

**FAMILY SERVICE – UPPER OHIO VALLEY, INC.
WHEELING, WEST VIRGINIA**

**AUDIT REPORT
DECEMBER 31, 2015**

Family Service – Upper Ohio Valley, Inc.
DECEMBER 31, 2015

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 14
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 <i>GOVERNMENT AUDITING STANDARDS</i>	15 - 16
Schedule of Findings and Questioned Costs	17 - 20
Status of Prior Year Audit Findings/Comments	21 - 22
Schedule of State Awards and Expenditures	23



INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Family Service - Upper Ohio Valley, Inc.
Wheeling, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Family Service - Upper Ohio Valley, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 of America; 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 of America 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 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.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements Family Service - Upper Ohio Valley, Inc. does not report its expenses based upon functional classification. Accounting principles generally accepted in the United States of America require that nonprofit organizations present expenses on a functional basis either in the statement of activities or in the notes to the financial statements. The effects on the accompanying financial statements of the election to not report expenses on a functional basis have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service - Upper Ohio Valley, Inc. as of December 31, 2015, 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 of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state awards and expenditures is presented for the purpose of additional analysis 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 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 September 29, 2016 on our consideration of Family Service - Upper Ohio Valley, 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 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 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 Family Service - Upper Ohio Valley, Inc.'s internal control over financial reporting and compliance.



Wheeling, West Virginia
September 29, 2016

Family Service - Upper Ohio Valley, Inc.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 373,321
Accounts receivable - grants and contracts	189,596
Accounts receivable - other	5,326
Prepaid expense	11,912
Investments	938,214
Total current assets	1,518,369

PROPERTY AND EQUIPMENT

Land and land improvements	126,000
Building and building improvements	1,423,949
Equipment and major moveable equipment	1,091,857
Accumulated depreciation	(2,279,066)
Net property and equipment	362,740

TOTAL ASSETS	\$ 1,881,109
---------------------	---------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 83,505
Accrued wages, benefits, and taxes	88,924
Client funds held in trust	306,557
Total current liabilities	478,986

NET ASSETS - UNRESTRICTED	1,402,123
----------------------------------	------------------

TOTAL LIABILITIES AND NET ASSETS	\$ 1,881,109
---	---------------------

The accompanying notes are an integral part of the financial statements.

Family Service - Upper Ohio Valley, Inc.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>
REVENUES AND OTHER SUPPORT	
Grants and contracts	\$ 1,199,612
Medicaid client fees	79,546
Program income and other client fees	146,552
United Way and other contributions	78,504
Investment income	12,106
Special events income, net of \$39,562 in expenses	17,800
Rental income	25,755
Miscellaneous income and reimbursements	3,007
Total revenues and other support	1,562,882
 EXPENSES	
Salaries, wages, and contract services	973,114
Payroll taxes and employee benefits	231,150
Utilities and telephone	86,340
Insurance	25,297
Repairs and maintenance	31,671
Supplies and equipment	44,230
Food and nutrition supplies	170,576
Postage and printing	9,906
Travel	20,746
Professional fees and purchased services	98,297
Rent	12,599
Miscellaneous	37,362
Depreciation and amortization	82,389
Total expenses	1,823,677
CHANGE IN NET ASSETS	(260,795)
 NET ASSETS, BEGINNING OF YEAR	1,662,918
 NET ASSETS, END OF YEAR	\$ 1,402,123

The accompanying notes are an integral part of the financial statements.

Family Service - Upper Ohio Valley, Inc.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (260,795)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	82,389
Unrealized (gains) losses on investments	40,617
Changes in assets and liabilities:	
Accounts receivable - grants, contracts, and other	54,617
Prepaid expenses	1,324
Deferred revenue	(38,313)
Client funds held in trust	110,511
Accounts payable and other accrued expenses	35,069
Accrued wages, benefits, and taxes	(40,579)
Net cash used in operating activities	<u>(15,160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of securities	(465,419)
Proceeds from sale/maturity of securities	563,472
Purchase of fixed assets	<u>(23,939)</u>
Net cash provided by investing activities	<u>74,114</u>
Increase in cash and cash equivalents	58,954
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>314,367</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 373,321</u>

The accompanying notes are an integral part of the financial statements.

