

West Virginia



ADVOCATES

Protection and Advocacy for Individuals with Disabilities since 1977

March 27, 2009

Ms. Kimberly Merritt, Compliance Auditor
WV Department of Health and Human Resources
Office of Accountability and Management Reporting
Division of Compliance & Monitoring
Capitol Complex, Building 3, Room 550
Charleston, WV 25305

Dear Ms. Merritt:

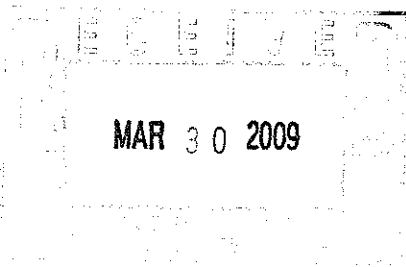
Enclosed please find a copy of our FY 07-08 Audited Financial Statements along with copies of the following information:

- Indirect Cost Rate Agreement
- Management's response to audit finding

If additional information is required, please contact me.

Sincerely,

Barbara Criner
Administrative Director



bc

Enclosures

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Charleston, WV 25301-1842

Audited Financial Statements

West Virginia Advocates, Inc.

Years Ended September 30, 2008 and 2007

Gibbons
& Kawash
Certified Public Accountants

Audited Financial Statements
WEST VIRGINIA ADVOCATES, INC.
Years Ended September 30, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
West Virginia Advocates, Inc.
Charleston, West Virginia

We have audited the accompanying statement of financial position of West Virginia Advocates, Inc. (the Agency), as of September 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of September 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2009, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Agency, taken as a whole. The accompanying information on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying schedule of receipts and expenditures of state awards is presented for purposes of additional analysis as required by WV Code §12-4-14, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Abbott & Kawash

February 18, 2009

WEST VIRGINIA ADVOCATES, INC.
STATEMENT OF FINANCIAL POSITION

September 30, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 40,825	\$ 48,552
Grants receivable	66,072	51,347
Other receivable	-	138
Prepaid expenses	9,584	7,913
Furniture and equipment, net of accumulated depreciation of \$57,799 and \$68,187 in 2008 and 2007, respectively	<u>26,250</u>	<u>19,476</u>
Total assets	<u>\$ 142,731</u>	<u>\$ 127,426</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 98,991	\$ 72,529
Refundable advances	<u>4,162</u>	<u>5,001</u>
Total liabilities	<u>103,153</u>	<u>77,530</u>
Net assets:		
Unrestricted	<u>39,578</u>	<u>49,896</u>
Total liabilities and net assets	<u>\$ 142,731</u>	<u>\$ 127,426</u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA ADVOCATES, INC

STATEMENT OF ACTIVITIES

Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
Governmental grants	\$ 1,360,900	\$ 1,419,716
Other income	<u>6,434</u>	<u>45,707</u>
Total revenues	<u>1,367,334</u>	<u>1,465,423</u>
Expenses:		
Program services:		
Potomac	76,698	63,666
PADD	413,956	393,620
PAIMI	444,587	441,927
CAP	90,132	81,551
PAIR	156,794	158,610
PAAT	51,367	63,644
PABSS	75,006	139,696
HAVA	23,715	33,953
PATBI	54,580	43,812
Unallocated administrative costs	<u>(9,183)</u>	<u>(283)</u>
Total expenses	<u>1,377,652</u>	<u>1,420,196</u>
Change in net assets	(10,318)	45,227
Net assets, beginning of year	<u>49,896</u>	<u>4,669</u>
Net assets, end of year	<u>\$ 39,578</u>	<u>\$ 49,896</u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA ADVOCATES, INC.

