

# Spencer CPA & Associates, P.L.L.C.

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Member: American Institute of Certified Public Accountants • WV Society of Certified Public Accountants

## **CRISS CROSS, INC.**

### **INDEPENDENT AUDITORS' REPORT AND RELATED FINANCIAL STATEMENTS**

**FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2009**

DHHR - Finance

DEC 19 2011

Date Received

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Criss Cross, Inc.  
Clarksburg, West Virginia

We have audited the accompanying statement of financial position of Criss Cross, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the eighteen months then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 audit provides 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 Criss Cross, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the eighteen months 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 June 24, 2010, on our consideration of Criss Cross, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 should be considered in assessing the results of our audit.

Spencer CPA & Associates, PLLC

Buckhannon, West Virginia  
June 24, 2010

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**CRISS CROSS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2009**

**ASSETS**

Cash and cash equivalents	\$ 1,404,250
Certificates of deposit	70,231
Security deposit	200
Accounts receivable	2,407
Prepaid expenses	2,077
Investment	10,468
Property and equipment, net	<u>34,762</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,524,395</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 10,025
Accrued expenses	12,372
Capital lease payable	11,460
Client accounts - Representative Payee	<u>1,261,807</u>
 Total liabilities	 <u>1,295,664</u>

**NET ASSETS**

Unrestricted	229,639
Temporarily restricted (Note 3)	<u>(908)</u>
 Total net assets	 <u>228,731</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,524,395</u></b>

The accompanying notes are an integral part of this statement.

**CRISS CROSS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total all accounts (Memorandum Only)</u>
<b>PUBLIC SUPPORT</b>			
Contributions	\$ 30,068	\$	\$ 30,068
Allocations by United Way:			
Harrison County	72,345		72,345
Monongalia County	4,280		4,280
Total public support	<u>106,693</u>		<u>106,693</u>
<b>OTHER REVENUES</b>			
Program service fees	471,632		471,632
Federal and state grants:			
Department of Housing and Urban Development	11,084		11,084
Federal Emergency Management Agency		13,989	13,989
Department of Health and Human Services		494,436	494,436
Harrison County Solid Waste Authority		3	3
Interest income	4,695		4,695
Other income	98,670		98,670
Gain on disposition of assets	274		274
Total other revenues	<u>586,355</u>	<u>508,428</u>	<u>1,094,783</u>
<b>Net assets released from restrictions</b>	<u>506,752</u>	<u>(506,752)</u>	
<b>Total support and revenues</b>	<u>1,199,800</u>	<u>1,676</u>	<u>1,201,476</u>
<b>EXPENSES</b>			
Program services:			
Information and referral	129,452		129,452
Consumer credit counseling services	309,916		309,916
Representative payee program	308,667		308,667
Hotline	470,656		470,656
Other	51,247		51,247
Total program services	<u>1,269,938</u>		<u>1,269,938</u>
<b>Increase (decrease) in net assets</b>	(70,138)	1,676	(68,462)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>299,777</u>	<u>(2,584)</u>	<u>297,193</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 229,639</u>	<u>\$ (908)</u>	<u>\$ 228,731</u>

The accompanying notes are an integral part of this statement.

**CRISS CROSS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Services					Total all Accounts (Memorandum Only)
	Information & Referral	Consumer Credit Counseling Services	Representative Payee	Hotline	Other	
<b>FUNCTIONAL EXPENSES</b>						
Salaries and fringe benefits	\$ 83,048	\$ 147,321	\$ 205,423	\$ 412,285	\$ 3,738	\$ 851,815
Travel and training	329	9,810	1,883	3,872	76	15,970
Contract Services	6,509	71,781	11,326	6,473		96,089
Supplies	2,771	3,643	10,988	7,386		24,788
Occupancy	12,743	26,620	28,402	19,800		87,565
Telephone	8,929	16,545	12,708	5,478		43,660
Postage, printing, and parking	1,514	2,865	19,005	1,385		24,769
Membership and insurance	6,421	17,003	10,916	9,148		43,488
Advertising	650	8,307	3,246	2,331		14,534
Direct aid to individuals					43,576	43,576
Fundraising expense	3,802					3,802
Other	295	2,055	408	140	(259)	2,639
Depreciation	2,441	3,966	4,362	2,358	4,116	17,243
<b>Total Functional Expenses</b>	<b>\$ 129,452</b>	<b>\$ 309,916</b>	<b>\$ 308,667</b>	<b>\$ 470,656</b>	<b>\$ 51,247</b>	<b>\$ 1,269,938</b>

The accompanying notes are an integral part of this statement.

