

**NORTHERN WEST VIRGINIA CENTER
FOR INDEPENDENT LIVING, INC.
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION**

YEAR ENDED SEPTEMBER 30, 2011

WITH INDEPENDENT AUDITOR'S REPORTS

DHHR - Finance

JUL 13 2012

Date Received

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2011**

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Ware & Hall, PLLC

Certified Public Accountants

The River Tower, Suite 601, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

Daniel J. Ware, CPA
William L. Hall, CPA

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Northern West Virginia Center for Independent Living, Inc. (a non-profit organization), as of September 30, 2011, 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 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 in the first paragraph present fairly, in all material respects, the financial position of Northern West Virginia Center for Independent Living, Inc. as of September 30, 2011, 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 May 9, 2012, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 support and revenue, expenses and changes in net assets and expenditures of state awards, as presented in the schedule of expenditures of federal and state awards, are presented for purposes of additional analysis and are not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards, as presented in the schedule of expenditures of federal and state 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 also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Ware & Hall PLLC

Huntington, West Virginia
May 9, 2012

DHHR - Finance

JUL 13 2012

Date Received

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011

ASSETS

CURRENT ASSETS

Cash on hand	\$	400
Grants receivable		123,532
Accounts receivable - employees		1,307
Prepaid expenses		<u>16,100</u>
TOTAL CURRENT ASSETS		141,339

PROPERTY AND EQUIPMENT, NET		<u>6,176</u>
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TOTAL ASSETS	\$	<u>147,515</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Bank overdraft	\$	22,329
Accounts payable		48,599
Accrued payroll		11,844
Payroll taxes withheld and accrued		1,390
Deferred revenue		<u>39,707</u>
TOTAL CURRENT LIABILITIES		<u>123,869</u>

NET ASSETS

Unrestricted net assets		
Operations		17,470
Property and equipment		<u>6,176</u>
TOTAL NET ASSETS		<u>23,646</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>147,515</u>
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NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

GRANTS

Federal/State/pass-through	\$ 1,251,208
Other grants and contributions	24,503
Program and other income	<u>23,154</u>

**TOTAL UNRESTRICTED SUPPORT
AND REVENUE**

1,298,865

EXPENSES

PROGRAM SERVICES

Independent Living - State Grants Part B	90,131
Independent Living - State Grants Part B ARRA	18,936
Assistive Technology - WVAIS	6,000
National Institute on Disability and Rehabilitation Research - DBIAC	12,246
Centers for Independent Living - DOE	162,573
Centers for Independent Living - ARRA	47,423
Block Grants for Community Mental Health Services and Child Health Services Block Grants to States - FS	<u>104,488</u>
Fair Housing Incentives Program - HUD	55,315
Community Development Block Grants - CDBG	4,005
Cooperative Extension Service - Agrability	76,398
Educational and Training to End Violence Against and Abuse of Women With Disabilities - FRIS	683
Community Living Services Program - CLSP	298,028
Olmstead	118,479
Transition Navigator	68,243
Other Programs	<u>40,105</u>
TOTAL PROGRAM SERVICES	1,103,053

SUPPORTING SERVICES

Management and General	<u>175,033</u>
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TOTAL EXPENSES

1,278,086

CHANGE IN UNRESTRICTED NET ASSETS

20,779

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS

-0-

CHANGE IN PERMANENTLY RESTRICTED NET ASSETS

-0-

CHANGE IN NET ASSETS

20,779

NET ASSETS BEGINNING OF YEAR, AS RESTATED

2,867

NET ASSETS END OF YEAR

\$ 23,646

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 20,779
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	5,870
Bad debts	2,629
Loss on disposition of property and equipment	365
(Increase) decrease in operating assets:	
Grants receivable	(26,482)
Accounts receivable - employees	(1,307)
Prepaid expenses	1,904
Increase (decrease) in operating liabilities:	
Bank overdraft	22,329
Accounts payable	19,266
Accrued payroll	4,312
Payroll taxes withheld and accrued	956
Deferred revenue	<u>(92,181)</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(41,560)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Property and Equipment	<u>(2,373)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(2,373)</u>
 NET (DECREASE) IN CASH	 (43,933)
 CASH AT BEGINNING OF YEAR	 <u>44,333</u>
 CASH AT END OF YEAR	 \$ <u><u>400</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	\$ <u><u>-0-</u></u>
Taxes	\$ <u><u>-0-</u></u>

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Northern West Virginia Center For Independent Living, Inc. is a non-profit corporation 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.

ACCOUNTS RECEIVABLE - Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectibility. Once it is determined by management that the account will not be collectible, it is charged-off as bad debts.

PROPERTY AND EQUIPMENT - Property and equipment purchased is stated at cost. Property and equipment donated to the Organization is stated at the estimated fair value at the date of receipt. The Organization has adopted a policy to capitalize all property and equipment over \$500 and a useful life of more than one year. Maintenance, repairs and minor renewals are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Property and equipment acquired by Northern West Virginia Center for Independent Living, Inc. is considered to be owned by Northern West Virginia Center for Independent Living, Inc. However, funding sources may maintain a reversionary interest in the property and equipment purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

The net property and equipment balance has been reported as a separate component in unrestricted net assets.

