

**KENNEBEC VALLEY COMMUNITY ACTION  
PROGRAM**

**Reports Required by *Government Auditing  
Standards*  
and OMB Circular A-133**

**September 30, 2008**

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Reports Required by *Government Auditing Standards***  
**and OMB Circular A-133**  
**September 30, 2008**

---

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	9
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>	9
Section III - Findings and Questioned Costs for Federal Awards	9
Summary Schedule of Prior Audit Findings	10-12



**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  
Kennebec Valley Community Action Program

We have audited the financial statements of Kennebec Valley Community Action Program (a Maine nonprofit organization) as of and for the year ended September 30, 2008, and have issued our report thereon dated February 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Kennebec Valley Community Action Program's internal control over financial reporting in order to determine 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 Kennebec Valley Community Action Program'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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

**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, CONTINUED**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kennebec Valley Community Action Program'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*.

This report is intended solely for the information and use of management, the finance committee serving as the audit committee, others within the Organization, the Board of Directors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gibson, LeClair & Martin, LLC*

February 24, 2009  
Augusta, Maine



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

Board of Directors  
Kennebec Valley Community Action Program

Compliance

We have audited the compliance of Kennebec Valley Community Action Program (a Maine nonprofit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Kennebec Valley Community Action Program'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 its each of its major federal programs is the responsibility of Kennebec Valley Community Action Program's management. Our responsibility is to express an opinion on Kennebec Valley Community Action Program'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 Kennebec Valley Community Action Program'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 Kennebec Valley Community Action Program's compliance with those requirements.

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

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

Internal Control over Compliance

The management of Kennebec Valley Community Action Program 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 Kennebec Valley Community Action Program'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 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 Kennebec Valley Community Action Program's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Kennebec Valley Community Action Program as of and for the year ended September 30, 2008, and have issued our report thereon dated February 24, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of management, the finance committee serving as the audit committee, others within the Organization, the Board of Directors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gibson, Clark & Martin, LLC*

February 24, 2009  
Augusta, Maine

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Schedule of Expenditures of Federal Awards**  
**Year ended September 30, 2008**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>CFDA number</b>	<b>Award number</b>	<b>Award term</b>	<b>Federal expenditures</b>
U.S. Department of Health and Human Services:				
Direct Awards:				
Head Start	93.600	01CH1119/43	09/01/08-08/31/09	382,768
Head Start	93.600	01CH1119/42	09/01/07-08/31/08	2,260,163
Total U.S. Department of Health and Human Services/Direct Awards				2,642,931
Pass-through:				
Family Planning Association of Maine:				
Family Planning - Clinical	93.217	FPA-2009-03	07/01/08-06/30/09	22,344
Family Planning - Clinical	93.217	FPA-2008-03	07/01/07-06/30/08	104,585
Family Planning - Life Education	93.217	FPA-2009-33	07/01/08-06/30/09	2,964
Family Planning - Life Education	93.217	FPA-2008-33	07/01/07-06/30/08	8,893
Total U.S. Department of Health and Human Services/FPA				138,786
Pass-through State Department of Health and Human Services:				
Head Start	93.600	CFS-08-1406	10/01-07-09/30/08	1,509
Head Start	93.600	CFS-07-1406A	10/01/06-09/30/07	5,958
Community Services Block Grant	93.569	CFS-08-7004A	10/01-07-09/30/08	403,076
Social Services Block Grant/Child Care	93.667	CFS-08-1028B	10/01-07-09/30/08	64,564
Child Care Mandatory & Matching Funds of the CCDF	93.596	CFS-08-1028B	10/01-07-09/30/08	342,061
Child Care & Development Block Grant	93.575	CFS-08-1028B	10/01-07-09/30/08	49,020
Social Services Block Grant/KV Van Regular	93.667	CSC-08-4004A	10/01-07-09/30/08	104,267
Total U.S. Department of Health and Human Services/DHHS				970,455
Pass-through Maine State Housing Authority:				
Low-Income Home Energy Assistance/REACH IV	93.568	None	08/01/06-09/30/08	97,543
Low-Income Home Energy Assistance/Fuel Assistance	93.568	None	07/01/08-06/30/09	101,639
Low-Income Home Energy Assistance/Fuel Assistance	93.568	None	07/01/07-09/30/08	283,235
Low-Income Home Energy Assistance/Weatherization Program	93.568	None	10/01/07-09/30/08	697,698
Total U.S. Department of Health and Human Services/Maine State Housing Authority				1,180,115
Total U.S. Department of Health and Human Services				4,932,287
U.S. Department of Energy:				
Pass-through:				
Maine State Housing Authority:				
Weatherization Assistance for Low-Income Persons	81.042	None	04/01/08-03/31/09	194,399
Weatherization Assistance for Low-Income Persons	81.042	None	04/01/07-03/31/08	85,977
Total U.S. Department of Energy				280,376
U.S. Department of Agriculture:				
Pass-through:				
State Department of Health and Human Services:				
Child & Adult Care Food Program	10.558	FP-08-042	10/01/07-09/30/08	95,104
Total U.S. Department of Agriculture/DHHS				95,104
Pass-through Western Maine Community Action:				
Rural Community Development Initiative	10.446	None	04/01/07-03/31/09	22,899
Rural Community Development Initiative	10.446	None	01/01/06-12/31/07	8,685
Total U.S. Department of Agriculture/WMCA				31,584
Pass-through:				
State Department of Agriculture, Food & Rural Resources:				
Emergency Food Assistance Program	10.568	CT01A20080319	01/01/08-12/31/08	8,187
Emergency Food Assistance Program	10.568	G507048	01/01/07-12/31/07	2,236
Total U.S. Department of Agriculture/DAFRR				10,423
Total U.S. Department of Agriculture				137,111

