

**WVSU METRO AREA AGENCY ON AGING, INC.
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION**

YEAR ENDED SEPTEMBER 30, 2010

WITH INDEPENDENT AUDITORS' REPORT

DHHR - Finance

SEP 9 2011

Date Received

**WVSU METRO AREA AGENCY ON AGING, INC.
 FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2010
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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
WVSU Metro Area Agency on Aging, Inc.
Institute, West Virginia**

We have audited the accompanying statement of financial position of WVSU Metro Area Agency on Aging, Inc. (a non-profit organization) as of September 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency'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 WVSU Metro Area Agency on Aging, Inc. as of September 30, 2010, and the changes in its net assets and its cash flows for the year 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 29, 2011, on our consideration of WVSU Metro Area Agency on Aging, Inc.'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 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 conducted for the purpose of forming an opinion on the basic financial statements of WVSU Metro Area Agency on Aging, Inc. taken as a whole. 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 basic financial statements. The accompanying schedule of State Revenue and Expenses is presented for purposes of additional analysis, as required by the State of West Virginia, and is not a required part of the basic 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Directors and management of WVSU Metro Area Agency on Aging, Inc. and for the filing with the West Virginia Bureau of Senior Services and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Franer, Wright & Paterno".

Huntington, West Virginia
June 29, 2011

**WVSU METRO AREA AGENCY ON AGING, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2010**

ASSETS

CURRENT ASSETS

Cash	\$	576,786
Grants receivable		388,357
		<u>965,143</u>

TOTAL CURRENT ASSETS

FIXED ASSETS

Computer equipment		83,026
Office equipment		64,559
Leasehold improvement		5,158
Less: Accumulated depreciation		(111,744)
		<u>40,999</u>

NET FIXED ASSETS

TOTAL ASSETS

\$ 1,006,142

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	8,592
Grants payable		763,871
Accrued annual leave		9,793
Payroll liabilities		21,464
		<u>803,720</u>

TOTAL CURRENT LIABILITIES

NET ASSETS

Unrestricted:

Designated for daily program operations		202,422
		<u>202,422</u>

TOTAL NET ASSETS

TOTAL LIABILITIES AND NET ASSETS

\$ 1,006,142

**WVSU METRO AREA AGENCY ON AGING, INC.,
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 130,017
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation expense	14,122
(Increase) decrease in grants receivable	227,939
Increase (decrease) in accounts payable	5,431
Increase (decrease) in grants payable	8,077
Increase (decrease) in payroll liabilities	<u>(3,451)</u>
Net cash provided by operating activities	<u>382,135</u>
NET INCREASE IN CASH	382,135
CASH AT BEGINNING OF YEAR	<u>194,651</u>
CASH AT END OF YEAR	<u><u>\$ 576,786</u></u>

WVSU METRO AREA AGENCY ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Basis

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Whereby revenues are recognized when earned and expenses when incurred.

Property and Equipment

Property and equipment with a cost in excess of \$5,000 and a useful life in excess of one year is capitalized at cost. Those items with a cost less than \$5,000 are expensed in the year of acquisition. Depreciation is computed on the straight-line basis over the estimated useful life of the assets.

Accounts Receivable and Concentration of Credit Risk

The Organization provides grants to local area agencies for various services to the elderly. The Organization bills the funding sources in accordance with contractual agreements without requiring collateral or any other security. Accounts and grants receivable have been adjusted for all known uncollectible accounts. An allowance for bad debts has not been set up since the amount is not considered material.

Compensated Absences

The Organization accrues for compensated absences. The cost of such absences are recognized in the period earned.

Temporarily Restricted Net Assets

The Organization reports grants and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Income Taxes

WVSU Metro Area Agency on Aging, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified by the Internal Revenue Service as an other than a private foundation.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-05, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows. At September 30, 2010, the Organization only had unrestricted net assets and did not have any permanently or temporarily restricted net assets.

**WVSU METRO AREA AGENCY ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

**NOTE 2 - SUMMARY OF GRANT AND REIMBURSABLE SERVICE AGREEMENTS
(CONTINUED)**

West Virginia Department of Health and Human Services		
Low Income Energy Assistance Program	10/01/09 - 09/30/10	8,500
Department of Agriculture		
West Virginia Bureau of Senior Services:		
Title III - C - NSIP	10/01/09 - 09/30/10	455,690
West Virginia Bureau of Senior Services		
Direct Services Award - LIFE	07/01/09 - 06/30/10	1,986,653
Direct Services Award - LIFE	07/01/10 - 06/30/11	2,238,883
In-Home Services - Lighthouse	07/01/09 - 06/30/10	2,763,160
In-Home Services - Lighthouse	07/01/10 - 06/30/11	2,836,812

NOTE 3 - OPERATING LEASE

Beginning June 1, 2008, the Organization entered into a three year operating lease for its administrative office, with a provision for three additional years. For the fiscal year ended September 30, 2010, total rental costs amounted to \$45,000 recorded in the accompanying financial statements in accordance with grant budgets.

