



**KENNEBEC VALLEY
COMMUNITY ACTION PROGRAM
AND AFFILIATE**

Required Schedules under the *Maine Uniform
Accounting and Auditing Practices for
Community Agencies*
For the Year Ended September 30, 2020

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Required Schedules under the *Maine Uniform*
Accounting and Auditing Practices for
Community Agencies
For the Year Ended September 30, 2020

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Kennebec Valley Community Action Program and Affiliate

We have audited, in accordance with the 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, the consolidated financial statements of Kennebec Valley Community Action Program and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statement of activities, statement of functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kennebec Valley Community Action Program and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kennebec Valley Community Action Program and Affiliate's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kennebec Valley Community Action Program and Affiliate's consolidated financial statements are free from 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Kennebec Valley Community Action Program and Affiliate's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

One River, CPAs

March 15, 2021



**INDEPENDENT AUDITORS' 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 and Affiliate

Report on Compliance for Each Major Department Agreement

We have audited Kennebec Valley Community Action Program and Affiliate's (the Organization) 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 the Organization's major Department agreements for the year ended September 30, 2020. The Organization's major Department agreements are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of states statutes, regulations, and the terms and conditions of its states awards applicable to its state department agreements.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Department Agreement

In our opinion, Kennebec Valley Community Action Program and Affiliate 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, 2020.

Report on Internal Control Over Compliance

Management of Kennebec Valley Community Action Program and Affiliate is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kennebec Valley Community Action Program and Affiliate'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 MAAP 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 and Affiliate's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a MAAP 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 MAAP 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 federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-002, 2020-003 and 2020-004, that we consider to be significant deficiencies.

Kennebec Valley Community Action Program and Affiliate's Response to Findings

Kennebec Valley Community Action Program and Affiliate's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Kennebec Valley Community Action Program and Affiliate's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 consolidated financial statements of Kennebec Valley Community Action Program and Affiliate as of and for the year ended September 30, 2020, and we have issued our report thereon dated March 15, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

One River, CPAs

March 15, 2021

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM
Schedule of Expenditures of Department Agreements
Year Ended September 30, 2020

Department/ Office	Agreement Number	Agreement Amount	Agreement Period	Agreement Services	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-19-4014A	\$ 1,344,316	07/01/18-06/30/20	KV Van Transportation - Low Income/Child Welfare	Final	\$ 106,235	174,323	280,558	-	-
DHHS-CFS	CFS-21-4014	701,559	07/01/20-06/30/21	KV Van Transportation - Low Income/Child Welfare	Interim	17,326	36,144	53,470	-	-
DHHS-CFS	CFS-20-1406B	490,928	07/01/19-06/30/21	State Head Start	Interim	77,820	143,019	220,839	-	-
DHHS-CFS	CFS-20-7004A	504,873	10/01/19-09/30/20	CSBG	Final	459,099	-	459,099	-	-
DHHS-CFS	CFS-20-7104	564,597	01/01/20-09/30/22	CSBG - CARES Act	Interim	104,965	-	104,965	-	-
DHHS-CFS	CFS-19-2110B	98,281	04/01/19-08/31/20	Youth Outreach	Final	61,285	-	61,285	-	-
DHHS	COM-20-4003	32,000	06/01/20-12/31/20	COVID-19 Response	Interim	6,236	-	6,236	-	-
DHHS	SLT0081/SLT0029	1,577	03/15/20-09/28/20	Corona Virus Relief Fund - Child Care Licensing/Fairfield Preschool	Final	1,577	-	1,577	-	-
DHHS	SLT0081/SLT0029	1,906	03/15/20-09/28/20	Corona Virus Relief Fund - Child Care Licensing/Somerset Preschool	Final	1,906	-	1,906	-	-
DHHS	SLT0081/SLT0029	9,137	03/15/20-09/28/20	Corona Virus Relief Fund - Child Care Licensing/Educare Central Maine	Final	9,137	-	9,137	-	-
DHHS	SLT0081/SLT0029	1,868	03/15/20-09/28/20	Corona Virus Relief Fund - Child Care Licensing/Albion Preschool	Final	1,868	-	1,868	-	-
DHHS	SLT0081/SLT0029	5,366	03/15/20-09/28/20	Corona Virus Relief Fund - Child Care Licensing/Skowhegan	Final	5,366	-	5,366	-	-
Subtotal Maine DHHS						852,820	353,486	1,206,306	-	-
Maine DHHS Indirect:										
Maine Children's Trust	MCT-21-1600	153,000	07/01/20-06/30/21	CAN - Kennebec County	Interim	-	35,404	35,404	-	-
Maine Children's Trust	MCT-21-1600	153,000	07/01/20-06/30/21	CAN - Somerset County	Interim	-	36,495	36,495	-	-
Maine Children's Trust	MCT-19-1600 YR 2	153,000	07/01/19-06/30/20	CAN - Kennebec County	Final	-	117,649	117,649	-	-
Maine Children's Trust	MCT-19-1600 YR 2	153,000	07/01/19-06/30/20	CAN - Somerset County	Final	-	115,303	115,303	-	-
Maine Children's Trust	MCT-19-1601B	1,350,854	10/01/19-12/31/20	Home Visiting	Interim	642,800	285,927	928,727	-	-
Subtotal Maine DHHS Indirect						642,800	590,778	1,233,578	-	-
Maine DOT:										
Maine DOT	CSN 40891; PIN 020787.69	474,520	07/01/19-06/30/20	Formula Grant - Admin/Operating	Final	173,144	37,957	211,101	68,309	279,410
Maine DOT	CSN 41475	90,000	07/01/19-06/30/20	Mobility Grant - Capital	Final	49,212	-	49,212	14,546	63,758
Maine DOT	CSN 41595	1,594,590	02/01/20-06/30/21	Formula Grant - FTA CARES Act	Interim	235,729	-	235,729	-	235,729
Maine DOT	CSN 40875	357,738	09/16/19-09/16/25	Buses and Bus Facilities Formula, Competitive & Low/No Emissions Program	Interim	286,190	69,172	355,362	2,376	357,738
Subtotal Maine DOT						744,275	107,129	851,404	85,231	936,635
Total						\$ 2,239,895	1,051,393	3,291,288	85,231	936,635

