Report Required by

Maine Uniform Accounting and Auditing Practices for Community Agencies

Year Ended September 30, 2015

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM
Report Required by *Maine Uniform Accounting and Auditing Practices for Community Agencies*
Year Ended September 30, 2015

GIBSON LECLAIR
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES FOR COMMUNITY AGENCIES*

To the Board of Directors of
Kennebec Valley Community Action Program

Report on Compliance for Each Major Department Agreement

We have audited Kennebec Valley Community Action Program's compliance with the types of compliance requirements described in the *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP), and with the requirements identified in the Contract Compliance Riders that could have a direct and material effect on each of Kennebec Valley Community Action Program's major Department agreements for the year ended September 30, 2015. Kennebec Valley Community Action Program's major Department agreements are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Department agreements.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kennebec Valley Community Action Program's major Department agreements based on our audit of the types of compliance requirements referred to above. 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 the *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP). Those standards and MAAP 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 Department agreement 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 on compliance for each major Department agreement. However, our audit does not provide a legal determination of Kennebec Valley Community Action Program's compliance.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR DEPARTMENT AGREEMENT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES FOR COMMUNITY AGENCIES,* CONTINUED

Opinion on Each Major Department Agreement

In our opinion, Kennebec Valley Community Action Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Department agreements for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of Kennebec Valley Community Action Program is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kennebec Valley Community Action Program's internal control over compliance with the types of requirements that could have a direct and material effect on each major Department agreement to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Department agreement and to test and report on internal control over compliance in accordance with MAAP, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Department agreement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Department agreement will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Department agreement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2015-001 to be a significant deficiency.

Kennebec Valley Community Action Program's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Kennebec Valley Community Action Program's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of MAAP. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Department Agreements Required by *Maine Uniform Accounting and Auditing Practices for Community Agencies*

We have audited the financial statements of Kennebec Valley Community Action Program as of and for the year ended September 30, 2015, and have issued our report thereon dated March 23, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of department agreements is presented for purposes of additional analysis as required by *Maine Uniform Accounting and Auditing Practices for Community Agencies* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of department agreements is fairly stated in all material respects in relation to the financial statements as a whole.

Gibson dClair, LLC

Augusta, Maine
March 23, 2016

Kennebec Valley Community Action Program
Schedule of Expenditures of Department Agreements
Year Ended September 30, 2015

Department / Office	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenses	State Expenses	Total Department Expenses	DOT Only Local Share Expenses	DOT Only Total Agreement / Match Expenses
Maine DHHS:										
DHHS-CFS	CFS-15-4004D	$ 228,707	10/1/14-1/31/16	KV Van Transportation - Low Income	Interim	$ 164,801	-	164,801	-	-
DHHS-CFS	CFS-15-4004D	379,898	10/1/14-1/31/16	KV Van Transportation - Child Welfare	Interim	-	288,638	288,638	-	-
DHHS-CFS	CFS-16-1406	193,191	7/1/15-6/30/16	State Head Start	Interim		49,557	49,557	-	-
DHHS-CFS	CFS-15-1406A	193,191	7/1/14-6/30/15	State Head Start	Final		113,451	113,451	-	-
DHHS-CFS	CFS-15-7004	80,009	10/1/14-9/30/15	CSBG - Employment Services	Final	77,818		77,818	-	-
DHHS-CFS	CFS-15-7004	71,067	10/1/14-9/30/15	CSBG - South End Teen Center	Final	75,873		75,873	-	-
DHHS-CFS	CFS-15-7004	22,313	10/1/14-9/30/15	CSBG - Families in Transition	Final	20,753		20,753	-	-
DHHS-CFS	CFS-15-7004	71,016	10/1/14-9/30/15	CSBG - Family Enrichment Council	Final	76,213		76,213	-	-
DHHS-CFS	CFS-15-7004	48,058	10/1/14-9/30/15	CSBG - Community Initiatives/H&P	Final	47,269		47,269	-	-
DHHS-CFS	CFS-15-7004	35,631	10/1/14-9/30/15	CSBG - Community Assessment/Training	Final	31,950		31,950	-	-
DHHS-CFS	CFS-15-7004	22,321	10/1/14-9/30/15	CSBG - Housing Services	Final	24,547		24,547	-	-
DHHS-CFS	CFS-15-7004	39,091	10/1/14-9/30/15	CSBG - Poverty Initiative	Final	35,083		35,083	-	-
DHHS-CFS	CFS-15-1514C	1,499,850	9/30/14-3/31/16	Home Visiting	Interim	876,059		876,059	-	-
DHHS-CFS	FP-15-448	-	10/1/14-9/30/15	Child & Adult Care Food Program	Final	143,158		143,158	-	-
DHHS-ADS	ADS-16-5872	2,520	7/1/15-6/30/16	KV Van Transportation Disability Services	Interim		595	595	-	-
DHHS-ADS	ADS-15-5872	17,500	7/1/14-6/30/15	KV Van Transportation Disability Services	Final		1,748	1,748	-	-
Subtotal Maine DHHS						1,573,524	453,989	2,027,513	-	-
Maine DOT:										
MaineDOT	CSN33739; PIN 06442.00	103,812	10/23/14-10/23/17	New Freedom Vehicle Purchase	Final	92,278	11,534	103,812	11,534	115,346
MaineDOT	CSN 33304; PIN 017834.00/019537.00	5,000	7/1/14-6/30/15	RTAP	Final	1,334	-	1,334	-	1,334
MaineDOT	CSN 33674; PIN 014887.10/016303.10/020788.00/020790.00/020764.00	519,186	7/1/14-12/31/15	Admin/Operating/Capital	Final	314,033	69,385	383,418	165,804	549,222
MaineDOT	CSN34220; PIN 018908.00	4,198	1/1/15-12/31/15	Admin/Operating/Capital	Final	4,198	-	4,198	4,198	8,396
MaineDOT	CSN 35120; PIN 020787.00/020789.00/020773.00	341,191	7/1/15-6/30/16	Admin/Operating/Capital	Interim	128,347	27,880	156,227	40,368	196,595
Subtotal Maine DOT						540,190	108,799	648,989	221,904	870,893
Total						**$ 2,113,714**	**562,788**	**2,676,502**	**221,904**	**870,893**