DEPRECIATION - The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method. The useful lives of property and equipment for purposes of computing depreciation are:

Resource Center Equipment	3 to 7 years
Furniture and Equipment	3 to 5 years
Leasehold Improvements	5 years

REVENUE AND EXPENSE RECOGNITION - The financial statements have been prepared on the accrual basis of accounting. Grants restricted for specific purposes are reported as revenue when qualifying expenses have been incurred. Grants received in advance of incurring qualifying expenses are recorded as deferred revenue. The revenue from fee for service contracts is recognized in the accompanying financial statements when the services have been performed.

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED REVENUE - Deferred revenue represents unexpended funds received as of September 30, 2011. Deferred revenue are funds owed to funding sources or are approved for use in ongoing or future programs.

INCOME TAXES - Northern West Virginia Center For Independent Living, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CONTRIBUTIONS - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets received without stipulation about how long the asset must be used or other donor restriction are recorded as unrestricted support.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the organizations consider all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

ADVERTISING COSTS - Advertising costs totaling \$4,235 are charged to operations when incurred.

FUNCTIONAL CLASSIFICATION OF EXPENSES - The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2011:

Resource Center Equipment	\$ 14,870
Furniture and Equipment	44,661
Leasehold Improvements	<u>24,577</u>
	84,108
Less: Accumulated Depreciation	<u>(77,932)</u>
Property and Equipment, Net	<u>\$ 6,176</u>

Depreciation expense for the year ended September 30, 2011 totaled \$5,870

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 3 - LINE OF CREDIT

As of September 30, 2011, the Organization had a \$40,000 unused Line of Credit with a local bank to be drawn upon as needed with a variable interest rate 1.0% above the base rate on corporate loans posted by at least 75% of the 30 largest U.S. Banks known as the Wall Street Journal U.S. Prime Rate.

There were no draws on this line of credit during the fiscal year ended September 30, 2011.

NOTE 4 - OPERATING LEASES

Northern West Virginia Center For Independent Living, Inc. leases facilities under operating leases expiring in fiscal year ending September 30, 2016. These leases can, however, be cancelled based on the lack of adequate funding levels. Total rent expense charged to operations during the year ended September 30, 2011 amounted to \$25,700.

Certain operating leases provide for renewal options. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Northern West Virginia Center For Independent Living, Inc. also leases copiers under operating leases expiring in various years through fiscal year ending September 30, 2015. Total rent expense charged to operations during the year ended September 30, 2011 amounted to \$4,114.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2011 for each of the next four years and in the aggregate are:

<u>Year Ended September 30,</u>	<u>Amount</u>
2012	\$ 4,114
2013	4,114
2014	4,114
2015	<u>4,114</u>
Total Minimum Future Rental Payments	\$ <u>16,456</u>

NOTE 5 - RETIREMENT PLAN

The organization sponsors a tax-sheltered annuity deferred compensation plan (403(b) plan). Under the plan, the Organization 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 totaling \$10,191 were charged to operations during the fiscal year ended September 30, 2011.

NOTE 6 - CONCENTRATION OF CREDIT RISK

Northern West Virginia Center For Independent Living, Inc. provides various services to individuals with disabilities on a third-party reimbursement basis. The Organization bills the various funding sources in accordance with contractual agreements without requiring collateral or any other security. Grants and other receivables have been adjusted for all known uncollectible accounts. An allowance for bad debts has not been set up as the amount is not considered material.

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 7 - CONTINGENCIES

In the normal course of operations, the Organization receives grant funds from various federal and state agencies. The grant programs are subject to audit by the granting authorities for the purpose of ensuring compliance with the conditions of the awards. Any liability for the reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 8 - CONTRIBUTED SERVICES

The Organization receives contributed services for its various programs in the nature of program development and support. In accordance with the contributed services provisions of the Not For Profit Topic of the FASB Accounting Standard Codification, those contributed services which require specialized skills, are provided by individuals possessing those skills, and would have had to be purchased otherwise have been recorded as revenue and expense in the unrestricted net asset category and totaled \$10,655 during the fiscal year ended September 30, 2011. Additional amounts of contributed services were received by the Organization which did not meet the criteria for recording and therefore were not recorded in the financial statements. It is not practical to estimate the amount of these contributed services.

NOTE 9 - CONCENTRATION OF GRANT REVENUE SOURCE

The Organization is funded primarily by Grant Awards from the U. S. Department of Education, West Virginia Department of Health and Human Resources, and West Virginia Division of Rehabilitation Services. Revenues recognized under grant awards from these agencies totaled \$433,998, \$305,123, and \$319,190, respectively for the year ended September 30, 2011. A significant reduction in the level of funding from these sources, if it were to occur, may have a material effect on the Organization's operations.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

Net assets at September 30, 2010 has been adjusted to correct an error in reporting grants receivable as of September 30, 2010. Grants receivable were overstated by \$38,221. Had the error not been made grants receivable and net assets would have been decreased by \$38,221 as of September 30, 2010 and grant revenue and the change in net assets would have been decreased by \$38,221 for the year ended September 30, 2010.

NOTE 11 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to September 30, 2011 through May 9, 2012 (the date the financial statements were available to be issued) for possible adjustment to, or disclosure in, the accompanying financial statements as required by the Subsequent Events Topic of the FASB Accounting Standards Codification. The following event occurred after September 30, 2011:

On October 6, 2011, the Organization drew down \$39,977 on its available line of credit.

