

**NORTHERN WEST VIRGINIA CENTER  
FOR INDEPENDENT LIVING, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2010**

**DHHR - Finance**

**NOV 14 2011**

**Date Received**

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PARKS, FOSTER & MORRIS, P.L.L.C.

Certified Public Accountants

Barry W Farks CPA  
George G Foster CPA  
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Board of Directors  
Northern West Virginia Center for Independent Living, Inc  
Morgantown, West Virginia

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### Independent Auditors' Report

We have audited the accompanying statement of financial position of Northern West Virginia Center for Independent Living, Inc. (a non-profit corporation) 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 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 generally accepted auditing standards 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 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 Northern West Virginia Center for Independent Living, 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 October 4, 2011, on our consideration of Northern West Virginia Center for Independent Living, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Northern West Virginia Center for Independent Living, Inc. taken as a whole. The accompanying schedules of expenditures of federal awards and state grant receipts and expenditures are 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 the State of West Virginia and are not required parts 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 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 basic financial statements as a whole.

DHHR - Finance *Parks, Foster & Morris, PLLC,*

October 4, 2011

NOV 14 2011

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*Date Received*

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.  
 STATEMENT OF FINANCIAL POSITION  
 SEPTEMBER 30, 2010

ASSETS

**CURRENT ASSETS**

Cash	\$ 44,333
Grants receivable	137,900
Deposits and prepaid expenses	<u>18,004</u>
<b>TOTAL CURRENT ASSETS</b>	<b>200,237</b>

**PROPERTY AND EQUIPMENT**

Furniture and equipment	47,298
Resource center equipment	14,871
Leasehold improvements	<u>24,577</u>
	86,746
Less accumulated depreciation	<u>(76,708)</u>
	<u>10,038</u>

**TOTAL ASSETS**

**\$ 210,275**

LIABILITIES AND NET ASSETS

**CURRENT LIABILITIES**

Accounts payable	\$ 29,333
Accrued expenses	7,966
Deferred grant revenue	<u>131,888</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>169,187</b>

**TEMPORARILY RESTRICTED NET ASSETS**

41,088

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 210,275**

The accompanying notes are an integral part of these financial statements

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2010**

**UNRESTRICTED REVENUES, GAINS & OTHER SUPPORT**

Program service revenue	\$ 11,192
Net assets released from restrictions	984,361
Contributions	298
Interest Income	276
Miscellaneous income	<u>2,322</u>
<b>TOTAL REVENUES, GAINS &amp; OTHER SUPPORT</b>	<b>998,449</b>

**EXPENSES**

<u>Program services</u>	
Salaries and wages	278,866
Pass through support	318,577
Direct equipment	5,136
Payroll taxes and employee benefits	79,465
Mileage and travel	71,257
Occupancy	2,210
Contracted services	11,228
Telephone and internet	5,450
Meetings and conferences	15,947
Supplies	20,328
Printing and publications	12,286
Other program expenses	<u>9,540</u>
	<b>830,290</b>

Supporting services

Salaries and wages	37,244
Payroll taxes and employee benefits	10,951
Mileage and travel	132
Occupancy	26,098
Contracted services	33,329
Postage and delivery	1,330
Maintenance	9,178
Telephone and internet	6,110
Supplies	4,429
Other support service costs	<u>3,397</u>
	<b>132,198</b>

Unallowable Expenses

Indirect expenses	18,294
Depreciation	8,519
Finance charges/interest	322
Unrecovered fringe benefits	17,928
Miscellaneous	<u>4,297</u>
	<b>49,360</b>

Total Expenses	<u>1,011,848</u>
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(DECREASE) IN UNRESTRICTED NET ASSETS	(13,398)
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The accompanying notes are an integral part of these financial statements

**TEMPORARILY RESTRICTED REVENUE**Federal Awards:

Centers for Independent Living	221,613
Independent Living-State Grants (Part B)	82,190
Independent Living-State Grants, Recovery Act (ARRA B)	48,567
Centers for Independent Living, Recovery Act (ARRA C)	6,526
National Institute on Disability and Rehab Research (DBTAC)	12,678
Assistive Technology (WVATS)	5,343
Cooperative Extension Service (AgrAbility)	93,058
Foundation for Rape Information and Services (FRIS)	26,796
Community Resource Development Program (CRP)	5,530
Fair Housing Initiatives Program (HUD)	34,388
Community Development Block Grant (CDBG)	300