STATEMENT OF CASH FLOWS

Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (10,318)	\$ 45,227
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	15,991	8,571
(Gain) loss on sales of equipment	(371)	920
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(14,725)	57,968
Other receivable	138	(138)
Prepaid expenses	(1,671)	(2,973)
Increase (decrease) in:		
Accounts payable and accrued expenses	26,462	606
Refundable advances	(839)	(49,886)
Net cash provided by operating activities	<u>14,667</u>	<u>60,295</u>
Cash flows used in investing activities:		
Purchase of furniture and equipment	<u>(22,394)</u>	<u>(14,215)</u>
Net increase (decrease) in cash and cash equivalents	(7,727)	46,080
Cash and cash equivalents, beginning of year	<u>48,552</u>	<u>2,472</u>
Cash and cash equivalents, end of year	<u>\$ 40,825</u>	<u>\$ 48,552</u>

The accompanying notes are an integral part of these financial statements

WEST VIRGINIA ADVOCATES, INC
NOTES TO FINANCIAL STATEMENTS

**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Description of Organization

West Virginia Advocates, Inc. (the Agency) is a non-stock, non-profit corporation formed in the State of West Virginia for the purpose of protecting and advocating the human and legal rights of citizens of West Virginia who are developmentally disabled, mentally ill, or emotionally impaired. The Agency receives substantially all of its funding from the U.S. Department of Health and Human Services and U.S. Department of Education. A significant reduction in the level of this funding may have a significant impact on the Agency's programs and activities. Descriptions of the Agency's programs are as follows:

PADD

The Protection and Advocacy for Persons with Developmental Disabilities program (PADD) was formed in 1975 to address problems of people with disabilities. PADD clients must have a developmental disability as defined by federal law (a chronic mental and/or physical condition which was evident before the age of 22 and causes substantial limitations in three or more areas of daily living).

CAP

The Client Assistance Program (CAP) was formed in 1984 to help individuals who have applied for or are getting services from the state Division of Rehabilitation Service, a Center for Independent Living, supported employment programs, and other programs funded under the federal Rehabilitation Act. CAP clients must have a disability.

PAIMI

The Protection and Advocacy for Individuals with Mental Illness program (PAIMI) was formed in 1986 to help individuals with mental illness and to carry out abuse and neglect investigations on their behalf. PAIMI clients must have a mental illness or emotional problems and must live in a residential facility (or have lived in one within the past 90 days).

PAIR

The Protection and Advocacy for Individual Rights program (PAIR) was formed in 1993 to help individuals with disabilities who do not meet the eligibility standards for other federal programs. The Agency has chosen to focus on improving access to public places and public services.

WEST VIRGINIA ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Description of Organization (Continued)

PAAT

The Protection and Advocacy for Assistive Technology program (PAAT) was formed in 1994 to help individuals with disabilities get the devices and assistive technologies they need. PAAT clients must have a disability and be trying to get technology devices or assistive technology services related to their disease

PABSS

The Protection and Advocacy for Beneficiaries of Social Security Program (PABSS) is funded by the Social Security Administration under the Ticket to Work and Work Incentives Improvement Act of 1999 (TWWIIA) to provide advocacy assistance to beneficiaries of Social Security who have problems obtaining, maintaining, and retaining employment.

HAVA

The Help America Vote Act program (HAVA) was established in 2004 to help ensure that individuals with disabilities can fully participate in the electoral process, including being able to register to vote, cast a vote, and to access polling facilities. The Agency works closely with other voting and civil rights organizations in education, outreach, and monitoring activities.

PATBI

The Protection and Advocacy for Persons with Traumatic Brain Injury program (PATBI) was enacted in 2000 to provide legal advocacy for persons with Traumatic Brain Injury (TBI). PATBI works with individuals with TBI, their families and other stakeholders to ensure that needed services are available throughout the state of West Virginia and to help develop their self-advocacy skills.

Potomac – State Program

The Potomac state program was the result of a 2001 Court Order and the West Virginia Department of Health and Human Resources' decision to provide a full-time advocate for children who reside at the Potomac Center, a residential intermediate care facility for individuals with mental retardation. The Agency is responsible for attending meetings on the children's behalf, developing an advocacy plan for each child, and providing technical assistance and training as needed at the Potomac Center.

WEST VIRGINIA ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Furniture and Equipment

Furniture and equipment are recorded at cost at the date of purchase, or in the case of donated assets, at fair value at the date of receipt. Depreciation is calculated on a straight-line basis over the estimated useful lives of property and equipment, which range from three to seven years. Maintenance and repairs are charged to operations as incurred and major improvements are capitalized.