**CRISS-CROSS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease in net assets	\$	(68,462)
Adjustment to reconcile changes in net assets to net cash used by operating activities:		
Depreciation		17,243
(Increase) decrease in:		
Accounts receivable		202
Prepaid expenses		2,270
Increase (decrease) in:		
Accounts payable and accrued expenses		(28,330)
Client accounts - CCCS and Representative Payee		(312,460)
Net cash used by operating activities		(389,537)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisitions of property and equipment		(9,768)
Decrease in certificates of deposit		33,230
Payments on capital lease		(3,880)
Purchases of securities		(10,468)
Net cash provided by investing activities		9,114

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (380,423)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 1,784,673

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 1,404,250

**SUPPLEMENTAL DISCLOSURES**

Cash paid during the year for interest	\$	205
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The accompanying notes are an integral part of this statement.

**CRISS CROSS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies

Criss Cross, Inc. is a United Way agency that provides social services to needy residents of North Central West Virginia and through a contract with the State of West Virginia, provides a hotline service for calls of child and adult abuse and domestic violence. Criss Cross, Inc. has d/b/a names including Information & Referral Service of Harrison County, Southern West Virginia Representative Payee, Representative Payee, and Consumer Credit Counseling Service of North Central WV.

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representation of the management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Financial Statement Presentation**

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. As permitted by the standard, the Organization has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present classes of net assets.

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Organization has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

**Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

**CRISS CROSS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 1. Summary of Significant Accounting Policies (continued)

Grants Receivable

Contributions/grants are recognized when the donor/grantor makes a promise to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor/grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor/grantor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization uses the allowance method to determine collectability of grants receivable.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment

Property and equipment of the Organization is recorded at historical cost and all donated assets at fair market value. The Organization uses the straight line method of depreciating fixed assets over their estimated useful lives. The Organization has adopted a capitalization policy in the amount of \$500.

Interest Expense

All interest expense incurred during the year has been expensed on the statement of activities.

Income Taxes

The Organization is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. In addition, included in cash and cash equivalents on the balance sheet is \$1,261,807, as more fully disclosed in Note 4 of these financial statements, which represents monies held in escrow for the Representative Payee program.

Memorandum Totals

The accompanying financial statements reflect totals of all net assets and activities. The totals are shown for memorandum purposes only and do not reflect the elimination of interagency activities using principles of consolidation.

**CRISS CROSS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 2. Property and equipment

Property and equipment consisted of the following at December 31, 2009:

Leasehold improvements	\$ 7,506
Equipment	161,901
	<u>169,407</u>
Less accumulated depreciation	134,645
Net property and equipment	<u>\$ 34,762</u>

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Hotline Program	\$ 1,356
FEMA Program	5,610
Solid Waste Authority - Tap Fund	<u>(7,874)</u>
Total temporarily restricted net assets	<u>\$ (908)</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Hotline Program	\$ 489,944
FEMA Program	16,661
Solid Waste Authority - Tap Fund	<u>147</u>
Total restrictions released	<u>\$ 506,752</u>

Note 4. Client Accounts

Amounts included in client accounts – Representative Payee represent amounts held in trust from clients for payment of their bills, etc. These amounts are to be used for this purpose only.