Family Service - Upper Ohio Valley, Inc.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Family Service - Upper Ohio Valley, Inc. (the "Agency") is a non-profit organization who receives most of its funding through federal, state, and other grants, contracts, and fee-for-service arrangements. The Agency provides a variety of social and health related services primarily to residents of Ohio and Marshall Counties, West Virginia and the surrounding area. The Agency also operates a conservator/representative payee program.

The Agency has an extensive Senior Service Division which provides nutrition services, social support services, in-home care, health screening, recreation, transportation, and adult day care. The purpose of these programs is mostly to meet the needs of Older Americans.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, with the exception of not recording expenses on a functional basis, as further described below under the Expense Allocations heading of this note.

Basis of Presentation - The financial statements are presented following the recommendations of the Financial Accounting Standards Board in its Statement of Accounting Standards Codification (FASB ASC) No. 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under FASB ASC No. 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. Temporarily restricted net assets are restricted as to time or purpose as designated by the donor. All net assets other than those subject to temporary or permanent donor-imposed restrictions, including Board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class. The Agency had no temporarily or permanently restricted net assets as of December 31, 2015. In addition, the Agency is required to present a statement of cash flows.

Investments - The Agency carries investments at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income is reported as increases in unrestricted net assets.

Family Service – Upper Ohio Valley, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable - Accounts receivable consists primarily of grant and contract amounts due for reimbursement of program services provided and program expenses incurred by year end.

Property and Equipment - All acquisitions of property and equipment generally in excess of \$1,000 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Acquisitions of property less than \$1,000 may occur as management will look at the nature of the asset purchased and will choose to capitalize or expense these items. Property and equipment are carried at cost or, if donated, at their approximate fair value at the date of donation.

Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets, which mostly range from 3 to 20 years. Depreciation expense for the year ended December 31, 2015, was \$82,389.

Other Items - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Those funds restricted by the donor are recorded under temporarily or permanently restricted funds based on donor stipulations. The Agency received no restricted donations in fiscal year 2015.

Income Tax - The Agency is a non-profit organization, exempt under Section 501(c)(3) of the Internal Revenue Code.

Family Service - Upper Ohio Valley, Inc. has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Agency believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Agency's financial condition, results of activities, or cash flows. Accordingly, the Agency has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2015.

The Agency is subject to routine audits by taxing jurisdictions. However, there are currently no audits for any tax periods in progress. The Agency believes it is no longer subject to income tax examinations for fiscal years prior to 2012.

Family Service – Upper Ohio Valley, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations - The Agency receives a substantial amount of its support from federal and state governments which also includes State of West Virginia Medicaid funds. A significant reduction in the level of this support, if this were to occur, may have an effect on the Agency's activities.

Additionally, under the terms of federal and state contracts and grants, periodic audits are required and certain costs may be questioned as inappropriate expenditures. Such audits could lead to reimbursement to the grantor agency. Management believes disallowances, if any, would be immaterial.

Financial instruments that potentially subject the Agency to significant concentration of credit risk consist principally of cash. The Agency maintains cash with financial institutions which, at times, may exceed federally insured limits. The Agency believes it is not exposed to any significant credit risk on cash.

Estimates - The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

Expense Allocation - Direct expenses of the Agency have been recorded on a grant, program, or contract basis. In addition costs that cannot be directly charged to a grant, program, or contract are recorded in an indirect cost account and then allocated to specific grants, programs or contracts based upon a variety of allocation methodologies. Updates to the methodologies are made at management's discretion to consider certain budget limitations.

In addition, expenses related to central operations (mostly the HRC Building) are accumulated in a building expense account. On a monthly basis, the expenses are offset by any rental income, and the remaining expenses are distributed to the grants, programs, and contracts of the Agency based on an allocation developed by management. The allocation percentages for 2015 are based on allocations from the previous fiscal year.