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Schedule of Expenditures of Federal Awards, Continued**  
**Year ended September 30, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA number	Award number	Award term	Federal expenditures
U.S. Department of Transportation:				
Pass-through Maine Department of Transportation:				
Formula Grants for Other Than Urbanized Areas	20.509	ME-18-X042	07/01/08-06/30/10	19,311
Formula Grants for Other Than Urbanized Areas	20.509	ME-18-X040	07/01/07-06/30/09	246,008
Formula Grants for Other Than Urbanized Areas - RTAP	20.509	ME-18-X040	07/01/07-06/30/08	1,342
Formula Grants for Other Than Urbanized Areas	20.509	ME-18-X039	08/20/07-06/30/09	28,838
Federal Transit - Capital Investment Grants	20.500	ME-16-0030/31	07/18/08-07/13/13	40,208
Capital Assistance Program for Elderly Persons & Persons with Disabilities	20.513	ME-16-0027/28/29/30	12/07/07-12/06/12	161,232
Total U.S. Department of Transportation				496,939
U.S. Department of Housing & Urban Development:				
Pass-through Maine Department of Economic and Community Development:				
Community Development Block Grant - City of Waterville	14.228	None	09/01/05-12/31/07	5,336
Community Development Block Grant - City of Rockland Phase 3	14.228	None	07/01/06-Open	2,099
Community Development Block Grant - City of Rockland Phase 4	14.228	None	07/01/07-Open	105,542
Community Development Block Grant - WHCA -Rockland	14.228	None	07/01/07-Open	10,000
Community Development Block Grant - City of Rockland Phase 5	14.228	None	07/01/08-Open	62,413
Total U.S. Department of HUD/Maine DECD				185,390
Pass-through Maine State Housing Authority:				
Home Investment Partnerships Program/Maine American Dream Initiative	14.239	None	01/01/06-Open	139,672
Home Investment Partnerships Program/Home Rehabilitation	14.239	None	01/01/06-12/31/07	7,410
Home Investment Partnerships Program/Home Rehabilitation	14.239	None	01/01/07-12/31/07	512,773
Home Investment Partnerships Program/Home Rehabilitation	14.239	None	01/01/08-12/31/08	462,819
Total U.S. Department of HUD/Maine State Housing Authority				1,122,674
Pass-through Citizens' Housing & Planning Association:				
Housing Counseling Assistance Program	14.169	FY2008	10/01/08-09/30/09	27,132
Total U.S. Department of HUD/ HUD Housing Council				27,132
Total U.S. Department of Housing & Urban Development				1,335,196
U.S. Department of Treasury:				
Pass-through NeighborWorks America:				
National Foreclosure Mitigation Counseling Program	21.000	None	04/01/08-12/31/08	15,930
NeighborWorks Neighborhood Reinvestment	21.000	None	01/01/08-12/31/08	45,000
Total U.S. Department of Treasury/NeighborWorks America				60,930
<b>Total Federal Awards</b>				<b>\$ 7,242,839</b>

*See accompanying notes to schedule of expenditures of federal awards.*

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Notes to Schedule of Expenditures of Federal Awards**

---

**PURPOSE OF THE SCHEDULE**

---

Office of Management and Budget (OMB) Circular A-133 requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

**SIGNIFICANT ACCOUNTING POLICIES**

---

- A. Reporting Entity - The accompanying schedule includes all federal award programs of Kennebec Valley Community Action Program for the fiscal year ended September 30, 2008. The reporting entity is defined in Notes to Financial Statements of Kennebec Valley Community Action Program.
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
  - 1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
  - 2. Major Programs - OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining major federal financial award programs. Major programs for Kennebec Valley Community Action Program have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditor's Results.
- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting, which is consistent with the reporting in the Organization's financial statements.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2008**

---

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified	
not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal Control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified	
not considered to be material weaknesses?	No
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	
Circular A-133, Section .510(a)?	No

Identification of major programs:

**CFDA Number**

**Name of Federal Program or Cluster**

14.228	Community Development Block Grants/State's Program
93.568	Low-Income Home Energy Assistance
93.600	Head Start

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

Auditee qualified as low-risk auditee?	No
--	----

**Section II - Findings Required to be Reported under *Government Auditing Standards***

NONE

**Section III - Findings and Questioned Costs for Federal Awards**

NONE

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Summary Schedule of Prior Audit Findings**

---

**Findings Required to be Reported under *Government Auditing Standards***

**2007-1 – Fraud Risk Assessment and Monitoring Program**

Criteria –

In today's environment and with current regulatory requirements, there is a greater need for organizations to understand and address fraud risk. Antifraud risk programs, controls and monitoring not only help promote a strong control environment but can be used to target specific areas where there is a risk of asset misappropriation or fraudulent financial reporting to the organization.

Condition Found, Cause, Effects and Recommendations –

During the work performed on understanding internal control, we noted that although the Organization has adopted an anti-fraud policy as part of its Accounting & Financial Practices and Procedures Manual, it has not yet implemented a formal fraud risk assessment and monitoring program. The current lack of a written antifraud program appears to be related only to the implementation of recent accounting and auditing standards. Lack of an antifraud program may cause management and/or employees to perceive that there is an opportunity for fraudulent financial reporting or misappropriation of assets without consequences. By implementing an effective antifraud program, the likelihood of fraud occurring can be reduced, and the risk of misstatements within the financial statements and related disclosures can also be reduced. We recommend that management, along with the Board of Directors, develop a written antifraud program that includes performing a risk assessment to determine where current fraud risk factors exist, review its existing antifraud controls and make them part of the program, and perform ongoing monitoring procedures.

Questioned Costs

None

Management Response

The agency's management agrees with the recommendation above and recognizes the importance of insuring strong internal controls which includes the detection of fraud. We are currently in the process of taking the procedures that we have in place and developing a formal plan that will include risk assessment and monitoring procedures. This is a topic at our monthly meetings at both the management and board levels.

Status

Resolved. Kennebec Valley Community Action Program's management team and Board of Directors developed and approved a formal Fraud Policy during the current year, including a process for the regular monitoring of fraud risks.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Summary Schedule of Prior Audit Findings, Continued**

---

**Findings and Questioned Costs for Federal Awards**

**2007-2 – Documentation of Salaries & Fringe Benefits Charged to LIHEAP “Other Benefits”**

Criteria –

Charges to the “Other Benefits” under the LIHEAP program administered by MaineHousing must be recorded on time sheets that specifically document time spent on performing a needs assessment, counseling, and assistance with energy vendors in conjunction with the LIHEAP intake process in order for them to be allowable. MaineHousing rules require that the time be documented on specific forms that were to be provided by the funding source.

Condition Found, Cause, Effects and Recommendations –

During our review of monitoring reports received by Kennebec Valley Community Action Program for the LIHEAP program during the year ended September 30, 2008, we noted that MaineHousing had questioned costs totaling \$169,229 for “Other Benefits” charged to the program between October, 2005 and October, 2007. The time spent by program staff performing activities relating to “Other Benefits” was not documented on the required forms, and MaineHousing could not substantiate the charges as being allowable under the “Other Benefits” category by the supporting documentation that was available. Kennebec Valley Community Action Program had not received any specific forms for documenting salaries charged to “Other Benefits”, and did not maintain a system to document the specific activities of staff involved in the intake process. We recommend that Kennebec Valley Community Action Program comply with the requirements for documentation of salaries and fringe benefits charged to the “Other Benefits” component of the Low-Income Home Energy Assistance Program as administered by MaineHousing.

Questioned Costs

MaineHousing has questioned \$169,229 of charges to the Low-Income Home Energy Assistance Program by the Organization between October, 2005 and October, 2007.

Management Response

In 2004, KVCAP did a major update to our timesheet system to enhance it and ensure compliance with federal guidelines for time charged to grants. Since the monitoring conducted by MaineHousing, the program has implemented the use of the specific form designed by the funding source to track time charged to the Other Benefits portion of the grant and are supplementing our current timesheets with this document. We have supplied MaineHousing with documentation to the time charged that is in question and have requested a waiver of repayment of the questioned costs. At the time of publication, we have not heard back regarding our request.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM**  
**Summary Schedule of Prior Audit Findings, Continued**

---

**Findings and Questioned Costs for Federal Awards, Continued**

**2007-2 – Documentation of Salaries & Fringe Benefits Charged to LIHEAP “Other Benefits”, Continued**

Status

Not resolved. Although the Organization is now documenting salaries charged to “Other Benefits” on the form required by MaineHousing, the finding has not been settled. All but \$45,372 of the \$169,229 of questioned costs was waived or forgiven, and that amount has since been repaid. The Organization agreed to settle under protest, and MaineHousing agreed to revisit the issue. A meeting with the Director of MaineHousing occurred in February, 2009 to review the matter further. No final outcome has been arrived at.