State Awards, Other Contracts and Support:

Family Support	62,576
Independent Living-State Grants (CLSP)	105,381
Olmstead Grants	114,018
Navigator Project	89,144
Compeer of Mon. County	34,979
ADRC	1,664
Restricted Donations	<u>39,610</u>
Total Temporarily Restricted Revenue	984,361

Temporarily Restricted Revenue Released From Restrictions	<u>(984,361)</u>
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**CHANGE IN TEMPORARILY RESTRICTED  
NET ASSETS**-0-**(DECREASE) INCREASE IN NET ASSETS**

(13,398)

Net Assets at Beginning of Year \$ 54,486**NET ASSETS AT THE END OF YEAR**\$ 41,088

The accompanying notes are an integral part of these financial statements

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES**

(Decrease) in Net Assets	\$ (13,398)
Adjustments to reconcile change in Net Assets to net cash provided by operating activities:	
Depreciation and amortization	8,519
Loss on disposal of scrapped assets	1,140
(Increase) Decrease in assets:	
Grants receivable	(19,133)
Deposits and prepaid expenses	(7,140)
Increase (Decrease) in liabilities:	
Accounts payable	20,232
Accrued expenses	(343)
Deferred grant revenue	<u>37,183</u>
 Net Cash Provided by Operating Activities	 <u>27,060</u>

Net increase (decrease) in cash balance	\$ 27,060
Cash at beginning of year	<u>17,273</u>
<b>CASH AT END OF YEAR</b>	<b><u>\$ 44,333</u></b>

**SUPPLEMENTAL DISCLOSURES:**

Interest paid during the year	\$ 0
Income taxes paid during the year	\$ 0

The accompanying notes are an integral part of these financial statements

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

In accordance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*, Northern West Virginia Center for Independent Living, Inc. (The Center) is a 501(c) (3) non-profit corporation. The Center is located in Morgantown, West Virginia, and was incorporated under the laws of the State of West Virginia on April 22, 1993. The primary purpose of the Center is to provide services necessary to enable West Virginians with disabilities to reach their goals for independent living and to enhance and promote equal access across northern West Virginia. The Center's Board of Directors shall at all times include a majority of disabled individuals. The Center's major sources of support are grants from federal and state agencies to fund core services including independent living skills training, information and referral, individual and systems advocacy, and peer support.

**Basis of Presentation** – In accordance with FASB ASC 958-205, *Not-for-Profit Entities: Balance Sheet* and FASB ASC 958-225, *Not-for-Profit Entities: Income Statement*, the net assets of the Organization and changes in these net assets for the period are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor/grantor stipulations

Temporarily restricted net assets – net assets subject to donor/grantor stipulations that will be satisfied by actions of the organization or the passage of time.

Permanently restricted net assets – net assets subject to donor/grantor stipulations that are maintained in perpetuity by the Organization

**Basis of Accounting**– The accompanying financial statements are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

**Cash** – In accordance with FASB ASC 305, *Cash and Cash Equivalents*, the Center considers all highly liquid investments purchased with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents as of September 30, 2010.

**Grant Receivables and Revenue** - In accordance with FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, the Center's federal and state awards are "cost reimbursement grants" that require the Center to expend the funds toward the accomplishment of specific "allowable" activities and for specific time periods. Under these types of arrangements, grant revenues are deemed to be "earned" when expended on allowable activities and are reported as temporarily restricted support. When the grantor restriction expires, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In accordance with FASB ASC 958-310, *Not-for-Profit Entities: Receivables*, grant receivables represent amounts due from federal and state agencies for the allowable costs incurred under grant awards. The amounts reported at year-end represent the excess of allowable costs incurred over amounts received under federal and state awards. Deferred grant revenue represents amounts received from federal and state agencies in excess of allowable costs incurred under grant awards.

See Accompanying Accountants' Report



**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2010**

**Contributed Services** – In accordance with FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, a substantial number of unpaid volunteers contribute significant time to develop the Center's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or evaluation.

