

**FEDERAL AWARDS
SUPPLEMENTARY INFORMATION
of
TOLEDO LUCAS COUNTY
HOMELESSNESS BOARD**

Year ended December 31, 2012

TABLE OF CONTENTS

	<u>Page</u>
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>	1-2
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED ACCORDANCE WITH OMB CIRCULAR A-133	3-5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8-11
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS	12-13

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
Toledo Lucas County Homelessness Board
Toledo, Ohio

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 Toledo Lucas County Homelessness Board (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, 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 November 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Toledo Lucas County Homelessness Board'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 Toledo Lucas County Homelessness Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

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. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above and noted as findings 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Toledo Lucas County Homelessness Board'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 item 2012-3.

Toledo Lucas County Homelessness Board's Response to Findings

Toledo Lucas County Homelessness' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Toledo Lucas County Homelessness Board'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 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.

DeMarco & Associates CPAs, LLC

Perrysburg, Ohio
November 30, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Toledo Lucas County Homelessness Board
Toledo, Ohio

Report on Compliance for Each Major Federal Program

We have audited Toledo Lucas County Homelessness Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Toledo Lucas County Homelessness Board's major federal programs for the year ended December 31, 2012. Toledo Lucas County Homelessness Board'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Toledo Lucas County Homelessness Board'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Toledo Lucas County Homelessness Board'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 Toledo Lucas County Homelessness Board's compliance.

Opinion on Each Major Federal Program

In our opinion, Toledo Lucas County Homelessness Board 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-2 and 2012-3. Our opinion on each major federal program is not modified with respect to these matters.

Toledo Lucas County Homelessness Board's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Toledo Lucas County Homelessness Board'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 Toledo Lucas County Homelessness Board 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 Toledo Lucas County Homelessness Board'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 OMB Circular A-133, 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 Toledo Lucas County Homelessness Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-2.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-3 to be a significant deficiency.

Toledo Lucas County Homelessness Board's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Toledo Lucas County Homelessness Board'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

DeMarco & Associates CPAs LLC

Perrysburg, Ohio
November 30, 2013

**TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA/Grant Number	2012 Federal Expenditures
Department of Housing and Urban Development Office of Community Planning and Development/Pass-through Ohio Department of Development/Emergency Solutions Grant Program (ESG)	14.231	\$ 120,012
Department of Housing and Urban Development Office of Community Planning and Development/Pass-through City of Toledo/Emergency Solutions Grant Program (ESG)	14.231	<u>84,719</u>
Total ESG		<u>204,731</u>

Department of Housing and Urban Development Office of Community Planning and Development/Pass-through City of Toledo/Homelessness Prevention and Rapid Recovery Housing Program (HPRP)	14.257	99,456
Department of Housing and Urban Development Office of Community Planning and Development/ Pass-through Ohio Department of Development/Homelessness Prevention and Rapid Recovery Housing Program (HPRP)	14.257 N-A-09-880-1	<u>99,169</u>
Total HPRP		<u>198,625</u>

Department of Housing and Urban Development Office of Community Planning and Development/Supportive Housing Program	14.235 OH034B5E011003	113,585
Department of Housing and Urban Development Office of Community Planning and Development/Pass-through City of Toledo/Community Development Block Grants	14.218	<u>9,960</u>
Total Expenditures		<u>\$ 526,901</u>

TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Toledo Lucas County Homelessness Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major program(s):

- Material weakness identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes No

Identification of major program(s):

CFDA Number	Name of Federal Program
14.231	Department of Housing and Urban Development Office of Community Planning and Development/Pass-through City of Toledo/Emergency Solutions Grant Program(ESG)
14.235	Department of Housing and Urban Development Office of Community Planning and Development/Supportive Housing Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

**TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section II – Financial Statement Audit Findings

Finding 2012 - 1 Double Entry Accounting System

Condition: In accordance with OMB Circular A-110, Subpart C, Paragraph 21(b)(1) the organization will provide for “accurate, current and complete disclosure of the financial results of each federally-sponsored project”. The organization currently does not utilize a double entry accounting system.

Criteria (required for A-133): Utilizing a double entry accounting system and/or related double entry accounting software provides a complete audit trail and provides advantages of certain reporting, reconciliation and monitoring that a single sided accounting system can not provide.

Effect of Condition: A single sided accounting system can provide financial activity reports but does not provide a complete set of financial statements including a statement of financial position and a statement of activities. Without the utilization of a double entry accounting system, the organization may not be performing proper oversight and monitoring related to an accurate and current statement of financial position.

Cause of Condition: The organization has not implemented an accounting system unique for grant/fund management. The current (2012) accounting system is a one sided system. Implementation of a double entry accounting system/software that is unique to grant management can be quite costly and extensive. With limited resources, the Organization had not implemented this type of system.

Recommendation: We recommend the implementation of a double entry accounting/software system that will permit the preparation of accurate, current and complete financial reports.

Views of Responsible Officials and Planned Correct Actions: Responsible officials concur with the above recommendation. The organization implemented SAGE Accounting Software for fiscal period ending December 31, 2013 and is up to date with accounting information.

**TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section III – Federal Program Audit Findings and Questioned Costs

Finding 2012 - 2 Cash Management

Condition: The organization has not implemented a cash management system to ensure compliance with the fifteen day rule. The OHCP Financial Management Rules and Regulations state, “Funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of the funds.” For grants tested, the agency held a balance of more than \$5,000 for longer than fifteen days.

Grant Number N-A-09-880-1 Date of Draw Down	Cash Balance	Date of Disbursement	Days Out of Compliance
4/27/12	\$65,169.95	5/30/13	398 Days
6/5/12	\$77,551.34	5/30/13	359 Days
6/5/12	\$55,648.66	*11/30/13	543 Days
8/30/12	\$42,950.00	*11/30/13	543 Days

*Agency has been out of compliance for 543 days which extends beyond our audit report date of 11/30/13.