Revenue Recognition

Grant revenue resulting from exchange transactions is recognized when the related costs are incurred. Refundable advances consists of grant funds that the Agency has received but for which it has not incurred related expenses and/or satisfied the requirements of the grant agreements. Grant receivables consist of grant funds the Agency has not received but has incurred related expenses and/or satisfied the requirement of the grant agreements. No allowance for doubtful accounts was considered necessary at September 30, 2008.

Expenses

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities.

Expense Allocation

Expenses which are not specifically identified with a particular service are allocated to the various program services based upon time devoted by the Agency staff in performing program functions.

Income Taxes

The Agency is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation.

WEST VIRGINIA ADVOCATES, INC.
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

2 - GRANTS RECEIVABLE

Grants receivable consisted of the following at September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Potomac	\$ 5,687	\$ 13,947
PABSS	15,017	9,753
CAP	8,153	-
PADD	19,315	27,647
PAIR	10,289	-
PAAT	<u>7,611</u>	<u>-</u>
	<u>\$ 66,072</u>	<u>\$ 51,347</u>

3 - REFUNDABLE ADVANCES

Refundable advances consisted of the following at September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
CAP	\$ -	\$ 920
PAIR	-	2,224
PAAT	-	1,857
PAIMI	3,259	-
PAVA	91	-
PATBI	181	-
Administrative	<u>631</u>	<u>-</u>
	<u>\$ 4,162</u>	<u>\$ 5,001</u>

WEST VIRGINIA ADVOCATES, INC
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

4 - OPERATING LEASE

The Agency leases office space in Charleston and Clarksburg under long-term leases. Total rent charged to operations for the years ended September 30, 2008 and 2007, was \$69,427 and \$72,946, respectively.

The future minimum rental payments required under the leases are as follows:

2009	\$ 57,073
2010	13,499
2011	13,745
2012	<u>1,140</u>
	<u>\$ 85,457</u>

5 - RETIREMENT PLAN

The Agency has a noncontributory defined contribution pension plan covering all full-time employees. Contributions are made at 5% of the employee's annual salary. Pension expense for the years ended September 30, 2008 and 2007, was \$38,077 and \$42,127, respectively.

6 - CONTINGENCY

The Agency is involved in pending litigation, resulting from a disability discrimination claim made by a former employee. The outcome of the litigation is uncertain at this time and the Agency is unable to estimate the impact, if any, of this litigation on its financial statements.

ACCOMPANYING INFORMATION

WEST VIRGINIA ADVOCATES, INC
 SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended September 30, 2008

	Program Services			
	Potomac	PADD	PAIMI	CAP
Salaries	\$ 45,760	\$ 222,182	\$ 220,020	\$ 28,392
Payroll taxes and fringe benefits	14,393	81,096	76,333	12,707
Travel and training	3,376	21,357	29,462	29,324
Contracts and outside services	502	7,400	27,800	1,482
Telephone	2,174	4,182	7,823	1,191
Postage	181	1,628	1,289	232
Office supplies and printing	903	7,483	6,461	2,301
Equipment costs and depreciation	135	6,252	6,250	1,566
Facilities rent and maintenance	632	15,815	18,923	2,525
Dues and subscriptions	787	4,135	4,825	1,196
Miscellaneous	-	(104)	(111)	(33)
Indirect costs	7,855	42,530	45,512	9,249
	<u>\$ 76,698</u>	<u>\$ 413,956</u>	<u>\$ 444,587</u>	<u>\$ 90,132</u>

See Independent Auditors' Report.

