

**Scott-Carver-Dakota CAP
Agency, Inc.**

Shakopee, Minnesota

Financial Statements and Supplementary Information
Year Ended September 30, 2018

Scott-Carver-Dakota CAP Agency, Inc.

Financial Statements and Supplementary Information
Year Ended September 30, 2018

Table of Contents

Independent Auditor’s Report 1

Financial Statements

- Statement of Financial Position.....3
- Statement of Activities4
- Statement of Cash Flows.....5
- Notes to Financial Statements6

Supplementary Information

- Schedule of Expenditures of Federal Awards16
- Schedule of State and Local Awards.....19

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 20

Independent Auditor’s Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance..... 22

Schedule of Findings and Questioned Costs 25

Summary Schedule of Prior Audit Findings..... 32



Independent Auditor's Report

Board of Directors
Scott-Carver-Dakota CAP Agency, Inc.
Shakopee, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Scott-Carver-Dakota CAP Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scott-Carver-Dakota CAP Agency, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

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, Schedule A, which is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of state and local awards, Schedule B, are presented for the purpose of additional analysis and are 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2019, on our consideration of Scott-Carver-Dakota CAP Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott-Carver-Dakota CAP Agency, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

June 11, 2019
Minneapolis, Minnesota

Scott-Carver-Dakota CAP Agency, Inc.

Statement of Financial Position

September 30, 2018

<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 361,676
Grants receivable	1,373,746
Accounts receivable	75,353
Prepaid expenses	41,519
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Total current assets	1,852,294
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Property and equipment, net of accumulated depreciation	3,687,456
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TOTAL ASSETS	\$ 5,539,750
<hr/> <hr/>	
<u>LIABILITIES and NET ASSETS</u>	
Current liabilities:	
Current portion of deferred loans	\$ 137,000
Current portion of notes payable	60,095
Current portion of capitalized lease obligation	178,999
Accounts payable	340,249
Accrued payroll and related expenses	348,963
Grant funds received in advance	223,648
Funds held for others	410,168
<hr/>	
Total current liabilities	1,699,122
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Long-term liabilities:	
Deferred loans, less current portion	663,633
Notes payable, less current portion	667,671
Capitalized lease obligation, less current portion	45,952
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Total long-term liabilities	1,377,256
<hr/>	
Total liabilities	3,076,378
<hr/>	
Net assets:	
Unrestricted	2,241,843
Temporarily restricted	221,529
<hr/>	
Total net assets	2,463,372
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TOTAL LIABILITIES AND NET ASSETS	\$ 5,539,750
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Scott-Carver-Dakota CAP Agency, Inc.

Statement of Activities

Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 9,976,868	\$ -	\$ 9,976,868
Program income	995,802	-	995,802
Donations	519,700	2,558	522,258
Deferred loan forgiveness	48,770	-	48,770
In-kind contributions	6,974	-	6,974
Net assets released from restriction	118,190	(118,190)	-
Total revenue	11,666,304	(115,632)	11,550,672
Expenses:			
Salaries and wages	5,206,459		5,206,459
Fringe benefits	1,235,394		1,235,394
Travel and transportation	130,617		130,617
Telephone and postage	146,305		146,305
Supplies	83,685		83,685
Small equipment and maintenance	165,245		165,245
Space costs	312,265		312,265
Depreciation	172,116		172,116
Direct client services	3,982,996		3,982,996
Professional services	418,573		418,573
Other costs	52,621		52,621
In-kind expenses	6,974		6,974
Total expenses	11,913,250	-	11,913,250
Change in net assets	(246,946)	(115,632)	(362,578)
Net assets - Beginning of year	2,488,789	337,161	2,825,950
Net assets - End of year	\$ 2,241,843	\$ 221,529	\$ 2,463,372

Scott-Carver-Dakota CAP Agency, Inc.