ADDITIONAL INFORMATION

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
SCHEDULE OF SUPPORT AND REVENUE,
EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2011

	Independent Living-State Grants <u>Part B</u>	Independent Living-State Grants Part B <u>AARA</u>	Assistive Technology <u>WVATS</u>
SUPPORT AND REVENUE			
Grant revenue -			
federal/state/pass-through	\$ 124,533	\$ 18,909	\$ 6,000
Other grants and contributions	-0-	-0-	-0-
Program and other income	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>124,533</u>	<u>18,909</u>	<u>6,000</u>
EXPENSES			
Salaries and benefits	74,337	74	-0-
Travel and training	11,617	-0-	1,000
Consumable supplies	237	-0-	-0-
Vehicles, equipment and property	637	-0-	4,244
Contractual and consultants	225	-0-	-0-
Communications	960	-0-	-0-
Specific assistance to individuals	37	18,861	-0-
Occupancy	540	-0-	750
Printing and publications	436	-0-	-0-
Indirect costs	34,402	34	-0-
Other	<u>1,105</u>	<u>1</u>	<u>6</u>
TOTAL EXPENSES	<u>124,533</u>	<u>18,970</u>	<u>6,000</u>
INCREASE (DECREASE) IN NET ASSETS	-0-	(61)	-0-
NET ASSETS BEGINNING OF YEAR, AS RESTATED	-0-	-0-	-0-
TRANSFER IN (OUT)	<u>-0-</u>	<u>61</u>	<u>-0-</u>
NET ASSETS END OF YEAR	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

National Institute on Disability and Rehabilitation <u>Research - DBIAC</u>	Centers for Independent Living - DOE	Centers for Independent Living - ARRA	Block Grants For Community Mental Health Services and Maternal and Child Health Services Block <u>Grants to States - FS</u>
\$ 14,725	\$ 242,672	\$ 59,017	\$ 111,770
-0-	-0-	-0-	-0-
<u>525</u>	<u>675</u>	<u>-0-</u>	<u>-0-</u>
<u>15,250</u>	<u>243,347</u>	<u>59,017</u>	<u>111,770</u>
6,560	137,538	25,323	-0-
5,248	21,583	13,058	-0-
76	857	-0-	-0-
-0-	-0-	-0-	-0-
-0-	-0-	1,500	-0-
-0-	-0-	-0-	-0-
-0-	-0-	-0-	104,488
-0-	-0-	130	-0-
32	-0-	7,000	-0-
3,004	72,309	11,594	-0-
<u>330</u>	<u>2,595</u>	<u>412</u>	<u>-0-</u>
<u>15,250</u>	<u>234,882</u>	<u>59,017</u>	<u>104,488</u>
-0-	8,465	-0-	7,282
-0-	-0-	-0-	-0-
<u>-0-</u>	<u>(8,465)</u>	<u>-0-</u>	<u>(7,282)</u>
\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
 SCHEDULE OF SUPPORT AND REVENUE,
 EXPENSES AND CHANGES IN NET ASSETS
 YEAR ENDED SEPTEMBER 30, 2011

	Fair Housing Initiatives Program - HUD	Community Development Block Grants/ Entitlement Grants - CDBG	Cooperative Extension Service - Agrability
SUPPORT AND REVENUE			
Grant revenue -			
federal/state/pass-through	\$ 64,116	\$ 3,705	\$ 76,398
Other grants and contributions	-0-	-0-	-0-
Program and other income	<u>2,562</u>	<u>300</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>66,678</u>	<u>4,005</u>	<u>76,398</u>
EXPENSES			
Salaries and benefits	29,167	-0-	2,266
Travel and training	6,326	444	23,109
Consumable supplies	763	-0-	784
Vehicles, equipment and property	-0-	-0-	-0-
Contractual and consultants	12,042	1,000	46,576
Communications	39	-0-	2,790
Specific assistance to individuals	-0-	-0-	-0-
Occupancy	-0-	-0-	750
Printing and publications	1,472	2,240	-0-
Indirect costs	13,354	-0-	1,037
Other	<u>5,506</u>	<u>321</u>	<u>123</u>
TOTAL EXPENSES	<u>68,669</u>	<u>4,005</u>	<u>77,435</u>
INCREASE (DECREASE) IN NET ASSETS	(1,991)	-0-	(1,037)
NET ASSETS BEGINNING OF YEAR, AS RESTATED	-0-	-0-	-0-
TRANSFER IN (OUT)	<u>1,991</u>	<u>-0-</u>	<u>1,037</u>
NET ASSETS END OF YEAR	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

Education, Training and
Enhanced Services
To End Violence Against
and Abuse of Women
With Disabilities - FRIS

Community Living
Services Program
CLSP

Olmstead

\$	982	\$	313,002	\$	127,813
	-0-		-0-		-0-
	<u>-0-</u>		<u>964</u>		<u>-0-</u>
	<u>982</u>		<u>313,966</u>		<u>127,813</u>
	654		41,205		-0-
	-0-		3,772		-0-
	20		308		-0-
	-0-		-0-		-0-
	-0-		-0-		-0-
	-0-		-0-		-0-
	-0-		251,929		118,479
	-0-		-0-		-0-
	-0-		-0-		-0-
	299		18,866		-0-
	<u>9</u>		<u>814</u>		<u>-0-</u>
	<u>982</u>		<u>316,894</u>		<u>118,479</u>
	-0-		(2,928)		9,334
	-0-		-0-		-0-
	<u>-0-</u>		<u>2,928</u>		<u>(9,334)</u>
\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
SCHEDULE OF SUPPORT AND REVENUE,
EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2011