Criteria (required for A-133): In accordance with *the Office of Housing and Community Partnerships (OHCP) Financial Management Rules and Regulations, Section (f), Cash Management*, agencies must “develop a cash management system to ensure compliance with the 15-day rule relating to prompt disbursement of funds.” The rule states that funds drawn down should be “limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within 15 days of receipt of any funds.”

Effect of Condition: Without a cash management system to ensure compliance with the OHCP cash management rule and related drawn downs that retain funds less than \$5,000 within 15 days of receipt, the organization is in non compliance with related regulations and may jeopardize current and future funding.

Cause of Condition: The organization has taken on responsibilities to prevent and reduce homelessness that includes initiating and supporting programs that require cost reimbursement type arrangements with the City of Toledo. These programs require the organization to pay for program expenses up front and seek reimbursement from the city retrospectively. This program initiative along with minimal accounting capacity led to the entangling of grant funds in the cycle of client service provision and reimbursement. The draw down funding has been a key component of this initiative and has resulted in the organization not complying with the fifteen day rule.

Recommendation: We recommend that the organization develop and implement a cash management system to minimize the amount of time funds are kept on hand and that draw downs meet the 15-day rule. We recommend complete utilization of accounting systems to track cash requirement needs. We recommend the organization examine, negotiate and implement policies and procedures that will provide appropriate levels of funding to manage cost reimbursement type arrangements.

Views of Responsible Officials and Planned Correct Actions: Responsible officials concur with the above recommendation and are adopting related policies and procedures to comply with the 15-day rule of utilization of draw down funds. The organization is also initiating protocol for policies and procedures as it relates to cost reimbursement type arrangements.

**TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section III – Federal Program Audit Findings and Questioned Costs (continued)

Finding 2012 - 3 Grant Agreement Audit Requirement

Condition: During the audit period, the Organization entered into a grant agreement with the State of Ohio, Department of Development (ODOD). The grant agreement states “grantees receiving a state-funded grant award equal or greater than \$100,000 are required to submit either a single audit or grant specific audit to the Ohio Department of Development.” The single audit must be submitted to ODOD within 30 days of the date of the release, but no later than nine months after the end of the audit period. The Organization would be required to submit a program or single audit for the periods ending December 31, 2012 no later than nine months after the year end. The organization had initiated the audit process, but has not met the submission deadline.

Criteria (required for A-133): In accordance with the State of Ohio Homeless Assistance Grant Program (State), Attachment E(1), “grantees receiving a state-funded grant award equal or greater than \$100,000 are required to submit either a single audit or grant specific audit to the Ohio Department of Development.” This report must include a schedule of ODOD-administered grants. Single audits must be submitted to ODOD within 30 days of the date of the release, but no later than nine months after the end of the audit period.

Effect of Condition: Without meeting the submission deadline of the single audit report within nine months after the end of the audit period, the organization may jeopardize current and future funding.

Cause of Condition: The Organization had begun the audit process in July 2012. Third party confirmations that are required for audit verification were not received timely from funding organizations and the period of time required to complete the audit extended past September 30, 2012.

Recommendation: We recommend that the organization develop policies and procedures that will facilitate timely completion and submission of an annual audit report in accordance with grant agreements.

Views of Responsible Officials and Planned Correct Actions: Responsible officials concur with the above recommendation and have adopted related policies and procedures to meet state funding requirements.

**TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**

Section II - Financial Statement Audit Findings

Finding 2011 - 1 Double Entry Accounting System

Condition: In accordance with OMB Circular A-110, Subpart C, Paragraph 21(b)(1) the Organization will provide for “accurate, current and complete disclosure of the financial results of each federally-sponsored project”. The Organization currently does not utilize a double entry accounting system.

Recommendation: We recommend the implementation of a double entry accounting/software system that will permit the preparation of accurate, current and complete financial reports.

Current Status: The organization implemented SAGE Accounting Software for fiscal period ending December 31, 2013 and is up to date with accounting information.

**TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**

Section III – Federal Program Audit Findings and Questioned Costs

Finding 2011 - 2 Cash Management

Condition: During the audit period, the organization had not implemented a cash management system to ensure compliance with the 15-day rule relating to prompt disbursement of funds and had drawn down funds and not expended less than \$5,000 within fifteen days of the draw down. During the audit period, the Organization drew down and maintained fund balances greater than \$5,000 past the 15-day rule.

Recommendation: We recommend that the organization develop and implement a cash management system to minimize the amount of time funds are kept on hand and that draw downs meet the 15-day rule.

Current Status: The organization is initiating protocol for policies and procedures as it relates to cost reimbursement type arrangements and procedures to meet state funding requirements.

Finding 2011 - 3 Grant Agreement Audit Requirement

Condition: During the audit period, the organization entered into a grant agreement with the State of Ohio, Department of Development (ODOD). The grant agreement states “grantees receiving a state-funded grant award equal or greater than \$100,000 are required to submit either a single audit or grant specific audit to the Ohio Department of Development.” The single audit must be submitted to ODOD within 30 days of the date of the release, but no later than nine months after the end of the audit period. The organization would be required to submit a program or single audit for the periods ending December 31, 2011 no later than nine months after the year end. The organization had initiated the audit process but has not met the submission deadline.

Recommendation: We recommend that the organization develop policies and procedures that will facilitate timely completion and submission of an annual audit report in accordance with grant agreements.

Current Status: The organization has adopted related policies and procedures to meet state funding requirements.