

# **Jefferson County Committee for Economic Opportunity**

Uniform Guidance  
Supplementary Financial Report  
December 31, 2017

## Contents

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Report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance	1-2
Schedule of expenditures of federal awards	3
Notes to schedule of expenditures of federal awards	4
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>	5-6
Schedule of findings and questioned costs	7-8
Corrective action plan	9
Summary schedule of prior audit findings	10

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RSM US LLP

**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

**Independent Auditor's Report**

To the Board of Directors  
Jefferson County Committee for Economic Opportunity  
Birmingham, Alabama

**Report on Compliance for Each Major Federal Program**

We have audited Jefferson County Committee for Economic Opportunity's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jefferson County Committee for Economic Opportunity's major federal programs for the year ended December 31, 2017. Jefferson County Committee for Economic Opportunity's major federal programs 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Jefferson County Committee for Economic Opportunity's major federal programs 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Jefferson County Committee for Economic Opportunity'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 federal program. However, our audit does not provide a legal determination of Jefferson County Committee for Economic Opportunity's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Jefferson County Committee for Economic Opportunity 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 federal programs for the year ended December 31, 2017.

## **Report on Internal Control Over Compliance**

Management of Jefferson County Committee for Economic Opportunity 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 Jefferson County Committee for Economic Opportunity's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Jefferson County Committee for Economic Opportunity'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 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 of compliance requirement of a federal program 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. 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Jefferson County Committee for Economic Opportunity as of and for the year ended December 31, 2017, and have issued our report thereon dated August 29, 2018, 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 federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Birmingham, Alabama  
August 29, 2018

**Jefferson County Committee for Economic Opportunity**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>Department of Health &amp; Human Services</b>			
Direct Programs:			
2016 HeadStart - Early HeadStart	93.600	04CH4788-02	\$ (20,000)
2017 HeadStart - Early HeadStart	93.600	04CH4788-03	16,276,078
			<u>16,256,078</u>
Pass-Through Alabama Department of Human Resources:			
Early HeadStart Child Care Partnership PY16	93.600	1730	174,000
Early HeadStart Child Care Partnership PY17	93.600	1730	978,430
			<u>1,152,430</u>
Pass-Through Alabama Department of Economic and Community Affairs:			
Community Services Block Grant PY17	93.569	CS-013-17	1,209,289
Community Services Block Grant PY18	93.569	CS-013-18	9,425
Low-Income Home Energy Assistance PY17	93.568	LI-013-17	3,558,436
Low-Income Home Energy Assistance PY18	93.568	LI-013-18	261,729
Low-Income Weatherization Assistance Program	93.568	LIWAP-013-17	112,573
			<u>5,151,452</u>
Pass-Through United Way of Central Alabama:			
Special Programs for the Aging, Title III, Part C Nutrition Services PY17	93.045		21,296
Special Programs for the Aging, Title III, Part C Nutrition Services PY18	93.045		6,754
			<u>28,050</u>
<b>Department of Agriculture</b>			
Pass-Through Alabama State Department of Education:			
Child and Adult Care Food Program PY17	10.558	AC-1-0000	1,044,685
Child and Adult Care Food Program PY18	10.558	AC-1-0000	395,121
			<u>1,439,806</u>
<b>Department of Energy</b>			
Pass-Through Alabama Department of Economic and Community Affairs:			
Weatherization Assistance Program PY16	81.042	DOE-013-16	221,406
Weatherization Assistance Program PY17	81.042	DOE-013-17	87,902
			<u>309,307</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 24,337,124</u></u>

See notes to the schedule of expenditures of federal awards.

**Jefferson County Committee for Economic Opportunity**

**Notes to the Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Jefferson County Committee for Economic Opportunity under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Jefferson County Committee for Economic Opportunity, it is not intended to and does not present the financial position, changes in net assets or cash flows of Jefferson County Committee for Economic Opportunity.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

Jefferson County Committee for Economic Opportunity has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance unless the grant contract specifically identifies an indirect cost rate.

**Note 4. Matching of Federal Funds**

In addition to amounts reported on the Schedule, under the Head Start/Early Head Start programs, the Agency is required to match federal contributions with local funds, or service fee revenues. For the year ended December 31, 2017, the Agency met all matching requirements and received matching resources in the following amounts:

2017 Head Start/Head Start Center of Excellence	04CH4788-03	\$	4,288,560
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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

To the Board of Directors  
Jefferson County Committee for Economic Opportunity  
Birmingham, Alabama

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 financial statements of Jefferson County Committee for Economic Opportunity, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jefferson County Committee for Economic Opportunity'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 Jefferson County Committee for Economic Opportunity's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson County Committee for Economic Opportunity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jefferson County Committee for Economic Opportunity's 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Birmingham, Alabama  
August 29, 2018



**Jefferson County Committee for Economic Opportunity**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2017**

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

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes            X       No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes            X       None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes            X       No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes            X       No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes            X       None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

\_\_\_\_\_ Yes            X       No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.600

Department of Health & Human Services:  
Direct Program:  
Head Start

Dollar threshold used to distinguish between type A and type B programs:

      \$      750,000      

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes            X       No

**Jefferson County Committee for Economic Opportunity**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2017**

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**Section II. Financial Statement Findings**

No matters were reported.

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

No matters were reported.

**Jefferson County Committee for Economic Opportunity**

**Corrective Action Plan  
Year Ended December 31, 2017**

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No matters were reported.



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**Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2017**

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**2016-1. Allocation of Indirect Costs**

**Audit Finding**—The accounting department did not properly allocate indirect costs among the various programs being reported in the statement of functional expenses.

**Corrective Action Taken**—To prevent a recurrence, management utilized the fixed asset module in the accounting system to properly allocate depreciation entries among the various programs as well as reviewed all other automatic cost allocations within the accounting system to ensure the allocations are in line with the various program activities. Management also provided formal training among the new and existing accounting personnel to ensure established policies and procedures are being followed and indirect costs are properly allocated among the various programs.

**2016-2. Overstatement of Accrued Expenses**

**Audit Finding**— The accounting department improperly accrued for January 2017 health insurance in the financial statements as of and for the year ended December 31, 2016.

**Corrective Action Taken**— To prevent a recurrence, management provided formal training among the new and existing accounting personnel to ensure they have an understanding of the accounting guidance related to properly accruing expenses and ensure established policies and procedures are being followed and accrued expenses are properly accounted for and reviewed by management.

Richard Wells

4/16/18



**Jefferson County Committee for Economic Opportunity**  
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