Statement of Cash Flows

Year Ended September 30, 2018

Increase in cash and cash equivalents:	
Cash flows from operating activities:	
Change in net assets	\$ (362,578)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	172,116
Bad debt expense	53,658
Deferred loans incurred and forgiven, net	(48,770)
Changes in operating assets and liabilities:	
Grants receivable	171,618
Accounts receivable	(60,223)
Prepaid expenses	(635)
Accounts payable	60,029
Accrued payroll and related expenses	72,319
Grant funds received in advance	25,748
Funds held for others	42,852
Net cash provided by operating activities	126,134
Cash flows from investing activities:	
Purchase of property and equipment	(35,543)
Cash flows from financing activities:	
Principal payment of long-term debt	(57,212)
Principal payment of capital lease	(171,240)
Net cash used in financing activities	(228,452)
Change in cash and cash equivalents	(137,861)
Cash and cash equivalents at beginning of year	499,537
Cash and cash equivalents at end of year	\$ 361,676
Schedule of other cash activity:	
Interest paid	\$ 31,275

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Scott-Carver-Dakota CAP Agency, Inc. (the “Organization”) was organized as a nonprofit corporation in 1965. The Organization was formed to administer federal, state, and local grant assistance programs for disadvantaged persons in a three county area of east central Minnesota. Approximately 53% of the Organization’s grant funding is from various federal grants passed through the State of Minnesota, and 13% is funded directly by the State of Minnesota. Approximately 18% of the Organization’s grant funding is received from the U.S. Department of Health and Human Services for its Head Start program. Grant funding for the ratio calculation includes grant revenue plus \$2,960,307 of federal energy assistance client benefits paid directly by the State of Minnesota to utility companies on behalf of clients.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization does not currently have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents

For purposes of financial statement presentation, the Organization includes money market funds as cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the amount management expects to collect. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. Management has determined that no allowance for doubtful accounts is necessary at year-end, but \$53,658 was written off as bad debt expense for the year ended September 30, 2018.

Property and Equipment

Property and equipment are capitalized at cost and depreciated over their estimated useful lives under the straight-line method. The Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Property and equipment acquired are owned by the Organization while used in the programs for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds; therefore, the disposition of property or equipment, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of grant-funded property and equipment at September 30, 2018, is \$5,508.

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as contributions released from restrictions.

Program income represents amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance. The contributions are recorded as temporarily restricted revenue due to the implied stipulation that the contributions be used in the program the beneficiary received assistance. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as released from restriction. If the restriction is satisfied in the same period the program contribution is received, the program contribution is reported as unrestricted revenue.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met, and the promises become unconditional.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Revenue Recognition (Continued)

Grants are recorded either as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Capital Lease

The Organization leases its Shakopee office building under an arrangement qualifying as a capital lease. The asset and liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lease term. Amortization expense is included in depreciation expense.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Minnesota franchise or income tax.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

In-Kind Contributions

In-kind contributions for space and professional services are recorded in the statement of activities and recognized as revenue and expenses in the period they are received in accordance with accounting standards that require only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. During the year ended September 30, 2018, the Organization received \$6,974 of such contributions for its various programs. Accounting standards are different than the in-kind requirements of several of the Organization's grant awards. The Organization received contributions of nonprofessional volunteer services and goods during the year of \$1,095,810 for its various programs, which are not recognized in these financial statements.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective.

Subsequent Events

Subsequent events have been evaluated through June 11, 2019, which is the date the financial statements were available to be issued.

Note 2 **Concentration of Credit Risk**

The Organization maintains cash balances at several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Note 3 **Grants Receivable**

The grants receivable balance consisted of amounts due from various agencies as follows at September 30, 2018:

Direct federal agencies	\$ 423,462
State of Minnesota	607,270
Other	343,014
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Total	<u>\$ 1,373,746</u>

Note 4 **Funds Held for Others**

The Organization acts as a fiscal agent to manage food shelf and other activities on behalf of four other organizations. The cash held is a liability, and the revenue and expenses are excluded from the Organization's statement of activities. The balance in funds held for others as of September 30, 2018, was \$410,168.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 5 Property and Equipment

Property and equipment consisted of the following at September 30, 2018:

Land and land improvements	\$ 538,696
Equipment	417,845
Building under capital lease	2,250,000
Buildings	3,246,384
Total	6,452,925
Accumulated depreciation and amortization	(2,765,469)
<u>Property and equipment, net</u>	<u>\$ 3,687,456</u>