See accompanying notes to schedule of expenditures of department agreements.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES
OF DEPARTMENT AGREEMENTS
Year Ended September 30, 2020**

NOTE 1 - MAJOR AGREEMENTS

The Organization expended \$3,291,288 in Department agreements. Of these total expenditures, 76.4% were tested as major agreements. Major agreements are identified in the summary of auditors' results section of the schedule of findings and questioned costs.

NOTE 2 - UNIFORM GUIDANCE AUDIT

The Organization was required to have an audit in accordance with the Uniform Guidance for the year ended September 30, 2020. The report issued on compliance was unmodified and it disclosed one significant deficiency. The separate report was dated March 15, 2021.

**KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2020**

Section I – Summary of Auditors’ Results

Consolidated financial statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to consolidated financial statements noted?	No

State Agreements

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

Identification of program tested and service:

CFS-19-1406B	State Head Start
CFS-20-7004A	CSBG
CFS-20-7104	CSBG – CARES Act
MCT-19-1601B	Home Visiting
CSN 40891; Pin 020787.69	Formula Grant – Admin/Operating
CSN 41595	Formula Grant – FTA CARES Act
CSN 40875	Buses and Bus Facilities Formula, Competitive & Low/No Emissions Program

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Section II – Findings Required to be Reported under Government Auditing Standards

2020-001 Material Audit Adjustment

Criteria – Management is responsible for the design and implementation of internal controls to detect and correct material misstatements prior to submitting the financial statements for audit.

Condition and Context – Through our audit of deferred revenue, one material adjustment was necessary for the financial statements to be in accordance with U.S. GAAP. Program surpluses with no further conditions or barriers to earning were improperly deferred.

Cause – A lack of internal controls to analyze deferred program surpluses for additional conditions or barriers to earning.

Effect – Deferred revenue was overstated and revenue was understated by \$847,774.

Recommendations – Controls should be implemented to ensure revenues are analyzed for conditions or barriers required to be overcome for recognition. Revenue should be recognized as barriers to earning are overcome.

Views of Responsible Officials and Planned Corrective Actions – The finding pertains to revenues within our Transportation programs and the implementation of ASU No. 2018-08, Not-for Profit Entities (Topic 958) revenue recognition standards that went into effect 10/1/2019. Transportation programming runs on a 7/1 to 6/30 program year that crosses our agency's fiscal year of 10/1 to 9/30. It has been our practice to defer funds on these contracts and recognize revenue at the completion of the contract and once settled. As contracted dollars normally cover expenses crossing fiscal periods, we did not make the connection that the recognition of revenue would be different with fee for service contracts. When these entries were questioned and we received additional guidance around ASU No. 2018-08, that went into effect 10/1/2019, a complete review of all our revenue sources to determine conditions and barriers was completed. Our procedures are being updated to incorporate this review and appropriate checklists are being developed to aid in the review process.

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Section III – Findings and Questioned Costs for Major Department Agreements

2020-002 Internal Controls over Income Eligibility

State Agreement–Community Services Block Grant (CSBG); CFS-20-7004A & CFS-20-7104.