	<u>Transition</u> <u>Navigator</u>	<u>Other</u> <u>Programs</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grant revenue -			
federal/state/pass-through	\$ 87,566	\$ -0-	\$ 1,251,208
Other grants and contributions	-0-	24,503	24,503
Program and other income	<u>6</u>	<u>18,122</u>	<u>23,154</u>
TOTAL SUPPORT AND REVENUE	<u>87,572</u>	<u>42,625</u>	<u>1,298,865</u>
EXPENSES			
Salaries and benefits	43,975	-0-	361,099
Travel and training	3,735	85	89,977
Consumable supplies	49	95	3,189
Vehicles, equipment and property	-0-	11	4,892
Contractual and consultants	-0-	10,655	71,998
Communications	-0-	-0-	3,789
Specific assistance to individuals	19,741	25,590	539,125
Occupancy	-0-	-0-	2,170
Printing and publications	59	-0-	11,239
Indirect costs	20,134	-0-	175,033
Other	<u>684</u>	<u>3,669</u>	<u>15,575</u>
TOTAL EXPENSES	<u>88,377</u>	<u>40,105</u>	<u>1,278,086</u>
INCREASE (DECREASE) IN NET ASSETS	(805)	2,520	20,779
NET ASSETS BEGINNING OF YEAR, AS RESTATED	-0-	2,867	2,867
TRANSFER IN (OUT)	<u>805</u>	<u>18,259</u>	<u>-0-</u>
NET ASSETS END OF YEAR	\$ <u>-0-</u>	\$ <u>23,646</u>	\$ <u>23,646</u>

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>
FEDERAL AWARDS		
Department of Education		
Centers for Independent Living Cluster		
Centers for Independent Living	84.132	N/A
Centers for Independent Living - ARRA	84.400	N/A
Centers for Independent Living Cluster Subtotal		
Pass-Through - West Virginia Division of Rehabilitation Services:		
Independent Living - State Grants Cluster		
Independent Living - State Grants	84.169	100733
Independent Living - State Grants	84.169	120039
Subtotal Independent Living - State Grants CFDA #84.169		
Independent Living - State Grants - ARRA	84.398	100119
Independent Living - State Grants Cluster Subtotal		
Pass-Through West Virginia University:		
Assistive Technology	84.224	N/A
Pass-Through DBIAC: Mid-Atlantic ADA Center:		
National Institute on Disability Rehabilitation and Research	84.133	N/A
National Institute on Disability Rehabilitation and Research	84.133	N/A
Subtotal National Institute on Disability Rehabilitation and Research		
TOTAL DEPARTMENT OF EDUCATION		
Department of Health and Human Services		
Pass-through West Virginia Department of Health and Human Services:		
Block grants for community mental health	93.958	G110044
Block grants for community mental health	93.958	G120106
Subtotal Block Grants for Community Mental Health CFDA # 93.958		
Maternal and Child Health Services Block Grants to States	93.994	G110044
Maternal and Child Health Services Block Grants to States	93.994	G120106
Subtotal Maternal and Child Health Services Block Grants to States CFDA #93.994		
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		

<u>Program Period</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
10/01/10 - 09/30/11	\$ 220,201	\$ 217,002
01/08/10 - 01/08/15	66,260	<u>59,017</u>
		276,019
10/01/09 - 09/30/11	86,940	82,362
07/01/11 - 09/30/12	78,082	<u>37,874</u>
		120,236
07/01/09 - 09/30/11	60,728	<u>17,018</u>
		137,254
10/01/10 - 09/30/11	6,000	6,000
10/01/09 - 09/30/11	15,000	8,579
10/01/10 - 09/30/11	15,000	<u>6,146</u>
		<u>14,725</u>
		<u>433,998</u>
07/01/10 - 06/30/11	25,000	25,000
07/01/11 - 06/30/12	23,000	<u>2,894</u>
		27,894
07/01/10 - -06/30/11	12,000	12,000
07/01/11 - 06/30/12	12,000	<u>1,510</u>
		<u>13,510</u>
		<u>41,404</u>

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>
FEDERAL AWARDS		
Department of Housing and Urban Development		
Fair Housing Initiatives Program	14.408	N/A
Pass-Through City of Morgantown, West Virginia:		
Community Development Block Grants/ Entitlement Grants	14.218	2010-3
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Department of Agriculture		
Pass-Through - State of West Virginia University:		
Cooperative Extension Service	10.500	N/A
Cooperative Extension Service	10.500	N/A
Subtotal Cooperative Extension Service CFDA #10.500		
TOTAL DEPARTMENT OF AGRICULTURE		
Department of Justice		
Pass-Through West Virginia Foundation for Rape Information and Services, Inc.:		
Education, training, and enhanced services to end violence against and abuse of women with disabilities	16.529	N/A
TOTAL DEPARTMENT OF JUSTICE		
TOTAL FEDERAL AWARDS		

<u>Program Period</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
04/01/10 - 06/30/11	\$ 95,753	\$ 64,116
07/01/10 - 06/30/11	4,586	<u>3,705</u>
		<u>67,821</u>
07/15/10 - 07/14/11	81,870	62,574
07/15/11 - 07/14/12	81,780	<u>13,824</u>
		<u>76,398</u>
		<u>76,398</u>
10/01/09 - 09/30/11	28,400	<u>982</u>
		<u>982</u>
		<u>620,603</u>