**Furniture and Equipment** – In Accordance with FASB ASC 958-360, *Not-for-Profit Entities: Property, Plant and Equipment*, the Center capitalizes all furniture and equipment with a cost or donated fair market value over \$500 and a useful life of more than one year. Donated assets are reported as unrestricted revenue unless the donor has restricted the donated asset to a specific purpose. Depreciation has been computed on the straight-line method based on the estimated service lives of the respective assets (5 – 7 years). Federal and state funding agencies may maintain equitable interest in the property and equipment purchased with grant funds as well the right to determine the use of any proceeds from the sale of these assets.

**Leasehold Improvements** – In Accordance with FASB ASC 958-360, *Not-for-Profit Entities: Property, Plant and Equipment*, leasehold improvements are recorded at cost. Amortization has been computed on the straight-line method over the lesser of useful lives of the assets or terms of the leases (5 years).

**Use of Estimates** – In accordance with FASB ASC 275, *Risks and Uncertainties*, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year end and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**Income Taxes** - The Northern West Virginia Center for Independent Living, Inc. is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, the Center has not provided for a provision for federal income taxes in the accompanying financial statements. In addition, the Center has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of section 509 (a) of the Internal Revenue Code.

**NOTE 2 -RETIREMENT PLAN**

In accordance with FASB ASC 715, *Compensation -- Retirement Benefits*, the Center maintains a tax sheltered annuity retirement plan under IRS Code Section 403(b) for its regular employees. Under the plan, the Center contributes 4% of the salary of each eligible employee. Additionally, employees are permitted to make elective deferrals from their salary up to amounts allowed under federal law. Contributions under the plan aggregated to \$10,714 for the year ended September 30, 2010.

**NOTE 3 - SIGNIFICANT GRANT REVENUE SOURCE**

In accordance with FASB ASC 275, *Risks and Uncertainties*, the Center conducts its charitable operations primarily through the use of revenues from federal and state grant awards. The U.S. Department of Education (DOE) and West Virginia Department of Health and Human Resources (WVHHS) provide grant awards that comprise a significant portion for the Center's operations. Revenues recognized under awards from these agencies aggregated to \$382,747 (DOE) and \$265,738 (WVHHS) for the year ended September 30, 2010. A significant reduction in the level of this support, if this were to occur, may have a material effect on the Center's programs and activities.

See Accompanying Accountants' Report

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2010**

**NOTE 4 - LINE OF CREDIT**

The Center has available an unsecured line of credit of \$40,000. The arrangement carries a variable interest rate of 1% over prime adjusted monthly with minimum and maximum interest rates of 5% and 18%, respectively. The balance on the arrangement was \$0 at September 30, 2010.

**NOTE 5 - OPERATING LEASES**

The Center leases office space and equipment under various lease arrangements with maturities through 2015. Rent expense under these agreements aggregated to \$23,169 for the year ended September 30, 2010. Future minimum lease payments under these arrangements are as follows:

Year End September 30,		
2011	\$	25,800
2012		25,800
2013		25,800
2014		25,800
2015		<u>18,600</u>
	\$	<u>121,800</u>

**NOTE 6 -GRANT RECEIVABLES AND DEFERRED GRANT REVENUE**

Grants receivable and deferred revenue arising from transactions under federal and state grant awards for the period ended September 30, 2010 are summarized as follows:

<u>Funding Source</u>	<u>Grants Receivable</u>	<u>Deferred Grant Revenue</u>
U.S. Dept. of Agriculture	\$ 52,161	-
U.S. Dept. of Education	32,709	111,911
U.S. Dept. of Justice	-	5,689
U.S. Dept. of Housing and Urban Develop.	300	11,363
State Agencies and Other Entities	<u>52,730</u>	<u>-</u>
	<u>\$ 137,900</u>	<u>\$ 131,888</u>

**NOTE 7-CONTINGENCIES**

As reported at 10-05 of the Schedule of Findings and Questioned Costs, restricted cash in the Center's general cash accounts was utilized to pay for excess grant expenditures and excess indirect costs. The amounts paid are subject to being disallowed by various awarding agencies. However, a determination of whether or not the agencies would require repayment of these unallowable expenses could not be determined and no accrued contingent liability has been recorded.

**NOTE 8 -MANAGEMENT'S REVIEW**

In accordance with FASB ASC 855, Subsequent Events, events and transactions subsequent to September 30, 2010 through October 4, 2011, have been evaluated by the Organization's management for possible adjustment and/or disclosure in the financial statements. Management has not identified any subsequent events through October 4, 2011, which is the date which the financial statements were available to be issued.