Note 6 Deferred Loans

Deferred loans payable consisted of the following at September 30, 2018:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
HUD Supportive Housing, principal forgiven at the end of 20 years. Secured by an 8-plex at 1011 Bryant, South St. Paul, Minnesota, and a duplex at 13404-13406 Aldrich Avenue, Burnsville, Minnesota.	0%	3/17/2026	\$ 232,517
HUD Supportive Housing, forgiven 10% per year starting year 11 through year 20. Secured by a 6-plex at 215 South Street, South St. Paul, Minnesota.	1%	9/1/2022	39,600
MHFA funds, forgiven 10% per year starting year 11 through year 20. Secured by a 5-plex at 20345 Iberia Avenue, Lakeville, Minnesota.	0%	9/30/2019	15,000
Dakota County CDA HOME funds, principal and interest forgiven after 20 years. Secured by a 5-plex at 20345 Iberia Avenue, Lakeville, Minnesota.	10%	9/30/2019	100,000

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 6 Deferred Loans (Continued)

Description	Interest Rate	Maturity Date	Balance
Dakota County CDA HOME funds, interest forgiven after 30 years, principal due upon sale. Secured by a home at 4710 Grenada Point, Eagan, Minnesota.	10%	3/16/2028	\$ 24,944
Dakota County CDA HOME funds, interest forgiven after 30 years, principal due upon sale. Secured by a home at 7802 Glenda Court, Apple Valley, Minnesota.	10%	3/19/2028	20,909
Dakota County CDA HOME funds, principal and interest forgiven after 10 years. Secured by a duplex at 13406 Aldrich Ave So., Burnsville, Minnesota.	1%	3/17/2026	229,263
HUD Supportive Housing, forgiven 10% per year starting year 11 through year 20. Secured by a 6-plex at 541 12 th Avenue North, South St. Paul, Minnesota.	0%	11/1/2021	48,400
HUD Supportive Housing, principal forgiven at the end of 20 years. Secured by a 7-plex at 4309 124 th Street West, Savage, Minnesota.	0%	8/17/2025	90,000
Subtotal			800,633
Current portion			(137,000)
<u>Long-term deferred loans</u>			<u>\$663,633</u>

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 6 **Deferred Loans (Continued)**

Forgiveness of deferred loans are as follows at September 30, 2018:

2019	\$ 137,000
2020	22,000
2021	22,000
2022	22,000
2023	-
<u>Thereafter</u>	<u>597,633</u>
 <u>Total</u>	 <u>\$ 800,633</u>

Deferred loans must be repaid only upon sale of the properties or conversion of such properties from their required uses. Deferred loans are recorded at their principal amounts because no expiration dates for such obligations can be established; also, the loans are to be forgiven if no event triggers repayment prior to the expiration dates of the agreements. The Organization has the intention and believes it has the ability to maintain the properties in accordance with the agreements until the agreements expire.

Note 7 **Notes Payable**

Notes payable consisted of the following at September 30, 2018:

Note payable, secured by property used for permanent and transitional housing, no monthly payments and interest at 0% per annum, matures October 31, 2020.	\$ 414,079
Mortgage payable, secured by office building in Rosemount, Minnesota, monthly payments of \$6,183 include interest at 4.925% per annum, matures June 20, 2023.	313,687
<u>Total</u>	<u>727,766</u>
<u>Current portion</u>	<u>(60,095)</u>
<u>Long-term notes payable</u>	<u>\$ 667,671</u>

Future maturities of notes payable are as follows at September 30, 2018:

2019	\$ 60,095
2020	63,122
2021	480,381
2022	69,643
2023	54,525
<u>Total</u>	<u>\$ 727,766</u>

Interest expense for the year ended September 30, 2018, was \$31,275.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 8 Capitalized Lease Obligation

The Organization leases its Shakopee office building under an arrangement qualifying as a capital lease. The Organization's share of the land cost was \$250,000, and the building cost was \$2,250,000. The Organization pays monthly installments of \$15,448, with interest at 4.4% per annum. This agreement matures December 1, 2019. The cost of the building is being amortized over 40 years. The accumulated amortization was \$ 1,099,489 as of September 30, 2018.

Total remaining payments required	\$ 231,669
Less - Amount representing interest	6,718

Amount representing principal	224,951
Less - Current portion	178,999

<u>Long-term portion</u>	<u>\$ 45,952</u>
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Future obligations of principal and interest are as follows at September 30, 2018:

2019	\$ 185,376
2020	46,293

<u>Total</u>	<u>\$ 231,669</u>
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Note 9 Retirement Plan

The Organization has a 401(k) plan covering substantially all employees. The Organization contributes a match (Matching Contribution) equal to 50% of the first 6% of eligible earnings that the employee elects to contribute to the plan (Elective Deferrals). Employees must make Elective Deferrals in order to receive the Matching Contribution. The Matching Contribution is funded each pay period when the employee's Elective Deferrals are made and is calculated based on the employee's earnings for that pay period. Total expense for the year ended September 30, 2018, was \$107,612.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 10 **Operating Lease Agreements**

The Organization has several operating leases, primarily for space. Lease expense was \$156,763 for the year ended September 30, 2018.