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>
STATE AWARDS		
West Virginia Division of Rehabilitation Services		
Independent Living-State Grants	N/A	100119
Independent Living-State Grants	N/A	120039
Community Living Services Program	N/A	110047
Community Living Services Program	N/A	110384
Community Living Services Program	N/A	120038
TOTAL WEST VIRGINIA DIVISION OF REHABILITATION SERVICES		
West Virginia Department of Health and Human Resources		
Centers for Independent Living	N/A	G110044
Centers for independent Living	N/A	G120106
Family Support	N/A	G110044
Family Support	N/A	G120106
Olmstead	N/A	G110043
Transition Navigator	N/A	G110043
TOTAL WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN RESOURCES		
TOTAL STATE AWARDS		
TOTAL FEDERAL AND STATE AWARDS		

<u>Program Period</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
07/01/09 - 09/30/11	\$ 6,748	\$ 1,891
07/01/11 - 09/30/12	8,858	4,297
07/01/10 - 06/30/11	131,249	104,357
12/01/10 - 09/30/11	175,000	175,000
07/01/11 - 06/30/12	125,000	<u>33,645</u>
		<u>319,190</u>
07/01/10 - 06/30/11	20,000	12,647
07/01/11 - 06/30/12	23,000	6,731
07/01/10 - 06/30/11	64,785	62,593
07/01/11 - 06/30/12	61,785	7,773
07/10/10 - 09/30/11	139,992	127,813
07/10/10 - 09/30/11	106,542	<u>87,566</u>
		<u>305,123</u>
		<u>624,313</u>
		\$ <u>1,244,916</u>

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Northern West Virginia Center For Independent Living, Inc. and is presented in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements

**INDEPENDENT AUDITOR'S REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE**

Ware & Hall, PLLC

Certified Public Accountants

The River Tower, Suite 601, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

Daniel J Ware, CPA
William L. Hall, CPA

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

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
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, 2011, and have issued our report thereon dated May 9, 2012. 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

Management of Northern West Virginia Center For Independent Living, Inc. is responsible for establishing and maintaining effective 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 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 Northern West Virginia Center For Independent Living, Inc.'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement 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 as items 11-1 through 11-3 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 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*.

Northern West Virginia Center For Independent Living, Inc.'s response to the findings identified in our audit is described in the accompanying corrective action plan. 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 of Directors, management, others within the organization, 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.

Ware & Hall PLLC

Huntington, West Virginia
May 9, 2012

DHHR - Finance

JUL 13 2012

Date Received

Ware & Hall, PLLC

Certified Public Accountants

The River Tower, Suite 601, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

Daniel J. Ware, CPA
William L. Hall, CPA

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

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

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 Northern West Virginia Center For Independent Living, Inc.'s major federal programs for the year ended September 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

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 to determine the 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 the 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.

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-4 through 11-5 to be material weaknesses.

Northern West Virginia Center For Independent Living, Inc.'s response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit Northern West Virginia Center For Independent Living, Inc.'s response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, 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.

Ware & Hall PLLC

Huntington, West Virginia
May 9, 2012

DHHR - Finance

JUL 13 2012

Date Received Finance

JUL 13 2012

Date Received

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Northern West Virginia Center for Independent Living



Breaking Barriers... Bridging Paths to Independence

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

10-04 Material Weakness in Internal Control over the Allocation of Costs to 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 \$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.

Action Taken:

NWVCIL has contracted with a new CPA with specific expertise in federal grant financial regulations and management. A monitoring checklist now being utilized by the new CPA firm to ensure that all costs are properly recorded in the General Ledger. The Indirect Cost Allocation Plan has also been reviewed and updated as necessary. The monthly reconciliations help ensure that indirect costs are properly recorded and not omitted from the cost allocation pool. The costs in each pool are reviewed by both the CPA and NWVCIL staff monthly to ensure that they are recorded in the correct allocation pool.

Costs are being allocated to each program in accordance with the cost allocation plan on a monthly basis. The monthly allocation and supporting documentation, including the composition of each cost pool and base, is included in the monthly work papers of the organization. See current correction plan 11-05.

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

Condition:

Indirect expenses allocable to the Center's grant awards exceed the amount of available grant funds on two of its grants by an aggregated 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 unallowable indirect expenses stated above. However, management believes that the \$20,195 of funds available

NWVCIL
601-3 East Brockway Avenue Suite A&B
Morgantown, WV 26505
304-296-6091 (voice & TTY)
800-834-6408 (toll free voice & TTY)
304-292-5217 (fax)
nwvcil@nwvcil.org

NWVCIL
PO Box 545
Romney, WV 26757
304-822-7099
dpoling@nwvcil.org

NWVCIL
109 Randolph Avenue
Elkins, WV 26241
304-636-0143 (voice & TTY)
866-262-2875 (toll free voice & TTY)
304-636-6508 (fax)
dmeqert@nwvcil.org

Northern West Virginia Center for Independent Living



... Breaking Barriers... Bridging Paths to Independence

under a state grant with the State of WV is unrestricted "fee-for-services" 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.

Action Taken:

This condition relates to the contract NWVCIL has with the state Department of Health and Human Services that includes both a direct service contract and a pass thru contract where NWVCIL agreed to serve as the fiscal agent for the state's Nursing Home Transition Program. Within this program, consumers were given access to state dollars that were designated as transition start up or diversion funds. Pass thru dollars were utilized to pay for home modifications, security deposits, utilities hook-up fees and other cost related to transition from an institutional setting to a community based setting such as an apartment or their own home. The \$18,284 reference in the finding was the fee the state paid to the center for the administrative costs associated with processing over \$200,000 of direct service dollars they requested us to pass on to consumers and vendors on their behalf. This administrative fee is what was used to pay the uncompensated CAP expenses. Corrective action has been taken.