NOTE 4 - CONCENTRATION OF CREDIT RISK - CASH

The Organization maintains cash balances in a checking account at a local bank. The account at the institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times throughout the year, the Organization had balances exceeding the FDIC insured limits. However, the financial institution has pledged securities to cover these excess deposits. At September 30, 2010, these securities, consisting of municipal bonds from various state governments, had a fair market value of \$830,889.

ADDITIONAL INFORMATION

**WVSU METRO AREA AGENCY ON AGING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Department of Health and Human Services:			
Pass-through West Virginia Bureau of Senior Services			
Title III, Part B - Grants for Supportive Services and Senior Services	93.044	N/A	\$ 717,596
Title III, Part C - Nutrition Services	93.045	N/A	1,281,404
Title III, Part D - Medication Management/ Preventive Health	93.043	N/A	47,904
Title III, Part E - Family Caregiver	93.052	N/A	300,697
Title VII - Chapter 3 - Program for Prevention of Elder Abuse, Neglect and Exploitation	93.041	N/A	11,403
Health Benefits/SHIP	93.779	N/A	77,500
Pass-through State of West Virginia Department of Health and Human Resources			
Low Income Energy Assistance Program	93.568	N/A	<u>8,500</u>
Total - U. S. Department of Health and Human Services			<u>2,445,004</u>
U. S. Department of Agriculture:			
Pass-through West Virginia Bureau of Senior Services			
Nutrition Program for the Elderly (Commodities) NSIP	93.053	N/A	<u>455,690</u>
Total - U.S. Department of Agriculture			<u>455,690</u>
Total expenditures of federal awards			<u><u>\$ 2,900,694</u></u>

**WVSU METRO AREA AGENCY ON AGING, INC.
 SCHEDULE OF STATE REVENUE AND EXPENSES – III-B
 FOR THE STATE GRANT AWARD YEAR ENDED JUNE 30, 2010**

	<u>III-B</u>	<u>ADMIN</u>
Revenue:		
State Grant Award	\$ <u>524,498</u>	\$ <u>39,671</u>
Expenses:		
State III-B, Region II Local Agency Expenditures	524,838	-0-
Metro Area Agency on Aging, Inc. Administrative Payroll Expenses	<u>-0-</u>	<u>39,671</u>
Total Expenses	<u>524,838</u>	<u>39,671</u>
(Deficit) excess of revenue over expenses	<u>\$ (340)</u>	<u>\$ -0-</u>

**WVSU METRO AREA AGENCY ON AGING, INC.
SCHEDULE OF STATE REVENUE AND EXPENSES – III-D
FOR THE STATE GRANT AWARD YEAR ENDED JUNE 30, 2010**

Revenue:

State Grant Award	\$ <u>4,746</u>
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Expenses:

State III-D, Region II Local Agency Expenditures	<u>4,722</u>
Total Expenses	<u>4,722</u>

Excess (deficit) of revenue over expenses	\$ <u><u>24</u></u>
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**WVSU METRO AREA AGENCY ON AGING, INC.
 SCHEDULE OF STATE REVENUE AND EXPENSES – LIFE
 FOR THE STATE GRANT AWARD YEAR ENDED JUNE 30, 2010**

	<u>LIFE</u>	<u>ADMIN</u>
Revenue:		
State Grant Award	\$ <u>1,955,356</u>	\$ <u>25,000</u>
Expenses:		
State LIFE, Region II Local Agency Expenditures	1,955,356	-0-
Metro Area Agency on Aging, Inc. Administrative Payroll Expenses	<u>-0-</u>	<u>25,000</u>
Total Expenses	<u>1,955,356</u>	<u>25,000</u>
Excess (deficit) of revenue over expenses	<u>\$ -0-</u>	<u>\$ -0-</u>

**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
WVSU Metro Area Agency on Aging, Inc.
Institute, West Virginia**

We have audited the financial statements of WVSU Metro Area Agency on Aging, Inc. (a non-profit organization), as of and for the year ended September 30, 2010, and have issued our report thereon dated June 29, 2011. 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 WVSU Metro Area Agency on Aging, 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 WVSU Metro Area Agency on Aging, Inc.'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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2010-1 Internal Control.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WVSU Metro Area Agency on Aging, 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*.