The following is a schedule of approximate future minimum lease payments required under operating leases that have initial or remaining lease terms in excess of one year at September 30, 2018:

2019	\$	123,245
2020		70,886
2021		44,681
2022		1,496
2023		1,118
<u>Total</u>		<u>\$ 241,426</u>

Note 11 **Temporarily Restricted Net Assets**

Temporarily restricted net assets have specific purpose or time restrictions and consisted of the following amounts at September 30, 2018:

Child education	\$	20,246
Food shelf		173,655
Emergency services		20,408
Energy assistance		7,220
<u>Total</u>		<u>\$ 221,529</u>

Note 12 **Program Operations**

The Organization has a grant with the State of Minnesota Department of Commerce for outreach, intake, eligibility, and certification of Low-Income Home Energy Assistance Program (LIHEAP) eligible participants. Client benefits are subsequently paid by the State of Minnesota. Client benefits in the amount of \$2,960,307 were paid by the state to utility companies on behalf of clients and are not included in the statement of activities as they were not part of the grant awards.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 13 **Functional Classification of Expenses**

The following programs and supporting services are reflected in the statement of activities for the year ended September 30, 2018:

Federal, state, and local programs:

Child education	\$ 3,902,577
Energy assistance	1,038,532
Housing programs	1,695,393
Food programs	3,421,588
Community service program	493,127
Other programs	354,850
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Total program activities	10,906,067
Management and general	942,384
Fund-raising	64,799
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Total expenses	<u>\$ 11,913,250</u>

Note 14 **Contingent Liability**

The Organization participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Compliance issues raised from a program compliance audit could result in grant dollars being returned or reduced. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Supplementary Information

Scott-Carver-Dakota CAP Agency, Inc.

Schedule A-1

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Grant Award Number	CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-Through the State of Minnesota, Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	N/A	10.557	<u>\$ 2,238,340</u>
Passed-Through the State of Minnesota, Department of Education			
Child and Adult Care Food Program	N/A	10.558	<u>111,320</u>
Passed-Through the State of Minnesota, Department of Human Services			
SNAP Cluster:			
Supplemental Nutrition Assistance Program Outreach	GRK% 133140	10.561	<u>25,570</u>
Total SNAP Cluster:			<u>25,570</u>
U.S. Department of Housing and Urban Development			
Passed-Through the State of Minnesota, Department of Human Services			
Emergency Solutions Grant Rehousing	GRK% 126825	14.231	64,826
Emergency Solutions Grant Shelter	GRK% 126825	14.231	42,248
Emergency Shelter Grants Program		14.231	<u>107,074</u>
Direct Grant			
Continuum of Care	MN0070L5K031710	14.267	25,730
Continuum of Care	MN0162L5K031709	14.267	85,094
Continuum of Care	MN0163L5K031709	14.267	142,935
Continuum of Care	MN0279L5K031704	14.267	36,272
CFDA Total 14.267			<u>290,031</u>
Direct Grant			
Housing Voucher Cluster:			
Section 8 Housing Program	MN803	14.871	<u>83,300</u>
Total Housing Voucher Cluster:			<u>83,300</u>
U.S. Department of Health and Human Services			
Passed-Through Metropolitan Area Agency on Aging, Inc.			
Aging Cluster:			
Special Programs for the Aging - Title III, Part C-Nutrition Services	311-18-03C8-113	93.045	286,716
Nutrition Program for the Elderly	311-18-03C8-113	93.053	6,472
Aging Cluster Total			<u>293,188</u>

Scott-Carver-Dakota CAP Agency, Inc.