NWVCIL
601-3 East Brockway Avenue Suite A&B
Morgantown, WV 26505
304-296-6091 (voice & TTY)
800-834-6408 (toll free voice & TTY)
304-292-5217 (fax)
nwvcil@nwvcil.org

NWVCIL
PO Box 545
Romney, WV 26757
304-822-7099
dpoling@nwvcil.org

NWVCIL
109 Randolph Avenue
Elkins, WV 26241
304-636-0143 (voice & TTY)
866-262-2875 (toll free voice & TTY)
304-636-6508 (fax)
dmeqert@nwvcil.org

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued - Unqualified

Internal Control Over Financial Reporting:

• Material weakness(es) identified?	<u>✓</u> Yes	<u> </u> No
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u>✓</u> None Reported
Noncompliance material to the financial statements?	<u> </u> Yes	<u>✓</u> No

FEDERAL AWARDS

Internal Control Over Major Programs:

• Material weakness(es) identified?	<u>✓</u> Yes	<u> </u> No
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u>✓</u> 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 OMB Circular A-133?	<u>✓</u> Yes	<u> </u> No
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Identification of Major Programs:

Program

Department of Education	CFDA #
Centers for Independent Living Cluster	
Centers for Independent Living	84.132
Centers for Independent Living - ARRA	84.400
Pass-through West Virginia	
Division of Rehabilitation Services	
Independent Living - State Grants Cluster	
Independent Living - State Grants	84.169
Independent Living - State Grants - ARRA	84.398

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

Auditee qualified as low-risk auditee?	<u> </u> Yes	<u>✓</u> No
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NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

11-1 Reconciliation of Accounting Records to Supporting Information

Condition: Audit adjusting entries were required to be made to reflect accurate balances in the Organization's assets, liabilities, revenues, and expenses. Adjusting journal entries were required to be made to the following accounts: cash, grants receivable, prepaid expenses, property and equipment, accounts payable, accrued payroll and related taxes, deferred revenue, revenue, and expenses.

Criteria: One of the objectives of an internal control system is to provide management with reasonable assurance that transactions are recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. In addition, timely, accurate and complete financial reporting is an essential management tool in monitoring and controlling operations.

Cause: The Organization contracted with a certified public accounting firm to perform various accounting functions inclusive of monitoring the general ledger and assisting management in preparing adjusting journal entries on a monthly basis to ensure the accuracy of the general ledger. The monitoring function was not completely and consistently implemented.

Effect: This resulted in inaccurate and incomplete presentation of the financial position, results of operations, and cash flows of the Organization. Management's financial statements were materially misstated. Management, therefore, was unable to produce financial statements presented in accordance with generally accepted accounting principles. The necessary adjusting journal entries were made during the audit to correct the errors.

Recommendation: Review procedures should be strengthened inclusive of reconciliations of the general ledger accounts with supporting documentation to ensure that transactions are recorded completely, timely, and accurately in order to prepare financial statements in accordance with generally accepted accounting principles.

This finding was also noted in the prior year audit.

11-2 Indirect Cost Allocation

Condition: We noted the following during our review of the Organization's indirect cost allocation:

- The indirect cost allocation plan was not updated during the year.
- Errors were noted in allocating the fringe benefits related to the indirect salaries. The indirect fringe benefits were understated by \$5,716.
- Errors were noted in the allocation of indirect costs to the various benefitting programs. Some of the benefitting programs were under allocated while others were over allocated. We noted one program that did not have any direct salaries and fringe benefits charged to it, however, it had \$17,399 of indirect costs allocated to it. We noted another program that had \$44,047 in direct salaries and fringe benefits charged to it, however, it did not have any indirect costs allocated to it.

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

11-2 Indirect Cost Allocation (continued)

Criteria: OMB Circular A-122 "Cost Principles for Non-Profit Organizations" prescribe the following:

- An indirect cost allocation plan must be updated within six months after the close of each fiscal year.
- A cost is allocable to a particular cost objective in accordance with the relative benefits received. Any cost allocable to a particular cost objective may not be shifted to other cost objectives.
- Indirect costs are to be allocated to the benefitting cost objectives utilizing an equitable distribution base. Any cost allocable to a particular cost objective may not be shifted to other cost objectives.

In addition, the Organization's indirect cost allocation plan stipulates the following:

- Fringe benefit costs are to be distributed to each funding source based on the salaries and wages charged to the funding source for each individual.
- Indirect costs are to be allocated to the benefitting cost objectives based on their respective direct salaries and fringe benefits to total direct salaries and fringe benefits.

Cause: The Organization contracted with a certified public accounting firm to perform various accounting functions inclusive of evaluating the allocation of shared costs to ensure compliance with the approved indirect cost allocation plan. The evaluation function was not completely and consistently implemented.

Effect: Failure to follow the established cost principles and indirect cost allocation plan resulted in inaccurate financial reporting and noncompliance with OMB Circular A-122 "Cost Principles For Non-Profit Organizations". The necessary adjusting journal entries were made during the audit to correct the cost allocations

Recommendation: Implement procedures to ensure:

- The indirect cost allocation plan is updated within six months after the close of each fiscal year.
- Fringe benefits related to the indirect salaries are allocated properly to the indirect cost pool.
- Indirect costs are allocated to the benefitting cost objectives based on their respective direct salaries and fringe benefits to total direct salaries and fringe benefits.

