluster			2,794,988	3,757,394
412	WIOA National Emergency Grant	17.277	1724NDW001	3,846	6,212
339	Apprenticeship USA Grants	17.285	1722ATG002	11,827	13,408
	Total U.S. Department of Labor			3,090,782	4,262,539
	U.S. Department of Health & Human Services:				
	Passed through Texas Workforce Commission:				
351	Social Services Block Grant	93.667	1723CCF001	1,491	1,552
390	Social Services Block Grant	93.667	1724CCF001	27,275	28,068
	Total Assistance Listing Number 93.667			28,766	29,620
364, 365	Temporary Assistance for Needy Families	93.558	1723TAF001	47,551	80,450
402, 403	Temporary Assistance for Needy Families	93.558	1724TAF001	597,052	983,308
394	Temporary Assistance for Needy Families	93.558	1724NCP001	14,056	22,382
357	Temporary Assistance for Needy Families	93.558	1723WPA001	652	1,808
395	Temporary Assistance for Needy Families	93.558	1724WPA001	2,943	6,450
401	Temporary Assistance for Needy Families	93.558	1724WCI001	22,310	32,820
	Total Assistance Listing Number 93.558			684,564	1,127,218
	CCDF Cluster:				
351	COVID-19 - Child Care and Development Block Grant	93.575	1723CCF001	193,991	201,900
351	Child Care and Development Block Grant	93.575	1723CCF001	309,467	322,084
390	COVID-19 - Child Care and Development Block Grant	93.575	1724CCF001	7,663,723	7,886,703

See independent auditor's report on schedule of expenditures of federal and state awards.

**DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUND	GRANT/CONTRACT	ASSISTANCE LISTING NUMBER	PASS THROUGH GRANTOR NUMBER	PASSED THROUGH TO SUBRECIPIENTS	EXPENDITURES
390	Child Care and Development Block Grant	93.575	1724CCF001	4,452,671	4,582,223
353, 371	COVID-19 - Child Care and Development Block Grant	93.575	1723CCQ001	-	2,378
353, 371	Child Care and Development Block Grant Block Grant	93.575	1723CCQ001	-	24,096
392	COVID-19 - Child Care and Development Block Grant	93.575	1724CCQ001	-	1,617
392	Child Care and Development Block Grant Total Assistance Listing Number 93.575	93.575	1724CCQ001	-	965,908
				<u>12,619,852</u>	<u>13,986,909</u>
351	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1723CCF001	190,089	197,839
390	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1724CCF001	2,677,698	2,755,608
352	Child Care Mandatory and Matching Funds of the Child Care and Development Fund Total Assistance Listing Number 93.576	93.596	1723CCM001	1,184,972	1,184,972
				<u>4,052,759</u>	<u>4,138,419</u>
	Total CCDF Cluster			<u>16,672,611</u>	<u>18,125,328</u>
	Total U.S. Department of Health & Human Services			<u>17,385,941</u>	<u>19,282,166</u>
	Total Federal Awards			<u>20,609,930</u>	<u>23,754,575</u>
STATE AWARDS:					
Texas Workforce Commission:					
	Childcare Program		1723CCF001	20,689	21,533
	Childcare Program		1724CCF001	586,810	603,884
	SNAP		1724SNE001	15,133	23,843
	Protective Services		1723CCP001	(10,209)	(10,213)
	Protective Services		1724CCP001	595,956	606,054
	Protective Services		1725CCP001	59,452	59,452
	TANF		1723TAF001	8,183	13,844
	TANF		1724TAF001	80,296	132,242
	TANF (NCP)		1724NCP001	39,542	63,401
	Total Texas Workforce Commission			<u>1,395,852</u>	<u>1,514,040</u>

See independent auditor's report on schedule of expenditures of federal and state awards.

**DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUND	GRANT/CONTRACT	ASSISTANCE LISTING NUMBER	PASS THROUGH GRANTOR NUMBER	PASSED THROUGH TO SUBRECIPIENTS	EXPENDITURES
Texas Education Agency:					
	Tri-Agency Grant for Regional Conveners		230386047110008	-	163,982
	Total State Awards			1,395,852	1,678,022
	Total Federal and State Awards			\$ 22,005,782	\$ 25,432,597

See independent auditor's report on schedule of expenditures of federal and state awards.

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
SEPTEMBER 30, 2024

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of the Deep East Texas Local Workforce Development Board, Inc. (Corporation) under programs of the federal and state governments for the year ended September 30, 2024. The information in the 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) and the Texas Grant Management Standards (TxGMS) issued by the Texas Comptroller of Public Accounts.

Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position or changes in net assets, or cash flows, of the Corporation. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the financial statements. The Corporation's reporting entity is defined in the notes to the financial statements. Federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other governmental agencies, are included on the Schedule.

Summary of Significant Accounting Policies

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and TxGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

State Awards Guidelines

State awards are subject to TxGMS requirements. Such guidelines are consistent with those required under the Uniform Guidance and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Indirect Cost Rate

The Corporation has an indirect cost allocation plan. The Corporation did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Relationship to Financial Reports

Amounts reported in the Schedule may not agree with the amount reported in the related financial reports filed with grantor agencies because of program year ends and accruals made in the Schedule that will be reflected in future reports filed with the agencies.

Reconciliation to Financial Statements

The reconciliation of the Schedule to grant revenues reported in the financial statements is as follows:

Total federal and state awards per the Schedule	\$ 25,432,597
Childcare recoupment fees	(1,340)
Vocational rehabilitation fee for service grant contracts	192,692
Summer Earn and Learn fee for service grant contract	284,056
Student Hireability Navigator fee for service grant contract	<u>30,593</u>
Total grant revenues	<u>\$ 25,938,598</u>

DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
SEPTEMBER 30, 2024

The following is a reconciliation of total expenses per the financial statements to the amount reported in the Schedule:

Total expenses per the financial statements	\$ 26,433,926
Capital outlay/depreciation expense	(45,877)
Donated facilities	(415,380)
Vocational rehabilitation fee for service grant contracts	(193,569)
Summer Earn and Learn fee for service grant contract	(283,986)
Student Hireability Navigator fee for service grant contract	(50,785)
Other	<u>(11,732)</u>
Total expenditures per the Schedule	<u>\$ 25,432,597</u>

**DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **UNMODIFIED**

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	No
Significant deficiencies identified?	_____	Yes	_____	None Reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____	No
Significant deficiencies identified?	_____	Yes	_____	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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200 or TxGMS? _____ Yes _____ X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program
Federal:	
93.558	WIOA Cluster Temporary Assistance for Needy Families
State:	
N/A	Protective Services

Dollar threshold used to distinguish between type A and type B federal programs: \$750,000

Dollar threshold used to distinguish between type A and type B state programs: \$750,000

Auditee qualified as low-risk auditee for federal awards _____ X Yes _____ No

B. Financial Statements Findings

None

C. Federal Awards Findings and Questioned Costs

None

**DEEP EAST TEXAS LOCAL WORKFORCE DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

There were no prior year audit findings relative to federal or state awards.