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

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



Huntington, West Virginia
June 29, 2011

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

Board of Directors
WVSU Metro Area Agency on Aging, Inc.
Institute, West Virginia

Compliance

We have audited WVSU Metro Area Agency on Aging, Inc.'s (a non-profit organization) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of WVSU Metro Area Agency on Aging, Inc.'s major federal programs for the year ended September 30, 2010. WVSU Metro Area Agency on Aging, Inc.'s major federal programs are identified in the summary of auditor's 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 WVSU Metro Area Agency on Aging, Inc.'s management. Our responsibility is to express an opinion on WVSU Metro Area Agency on Aging, Inc.'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, *Audit 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 WVSU Metro Area Agency on Aging, Inc.'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 of WVSU Metro Area Agency on Aging, Inc.'s compliance with those requirements.

In our opinion, WVSU Metro Area Agency on Aging, Inc. 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, 2010.

Internal Control Over Compliance

The management of WVSU Metro Area Agency on Aging, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered WVSU Metro Area Agency on Aging, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WVSU Metro Area Agency on Aging, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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 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 program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item (2010-2 Internal Control) to be a material weakness.

WVSU Metro Area Agency on Aging, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit WVSU Metro Area Agency on Aging, 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 federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Huntington, West Virginia
June 29, 2011

AUDIT FINDINGS

**WVSU METRO AREA AGENCY ON AGING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

B. FINDINGS – FINANCIAL STATEMENT AND PROGRAM FINDING

SIGNIFICANT DEFICIENCY

2009-1 Accounting System Transactions

Condition: It was determined through the audit process that the Organization did not record transactions in their accounting system in such a way to reflect federal funds received and expended by program, separate from state funds received and expended by program.

Criteria: Circular A-133 subpart C §.300 Auditee Responsibilities states the following:

The auditee shall:

(a) Identify, in its accounts, all federal awards received and expended and the Federal programs under which they were received....

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Circular A-133 defines internal control in subpart A §.105 as follows:

Internal control pertaining to the compliance requirements for federal programs (Internal control over federal programs) means a process--affected by an entity's management and other personnel--designed to provide reasonable assurance regarding the achievement of the following objectives for federal programs:

(1) Transactions are properly recorded and accounted for to:

(i) Permit the preparation of reliable financial statements and federal reports;

Cause: The organization failed to maintain accounts and record transactions separately relating to federal funds received and expended.

Effect: By not maintain separate accounts and recording transactions properly the Organization's accounting system could not produce financial statements and/or reports that would properly reflect federal monies received and expended.

**WVSU METRO AREA AGENCY ON AGING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

B. FINDINGS – FINANCIAL STATEMENT AND PROGRAM FINDING (CONTINUED)

Recommendation: **The Organization should maintain separate federal and state accounts within its accounting system for each program the Organization administers and monies received and expended should be recorded accordingly.**

Response: **In years past, the Organization has always properly tracked and recorded federal and state funds in their accounting system. However, during the period covered by this report, the Organization's cognizant agency, the WV Bureau of Senior Services, changed the drawdown process no longer requiring separate requests for federal and state funds. As such, the Organization failed to record separately in their accounting system federal and state funds received and expended.**

The Organization accepts the recommendation of the auditor and will properly record federal and state funds going forward.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings or questioned costs for the year ended September 30, 2009.

**WVSU METRO AREA AGENCY ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of WVSU Metro Area Agency on Aging, Inc., prepared in conformity with the accounting principles generally accepted in the United States of America.
2. One material weakness disclosed during the audit of the financial statements is reported in the "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of WVSU Metro Area Agency on Aging, Inc. were disclosed during the audit.
4. One material weakness disclosed during the audit of the major federal award program(s) is reported in the "Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program(s) for WVSU Metro Area Agency on Aging, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this schedule.
7. The program(s) tested as major program(s) include:

Grantor/Pass-through Grantor/Program Title	CFDA Number	Agency Pass-through Number
U.S. Department of Health and Human Services		
Pass-through from Bureau of Senior Services		
Title III - B: Senior Citizens	93.044	N/A
Title III - C: Nutrition	93.045	N/A

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. WVSU Metro Area Agency on Aging, Inc. qualified as a high-risk auditee due to the requirements within OMB Circular A-133 and the Organization having audit findings within the last two fiscal years.