See accompanying notes to schedule of expenditures of department agreements.

MAJOR AGREEMENTS

The Organization expended $2,676,502 in Department agreements. Of these total expenditures, 27% were tested as major agreements. Of the Maine DHHS expenditures of $2,027,513, 30% were tested as major agreements. Of the Maine DOT expenditures of $648,989, 16% were tested as major agreements. Major agreements are identified in the summary of auditor's results section of the schedule of findings and questioned costs.

FEDERAL CIRCULAR A-133 AUDIT

The Organization was required to have a Federal Circular A-133 audit for the year ended September 30, 2015. The report issued on compliance was unmodified and did not disclose any instances of noncompliance, material weaknesses or significant deficiencies. The separate report was dated March 23, 2016.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
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

Major State Agreements

Internal Control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with MAAP regulations?	Yes

Identification of major programs:

Agreement Number	Agreement Service
CFS-15-4004D	KV Van Transportation
CFS-15-1406A/CFS-16-1406	State Head Start
CSN33739; PIN 06442.00	New Freedom Vehicle Purchase

Auditee qualified as low-risk auditee?	Yes

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

NONE - See Schedule of Findings and Questioned Costs, page 9, in separate "Reports Required by *Government Auditing Standards* and OMB Circular A-133" dated March 23, 2016.

Section III - Findings and Questioned Costs for Major Department Agreements

2015-001 - Client Eligibility Determination

Agreement:
CFS-15-4004D, Maine DHHS KV Van Transportation

Condition -

The Organization did not follow the poverty threshold guidelines for low income client eligibility determination as outlined in Rider A of Agreement CFS-15-4004D.

Criteria -

Rider A, Page 3 of the agreement defined low income as 125% of the Federal Poverty Guideline (FPG). The Organization was required to verify that services were provided to low income clients with income levels at or below the 125% FPG.

Cause -

By not reviewing in detail the agreement content, the Organization did not recognize the change in the allowable poverty threshold for client eligibility determination from 150% in the prior year's agreement to 125% that was included in the renewal of the subsequent year's agreement that began October 1, 2014.

Effect -

Clients that were determined to be eligible by the Organization for services, and received those services, were not eligible under the guidelines outlined in the agreement. This error could have resulted in questioned costs and possible amounts due to the State to reimburse for services provided to ineligible clients. Upon discovery during the audit, the Organization was able to get a waiver from the Department for the award period that allowed a higher threshold of income to be used, and that covered all clients that were determined eligible by the Organization under the incorrect guidelines.

Recommendation -

We recommend that management thoroughly review all agreements when they are renewed so that any changes in content or compliance criteria are identified and addressed. This information should be relayed to all program and finance personnel to ensure that all agreement guidelines are followed.

Views of Responsible Officials and Planned Corrective Action -

Management agrees with the finding. Program management will review in detail the contracts from one year to another so that any changes in content and compliance criteria are identified and addressed.

Section IV - Status of Prior Year Findings

NONE