The Organization also maintains a savings account in trust for some of its Representative Payee program clients. The clients do not have access to the money in these accounts. A separate account at the bank is maintained for each individual in the client's social security number. This savings account is recorded on Criss Cross, Inc.'s books and included in cash and cash equivalents on the Statement of Financial Position

Note 5. Operating Leases

The Organization leases its current office space in Clarksburg, West Virginia on an annual basis for \$4,500 per month. The lease is for a period of four years beginning March, 2008, the date of the lease. Additionally, the Organization leases its Morgantown office through an annual lease for \$175 per month. Total rent expense for these offices during the eighteen months ended December 31, 2009 amounted to \$84,025 and is reflected on the statement of activities.

**CRISS CROSS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 5. Operating Leases (Continued)

The Organization also leases parking spaces for some of its employees on a month to month basis which varies due to the number of parking spaces used per month.

Note 6. Obligations Under Capital Lease

The Organization has leased a copier under a capital lease at December 31, 2009 as follows:

Copier	\$	16,695
Less accumulated depreciation included on the statement of financial position		3,339
	\$	<u>13,356</u>

The following is a schedule, by years, of future minimum lease payments under the above capital lease with the present value of the net minimum lease payments as of December 31, 2009:

Year ending December 31, 2010	\$	3,068
2011		3,068
2012		3,068
2012		2,258
	\$	<u>11,462</u>

Note 7. Employee Benefit Plan

The Organization maintains a simple 401(k) defined contribution retirement plan, covering all employees with at least one year of service who agree to make deferral contributions to the Plan. The Organization matches participants' contributions to the Plan up to 3% of the individual participant's compensation. Total expense for the year ended December 31, 2009, was \$14,853 and is reflected on the statement of activities.

Note 8. Contingencies

The organization receives a majority of its support from grants and contributions. Any significant reduction in the level of support from these grantors or contributors could have a material effect on the Organization's programs and activities.

**ADDITIONAL INFORMATION**

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## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors  
Criss Cross, Inc.  
Clarksburg, West Virginia

Our report on our audit of the basic financial statements of Criss Cross, Inc. (a nonprofit organization) for the year ended December 31, 2009 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of grant receipts and disbursements is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements taken as a whole.

*Spencer CPA & Associates, PLLC*

Buckhannon, West Virginia  
June 24, 2010

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## **INDEPENDENT AUDITORS' 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  
Criss Cross, Inc.  
Clarksburg, West Virginia

We have audited the financial statements of Criss Cross, Inc. (a nonprofit organization) as of and for the year ended December 31, 2009, and have issued our report thereon dated June 24, 2010. 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 Criss Cross, Inc.'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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of 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 Organization'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 believe the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Criss Cross, Inc.'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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we have reported to management of Criss Cross, Inc. in a separate letter dated June 24, 2010 and included in this audit report on pages 15-16.

Criss Cross, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Criss Cross, Inc.'s response and, accordingly, we express no opinion on it.

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

*Spencer CPA & Associates, PLLC*

Buckhannon, West Virginia  
June 24, 2010

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**CRISS CROSS, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2009**

**A. Reportable Conditions in Internal Control**

**2009-01 Segregation of Duties**

**Condition:** We noted during our audit that Criss Cross, Inc. did not have adequate segregation of duties in the financial and accounting office.

**Criteria:** During our analysis of internal control, we noted that duties related to the custody of assets, authorization of transactions, accounting function, and the record keeping responsibility are not properly separated.

**Cause:** The financial and accounting department consists of only two employees. The office staff at Criss Cross, Inc. is not adequate enough to have proper segregation of duties.

**Effect:** Because of the failure to segregate duties, internal accounting control does not reduce to a relatively low level the risk that irregularities in amounts that would material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Recommendation:** Responsibilities of accounting and financial duties should be distributed among office staff to the best degree possible to assure proper segregation of duties. However, we recognize the Organization is not large enough to obtain complete segregation of duties from a financial standpoint.

**Organization's Response:** To the extent possible, the Organization has segregated duties. However, any further segregation of duties is not economically feasible.