The accounting for cost allocations and reporting of program and administrative costs is not in conformity with accounting principles generally accepted in the United States of America (U. S. GAAP). Therefore, expenses of the Agency cannot be properly reported on a functional basis in accordance with GAAP for the year 2015. FASB ASC No. 958-205 requires nonprofit organizations to disclose in the statement of activities or footnotes to the financial statements expenses of the Agency by functional classification. It was not practical to determine the effect of this departure from U. S. GAAP on the financial statements.

Family Service – Upper Ohio Valley, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues - Revenues are recognized in the accompanying financial statements as follows:

Grants and Reimbursement Contracts:

The funds due from various funding sources under grants and contracts are recognized as revenue in the accounting period when the expenditures are incurred and the grant funds are earned. Amounts received in advance of related expenditures being incurred are recorded as deferred revenue.

Program Revenue:

The amount due from various sources is recognized as revenue in the accounting period when the administrative support and/or contract services are provided.

NOTE 2 - CASH AND CASH EQUIVALENTS

Family Service - Upper Ohio Valley, Inc. maintains checking and savings accounts at various local financial institutions. At December 31, 2015, there was \$167,568 on deposit that exceeded the \$250,000 federally insured limit.

For the purpose of the cash flows statement, the Agency includes cash in banks and on hand and certificates of deposit with original maturities of 90 days or less, as cash and cash equivalents. The Agency paid no interest or income taxes in the year 2015.

NOTE 3 - RETIREMENT PLANS

The Agency has a policy of contributing to each qualified employee's individual retirement contract. No separate plan is maintained by the Agency. The Agency will contribute to each employee's individual contract up to 6 percent of the employee's gross salary, if the employee contributed up to 3 percent of their gross salary. Plan costs for the period ended December 31, 2015, were \$25,550.

Family Service – Upper Ohio Valley, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - ACCOUNTS RECEIVABLE

Grants and contracts receivable balances are mainly comprised of amounts due from funding sources in reimbursement-type arrangements. Amounts due at December 31, 2015, represent funds due for expenses incurred or services provided as of December 31, 2015. The amounts detailed below have been classified as grants and contracts receivable for reporting purposes.

In-Home (Lighthouse, Fair)	\$ 11,872
LIFE Funds	63,567
Title III-E/III-B	34,586
Adult Day Care	3,636
CDBG - 2015 services	4,000
WV Development Office	3,395
State of WV - SHIP	9,750
Title III C Nutrition	39,321
Medicaid	<u>19,469</u>
 Total	 <u>\$ 189,596</u>

Accounts receivable-other at December 31, 2015, is comprised of reimbursements due from a vendor overpayment totaling \$5,326.

NOTE 5 - INVESTMENTS

Cost and estimated fair value of investments at December 31, 2015, are as follows:

	<u>Estimated Fair Value</u>	<u>Cost</u>
Cash and cash equivalents held for long-term investments	\$ 12,209	\$ 12,209
Equities	399,909	390,243
Fixed income	<u>526,096</u>	<u>499,756</u>
 Total investments	 <u>\$ 938,214</u>	 <u>\$ 902,208</u>

Components of investment income for 2015 consist of the following:

	<u>Unrestricted</u>
Interest and dividends on investments	\$ 24,267
Unrealized gains (losses) on investments	(40,617)
Realized gains (losses) on investments	<u>28,456</u>
 Total return on investments	 <u>\$ 12,106</u>

Family Service – Upper Ohio Valley, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 - FAIR VALUE MEASUREMENTS

The Agency follows the provisions of *Fair Value Measurements ASC820*, which applies to all financial instruments that are being measured and reported on a fair value basis. Under ASC820, fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and derivatives. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; fair value is determined through the use of models or other valuation methodologies. Investments generally included in this category are corporate bonds and loans, less liquid and restricted equity securities, and over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is limited market activity for the asset or liability. The inputs for determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general limited interests in private investment funds, real estate funds, debt funds, and distressed debt.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The Agency classified investments in publicly traded securities as Level 1 instruments because they comprise assets traded on public exchanges with readily determinable fair values and observable market-based inputs. Certain cash and cash equivalent investments maintained in the investment accounts totaling \$12,209 are not included in the table below, but are stated at fair value and included in the investment amounts reported in the statement of financial position.

