

# DRAFT

**ARIZONA'S CHILDREN ASSOCIATION**

**SINGLE AUDIT REPORTS**

**YEAR ENDED SEPTEMBER 30, 2018**

# DRAFT

## ARIZONA'S CHILDREN ASSOCIATION

### SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2018

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**INDEPENDENT AUDITORS' 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 and Management  
Arizona's Children Association  
Tucson, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Arizona's Children Association (the Organization), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 24, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's consolidated 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 the 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 the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

Tucson, Arizona  
January 24, 2019

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors and Management  
Arizona's Children Association  
Tucson, Arizona

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

We have audited Arizona's Children Association's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization'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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Organization 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.

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

Management of the Organization 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 the Organization'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 circumstance 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 the Organization'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.

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

We have audited the consolidated financial statements of the Organization as of and for the year ended September 30, 2018, and have issued our report thereon dated January 24, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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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.

Tucson, Arizona  
January 24, 2019

## ARIZONA'S CHILDREN ASSOCIATION

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

Federal Grant/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to subrecipients	Federal Expenditures
<u>U.S. Department of Justice</u>				
Crime Victim Assistance	16.575			
Passed through:				
Arizona Department of Public Safety		Multiple	\$ -	\$ 274,201
Total U.S. Department of Justice			<u>-</u>	<u>274,201</u>
<u>U.S. Department of Health and Human Services</u>				
National Family Caregiver Support, Title III, Part E	93.052			
Passed through:				
Pima Council on Aging		Multiple	-	37,435
Promoting Safe and Stable Families	93.556			
Passed through:				
Arizona Department of Child Safety		Multiple	-	1,404,093
Temporary Assistance for Needy Families	93.558			
Passed through:				
Arizona Department of Child Safety		Multiple	-	194,586
Family Connection Grants	93.605			
Direct program		N/A	-	534,612
Foster Care -Title IV-E	93.658			
Passed through:				
Arizona Department of Child Safety		Multiple	-	5,868,542
Adoption Assistance	93.659			
Passed through:				
Arizona Department of Child Safety		Multiple	-	225,827
Social Services Block Grant	93.667			
Passed through:				
Arizona Department of Child Safety		Multiple	-	31,758
Chafee Foster Care Independence Program	93.674			
Passed through:				
Arizona Department of Child Safety		Multiple	-	2,707,368
Block Grants for Community Mental Health Services	93.958			
Passed through:				
Cenpatico Behavioral Health of Arizona		Multiple	-	172,386
Total U.S. Department of Health and Human Services			<u>-</u>	<u>11,176,607</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 11,450,808</u>

See accompanying notes to schedule of expenditures of federal awards.

## ARIZONA'S CHILDREN ASSOCIATION

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

1. Basis of presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Arizona's Children Association (the Organization) 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 *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 Arizona's Children Association, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Organization.

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. The Organization did not elect to use the ten percent de minimis indirect cost rate as allowed under the *Uniform Guidance*.

3. Catalog of Federal Domestic Assistance (CFDA) Numbers:

The program titles and CFDA numbers or federal identification numbers were obtained from the federal or pass-through grantor or the update to the 2018 *Catalog of Federal Domestic Assistance*.

## ARIZONA'S CHILDREN ASSOCIATION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2018

#### SUMMARY OF AUDITORS' RESULTS

##### *Financial Statements*

The auditors' report expressed an unmodified opinion on the consolidated financial statements of Arizona's Children Association.

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No  
Significant deficiency(ies) identified?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

##### *Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?  Yes  No  
Significant deficiency(ies) identified?  Yes  No

The auditors' report on compliance for the major federal awards program of Arizona's Children Association expressed an unmodified opinion on its major program.

Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)  Yes  No

Identification of major federal programs:

CFDA 93.658 Foster Care -Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee?  Yes  No

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**ARIZONA'S CHILDREN ASSOCIATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED SEPTEMBER 30, 2018**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

None

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**ARIZONA'S CHILDREN ASSOCIATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED SEPTEMBER 30, 2018**

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

## ARIZONA'S CHILDREN ASSOCIATION

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED SEPTEMBER 30, 2018

#### FINANCIAL STATEMENT FINDINGS

Finding 2017-001

*Condition:*

Internal controls should be in place to provide reasonable assurance that payroll time cards are being properly maintained and that proper support is documented and authorized.

*Recommendation:*

The auditor recommended the Organization establish a monitoring control to ensure time sheets are maintained and available.

*Current status:*

No similar instances were noted in the current year.