See Accompanying Accountants' Report

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<b>FEDERAL GRANTOR</b>	<b>Federal CFDA Number</b>	<b>Name of Grant</b>	<b>Federal Funds Expended</b>
<u>Program Title</u>			
<b><u>DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed through WVU</i>			
Cooperative Extension Service	10.500	AgrAbility	93,056
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Fair Housing Initiatives	14.408	Fair Housing (HUD)	33,685
<i>Passed through City of Morgantown, WV</i>			
Community Development Block Grants/ Entitlement Grants	14.218	CDBG	300
<b><u>DEPARTMENT OF JUSTICE</u></b>			
<i>Passed through WV Foundation for Rape and Information Services</i>			
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529	FRIS	26,796
<b><u>DEPARTMENT OF EDUCATION</u></b>			
Centers for Independent Living	84.132	C.I.L.	221,613
Centers for Independent Living, Recovery Act	84.400A	ARRA Part C	6,526
<i>Passed through Mid-Atlantic ADA Center</i>			
National Institute on Disability And Rehabilitation Research	84.133	DBTAC	12,678

See Accompanying Accountants' Report

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**DEPARTMENT OF**  
**EDUCATION (Continued)**

*Passed through WV Division for Rehabilitation Services*

Rehabilitation Services _ Vocational Rehabilitation Grants to States	84,126	CRP	5,509
Independent Living State Grants	84,169	CLSP/EPH	80,483
Assistive Technology	84,224	WVATS	5,343
Independent Living State Grants, Recovery Act	84,398	ARRA Part B	48,567
 Total Federal Expenditures			 <u>\$ 534,556</u>

**NOTE A—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northern West Virginia Center for Independent Living, Inc and is presented on the accrual basis of accounting

See Accompanying Accountants' Report

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**

**INDEPENDENT AUDITORS' REPORTS**

**SEPTEMBER 30, 2010**



**PARKS, FOSTER & MORRIS, P.L.L.C.**

*Certified Public Accountants*

Barry W Parks CPA  
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**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**

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To the Board of Directors  
Northern West Virginia Center for Independent Living, Inc.  
Morgantown, West Virginia

We have audited the financial statements of Northern West Virginia Center for Independent Living, Inc. (a nonprofit organization) as of and for the year ended September 30, 2010, and have issued our report thereon dated October 4, 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 Northern West Virginia Center for Independent Living, 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 Northern West Virginia Center for Independent Living, 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 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs at **10-01 to 10-3** to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northern West Virginia Center for Independent Living, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item **10-03**.

Northern West Virginia Center for Independent Living, Inc.'s response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Northern West Virginia Center for Independent Living, Inc.'s response and accordingly, we express no opinion on it

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

*Parks, Foster & Morris PLLC*

October 4, 2011





**PARKS, FOSTER & MORRIS, P.L.L.C.**

*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Northern West Virginia Center for Independent Living, Inc  
Morgantown, West Virginia

**Compliance**

We have audited Northern West Virginia Center for Independent Living, Inc.'s 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 its major federal programs for the year ended September 30, 2010. Northern West Virginia Center for Independent Living, 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 Northern West Virginia Center for Independent Living, Inc.'s management. Our responsibility is to express an opinion on Northern West Virginia Center for Independent Living, 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, *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 Northern West Virginia Center for Independent Living, 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 Northern West Virginia Center for Independent Living, Inc.'s compliance with those requirements.

In our opinion, Northern West Virginia Center for Independent Living, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2010.

**Internal Control Over Compliance**

The management of Northern West Virginia Center for Independent Living, 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 Northern West Virginia Center for Independent Living, Inc.'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, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northern West Virginia Center for Independent Living, Inc.'s internal control over compliance.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of requirement of a federal award 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 in internal control over compliance can be identified. However, as described in the accompanying schedule of findings and questioned costs at **10-4 and 10-5**, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

Northern West Virginia Center for Independent Living, Inc.'s response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Northern West Virginia Center for Independent Living, Inc.'s response and accordingly, we express no opinion on it.