Family Service – Upper Ohio Valley, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents assets reported on the financial statements at their fair value as of December 31, 2015, by Level within the fair value hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equity and equity mutual funds	\$ 399,909	\$ -	\$ -	\$ 399,909
Fixed income securities	<u>526,096</u>	<u>-</u>	<u>-</u>	<u>526,096</u>
Total	<u>\$ 926,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 926,005</u>

NOTE 7 - SPECIAL EVENTS INCOME AND EXPENSE

The Agency operates a bingo and conducts several events for Senior Citizens in the local area. Net revenues of \$17,800 from these events are shown net of expenses totaling \$39,562 in the statement of activities. Gross revenues and expenses from these events are as follows at December 31, 2015:

	<u>Revenue</u>	<u>Expenses</u>
Bingo and Raffle	\$ 31,289	\$ 14,465
Senior Services events	<u>26,073</u>	<u>25,097</u>
Total	<u>\$ 57,362</u>	<u>\$ 39,562</u>

In late 2015, Bingo and Raffle events held at Wheeling Island were terminated due to increased costs related to space/rentals and the personnel costs of operating the events.

Expenses for Senior Services events include employee administrative costs of \$2,675. These events are ancillary to the operations or programs of Family Service - Upper Ohio Valley, Inc.

NOTE 8 - SUBSEQUENT EVENTS

Family Service - Upper Ohio Valley, Inc. assessed events occurring subsequent to December 31, 2015, through September 29, 2016, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to, or disclosure in, the financial statements which were available to be issued on September 29, 2016.



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 of
Family Service - Upper Ohio Valley, Inc.
Wheeling, West Virginia

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 Family Service - Upper Ohio Valley, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 dated September 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Service - Upper Ohio Valley, 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 Family Service - Upper Ohio Valley, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Family Service - Upper Ohio Valley, 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 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (See Findings 2015-001 to 2015-005.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Service - Upper Ohio Valley, Inc.'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2015-001 through 2015-005.

Family Service – Upper Ohio Valley Responses to Findings

Family Service – Upper Ohio Valley's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Family Service – Upper Ohio Valley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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



Wheeling, West Virginia
September 29, 2016

Family Service – Upper Ohio Valley, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

FINDING 2015-001: SIGNIFICANT DEFICIENCY – COST ALLOCATIONS

Condition: The cost allocation plan is not formally documented and supported by actual allocation methodologies such as square footage, time studies, and other acceptable and reasonable allocation bases under U.S. Generally Accepted Accounting Principles (U.S. GAAP), as well as regulatory guidance for federal programs. Allocations to the various programs and grants, as well as administrative versus program costs, could not be tested to determine that the allocations were reasonable and, therefore, the Agency did not report expenses on a functional basis for financial reporting purposes.

Criteria: Costs that are not directly assignable to a particular grant or program may be allocated to grants and programs based on the proportional benefit to that grant or program. The costs should be allocated based on a reasonable documented basis. For federal grants and contracts, costs may not be charged to other federal awards to overcome fund deficiencies, budget restrictions, and terms or conditions of the award. In addition, U.S. GAAP requires cost allocations to be updated on an annual basis and adequately supported by documented allocation base methods such as time studies and square footage information. In addition, U.S. GAAP requires certain not-for-profit agencies to disclose expenses on a functional basis for financial reporting purposes.

Cause: Due to a lack of training and knowledge of cost allocation procedures by former Agency staff, outdated and undocumented cost allocation procedures continued to be used in the current fiscal year. With a turnover of staff in the Executive Director and Fiscal Director areas in the past fiscal year, updates to the allocation process are now being reviewed, but changes to the allocation process and documentation to support that process were not available by fiscal year end.