Criteria – Management is responsible for the design and implementation of internal controls to determine and document income eligibility for CSBG Emergency Funds.

Condition and Context – Through our testing of CSBG eligibility, we noted eight instances where client’s income determination process did not follow the Organization’s guidelines.

Cause – A lack of internal controls over the review process for applications.

Effect – Income eligibility documentation on file was not in line with the Organization’s policies on eight of their clients tested, but it did appear these clients would still be considered eligible had the organization’s policies been followed.

Recommendations – Controls should be implemented to ensure CSBG emergency funds applications and supporting documents are reviewed against the Organization’s guidelines, prior to approval.

Views of Responsible Officials and Planned Corrective Actions – The Emergency Assistance program processes were developed very quickly in response to the pandemic and fine-tuned over several months. Staff from across several components of the agency were involved in creating the processes. In addition, the staff who were taking applications were new to eligibility programming; a variety of people were reviewing applications during invoicing and it was not consistent; and a newly hired manager, who eventually took on approving applications and was new to the process, went on an extended medical leave which interrupted the oversight process. These factors led to some errors in processing applications during this start-up phase.

In order to address this finding and strengthen the determination and documentation of income eligibility, the following processes have been put in place to ensure compliance going forward:

- Income eligibility is now programmed into the empowOR database.
- Program oversight is now solely the responsibility of Energy & Housing Services.
- All applications are currently reviewed by an assigned lead before submitting for payment. Once a new Community Initiatives Manager is hired/trained this task will fall to them.
- The E&HS Fiscal & Compliance Specialist will conduct audits on client applications at a minimum of 5 applications or 10% of applications submitted each month, whichever is higher.

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Section III – Findings and Questioned Costs for Major Department Agreements, Continued

2020-003 Internal Controls over Reporting

State Agreement–Community Services Block Grant (CSBG); CFS-20-7004A.

Criteria – Management is responsible for following the prescribed form and instructions for the Agreement Closeout Report (ACR) for CSBG.

Condition and Context – Through our testing of CSBG reporting, we noted that State of Maine DHHS' instructions for completing the agreement's ACR were not followed.

Cause – A lack of internal controls over the review process for the agreement's ACR.

Effect – The calculated amount earned by KVCAP was understated and the amount due back to the Agency was overstated by \$6,066.

Recommendations – Additional review controls should be implemented to ensure the CSBG ACR is prepared using the prescribed instructions.

Views of Responsible Officials and Planned Corrective Actions – The guidance that KVCAP has received from past reporting is that the ACR report should always match the pro forma in the approved contract. At the time the original ACR report was submitted, the accountant submitting the report questioned the percentages showing on the ACR and not agreeing to the pro forma, changed the percentages on the ACR report and asked the contract's program administrator if that change should have been made. There was no response to this initial question regarding that change.

When this change was questioned as part of compliance testing, we reached out again to the contract's program administrator, and received an answer that did not indicate the change that was made was incorrect. It was upon our third attempt to get clarification on this matter that a contract manager for budgets was brought into the conversation and indicated that the final ACR report did not need to agree with the pro forma. Upon this clarification, the ACR report was corrected and reissued. KVCAP made a good faith effort to get clarification on this reporting requirement in order to be in compliance with our contract. In order to strengthen our internal controls, a copy of reporting instructions will be included in our contract files and the reporting packages being submitted for internal review prior to filing the report with our state contract administrator.

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Section III – Findings and Questioned Costs for Major Department Agreements, Continued

2020-004 Internal Controls over Identification of Agreements Subject To MAAP and Reportable on the SEDA

State Agreement – Coronavirus Relief Fund, SLY0081/SLT0029; COVID-19 Response, COM-20-4003

Criteria – Management is responsible for identification of agreements subject to MAAP and for reporting related expenditures on the Schedule of Expenditures of Department Agreements (SEDA).

Condition and Context – Through our testing of agreements and the SEDA, we noted funds expended under the Coronavirus Relief Fund and COVID-19 Response agreements were not included on the SEDA prepared by management.

Cause – A lack of internal controls over the review process of new agreements for MAAP applicability.

Effect – The SEDA as prepared did not include six agreements with a total of \$26,090 of expenditures subject to MAAP.

Recommendations – Additional review controls should be implemented to ensure that all agreements subject to MAAP are identified and that expenditures under those agreements are included on the SEDA.

Views of Responsible Officials and Planned Corrective Actions – This was an oversight on KVCAP's part. We are updating our contract management procedures, including this reporting requirement to the contract management checklist, and training another individual in the preparation of the SEDA in order to have an additional checkpoint for final review

KENNEBEC VALLEY COMMUNITY ACTION PROGRAM AND AFFILIATE
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

Section IV – Status of Prior Year Findings

None