

# **Jefferson County Committee for Economic Opportunity**

The Uniform Guidance Report  
Year Ended December 31, 2015

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RSM US LLP

**Independent Auditor's 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**

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, 2015. 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, 2015.

## **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, 2015, and have issued our report thereon dated August 25, 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 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 25, 2016

**Jefferson County Committee for Economic Opportunity**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>Department of Health &amp; Human Services</b>			
<b>Direct Programs:</b>			
Head Start	93.600	04CH478802	\$ 15,835,711
Head Start Center of Excellence	93.600	90YX0005	191,243
			<u>16,026,954</u>
Pass-Through Alabama Department of Economic and Community Affairs:			
Community Services Block Grant	93.569	CS-013-15; 013-16	1,973,334
Low-Income Home Energy Assistance	93.568	LI-013-15	2,259,933
Low-Income Weatherization Assistance Program	93.568	LIWAP-013-15	235,323
			<u>4,468,590</u>
Pass-Through Jefferson County Office of Senior Citizens:			
Special Programs for the Aging, Title III, Part C Nutrition Services	93.045	1048	25,113
Pass-Through Alabama Department of Mental Health:			
Community Substance Abuse Program	93.959	G5461824	290,451
<b>Department of Agriculture</b>			
Pass-Through Alabama State Department of Education:			
Child and Adult Care Food Program	10.558	AC-1-0000	1,318,461
<b>Department of Energy</b>			
Pass-Through Alabama Department of Economic and Community Affairs:			
Weatherization Assistance Program	81.042	DOE-013-15; 013-16	80,995
Pass-Through City of Birmingham Community Development:			
Homeless Prevention and Rapid Re-housing	14.257	IDS#s: 12863, 12592 12593, 12594, 12861 12862, 13060,13061 13062, 13244	135,309
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 22,345,873</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, 2015**

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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, 2015. 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. Jefferson County Committee for Economic Opportunity has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance unless the grant contract specifically identifies an indirect cost rate.

**Note 3. 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, 2015, the Agency met all matching requirements and received matching resources in the following amounts:

2015 Head Start/Head Start Center of Excellence	04CH3095/49	\$	4,731,189
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**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***

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, 2015, 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 25, 2016.

**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 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as noted by item 2015-1 and 2015-2.

**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*.

Jefferson County Committee for Economic Opportunity's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Jefferson County Committee for Economic Opportunity's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 25, 2016



**Jefferson County Committee for Economic Opportunity**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2015**

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

Financial Statements

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

	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>    X    </u> Yes	<u>          </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>    X    </u> None Reported
Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>    X    </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u>          </u> Yes	<u>    X    </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>    X    </u> None Reported

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 section 2 CFR 200.516(a)?	<u>          </u> Yes	<u>    X    </u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Department of Health & Human Services: Head Start
10.558	Department of Agriculture: Child and Adult Care Food Program

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

    \$    750,000    

Auditee qualified as low-risk auditee?

	<u>          </u> Yes	<u>    X    </u> No
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## Jefferson County Committee for Economic Opportunity

### Schedule of Findings and Questioned Costs Year Ended December 31, 2015

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#### Section II. Financial Statement Findings

##### 2015-1. Month-End and Year-End Close Process

Criteria—The Agency's financial statements should present fairly, in all material respects, the financial position and changes in its net assets in accordance with accounting principles generally accepted in the United States of America.

Condition—The Agency's financial statements were materially misstated.

Context—During our audit procedures, it was noted that certain reconciliations to the appropriate subsidiary ledgers, records and reports were being performed. However, the accounting department did not consistently follow established month-end and year-end closing procedures. As a result, the accounting department was not able to easily reconcile the general ledger within the accounting system to subsidiary ledgers and supporting documentation for the following general ledger accounts:

- Cash
- Grants receivable
- Unconditional promises to give use of facilities
- Fixed assets
- Accounts payable
- Accrued expenses including payroll and payroll related liabilities

Effect—Account balances are not completely reconciled throughout the year which resulted in material misstatements within the financial statements.

Cause—The Agency currently has an established month-end close process, but accounting personnel are not consistently following these guidelines due to turnover in the accounting department. Also, the Agency has been in the process of converting to a new accounting system and finance staff are having difficulty learning and utilizing the new system.

Recommendation—The Agency should hire additional personnel with a strong accounting background to assist the new finance director in supervising, guiding and training employees to follow established month-end and year-end policies and procedures and set deadlines for when each task should be completed each month. Furthermore, the Agency should continue to learn and fully convert to the new accounting system to avoid duplication of efforts.

Planned Corrective Actions—The Agency is in the process of continuing to learn and fully convert to the new accounting system. Furthermore, a reorganization of the accounting department was performed subsequent to year end, which included a rotation of duties and cross-training of personnel within the department that will ensure established policies and procedures are being followed and the general ledger is adjusted to monthly reconciliations.

##### 2015-2. Allocation of Indirect Costs

Criteria—The Agency's financial statements should present fairly, in all material respects, the financial position and changes in its net assets in accordance with accounting principles generally accepted in the United States of America.

Condition—The Agency's financial statements were materially misstated.