Effect: The Agency could not properly identify its costs on a functional basis. Certain Agency expenses may have been allocated to programs/contracts/grants on a basis that did not reflect the proportionate benefit to that program.

Recommendation: The Agency should immediately develop a well-documented and adequately supported cost allocation plan that will ensure fair and reasonable allocation of shared costs to the benefiting grants/programs/contracts. This plan should then be updated on at least an annual basis to ensure that, going forward, costs continue to be allocated in a fair and reasonable manner.

Management Response:

We hired an outside firm to accurately measure the building. Once completed, Cost Allocations will be based on square footage of the department and billed to appropriate grants.

Family Service – Upper Ohio Valley, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

FINDING 2015-002: SIGNIFICANT DEFICIENCY - PAID DAYS OFF (PDO) ACCRUALS

Condition: ZPLC noted that the client does not appear to be tracking Paid Days Off (PDO) in accordance with the current personnel policies. Based on information from current employees, the former Executive Director also permitted employees to exceed policy limits for PDO accruals without proper documentation being found. In addition, hourly rates used to adjust the PDO report at year end were based on current salary information and not the rate of pay when the PDO was earned due to inadequate information available to support the accrual estimate.

Criteria: Year end PDO accruals should be based on amounts earned and accrued on a monthly basis at the pay rate in effect when the days are earned. Support should be maintained to sufficiently track days earned and taken by each employee, and any amounts above policy limits should be addressed and removed from the accrual.

Cause: Employees responsible for the documentation to support the accrual appear to have been inadequately trained regarding PDO accrual policies and procedures. Improper oversight by former senior management in regard to the accrual and policies in place at the time may have also contributed to the issues.

Effect: While the overall PDO balance was determined to be fairly stated for financial reporting purposes at year end, going forward, adequate documentation should be available to properly support PDO accruals as of the financial reporting date and should be in accordance with current policy. Without proper controls and processes in effect, errors could occur that would be material to the financial statements.

Recommendation: Current senior management is aware of the PDO accrual and policy issues and is evaluating changes to the policy to provide more efficient and effective processes for monitoring and documenting the PDO accruals. We recommend that updated policies and procedures be placed into operations as soon as possible and corrections be made for fiscal year 2016 to ensure that PDO accruals are in line with current policy guidance and adequately documented.

Management Response:

Change of payroll provider is currently in process. The new service will be able to accurately verify PDO that has been earned and used.

FINDING 2015-003: SIGNIFICANT DEFICIENCY - TIMELY REMISSION OF PAYROLL TAXES AND BENEFITS

Condition: Federal tax payments and employee pension benefits do not appear to always be remitted in a timely or accurate manner. Two instances were identified where federal tax payments were not timely remitted and, in a few instances, the employee retirement contributions were not submitted within the required time period. Retirement account payments were also over paid, and a refund was provided to the Agency in 2016.

Family Service – Upper Ohio Valley, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

FINDING 2015-003 (CONTINUED):

Criteria: Federal tax deposits are to be made within the specified timeframe set forth by the Internal Revenue Service, and employee withholdings for retirement accounts should be remitted within 15 days of the payroll date.

Cause: Oversight of the payroll area was not sufficient to ensure that tax payments and withholdings were submitted on a timely and accurate basis.

Effect: Penalties and interest may have been incurred for late payments.

Recommendation: Oversight of the payroll areas should be adequate to ensure that all payments are submitted timely and accurately. This area should be reviewed for compliance by the CFO to ensure required timeframes are met.

Management Response:

The PDO issues, along with this issue, were a deciding factor as to why Family Service is changing payroll providers. This was one of the benefits to having an outside firm handling these issues, and they failed.

FINDING 2015-004: SIGNIFICANT DEFICIENCY – LACK OF SEGREGATION OF DUTIES – CONSERVATOR PROGRAM

Condition: During our evaluation of internal controls over the disbursement of client funds in the Conservator Program, we noted a lack of segregation of duties over those disbursements. (Disbursements from the Conservator Account are initiated, approved, and recorded by a single employee of the Agency.) The control process also did not include an independent review of support for the disbursements from client resources. (Review of the checks is performed, but support documentation is not included in the review.)