Errors noted in allocating fringe benefits related to the indirect salaries was also noted in the prior year audit.

**NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

11-3 Accounts Receivable Subsidiary Ledger

Condition: Although the accounts receivables subsidiary ledger reconciled to the accounts receivable general ledger, it contained numerous errors. We noted \$150,472 in erroneous positive balances and \$104,300 in negative balances in the accounts receivable subsidiary ledger.

Criteria: One of the objectives of an internal control system is to provide management with reasonable assurance that transactions are recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. In addition, sound accounting policies require adequate supporting documentation for general ledger account balances.

Cause: The Organization contracted with a certified public accounting firm to perform various accounting functions inclusive of monitoring the general ledger and related subsidiary ledgers and assisting management in preparing adjusting entries on a monthly basis to ensure the accuracy of the general ledger. The monitoring function was not completely and consistently implemented.

Effect: This resulted in an inaccurate and incomplete presentation of the financial position, results of operations, and cash flows of the Organization. Management's financial statements were materially misstated. Management, therefore, was unable to produce financial statements presented in accordance with generally accepted accounting principles. The erroneous amounts were removed from the accounts receivable subsidiary ledger and the necessary adjusting journal entry was made during the audit to correct these errors.

Recommendation: Review procedures should be strengthened to ensure the accuracy of the accounts receivable subsidiary ledger and general ledger balances in future reporting periods.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Department of Education

Questioned
Costs

**11-4 Reconciliation of Accounting Records to
Supporting Information**

**Centers for Independent Living - CFDA No. 84.132,
Grant No. H132A930085-10,
Grant Period 10/01/10 - 09/30/11**

**Pass-through West Virginia Division of
Rehabilitation Services**

**Independent Living-State Grants - CFDA No. 84.169,
Grant No. 100733,
Grant Period 10/01/09 - 09/30/11**

The finding identified in 11-1, Reconciliation of Accounting Records to Supporting Information, also applies to these programs

Questioned Cost

None

NORTHERN WEST VIRGINIA CENTER FOR INDEPENDENT LIVING, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2011

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

Questioned
Costs

11-5 Indirect Cost Allocation

**Centers for Independent Living - CFDA No. 84.132,
 Grant No. H132A930085-10,
 Grant Period 10/01/10 - 09/30/11,**

**Pass-through West Virginia Division of
 Rehabilitation Services**

**Independent Living-State Grants - CFDA No. 84.169,
 Grant No. 100733,
 Grant Period 10/01/09 - 09/30/11 and
 Grant No. 120039,
 Grant Period 07/01/11 - 09/30/12**

The finding identified in 11-2, indirect cost allocation, also applies to these programs.

Questioned Costs

None

Errors noted in allocating fringe benefits related to the indirect salaries was also noted in the prior year audit for the Centers for Independent Living Program

Total Questioned Costs - Department of Education

None

Total Questioned Costs

None

CORRECTIVE ACTION PLAN

Northern West Virginia Center for Independent Living



Breaking Barriers . . . Bridging Paths To Independence

Northern West Virginia Center for Independent Living
Corrective Action Plan
FY 10-11 Audit

SECTION II-FINANCIAL STATEMENT FINDINGS

11-1 Reconciliation of Accounting Records to Supporting Information

Condition: Audit adjusting entries were required to be made to reflect accurate balances in the Organization’s assets, liabilities, revenue, and expenses. Adjusting journal entries were required to be made to the following accounts: cash, grants receivable, prepaid expenses, property and equipment, accounts payable, accrued payroll and related taxes, deferred revenue, revenue, and expenses.

Corrective Action: As noted, NWVCIL contracted with an accounting firm to perform various accounting functions. Although this finding was noted in the prior auditing period, due to the length of time it took the previous auditing firm to complete their work, we were 10 months into the next fiscal year before we received audited financial statements. The CPA assigned to our contract did not perform the monitoring function to ensure the accuracy of the general ledger. Management was fully aware of the inaccuracies in the financial statements, as documented in the monthly financial reports prepared by the Treasurer and documented in the minutes of the monthly meeting. Due to the auditing firms’ inability to conduct a timely audit and the unresponsiveness of the outside accounting firm, services from both providers were terminated.

Extensive research was conducted to ensure that the next firm hired had the expertise to do federal grants management. The new CPA worked with the auditing firm and NWVCIL’s fiscal staff to clean up the general ledger during this audit. A monitoring system has been put in to place that includes a monthly checklist of activities that must be completed by the contracted CPA and is made available to the Board of Directors. The new CPA has been working with the board treasurer and agency Administrative Director, to ensure that supporting documentation is reconciled with the general ledger on a monthly basis.

11-2 Indirect Cost Allocation

Condition: We noted the following during our review of the Organization’s indirect Cost allocation:

- The indirect cost allocation plan was not updated during the year.
- Errors were noted in allocating the fringe benefits related to the indirect fringe benefits were understated.
- Errors were noted in the allocation of indirect costs to the various benefitting programs.