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

*Parks, Foster & Morris, P.L.L.C.*

October 4, 2011



**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**SECTION I - Summary of Auditors Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   X   Yes        No

Significant deficiencies(s) 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?   X   Yes        No

Significant deficiencies(s) identified that are not considered to be material weaknesses?        Yes   X   None reported

Type of auditor's 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 ?   X   Yes        None reported

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.132  
84.398

Centers for Independent Living  
Independent Living-State Grants, Recover Act

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

Auditee qualified as low-risk auditee?        Yes   X   No

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**SECTION II - Financial Statement Findings**

**10-01 Material Weakness in Internal Control over Cash Receipts and Bank Account Balances**

**Criteria:**

The management of Northern West Virginia Center for Independent Living, Inc. is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or corrected and detected on a timely basis

A system of internal control includes the control activity of the preparation and review of bank statements in a timely manner. Additionally, a system of internal control includes appropriate control activities related to grant and similar programs including accounting procedures, separate charts of accounts and subsidiary ledgers for identifying and recording receipts accurately for each program

**Condition:**

The Center's bank statements were not reconciled in a timely manner to allow for the detection and correction of duplicate postings of grant fund receipts that were erroneously posted to its general ledger. The Center's bank reconciliations for the months of August and September 2010 weren't prepared until March of 2011. Furthermore, a review of a sample of electronically stored bank reconciliations (which display the original date of preparation of each reconciliation) indicated that bank statements for interim months during the year were prepared two to three months late

We believe the effect (see below) of this deficiency in the performance of bank reconciliations represents a material weakness in internal control

**Effect:**

The Center's internal control procedures over the preparation and review of bank statements failed to detect approximately \$36,650 of duplicate postings of grant receipts which were subsequently posted to the balance sheet into an account titled "Cash Reconciliation Adjustments" for the auditor to correct. This account balance was subsequently adjusted by the auditor as part of a material adjustment to record grant revenue, grants receivable, and deferred grant revenue with for the individual programs

**Management Response:**

See Corrective Action Plan

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONS COSTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**10-02 Material Weakness in Internal Control over the Preparation and Review of Adjusting Journal Entries to Record Grant Revenues and Expenditures**

**Criteria:**

The management of Northern West Virginia Center for Independent Living, Inc. is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or corrected and detected on a timely basis.

A system of internal control includes control activities to ensure that grant revenue and expenditures and related assets and liabilities are recognized in accordance with generally accepted accounting principles. Additionally, a system of internal control includes appropriate control activities related to ensuring that all journal entries, including nonstandard/non-routine entries, have adequate supporting documentation and are reviewed and approved independently prior to posting.

**Condition:**

The Center employs the use of a third-party contract accounting firm to perform various accounting duties including the posting of journal entries to grant revenue and expenditures and related assets and liabilities in accordance with generally accepted accounting principles. The Center's review and approval procedures detected misstatements and other irregularities noted in the general ledger and individual grant trial balances as a result of the journal entries posted by the contract accountant. However, the Center's requests to correct the irregularities were not satisfied.

We believe the effect (see below) of this deficiency in control activities over the review and approval of journal entries represents a material weakness.

**Effect:**

The Center's general ledger and individual grant trial balances were materially misstated as result of this condition. Specifically, we noted the following misstatements that we believe resulted from the aforementioned condition:

- Program income related to one of the Center's individual grants was reported at "negative" \$13,508. After reviewing the detailed transaction that gave rise to this unusual "negative" balance, we discovered that a journal entry was the source.

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONS COSTS (continued.)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

- Program income related to another of the Center's individual grants was reported at \$26,668 as the result of an adjusting journal entry. As a result of our audit procedures, we discovered that this grant activity did not generate program income of any significant amounts during the respective grant period of performance. The journal entry appears to have been posted in error.
- A journal entry was posted to recognize grant revenue in the amount of \$36,670 from a program/grant source which had been "closed out" for several years.
- Accrued vacation and related fringes at September 30, 2009 (beginning of the year) were overstated by \$25,220.
- Grants receivable was overstated \$26,659 at September 30, 2009 (beginning of the year).
- Deferred grant revenue was overstated \$12,527 at September 30, 2009 (beginning of the year) and \$15,373 at September 30, 2010.

**Management Response:**

See Corrective Action Plan

**10-03 Material Weakness in Internal Control over the Allocation of Costs to Cost Objectives**

**Criteria:**

The management of Northern West Virginia Center for Independent Living, Inc. is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or corrected and detected on a timely basis.