Criteria: A fundamental element of internal control is the segregation of duties so that one individual cannot perpetrate or conceal errors, fraud, or abuse. Internal controls require the segregation of responsibilities in authorizing transactions, custody of assets, and record keeping. Controls should also ensure timely reconciliation of all cash accounts.

Cause: Turn-over and inadequate staffing in the Accounting Department, as well as internal controls that were not effectively designed to provide for adequate segregation of duties and review of client disbursements, resulted in deficiencies being identified.

Effect: The lack of segregation of duties and improper monitoring and oversight of client funds subjects the Agency to increased risk of fraud, abuse, and errors in financial reporting and maintenance of client funds. No review of the support for disbursement of client funds was evident.

**Family Service – Upper Ohio Valley, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

FINDING 2015-004 (CONTINUED):

Recommendation: This finding is carried forward from 2015 as processes were not in place for most of 2015 to address this issue. Management has developed new policies and procedures in late 2015 and early 2016. We recommend that management review the policies and procedures to ensure proper segregation of duties over the initiation, approval, and recording of disbursements from the Conservator Account to reduce the risk of fraud, abuse, or errors in financial reporting.

Management Response:

Even though this issue was noted on last year's audit, new management was in place the last quarter of the year, and this issue is being resolved as best as possible with limited staff. We are separating as many duties as possible with limited staff.

Accounting is now directly involved in day-to-day process of clearing checks and deposits as they occur on a daily basis. The person who deals directly with clients is not the person who deals with the accounting side of the department. The person who issues the checks is different from the person who reconciles the account. We have eliminated the computer generated signatures and review of invoices is done before checks are signed. Two signatures are required.

FINDING 2015-005: SIGNIFICANT DEFICIENCY – JOURNAL ENTRIES

Condition: There does not appear to be controls in place to ensure that journal entries are reviewed by someone independent of the preparation of those entries. (This is a repeat finding from 2014.)

Criteria: To ensure that only proper adjusting entries are recorded, controls should be in place to prevent unauthorized or unapproved adjustments to general ledger accounts.

Cause: Turnover and inadequate staffing may have contributed to the lack of review of journal entries.

Effect: During most of 2015, adjustments to general ledger accounts were posted without proper review and approval by a knowledgeable person. To assist with the year-end close process, Management did use the resources of an outside accountant to strengthen the controls over the journal entry process.

Recommendation: We recommend that controls be established to ensure that journal entries are properly reviewed and approved by a knowledgeable person other than the preparer.

Management Response:

The CFO and CEO will review journal entries for the month and consult outside accounting firm when necessary.

Family Service – Upper Ohio Valley, Inc.
STATUS OF PRIOR YEAR AUDIT FINDINGS/COMMENTS
DECEMBER 31, 2015

FINDING 2014-001: MATERIAL WEAKNESS – GENERAL LEDGER AND FINANCIAL REPORTING CONTROLS

Condition: Certain controls and processes were not effectively designed or operated to ensure the preparation of accurate year-end financial statements, and Agency assets were misappropriated. Specifically, signature stamps were not properly controlled, and the trial balance submitted for audit contained numerous errors.

Current Status: Resolved

FINDING 2014-002: MATERIAL WEAKNESS – LACK OF SEGREGATION OF DUTIES – CONSERVATOR PROGRAM

Condition: During our evaluation of internal controls over the disbursement of client funds in the Conservator Program, we noted a lack of segregation of duties over those disbursements. (Disbursements from the Conservator Account are initiated, approved, and recorded by a single employee of the Agency.) The control process also did not include an independent review of support for the disbursements from client resources. (Review of the checks is performed but support documentation is not included in the review.) The Conservator account had also not been reconciled for several months.