**WVSU METRO AREA AGENCY ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

B. FINDINGS – FINANCIAL STATEMENT AND PROGRAM FINDING

MATERIAL WEAKNESS

2010-1 Internal Control

Condition: The internal controls exercised by the Organization were deemed to be significantly lacking. The Organization lacks the ability to ensure transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and Federal reports. In addition the Organization did not record transactions in their accounting system in such a way to reflect federal funds received and expended by program, separate from state funds received and expended by program.

Criteria: Circular A-133 subpart C §.300 Auditee Responsibilities states the following:

The auditee shall:

- (a) Identify, in its accounts, all federal awards received and expended and the Federal programs under which they were received....**
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.**

Circular A-133 defines internal control in subpart A §.105 as follows:

Internal control pertaining to the compliance requirements for federal programs (Internal control over federal programs) means a process--affected by an entity's management and other personnel--designed to provide reasonable assurance regarding the achievement of the following objectives for federal programs:

- (1) Transactions are properly recorded and accounted for to:**
 - (i) Permit the preparation of reliable financial statements and federal reports;**
 - (ii) Maintain accountability over assets; and**
 - (iii) Demonstrate compliance with laws, regulations, and other compliance requirements....**

**WVSU METRO AREA AGENCY ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

B. FINDINGS – FINANCIAL STATEMENT AND PROGRAM FINDING (CONTINUED)

Effect: The lack of appropriate and sound internal controls greatly affects the Organization's ability to record, process, summarize and report financial data with the assertions of management in the financial statements. By not maintaining separate accounts and recording transactions properly the Organization's accounting system could not produce financial statements and/or reports that would properly reflect federal monies received and expended.

Recommendation: We recommend that the Organization adopt and oversee stronger internal controls, including but not limited to properly utilizing a computerized general ledger system to record transactions, with management having a full and complete understanding as to how the system operates. In addition, the internal controls should include the process of reconciling account balances to the general ledger and investigating any discrepancies. The Organization should maintain separate federal and state accounts within its accounting system for each program the Organization administers and monies received and expended should be recorded accordingly.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

2010-2 Internal Control

Condition: The internal controls exercised by the Organization were deemed to be significantly lacking. The Organization lacks the ability to ensure transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and Federal reports. In addition the Organization did not record transactions in their accounting system in such a way to reflect federal funds received and expended by program, separate from state funds received and expended by program.

Criteria: Circular A-133 subpart C §.300 Auditee Responsibilities states the following:

The auditee shall:

- (a) Identify, in its accounts, all federal awards received and expended and the Federal programs under which they were received....

**WVSU METRO AREA AGENCY ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Circular A-133 defines internal control in subpart A §.105 as follows:

Internal control pertaining to the compliance requirements for federal programs (Internal control over federal programs) means a process--affected by an entity's management and other personnel--designed to provide reasonable assurance regarding the achievement of the following objectives for federal programs:

- (1) Transactions are properly recorded and accounted for to:
 - (i) Permit the preparation of reliable financial statements and federal reports;
 - (ii) Maintain accountability over assets; and
 - (iii) Demonstrate compliance with laws, regulations, and other compliance requirements....

Effect: The lack of appropriate and sound internal controls greatly affects the Organization's ability to record, process, summarize and report financial data with the assertions of management in the financial statements and manage Federal awards in compliance with laws, regulations, and the provisions of the contracts, grant agreements, and Federal Circulars that could have a material effect on each of its Federal Programs. By not maintaining separate accounts and recording transactions properly the Organization's accounting system could not produce financial statements and/or reports that would properly reflect federal monies received and expended.

Recommendation: We recommend that the Organization adopt and oversee stronger internal controls, including but not limited to properly utilizing a computerized general ledger system to record transactions, with management having a full and complete understanding as to how the system operates. In addition, the internal controls should include the process of reconciling account balances to the general ledger and investigating any discrepancies. The Organization should maintain separate federal and state accounts within its accounting system for each program the Organization administers and monies received and expended should be recorded accordingly.

**WVSU METRO AREA AGENCY ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Response: The Organization understands the finding and recommendation referenced above. The Organization currently utilizes a computerized general ledger system to record and process transactions. However, during the fiscal year ended September 30, 2010 the Organization's Executive Director retired, their internal CPA resigned, and the accounting personnel in charge of recording transactions into the computer system resigned. The Organization believes this personnel turnover played a major role in the findings, and has already implemented policies and procedures to resolve the issues mentioned above. In addition, the Organization plans to hire an internal CPA to prepare and provide monthly financials to the Board of Directors and management.