A system of internal control includes appropriate control activities to ensure that all expenditures incurred by the Center are charged directly to benefiting grant and other activities or allocated in accordance with the Center's approved cost allocation plan.

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONS COSTS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Condition:**

The Center employs the use of a third-party contract accounting firm to perform various accounting duties including the posting of journal entries to allocate expenditures to grant awards and other activities in accordance with the Center's cost allocation plan. The Center's internal control procedures related to the allocation of costs did not detect that \$17,928 of employee fringe benefit costs incurred and paid during fiscal year ended September 30, 2010 were not charged to grants and other activities in accordance with the Center's cost allocation plan.

We believe the effect of this deficiency in control activities for the purpose of ensuring that all expenditures incurred by the Center are charged or allocated to benefitting functions represents a material weakness

**Effect:**

In accordance with the Center's cost allocation plan, the employee fringe benefits of \$17,928 (mainly health, life and supplemental insurance) should have been directly allocated to benefitting activities in the same proportion that each employee's salaries and wages were allocated to benefitting activities

The grants and other activities to which these costs should have been charged have not been identified. Furthermore, grant award "closeout" procedures normally preclude organizations from requesting additional reimbursements for closed out grant periods. Based upon these conditions, we are unable to determine if these unrecovered fringe benefits are capable of being recovered from grant agencies at this time. Therefore, these costs have been classified as Unallowable Expenses in the statement activities with the caption of *Unrecovered Fringe Benefits*

**Management Response:**

See Corrective Action Plan

**SECTION III –Major Program Findings and Questioned Costs**

**10-04 Material Weakness in Internal Control over the Allocation of Costs to Cost Objectives**

**Criteria:**

OMB A-122 *Cost Principles of Nonprofit Organizations* establishes the requirements for nonprofit organizations related to the allocation of indirect costs through the use of cost allocation plans (CAPs). The Center's cost allocation plan states that fringe benefit costs such as FICA, unemployment insurance, health insurance, etc. are to be distributed to each funding source based on the salaries and wages charged to function and program for each individual

**Condition:**

The Center employs the use of a third-party contract accounting firm to perform various accounting duties including the posting of journal entries to allocate expenditures to grant awards and other activities in accordance with the Center's cost allocation plan. The Center's internal control procedures related to the allocation of costs did not detect that \$17,928 of employee fringe benefit costs incurred and paid during fiscal year ended September 30, 2010 were not charged to grants and other activities in accordance with the Center's cost allocation plan.

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONS COSTS (continued.)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

We believe the effect (see below) of this deficiency in control activities for the purpose of ensuring that all expenditures incurred by the Center are charged or allocated to benefitting functions represents a material weakness

**Effect:**

In accordance with the Center's cost allocation plan, the employee fringe benefits of \$17,928 (mainly health, life and supplemental insurance) should have been directly allocated to benefitting activities in the same proportion that each employee's salaries and wages were allocated to benefitting activities

The grants and other activities to which these costs should have been charged have not been identified. Furthermore, grant award "closeout" procedures normally preclude organizations from requesting additional reimbursements for closed out grant periods. Based upon these conditions, we are unable to determine if these unrecovered fringe benefits are capable of being recovered from grant agencies at this time. Therefore, these costs have been classified as Unallowable Expenses in the statement activities with the caption of *Unrecovered Fringe Benefits*

**Management Response:**

See Corrective Action Plan

**10-05 Material Weakness in Internal Control Related to Unallowable Indirect Expenses**

**Criteria:**

OMB A-122 *Cost Principles of Nonprofit Organizations* establishes the requirements for nonprofit organizations related to the allocation of indirect costs through the use of cost allocation plans (CAPs). Generally, indirect costs allocable to a grant or other activity for which full recovery is not possible are classified as Unallowable Expenses for which unrestricted funds are required for payment

**Condition:**

Indirect expenses allocable to the Center's grant awards exceeded the amount of available grant funds on two of its grants by an aggregate amount of \$18,294. These unrecovered indirect costs are reclassified as Unallowable expenses to which unrestricted funds must be applied.

The Center normally receives very insignificant amounts of unrestricted funds which are insufficient to pay for the unallowable indirect expenses stated above. However, management believes that \$20,195 of funds available under a state grant with the State of WV is unrestricted "fee-for-service" funds that are available to apply to the Unallowable funds of \$18,294.