Current Status: See Finding 2015-004

FINDING 2014-003: SIGNIFICANT DEFICIENCY – JOURNAL ENTRIES

Condition: There does not appear to be controls in place to ensure that journal entries are reviewed by someone independent of the preparation of those entries.

Current Status: See Finding 2015-005

FINDING 2014-004: SIGNIFICANT DEFICIENCY – PAYROLL FILE DOCUMENTATION AND AUTHORIZED PAY RATES

Condition: The passage of the Immigration Reform and Control Act in 1986 requires employers to verify employment authorization of each employee they hire. This is done using Form I-9. ZPLC tested ten employee files and of the ten tested, we could not locate the required Form I-9 for four of the files tested. In addition, several policy exceptions were noted related to required documentation in employee files. We also identified several instances where current pay rates could not be supported.

Current Status: Resolved

**Family Service – Upper Ohio Valley, Inc.
STATUS OF PRIOR YEAR AUDIT FINDINGS/COMMENTS
DECEMBER 31, 2015**

FINDING 2014-005: SIGNIFICANT DEFICIENCY – BILLING SYSTEM CONTROLS

Criteria: To ensure that the appropriate units of service are billed to third-party providers, controls should be in place to ensure proper and accurate billing.

Current Status: Resolved

**FAMILY SERVICE - UPPER OHIO VALLEY
SCHEDULE OF STATE AWARDS AND EXPENDITURES
FOR YEAR ENDED DECEMBER 30, 2015**

<u>State Awards and Other Assistance State Grantor/Pass-through</u>	<u>Award/ Grant No.</u>	<u>State Receipts</u>	<u>State Expenditures</u>
WEST VIRGINIA BUREAU OF SENIOR SERVICES			
State Discretionary Grant-Lighthouse	IH1509	\$ 91,940	\$ 91,940
State Discretionary Grant-Lighthouse-Data Entry	IH1509	2,500	2,500
State Discretionary Grant-Lighthouse-Hancock Co.	IH1556	3,775	3,775
State Discretionary Grant-Lighthouse	IH1609	90,304	90,304
State Discretionary Grant-Lighthouse-Data Entry	IH1609	5,000	5,000
State Discretionary Grant-Lighthouse-Hancock Co.	IH1609	1,408	1,408
		<u>194,927</u>	<u>194,927</u>
State Alzheimer's Respite/FAIR	IH1509	16,713	16,713
State Alzheimer's Respite/FAIR	IH1609	3,426	3,426
		<u>20,139</u>	<u>20,139</u>
State Health Insurance Program Funds - SHIP	SHIP 1623	12,188	12,188
State Health Insurance Program - MIPPA	MIPPA1509	1,875	1,875
		<u>14,063</u>	<u>14,063</u>
WEST VIRGINIA BUREAU OF SENIOR SERVICES			
Passed through the Bel-O-Mar Regional Council:			
Special Programs for the Aging-Title III, B-State	21535	37,350	37,350
Special Programs for the Aging-Title III, B-State	21635	41,863	41,863
		<u>79,213</u>	<u>79,213</u>
Special Programs for the Aging-Title III, C1-State	n/a	108,180	108,180
Special Programs for the Aging-Title III, C2-State	n/a	183,772	183,772
		<u>291,952</u>	<u>291,952</u>
State Legislative Initiatives for the Elderly (L.I.F.E.)	21302	130,968	130,968
State Legislative Initiatives for the Elderly (L.I.F.E.)	21602	131,520	131,520
		<u>262,488</u>	<u>262,488</u>
WEST VIRGINIA DEVELOPMENT OFFICE			
Passed through the Ohio County Commission:			
Community Participation Grant Program	14LEDA2006	3,395	3,395
TOTAL STATE AWARDS AND EXPENDITURES		<u>\$ 866,177</u>	<u>\$ 866,177</u>
<u>OTHER ASSISTANCE</u>			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through West Virginia Department of Health and Human Resources:			
Medicaid	n/a	\$ 79,546	\$ 79,546
TOTAL OTHER ASSISTANCE		<u>\$ 79,546</u>	<u>\$ 79,546</u>