Program Services

PAIR	PAAT	PABSS	HAVA	PATBI	Administrative	Total
\$ 78,517	\$ 27,174	\$ 34,149	\$ 7,009	\$ 24,614	\$ 36,676	\$ 724,493
29,364	9,554	13,950	2,940	9,326	13,760	263,423
8,249	3,810	8,345	5,127	5,652	9,181	123,883
7,490	896	1,777	622	1,981	34,810	84,760
3,342	901	1,440	322	542	1,685	23,602
847	142	239	80	103	1,497	6,238
2,417	883	1,938	2,880	4,168	10,206	39,640
2,793	906	1,376	951	833	3,100	24,162
6,071	1,911	3,195	607	1,767	21,242	72,688
1,732	569	1,136	760	-	25	15,165
(48)	(15)	(26)	(19)	(15)	-	(371)
<u>16,020</u>	<u>4,636</u>	<u>7,487</u>	<u>2,436</u>	<u>5,609</u>	<u>(141,365)</u>	<u>(31)</u>
<u>\$ 156,794</u>	<u>\$ 51,367</u>	<u>\$ 75,006</u>	<u>\$ 23,715</u>	<u>\$ 54,580</u>	<u>\$ (9,183)</u>	<u>\$ 1,377,652</u>

**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
West Virginia Advocates, Inc.
Charleston, West Virginia

We have audited the financial statements of West Virginia Advocates, Inc. (the Agency), as of and for the year ended September 30, 2008, and have issued our report thereon dated February 18, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiency described as finding 2008-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be

prevented or detected by the Agency's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency noted above to be a material weakness

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the board of directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



February 18, 2009

WEST VIRGINIA ADVOCATES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2008

<u>Grantor/Program</u>	<u>Grant #/ CFDA #</u>	<u>Disbursements/ Expenses</u>
<u>Federal Awards</u>		
U.S. Department of Education:		
Client Assistance Program	84 161	\$ 90,132
Protection and Advocacy for Individual Rights Program	84.240	156,794
Protection and Advocacy for Assistive Technology Program	84.343	51,367
U.S. Department of Health and Human Services:		
Protection and Advocacy for Persons with Developmental Disabilities Program	93 360	413,956
Protection and Advocacy for Individuals with Mental Illness Program	93 138	444,587
Protection and Advocacy for Persons with Traumatic Brain Injury Program	93.234	54,580
Help America Vote Act Program	93.618	23,715
U.S. Social Security Administration:		
Protection and Advocacy for Beneficiaries of Social Security	96 008	<u>75,006</u>
Total federal awards		<u>\$ 1,310,137</u>

BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of the Agency, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See Independent Auditors' Report.

WEST VIRGINIA ADVOCATES, INC.

SCHEDULE OF RECEIPTS AND EXPENDITURES OF STATE AWARDS

Year Ended September 30, 2008

<u>Grantor/Program</u>	<u>Grant #</u>	<u>Receipts</u>	<u>Disbursements/ Expenses</u>
W.V. Department of Health and Human Resources:			
Potomac Center Program	G-07-0054	<u>\$ 83,897</u>	<u>\$ 76,698</u>

BASIS OF PRESENTATION

The above schedule of receipts and expenditures of state awards includes the state grant activity of the Agency, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of WV Code § 12-4-14.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
West Virginia Advocates, Inc
Charleston, West Virginia

Compliance

We have audited the compliance of West Virginia Advocates, Inc. (the Agency), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The Agency's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Agency'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. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in

order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hobson & Kawash

February 18, 2009

WEST VIRGINIA ADVOCATES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficienc(ies) identified that are not considered to be material weaknesses? 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 deficienc(ies) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA/grant Number(s)</u>	<u>Name of Federal Program/Cluster</u>
93 630	Protection and Advocacy for Persons with Development Disabilities Program
93.138	Protection and Advocacy for Individuals with Mental Illness Program

WEST VIRGINIA ADVOCATES, INC
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

Year Ended September 30, 2008

Section I - Summary of Auditors' Results - (Continued)

Dollar threshold used to distinguish
 between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: _____ yes X no

Section II - Financial Statement Findings

2008-1 JOURNAL ENTRY REVIEW AND APPROVAL

Condition:

We noted that journal entries are posted to the Agency's general ledger by the Administrative Director without adequate supervisory review and approval.

Criteria:

All transactions that are posted to the Agency's general ledger should be subject to appropriate supervisory review and approval to ensure that the transaction is correctly accounted for and appropriate in nature.