Management's position regarding the "unrestricted" nature of the funds noted above is supported primarily by an oral discussion with a representative at the grant agency that provides the funds. But this support is not consistent with the intent of OMB A-122 *Cost Principles of Nonprofit Organizations* and other regulations which specifically state that fee or profit is not contemplated in grants subject to the circular

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONS COSTS (contd.)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Effect:**

The Center utilized cash in its general operating accounts to pay the aforementioned unallowable indirect funds. Generally, the cash in the Center's general operating accounts is restricted for various grant activities at both federal and state level and should not be used to pay for unallowable expenses. If the \$20,195 of funds (noted above) were not available for unrestricted purposes then the Center is paying unallowable expenses with restricted funds. Grant agencies could require the Center to maintain separate accounts for grants so as to avoid the payment of Unallowable expenses from federal and state sources

**Management Response:**

See Corrective Action Plan



**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.**

**SUPPLEMENTAL INFORMATION  
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES**

September 30, 2010

Northern WV Center for Independent Living, Inc.  
 Schedule of State Grant Receipts and Expenditures

State Fiscal Year July 1, 2009 to June 30, 2010

Grant Name/Period ID #	NAV 07/08 - 06/09	NAV 07/09 - 06/10	Olmstead 07/09 - 06/10	Olmstead 07/10 - 06/11
Grant Receipts	201.17	69,299.14	137,500.00	0.00
<u>Grant Expenditures</u>				
7234 - Communications	0.00	0.00	0.00	0.00
7223 - Specific Assistance to Ind	550.00	23,800.86	115,450.20	1,375.00
7225 - Payroll Expenses	18.15	32,727.60	0.00	0.00
7226 - Fringes	61.88	10,778.14	0.00	0.00
7233 - Supplies	0.00	0.00	0.00	0.00
7235 - Postage and Delivery	0.00	5.54	0.00	0.00
7236 - Occupancy	0.00	290.00	0.00	0.00
7239 - Travel	0.00	4,672.14	0.00	0.00
7240 - Conventions, Meetings, Seminars	0.00	416.42	0.00	0.00
8010 - Allocated Shared Costs	0.00	20,155.52	0.00	0.00
Total Expenditures	630.03	92,846.22	115,450.20	1,375.00
Difference	(428.86)	(23,547.08)	22,049.80	(1,375.00)

Northern WV Center for Independent Living, Inc.  
 Schedule of State Grant Receipts and Expenditures

State Fiscal Year July 1, 2009 to June 30, 2010

Grant Name/Period ID #	CLSP 07/09 - 06/10	Family Support 07/08 - 06/09	Family Support 07/09 - 06/10
Grant Receipts	125,000.00	0.00	79,785.00
<u>Grant Expenditures</u>			
7234 · Communications	0.00	0.00	0.00
7223 · Specific Assistance to Ind	75,025.98	0.00	61,057.97
7225 · Payroll Expenses	24,437.77	102.32	5,658.06
7226 · Fringes	5,414.34	46.29	2,392.80
7231 · Contractual Services	2,000.00	0.00	0.00
7233 · Supplies	69.93	0.00	0.00
7235 · Postage and Delivery	17.27	0.00	22.50
7237 · Maintenance and Rental	65.00	0.00	0.00
7238 · Printing and Publications	78.00	0.00	0.00
7239 · Travel	2,771.21	0.00	464.23
7240 · Conventions, Meetings, Seminars	340.50	0.00	5,000.00
8010 · Allocated Shared Costs	13,268.64	81.02	2,673.59
Total Expenditures	123,488.64	229.63	77,269.15
Difference	1,511.36	(229.63)	2,515.85

Northern West Virginia Center for Independent Living



Breaking Barriers . . . Bridging Paths To Independence

Management's Corrective Action Plan
Year Ended September 30, 2010

General Comments: The Management of the Northern West Virginia Center for Independent living feels it is important to share that the letter of engagement with Parks, Foster and Morris, P.L.L.C was signed on February 11, 2011 and it is now October 4, 2011 when we are receiving the final audit report. It is believed that the lack of timeliness of this audit has played a significant role in management's ability to implement effective internal controls that would have eliminated many of the issues identified in this audit.