Schedule A-2

Schedule of Expenditures of Federal Awards (Continued)

Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Grant Award Number	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed-Through the State of Minnesota, Department of Commerce			
Low-Income Home Energy Assistance	131477/10083	93.568	<u>\$ 3,978,683</u>
Passed-Through the State of Minnesota, Department of Human Services			
Community Services Block Grant	GRK% 127533	93.569	<u>382,200</u>
CCDF Cluster:			
Regional Baseline Child Care Resource & Referral Services	GRK% 131116	93.575	<u>157,809</u>
Direct Grant			
Early Head Start	05CH8401-03 & 04	93.600	643,513
Head Start	05CH8401-03 & 04	93.600	<u>1,824,205</u>
CFDA Total 93.600			<u><u>2,467,718</u></u>
U.S. Department of Homeland Security			
Passed-Through the State of Minnesota, Department of Human Services			
Emergency Food and Shelter Program	485910 Phase 30	97.024	<u>17,252</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 10,152,485</u></u>

Scott-Carver-Dakota CAP Agency, Inc.

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Scott-Carver-Dakota CAP Agency, Inc. under programs of the federal government for the year ended September 30, 2018. The information in this schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Scott-Carver-Dakota CAP Agency, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Scott-Carver-Dakota CAP Agency, Inc.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Energy Assistance Payments

Included in CFDA #93.568 are client benefits paid by the State of Minnesota of \$2,960,307. These expenditures are not included in the statement of activities.

Note 4 - Indirect Costs

Scott-Carver-Dakota CAP Agency, Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 - Subrecipients

Scott-Carver-Dakota CAP Agency, Inc. does not have subrecipients or subrecipient expenditures.

Scott-Carver-Dakota CAP Agency, Inc.

Schedule B

Schedule of State and Local Awards

Year Ended September 30, 2018

Program Title	Grantor	Grant Award No.	Expenditures
Family Homeless Prevention	Carver County	N/A	\$ 189,746
Women, Infants and Children	Carver County	N/A	12,368
Women, Infants and Children	Scott County	N/A	13,069
Women, Infants and Children	Private	N/A	9,340
Dakota County FHPHP	Dakota County	N/A	141,019
Dakota Quality Standards Inspections	Dakota County	N/A	(558)
Dakota Transitional & Supportive Housing	Dakota County	N/A	14,005
Healthy Families	Dakota County	N/A	217,860
Food Shelf	Hunger Solutions	N/A	14,416
Minnesota State Early Head Start	Minnesota Department of Education	N/A	638,240
Minnesota State Head Start	Minnesota Department of Education	N/A	342,784
Minnesota State Head Start Pathways II	Minnesota Department of Education	N/A	37,139
Group Housing Residential	MN Dept. of Human Services	N/A	81,638
Home Youth Act	MN Dept. of Human Services	N/A	91,843
MN Economic Opportunity Grant	MN Dept. of Human Services	N/A	336,260
Transitional Housing Program	MN Dept. of Human Services	N/A	87,117
Continuum of Care	Other local agencies	N/A	5,200
Dakota Electric CIP	Other local agencies	N/A	120,144
Food Shelf	Other local agencies	N/A	16,119
MVEC CIP	Other local agencies	N/A	42,783
Shakopee Public Utilities CIP	Other local agencies	N/A	25,007
Local	Other local agencies	N/A	10,810
Local	Other local agencies	N/A	16,665
Scott Family Net	Scott County	N/A	55,970
Food Shelf	Second Harvest	N/A	12,832
Head Start	United Way	N/A	230,499
SNAP Outreach	United Way	N/A	9,375
Crisis Nursery	Scott County	N/A	13,000
TOTAL STATE AND LOCAL AWARDS			\$ 2,784,690



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*

Board of Directors
Scott-Carver-Dakota CAP Agency, Inc.
Shakopee, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Scott-Carver-Dakota CAP Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon June 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scott-Carver-Dakota CAP Agency, Inc.'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 Scott-Carver-Dakota CAP Agency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Scott-Carver-Dakota CAP Agency, Inc.'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 certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs as 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott-Carver-Dakota CAP Agency, Inc.'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*.