Effect:

Without appropriate supervisory review, errors or irregularities in the Agency's financial statements may not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Cause:

Significantly all general journal entries are initiated by the Administrative Director, and the Agency has limited staff that would possess the requisite knowledge to perform effective oversight of initiation, development, and posting of these entries to the Agency's general ledger.

WEST VIRGINIA ADVOCATES, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended September 30, 2008

Section II - Financial Statement Findings (Continued)

2008-1 JOURNAL ENTRY REVIEW AND APPROVAL (Continued)

Recommendation:

Management should develop procedures to ensure that all significant general journal entries posted to the Agency's general ledger system have been reviewed and approved by someone with the requisite knowledge of the Agency's operations and the accounting principles used in the preparation of its financial statements.

Management Response:

Management has previously discussed with the Board of Directors the necessity for this review and approval process as a deterrent to fraud. The Board of Directors determined that they would recruit a qualified individual to volunteer to perform the required review of all significant general journal entries. The Board of Directors continues with their efforts to recruit an individual with an accounting background who will perform this function.

When the qualified individual becomes available, a plan will be implemented that will ensure that all significant general journal entries posted to WVA's general ledger system have been reviewed and approved by this qualified individual as follows:

1. The Administrative Director will generate a monthly General Journal (GJ) Transaction Report after all entries have been posted for the month.
2. Supporting documentation will be provided for each transaction listed on the GJ Report
3. A checklist detailing this information will be prepared, signed, and dated by both the Administrative Director and the individual designated to perform the review.
4. Individual will report the outcome of the general journal review to the Finance Committee.

Section III - Federal Award Findings and Questioned Costs

None

WEST VIRGINIA ADVOCATES, INC
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(Continued)

Year Ended September 30, 2007

2007-1 JOURNAL ENTRY REVIEW AND APPROVAL

Condition:

The auditor noted that journal entries are posted to the Agency's general ledger by the Administrative Director without adequate supervisory review and approval.

Recommendation:

The auditor recommended that management develop procedures to ensure that all significant general journal entries posted to the Agency's general ledger system have been reviewed and approved by someone with the requisite knowledge of the Agency's operation and the accounting principles used in the preparation of its basic financial statements

Status:

A similar finding was reported in the 2008 audit.

2007-2 BANK RECONCILIATION/STATEMENT REVIEW AND APPROVAL

Condition:

The auditor noted that management's supervisory review and approval of the monthly bank statement and reconciliation is not documented by the reviewer.

Recommendation:

The auditor recommended that the Agency require all supervisory review and approval, including those over bank statements and reconciliations, to be documented on the item being reviewed. This documentation should be the name or initials of the reviewer and the date the review was completed

Status:

No similar finding was noted in the 2008 audit.

2007-3 SEGREGATION OF DUTIES

Condition:

The auditor noted that the Administrative Director was responsible for all aspects of payroll processing, including reconciling payroll to the general ledger.

WEST VIRGINIA ADVOCATES, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(Continued)

Year Ended September 30, 2007

2007-3 SEGREGATION OF DUTIES (Continued)

Recommendation:

The auditor recommended that management separate the function of payroll preparation and the posting of transactions to the general ledger.

Status:

No similar finding was noted in the 2008 audit.

ORIGINAL**NONPROFIT RATE AGREEMENT**

EIN #: 1550576920A1

DATE: July 8, 2008

ORGANIZATION:
 West Virginia Advocates, Inc.
 1207 Quarrier Street
 Litton Building, 4th Floor
 Charleston

WV 25301-1842

FILING REF.: The preceding
 Agreement was dated
 May 10, 2006

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

SECTION I: INDIRECT COST RATES*

RATE TYPES: FIXED FINAL PROV. (PROVISIONAL) PRED (PREDETERMINED)

TYPE	EFFECTIVE PERIOD		RATE (%)	LOCATIONS	APPLICABLE TO
	FROM	TO			
PRED.	10/01/07	09/30/10	11.5	All	All Programs
PROV.	10/01/10	UNTIL AMENDED	Use same rates and conditions as those cited for fiscal year ending September 30, 2010		

***BASE:**

Total direct costs excluding capital expenditures (building, individual items of equipment; alterations and renovations), and that portion of each subaward in excess of \$25,000

ORGANIZATION:
West Virginia Advocates, Inc.