As noted throughout the audit report, NWVCIL had secured the services of a third party contract accounting firm to provide monthly accounting service that are consistent with the principles and standards established by Office of Management and Budget (OMB) Circular A-122 for Non-Profit Organizations and OMB Circular A-110 "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profits Organizations. This firm was also charged with the responsibility to assist with the identification, management, and monitoring of compliance requirements to the Center's grant contracts, in accordance with OMB A-133. The failure of this firm to provide accounting services that were consistent with the accounting principles established within these circulars and their non responsiveness to managements repeated request to rectify identified inconsistencies and errors has lead to the findings below.

When the audit began, the auditing firm identified many inconsistencies within the Accountants copy of the center's books and based on the response or lack of response to their inquiries, there was not a spirit of cooperation between the CPA firm and the auditing firm which extended the auditing time

Corrective Action: Both the auditing and accounting services are again being put out to bid to ensure that NWVCIL receives timely and effective services from both. A contract will be developed with both that mandates services as required in the relevant OMB Circulars. NWVCIL uses an accrual based fund accounting system utilizes Quick Book Pro for Non Profits software, according to a specified chart of accounts. Separate fund accounts will be used to identify federal and non-federal funds and expenses, as well as specific grants and/or contracts, as required. Day to day financial services are provided in house, supervised by the Executive Director. The Board of Directors will monitor, on a monthly basis, compliance with stipulations established within the contract for the services secured from the new CPA firm.

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### **10-01 Material Weakness in Internal Control over Cash Receipts and Bank Account Balances**

*Condition:* The Center's bank statements were not reconciled in a timely manner to allow for the detection and correction of duplicate postings of grant fund receipts that were erroneously posted to its general ledger.

*Management Response:* Management was aware of the duplicate entry but was not able to get the CPA firm to make the necessary corrections in a timely manner. Bank statements were reviewed and signed by the Executive Director prior to sending to the CPA firm for reconciliation. Bank reconciliations will be done utilizing the capacity within the Quick Books Pro with the report being provided to the Board of Directors on a monthly basis

### **10-02 Material Weakness in Internal Control over the Preparation and Review of Adjusting Journal Entries to Record Grant Revenue and Expenditures**

*Condition:* The Center employs the use of a third-party contract accounting firm to perform various accounting duties including the posting of journal entries to grant revenue and expenditures and related assets and liabilities in accordance with generally accepted accounting principles. The Center's review and approval procedures detected misstatements and other irregularities noted in the general ledger and individual grant trial balances as a result of the journal entries posted by the contract accountant. However, the Center's request to correct the irregularities were not satisfied.

*Management Response:* Management will terminate services with this CPA firm. More of the accounting activity will be performed in house, supervised by the Executive Director and monitored by the Board of Directors. A new CPA firm will be hired to provide over site and monitor compliance with relevant OMB Circulars.

### **10-03 and 10-04 Material Weakness in Internal Control over the Allocation of Cost Objectives**

*Condition:* The Center employs the use of a third-party contract accounting firm to perform various accounting duties including the posting of journal entries to allocate expenditures to grant awards and other activities in accordance with the Center's cost allocation plan. The Center's internal control procedures related to the allocation of costs did not detect that the \$17,928 of employee fringe benefit costs incurred and paid during the fiscal year ended September 30, 2010 were not charged to grants and other activities in accordance with the Center's cost allocation plan.

*Management's Response:* Neither the auditor or the current CPA firm were able to explain this finding well enough to management for us to agree with this finding. Fringe benefits are charged to each grant based on actual hours of personnel time spent performing benefiting activity. Management will review the monthly cost allocation to ensure that all fringe benefits are recorded in the general ledger when preparing the monthly cost allocation performed by the new CPA firm.

### **10-05 Material Weakness in Internal Control Related to Unallowable Indirect Expenses:**

*Condition:* Indirect expenses allocable to the Center's grant awards exceeds the amount of available grant funds on two of its grants by an aggregate amount of \$18, 294. These unrecovered indirect costs are reclassified as Unallowable expenses to which unrestricted funds must be applied

*Management Response:* Due to the fact that this audit was not completed until 13 months after the close of the fiscal year, corrective action taken by the management was not reflected. Grants were

*not charged for the disallowed costs. Steps were taken to minimize the indirect expenses generated by the grants that could not support the administrative costs. Unrestricted dollars generated by the fee for service contract was used to defray the uncompensated indirect costs*