Scott-Carver-Dakota CAP Agency, Inc.'s Response to Findings

Scott-Carver-Dakota CAP Agency, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Scott-Carver-Dakota CAP Agency, Inc.'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 Scott-Carver-Dakota CAP Agency, Inc.'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 Scott-Carver-Dakota CAP Agency, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

June 11, 2019
Minneapolis, Minnesota



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Scott-Carver-Dakota CAP Agency, Inc.
Shakopee, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Scott-Carver-Dakota CAP Agency, Inc.'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 its major federal programs for the year ended September 30, 2018. Scott-Carver-Dakota CAP Agency, Inc.'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 applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Scott-Carver-Dakota CAP Agency, Inc.'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; 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 Scott-Carver-Dakota CAP Agency, Inc.'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 legal determination of Scott-Carver-Dakota CAP Agency, Inc.'s compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in the accompanying schedule of findings and questioned costs, Scott-Carver-Dakota CAP Agency, Inc. did not comply with requirements regarding cash management as described in finding 2018-003 for CFDA 10.557, CFDA 93.568, and CFDA 93.600. It also did not comply with the requirements regarding reporting as described in finding 2018-004 for CFDA 93.600. Compliance with such requirements is necessary, in our opinion, for Scott-Carver-Dakota CAP Agency to comply with the requirements applicable to these programs.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, Scott-Carver-Dakota CAP Agency, Inc. 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 September 30, 2018.

Other Matters

Scott-Carver-Dakota CAP Agency, Inc.’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Scott-Carver-Dakota CAP Agency, Inc.’s response was not subjected to the auditing procedures applied in the audit of compliance and accordingly we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Scott-Carver-Dakota CAP Agency, Inc. 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 Scott-Carver-Dakota CAP Agency, Inc.’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 Scott-Carver-Dakota CAP Agency, Inc.’s internal control over compliance.

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 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004 to be material weaknesses.

Scott-Carver-Dakota CAP Agency, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Scott-Carver-Dakota CAP Agency, Inc.'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

June 11, 2019
Minneapolis, Minnesota

Scott-Carver-Dakota CAP Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness identified?	Yes
Significant deficiency identified?	No
Type of auditor's report issued on compliance for major program	Qualified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	Yes
<u>Name of Federal Major Program</u>	<u>CFDA No.</u>
U.S. Department of Agriculture Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
U.S. Department of Health and Human Services Low Income Home Energy Assistance Program	93.568
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Scott-Carver-Dakota CAP Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section II – Financial Statement Findings

Finding 2018-001 – Material Adjustments

Criteria – *Government Auditing Standards* considers the inability to perform necessary financial statement calculations and accurately adjust account balances to be an internal control weakness.

Condition – During our audit, Wipfli proposed and management recorded adjusting journal entries for accounts receivable, grant funds receivable, grant funds received in advance, and grant revenue which we deem to be material in relation to the financial statements. Since the Organization's internal controls failed to detect and correct these adjustments prior to the audit, a material weakness exists in the Organization's internal controls over financial reporting.

This is a repeat finding from the prior year previously reported as finding 2017-002.

Effect – As a result of not making material adjustments to certain account balances and a lack of overall grant management, a material weakness exists in internal controls.

Recommendation – We recommend that the Organization implement procedures to provide sufficient internal control over account balance reconciliations such that all necessary transactions are recorded in accordance with GAAP and funding source requirements. Statement of financial position and grant reconciliations should be prepared by finance staff and submitted with supporting documentation to responsible supervisors at the appropriate levels of the Organization. Once reconciliations are approved, the related adjustments should be posted to the general ledger on a timely basis.

View of Responsible Officials and Planned Corrective Actions - The CAP Agency agrees with this finding and has been working on designing and implementing sufficient internal control over account balances so that transactions are recorded in accordance with GAAP and funding source requirements. In December 2018, a new Director of Finance/CFO started at the CAP Agency. Shortly thereafter, the Finance Department was restructured, and two new positions were added. In April 2019, a new senior accountant and a new senior finance analyst started at CAP Agency. The finance staff additions allow for the preparation of timely reconciliations and independent review and approval of the reconciliations.

Finding 2018-002 – Segregation of Duties

Criteria – An internal control system for an entity the size of the Organization should include segregation of most accounting functions so that one person does not have responsibility for authorization, custody of assets, or recordkeeping in any accounting cycle. For areas where a full segregation of duties is not possible, the Organization should have an independent review process to detect any misstatements.

Condition – During our audit, Wipfli noted several areas where the same person was involved with authorization, custody of assets, or recordkeeping or there was a key activity in the accounting cycle that was not reviewed by personnel independent of the preparer, resulting in a material weakness. These were as follows:

- The bank reconciliations were prepared by finance personnel without independent review, resulting in unreconciled cash balances each month.

