

ENCLOSURE 11, Attachment 2

November 11, 2006

To the Finance Committee
Southwest Wisconsin Workforce Development Board, Inc.
Platteville, Wisconsin

In planning and performing our audit of the financial statements of Southwest Wisconsin Workforce Development Board, Inc. for the year ended June 30, 2006, we considered the organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated October 13, 2006, on the financial statements of Southwest Wisconsin Workforce Development Board, Inc.

We have already discussed many of these comments and suggestions with various organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Conflict of Interest Policy

The latest version of IRS Form 990, *Return of Organization Exempt From Income Tax*, includes a new question that asks whether the organization has a written conflict of interest policy. Although a conflict of interest policy is currently not required as a matter of tax law, the IRS is encouraging adoption of a conflict of interest policy because it makes it more likely that an exempt organization will operate for the benefit of the community and not for private interests. We have provided the organization with a sample conflict of interest policy published by the IRS. We recommend the organization use this sample policy to ensure its current policy is consistent with the policy provided by the IRS.

Fundraising Expenses

Another area of IRS interest is the reporting of fundraising expenses on the Form 990. In its 2004 implementation plan for exempt organizations, the IRS announced that one focus would be "fundraising" organizations. We are now seeing evidence of this focus in the form of "educational" notices that some organizations are receiving. Basically, the notice informs the organization that it reported grants and contributions on its Form 990 but reported little or no fundraising expenses. While no response is required to this notice and amendment of returns does not seem to be indicated, the IRS does imply that this issue will be reviewed on future returns filed by the organization. Keep in mind that an organization that only receives government grants should be reporting fundraising expenses. The IRS instructions to Form 990 indicate that a grant or other payment from a governmental unit is treated as a contribution if its primary purpose is to enable the recipient to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor. Likewise, these instructions state that fundraising expenses include the costs incurred in soliciting bequests and grants from foundations or other organizations, or government grants reportable as contributions. Although you may not think of your organization as a fundraising organization, the IRS may think differently. We recommend

ENCLOSURE 11, Attachment 2

that the organization examine its system of financial reporting to ensure that it can properly track fundraising expenses reportable on Form 990.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act requires that publicly traded companies adhere to significant new governance standards that broaden board members' roles in overseeing financial transactions and auditing procedures. While nearly all of the provisions of the Act apply only to publicly traded companies, the Act does call for regulations, and closes most of the loopholes, for all enterprises (for-profit and nonprofit) relating to document destruction and whistle-blower protection. The Act makes it a crime to alter, cover up, falsify, or destroy any document to prevent its use in an official proceeding (e.g., federal investigation or bankruptcy proceeding). The Act turns intentional document destruction into a process that must be monitored, justified, and carefully administered. Likewise, the Act provides protection for whistle-blowers and imposes criminal penalties for actions taken in retaliation against those who risk their careers by reporting suspected illegal activities in the organization. Nonprofits must develop, adopt, and disclose a formal process to deal with complaints and prevent retaliation. We have scheduled a presentation for the December 13, 2006 finance committee meeting that will discuss in greater detail the Act and its impact on nonprofit organizations. We will also provide the organization with sample document destruction and whistle-blower policies that it can compare to its current policies to ensure compliance with the applicable provisions of the Act.

The preceding comments and recommendations are intended solely for the information and use of the finance committee, board of directors, management, and others within the organization and are not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Wegner LLP
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