Morgantown
601-3 E. Brockway Ave
Suite A&B
Morgantown, WV 26501
304-296-6091 V/TTY
1-800-834-6408 V/TTY
304-292-5217
nwvcil@nwvcil.org

Elkins
109 Randolph Ave.
Elkins, WV 26241
304-636-0143 V/TTY
1-866-262-2875V/TTY
assist@cebridge.net

Corrective Action:

- The U.S. Department of Education is NWVCIL's federal over site agency, thus the agency that has the authority to approve our methodology for allocating our indirect costs. In 2004, all centers throughout the United States were directed to submit their proposed methodology for allocation either through an indirect cost rate or cost allocation plan. In this directive, it states "Once approved, the plan would not need to be resubmitted unless there is a change in the overall methodology being used by the grantee, or a change in the organization that affects the methodology" (Regional Identical Memorandum No. 2004-11). With each yearly contract renewal, there is a directive to sign and return a form certifying that the methodology has not changed. This form is to be signed and submitted to the Indirect Cost Group 30 days after the close of the fiscal year. Although NWVCIL was late in submitting this form, allocations were made in accordance with the approved plan and the delinquent form was submitted as soon as the omission was noted in March.

Since this directive appears to be inconsistent with the OMB Circular A-122 "Cost Principles for Non-Profit Organizations" resulting in this finding, NWVCIL will resubmit the approved cost allocation plan with the yearly certification form provided by the U.S. Department of Education.

- The errors in the allocation of fringe benefits were noted in last years' audit as well as this year and have been corrected. The cause of this finding is that a portion of fringe benefits were left out of the allocation formula resulting in funding sources being **undercharged** for indirect costs. As previously noted, the CPA firm previously charged with implementing the cost allocation plan has been terminated and errors have been corrected. The monitoring checklist now being utilized by the new CPA firm and management facilitates a checks and balance system to prevent further omissions.
- Errors were noted in the allocation of indirect costs to the various benefitting programs. The CAP is driven by program personnel costs in comparison to overall agency personnel costs. One contract contained 2 different grant agreements, one having personnel costs and one not having personnel costs. The previous CPA charged the CAP expenses to the wrong grant award within the contract. However, the administrative fee awarded and fee for service generated by thru the contract was adequate to cover the overall CAP expenses and adjustments were made to ensure that they were attributed to the appropriate benefitting award within this contract. These errors were also noted in the prior year audit which was received just prior to the close of the audited year. Because the previous CPA did the CAP quarterly, rather than monthly, the error was not noted prior to the close of the year. The new CPA firm was able to make the necessary adjustments to ensure that the appropriate benefitting award/contract was charged.

11-3 Accounts Receivable Subsidiary Ledger

Condition: Although the accounts receivables subsidiary ledger reconciled to the accounts receivable general ledger, it contained numerous errors.

Corrective Action: It was determined that the previous CPA utilized miscellaneous adjustments to reconcile the subsidiary ledgers, thus it was difficult to tie the adjustments to specific transactions, resulting in items remaining within the subsidiary ledgers that were carried forward from previous years or were errors that management had identified but was unsuccessful at getting the previous CPA to make the necessary corrections. Specific instructions have been given to the new CPA that all journal entries must include sufficient information noted to be able to understand and track the entry. The current CPA firm has cleaned up all subsidiary ledgers so none of these errors will be carried forward in to this fiscal year.

11-4 Reconciliation of Accounting Records to Supporting Information

Centers for Independent Living-CFDA No. 84.132,
Grant No. H132A930085-10
Grant Period 10/01/10-09/30/11

Pass-through West Virginia Division of Rehabilitation Services
Independent Living-State Grant- CFDA No. 84.169
Grant No. 100733
Grant Period 10/01/09-09/30/11

Findings noted in 11-1 above also apply

Corrective Action: As noted above, NWVCIL has contracted with a new CPA with specific expertise in federal grant financial regulations and management. The new CPA worked with the auditing firm and NWVCIL's fiscal staff to correct past deficiencies in the general ledger and subsidiary ledgers. The general ledger is being monitored and adjusted as needed monthly and all general ledger accounts are reconciled to subsidiary ledgers monthly. The CPA is also consulting with the auditor to ensure compliance in all areas. Financial reports are being provided to the Board of Directors monthly for review and all questions from management and staff are being addressed in a timely manner. The CPA is also providing direction and education to the NWVCIL staff to ensure the proper on-going treatment and recording of financial transactions. This consistent monitoring and education will ensure more complete and accurate financial records moving forward.

11-5 Indirect Cost Allocation

Centers for Independent Living-CFDA No. 84.132,
Grant No. H132A930085-10
Grant Period 10/01/10-09/30/11

Pass-through West Virginia Division of Rehabilitation Services
Independent Living-State Grant- CFDA No. 84.169
Grant No. 100733
Grant Period 10/01/09-09/30/11, and
Grant No. 120039
Grant Period 07/01/11-09/30/12

Findings noted in 11-2 above also apply

Corrective Action: As noted above, a monitoring checklist now being utilized by the new CPA firm to ensure that all costs are properly recorded in the General Ledger. The Indirect Cost Allocation Plan has also been reviewed and updated as necessary. The monthly reconciliations help ensure that indirect costs are properly recorded and not omitted from the cost allocation pool. The costs in each pool are reviewed by both the CPA and NWVCIL staff monthly to ensure that they are recorded in the correct allocation pool.

Costs are being allocated to each program in accordance with the cost allocation plan on a monthly basis. The monthly allocation and supporting documentation, including the composition of each cost pool and base, is included in the monthly work papers of the organization.