Scott-Carver-Dakota CAP Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-002 – Segregation of Duties (Continued)

- Reconciliations prepared for the year-end close, including cash, accounts receivable, grant funds receivable, grant funds received in advance, and grant revenue were not accurate and were not reviewed by personnel independent of the preparer.
- There was no regular journal entry review process, resulting in incorrect journal entries that were posted to the general ledger, including the net asset accounts, which were not detected by the organization’s internal controls until after year-end.
- For most of the year, the finance manager had full access (“Supervisor Rights”) to the accounting software, Financial Edge. Supervisor Rights in the Organization’s accounting software include the ability to modify and delete existing transactions.
- Requests for reimbursement submitted to funding agencies were not reviewed by personnel other than the preparer for much of the year.

This is a repeat finding from the prior year previously reported as finding 2017-003.

Effect – Without proper segregation of duties and review, there is a reasonable possibility that misstatements will not be prevented or detected by the Organization’s internal controls. As a result, a material weakness exists in the Organization’s internal controls.

Recommendation – We recommend that the Organization evaluate the current internal control structure and evaluate areas where segregation of duties may be improved.

View of Responsible Officials and Planned Corrective Actions - The CAP Agency agrees with this finding. New processes and procedures are currently being developed and implemented to include separation of recording and posting of entries to the general ledger, monthly reconciliation of general ledger accounts, proper set-up of authorizations in accounting system and cross-training of finance duties.

Section III – Federal Award Findings and Questioned Costs

Finding 2018-003 – Cash Management

CFDA No. 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA No. 93.568 - Low Income Home Energy Assistance Program
CFDA No. 93.600 - Head Start

<u>CFDA #</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Grant Period</u>
10.557	State of Minnesota, Department of Health	N/A	10/1/2017 – 9/30/2018
93.568	State of Minnesota, Department of Commerce	131477/10083	10/1/2017 – 9/30/2018
93.600	Direct funding	05CH8401/03	2/1/2017 – 1/31/2018
93.600	Direct Funding	05CH8401/04	2/1/2018 – 1/31/2019

Scott-Carver-Dakota CAP Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2018-003 – Cash Management (Continued)

Criteria - Uniform Guidance 2 CFR 200.302(b) states, “Payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity”, and 2 CFR 200.303(a) states, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 2 CFR 200.333 states, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or..., ... from the date of the submission of the quarterly or annual financial report.” The Organization’s own policies require that cash draw requests are to be prepared by the Organization’s accountant and then approved by the Finance Director prior to submission.

Condition - During our audit it was noted that there were few controls surrounding the cash management process. Often only one person was responsible, including the generation of reports to determine the Organization’s cash needs, preparing the requests, and the submission of these requests to funding sources. This led to inconsistencies and delays in requests for reimbursement. In our sample of nine transactions selected for testing, three for each major program, we noted the following exceptions:

- One of three draws selected for testing for the 93.568 program had no supporting documentation for the amount requested from the pass-through agency.
- One of three draws selected for testing for the 10.557 program did not have supporting documentation that agreed to the amount shown on the Organization’s bank statement.
- The Organization’s internal controls for cash draws requires that all draw requests be approved by someone other than the preparer. There was no evidence of this review for seven of nine draw requests tested - one from program 10.557, and three from programs 93.568 and 93.600.

This is a repeat finding from the prior year previously reported as finding 2017-004.

Context - Out of the three major programs, two of the programs typically draw down funds from the pass-through entity on a monthly basis and the Head Start program draws down funds from the US Treasury up to semi-monthly, resulting in a potential population of up to 48 cash draws for major programs. We haphazardly selected a total of nine cash draws to test compliance with statutes, regulations, and the terms and conditions of the award.

Effect - Without effective internal controls over cash draws it is possible that the Organization could potentially draw down funds in excess of cash needs. Because the Organization failed to follow federal regulations and its own procedures, a material weakness exists in internal controls over cash management.

Cause - Turnover in the accounting staff has resulted in a breakdown in internal controls over cash draws.

Questioned costs - None

Scott-Carver-Dakota CAP Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2018-003 – Cash Management (Continued)

Auditor’s Recommendation - We recommend that the Organization continue with its planned quality improvement plan, including maintaining documentation of the determination of cash draws. We also recommend that new agency staff receive training on the Uniform Guidance and grant management.