AGREEMENT DATE: July 8, 2008

SECTION II: SPECIAL REMARKS

TREATMENT OF FRINGE BENEFITS:

Fringe benefits are specifically identified to each employee and are charged individually as direct costs. The directly claimed fringe benefits are listed below.

TREATMENT OF PAID ABSENCES:

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims are not made for the costs of these paid absences.

Fringe benefits include: FICA, Retirement, Workers' Compensation, Unemployment Insurance and Health Insurance.

Equipment means an article of nonexpendable tangible personal property having a useful life of more than two years and an acquisition cost of \$5,000 or more per unit.

ORGANIZATION:
West Virginia Advocates, Inc

AGREEMENT DATE: July 8, 2008

SECTION III: GENERAL

A. LIMITATIONS:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. ACCOUNTING CHANGES:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. FIXED RATES:

If a fixed rate is in this Agreement, it is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined, an adjustment will be made to a rate of a future year(s) to compensate for the difference between the costs used to establish the fixed rate and actual costs.

D. USE BY OTHER FEDERAL AGENCIES:

The rates in this Agreement were approved in accordance with the authority in Office of Management and Budget Circular A-122 Circular, and should be applied to grants, contracts and other agreements covered by this Circular, subject to any limitations in A above. The organization may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

E. OTHER:

If any Federal contract, grant or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

BY THE ORGANIZATION:
West Virginia Advocates, Inc

ON BEHALF OF THE FEDERAL GOVERNMENT:

(ORGANIZATION)

Department of Health and Human Services

(AGENCY)

Clarice E. Hausch

Darryl W. Mayes

(SIGNATURE)

(SIGNATURE)

Clarice E. Hausch

Darryl Mayes

(NAME)

(NAME)

Executive Director

Director

Division of Cost Allocation

(TITLE)

(TITLE)

July 17, 2008

July 8, 2008

(DATE)

(DATE) 0708

HHS REPRESENTATIVE: Jay Mervis

Telephone: (202) 401-2808

West Virginia



ADVOCATES

Protection and Advocacy for Individuals with Disabilities since 1977

February 13, 2009

Gibbons & Kawash, CPAs
300 Bank One Center
707 Virginia Street, East
Charleston, WV 25301

Gentlemen:

Following is Management's Response to your audit finding *2008-1 Journal Entry Review and Approval* for the year ended September 30, 2008.

Condition:

We noted that general journal entries are posted to the Agency's general ledger by the Administrative Director without adequate supervisory review and approval

Recommendation:

Management should develop procedures to ensure that all significant general journal entries posted to the Agency's general ledger system have been reviewed and approved by someone with the requisite knowledge of the Agency's operations and the accounting principles used in the preparation of its basic financial statements. Additionally, this reviewer should be independent of the Agency's financial reporting process:

Management Response:

Management has previously discussed with the Board of Directors the necessity for this review and approval process as a deterrent to fraud. The Board of Directors determined that they would recruit a qualified individual to volunteer to perform the required review of all significant general journal entries. The Board of Directors continues with their efforts to recruit an individual with an accounting background who will perform this function

Toll Free 1-800-950-5250 wvadvocates.org
PHONE (304) 346-0847
FAX (304) 346-0867

Litton Building, 4th Floor
1207 Quarrier Street
Charleston, WV 25301-1842

Gibbons & Kawash, CPAs

February 13, 2009

Page Two

When the qualified individual becomes available a plan will be implemented that will ensure that all significant general journal entries posted to WVA's general ledger system have been reviewed and approved by this qualified individual as follows:

- 1 The Administrative Director will generate a monthly General Journal (GJ) Transaction Report after all entries have been posted for the month.
- 2 Supporting documentation will be provided for each transaction listed on the GJ Report.
3. A checklist detailing this information will be prepared, signed and dated by both the Administrative Director and the individual designated to perform the review.
- 4 Individual will report the outcome of the general journal review to the Finance Committee

Please contact me with any concerns.

Sincerely,



Clarice E. Hausch
Executive Director

CEH:bc