## **Jefferson County Committee for Economic Opportunity**

### **Schedule of Findings and Questioned Costs Year Ended December 31, 2015**

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**Context—** During our audit procedures, it was noted that the Agency did not correctly allocate indirect costs among the various programs. We also noted that revenue and expenses were overstated by the Agency's indirect cost journal entries, which caused material misstatements in the functional allocation of expenses as well as revenue.

**Effect—** Indirect costs are not properly recorded in the general ledger, which caused material misstatements within the financial statements.

**Cause—** The Agency currently has an established process of allocating certain expenses to an indirect cost pool within the general ledger, but accounting personnel failed to properly allocate these costs across the various programs. When the Agency initially recorded indirect costs, they increased revenue and expenses rather than allocating indirect expenses among the appropriate fund accounts.

**Recommendation—** The Agency should hire additional personnel with a strong accounting background to assist the finance director in supervising, guiding and training employees to follow established policies and procedures and to properly allocate indirect costs among the various programs.

**Planned Corrective Actions—** A reorganization of the accounting department was performed subsequent to year end, which included a rotation of duties and cross-training of personnel within the department that will ensure established policies and procedures are being followed and indirect costs are properly allocated among the various programs.

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

There are no findings or questioned costs for federal awards for the year ended December 31, 2015.

## Jefferson County Committee for Economic Opportunity

### Summary Schedule of Prior Audit Findings Year Ended December 31, 2015

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#### 2014-1. Month-End and Year-End Close Process

Audit Finding—Certain reconciliations to the appropriate subsidiary ledgers, records and reports were being performed. However, the accounting department did not consistently follow established month-end and year-end closing procedures. As a result, the accounting department was not able to easily reconcile the general ledger within the accounting system to subsidiary ledgers and supporting documentation for the following general ledger accounts:

- Cash
- Grants receivable
- Unconditional promises to give use of facilities
- Prepaid expenses
- Fixed assets
- Accounts payable
- Accrued expenses including payroll and payroll related liabilities

Planned Corrective Actions— The Agency is in the process of continuing to learn and fully converting to the new accounting system. Furthermore, a reorganization of the accounting department was performed subsequent to year end, which included a rotation of duties and cross-training of personnel within the department that will ensure established policies and procedures are being followed and the general ledger is adjusted to monthly reconciliations.

#### 2014-2. Recurring Journal Entries

Audit Finding—The Agency did not consistently review recurring journal entries for propriety. Additionally, it was noted that several accrual and payroll related journal entries were not being posted properly, which caused material overstatements of accrued expenses.

Planned Corrective Actions— A reorganization of the accounting department was performed subsequent to year end, which included a rotation of duties and cross-training of personnel within the department that ensured established policies and procedures are being followed and recurring journal entries are properly reviewed and approved.



RSM US LLP

**Independent Auditor's Report  
on Compliance With Alabama  
Department of Mental Health Contract**

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

We have audited contract number G5461824 between the Alabama Department of Mental Health (DMH) and Jefferson County Committee for Economic Opportunity (Agency) as of and for the year ended September 30, 2015.

Compliance with DMH contracts, Provider Agreement and all applicable laws, rules, and regulations applicable to the Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the contract, Provider Agreement, and all applicable laws, rules, and regulations were complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, *Audit for Compliance with the Contract* of the DMH Audit Guidelines. Revenues and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contract. Funds claimed as match for federal programs were audited to determine if they were allowable and adequate to match the federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contract and all applicable laws, and regulations.

This report is intended for the information of management and DMH. However, this report is a matter of public record and its distribution is not limited.

*RSM US LLP*

Birmingham, Alabama  
August 25, 2016

**Jefferson County Committee for Economic Opportunity**

**Alabama Department of Mental Health Compliance Reporting Substance Abuse Services  
Fiscal Year Ended September 30, 2015**

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FY 14-15 Contract (Accrual Basis):

	SA Medicaid		State Funds		Total	
	Revenue	Expenses	Revenue	Expenses	Revenue	Expenses
Alcohol/Drug Abuse Treatment	\$ 22,529	\$ 24,549	\$ 234,297	\$ 247,512	\$ 256,826	\$ 272,061

Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended December 31, 2015:

FY 14-15 contract for the year ended September 30, 2015	\$ 256,826
Less revenue earned for the three months ended December 31, 2014	(7,152)
Plus revenue earned for the three months ended December 31, 2015	<u>40,777</u>
Total expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 290,451</u>

## Jefferson County Committee for Economic Opportunity

### Officers and Board Members Year Ended December 31, 2015

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<u>Name</u>	<u>Official Title</u>
Mayor Gary Richardson	President
Mr. Bruce Grant	Vice-President
Mrs. Debra Smith	Secretary
Mr. Charlie Faulkner	Treasurer
Mr. Stephen Black, J.D.	Member
Ms. Sophia Brown	Member
Mr. Steven Cottrell	Member
Mr. Kenneth Crenshaw	Member
Dr. James Ernest	Member
Ms. Maria Claudia Hendley	Member
Mr. Arnold King	Member
Rev. T.L. Lewis	Member
Mr. Don Lupo Jr.	Member
Mr. Toraine Norris	Member
Mrs. Kelli Solomon	Member
Mr. G. Thomas Sullivan	Member
Ms. Emma Tolbert	Member
Mr. Charles Tyler	Member