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## MANAGEMENT LETTER

To the Board of Directors  
Criss Cross, Inc.  
Clarksburg, West Virginia

In planning and performing our audit of the financial statements of Criss Cross, Inc. for the year ended December 31, 2009, we considered the Organization's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of the following matters that are opportunities for strengthening internal controls, operating efficiency, and compliance with laws, regulations, contracts, and grants.

### Segregation of Duties

During our audit, we noted that two employees perform most of the accounting and financial duties. As a result, many aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing at Criss Cross, Inc. We recognize that the Organization is not large enough to make the employment of additional people for the purpose of segregating duties practicable from a financial standpoint, but we are required under our professional responsibilities to describe the situation.

### Board Minutes

It was noted during our audit that the board minutes were not signed by board members at subsequent meetings. We recommend that the District's board minutes be signed and dated for authenticity.

### Cash/Checking

Our audit work disclosed that checks outstanding for more than six months were still being carried on the bank reconciliations as outstanding. Our suggestion would be to reissue these amounts to the original payees after contacting the respective party(ies) in reference to the original checks issued within two to three months of issuance. If any of these original payees are unable to be located in regard to replacing a previously issued check, we recommend that you consider the "unclaimed property" laws of the State of West Virginia.

During the course of our audit, we noted various issues with the reconciliation for the operating checking account. First, the operating checking account reconciled balance from Quick Books did not agree to the general ledger balance at December 31, 2009. Second, two checks dated for January, 2010 were marked "cleared" on the December 31, 2009 bank reconciliation. Third, four

checks listed on the reconciliation could not be located in the general ledger for testing. It appears changes were made to the operating checking account after completion of the reconciliation. Fourth, the client prepares both computerized and manual bank reconciliations for this account. The two reconciliations do not agree as to checks outstanding or ending balances. Additionally, the reconciliations do not agree to the general ledger balance at December 31, 2009. Care should be exercised to make sure all bank reconciliations agree to the general ledger with attention to dates. Any discrepancies noted should be carefully reviewed and corrected to ensure accurate accounting records.

#### Representative Payee

During our examination of the Representative Payee checking account, we noted discrepancies in the bank reconciliation for December 31, 2009. The detailed outstanding check list and voided check list, as generated from the Paragon Software computer system by department personnel, was not reconciled and agreed to the manually prepared bank reconciliation amount of outstanding checks. Additionally, the amount listed as outstanding for two months on the December 31, 2009 reconciliation is less than the amount included on the outstanding check list printed from Paragon at the time of audit. Various mathematical errors were noted in the reconciliation, and the reconciled balance did not agree to the general ledger balance. Further, the general ledger balance and reconciled balance did not agree to the client balance in the Paragon system. During our audit, we examined a hard copy bank reconciliation filed with the bank statement that was approximately \$71,000 out of balance. After several tests, we located an excel file with a different bank reconciliation for this period. Since the Representative Payee checking account is an escrow account for Representative Payee clients, it is imperative that the Paragon System outstanding checks and client balances are reconciled to the manual bank reconciliation and the general ledger. All bank reconciliations should be filed immediately after completion and only after agreeing to the general ledger. We would strongly recommend that the bank reconciliation procedures and all data compiled in performing this accounting procedure, be immediately reviewed, and changes be made to ensure better accuracy in the monthly bank reconciliation.

Also, we noted during our audit the Representative Payee trust account did not agree to the client balance report printed from Paragon. It is of utmost importance that all escrowed cash accounts agree to the corresponding client balance reports maintained in the Paragon system. Any differences should be evaluated immediately and any inaccuracies corrected.

Additionally, the Representative Payee trustee client balance report included two clients with a negative balance. One client has a negative balance greater than \$10,000. Funeral costs were paid from this fund for this client in 2006. It would appear that there would be a \$10,000 deficiency in the cash account for other clients. All client balances should be reconciled on a regular basis and any discrepancies corrected immediately.

After you have had an opportunity to review these comments and recommendations, we would be pleased to discuss the points which you desire. We would like to thank you for the opportunity to serve you.

*Spencer CPA & Associates, PLLC*

Buckhannon, West Virginia  
June 24, 2010

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