View of Responsible Officials and Planned Corrective Actions - The CAP Agency agrees with this finding and is continuing to work on the progress with the quality improvement plan. The procedures for cash draws for the Head Start grant have been revised and include maintaining the proper support for each draw requested. The new Director of Finance/CFO, new senior accountant and new senior finance analyst all recently attended WIPFLI’s Uniform Guidance and Head Start Regulation training.

Finding 2018-004 – Reporting

CFDA No. 93.600 - Head Start

<u>CFDA #</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Grant Period</u>
93.600	Direct funding	05CH8401/03	2/1/2017 – 1/31/2018
93.600	Direct funding	05CH8401/04	2/1/2018 – 1/31/2019

Criteria - Health and Human Services Regulations at 42 CFR 75.302(b)(2) require that the financial management system of each non-Federal entity must provide, “Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the requirements set forth in 75.341 and 75.342.” The regulations at 42 CFR 75.361 require that, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the HHS awarding agency.” The terms and conditions of the award require that the Organization report financial results on Form SF-425 *Federal Financial Report*.

Condition - The Organization did not ensure that the financial system always provided accurate, current and complete disclosure of financial results of the Head Start program. During our audit we asked to examine the semi-annual SF-425 expenditure reports for the periods ending 1/31/2018 and 7/31/2018.

- The report filed for the period ending 1/31/2018 reported a recipient share of expenditures of \$630,490 but the supporting documentation showed \$779,849.
- The report filed for the period ending 7/31/2018 was incomplete and only contained information related to cash receipts and disbursements but not federal expenditures or the recipient share.

During our audit we also examined the quarterly SF-425 cash status reports for 3/31/2018, 6/30/2018, and 9/30/2018 and had the following results:

- The report filed for the period ending 3/31/2018 reported cash receipts of \$261,969 and cash disbursements of \$583,660. The Organization’s Payment Management System inquiry for the same

Scott-Carver-Dakota CAP Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2018-004 – Reporting (Continued)

- period showed cash receipts of \$576,602 and other supporting documentation from the Organization's general ledger did not support the reported cash disbursements.
- The report filed for the period ending 6/30/2018 reported cash receipts of \$404,659 and cash disbursements of \$618,021. The Organization's Payment Management System inquiry for the same
- period showed cash receipts of \$726,350 and other supporting documentation from the Organization's general ledger did not support the reported cash disbursements.
- The report filed for the period ending 9/30/2018 reported cash receipts of \$174,846 and cash disbursements of \$507,318. The Organization's Payment Management System inquiry for the same period showed cash receipts of \$388,208 and other supporting documentation from the Organization's general ledger did not support the reported cash disbursements.

This is a repeat finding from the prior year previously reported as finding 2017-005.

Context - We selected the two periods for which SF-425 forms were required to be filed to report the financial results of the grant. We selected three out of four SF-425 cash status forms required to be filed to report the cash activity for each calendar quarter.

Effect - Head Start received incomplete information regarding the financial results of the semi-annual periods ending 1/31/2018 and 7/31/2018. Head Start received incomplete information regarding the cash activity of the Organization throughout the year.

Cause - Turnover in the accounting staff and lack of a review process resulted in a breakdown in internal controls over reporting.

Questioned costs - None

Auditor's Recommendation -We recommend that the Organization update the written policies related to reporting and that whenever information is required to be submitted to funding agencies, the Organization retain a copy of the report along with any data used in determining the information reported.

View of Responsible Officials and Planned Corrective Actions - The CAP Agency agrees with this finding and is in the process of updating its written finance policies and operating procedures which includes retaining a copy of the report submitted to funding agencies along with the supporting data used in determining the information reported.

Scott-Carver-Dakota CAP Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section IV – Summary Schedule of Prior Year Findings

2007-001 – Financial Statement Preparation

This finding was fully corrected in 2018.

2007-002 – Material Adjustments

This finding was partially corrected in 2018. See finding 2018-001.

2007-003 – Segregation of Duties

This finding was partially corrected in 2018. See finding 2018-002.

2007-004 – Cash Management

This finding was partially corrected in 2018. See finding 2018-003.

2007-005 – Reporting

This finding was partially corrected in 2018. See finding 2018-004.

2007-006 – Reporting

This finding was fully corrected in 2018.