

**SOUTHEASTERN ARIZONA
COMMUNITY ACTION PROGRAM**

Annual Financial Statements
and
Independent Auditors' Reports

June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southeastern Arizona Community Action Program
Safford, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Southeastern Arizona Community Action Program (SEACAP) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, 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 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 SEACAP as of June 30, 2017, 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 expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes 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 November 2, 2017, on our consideration of SEACAP'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 SEACAP's internal control over financial reporting and compliance.



November 2, 2017

FINANCIAL STATEMENTS

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM
Statement of Financial Position
June 30, 2017

ASSETS

Current Assets

Cash	\$ 81,740
Grant and contract receivables	<u>429,951</u>

TOTAL ASSETS \$ 511,691

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 264,391
Accrued liabilities	<u>35,467</u>

Total current liabilities 299,858

Net Assets

Unrestricted	<u>211,833</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 511,691

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

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM

**Statement of Activities
For the Year Ended June 30, 2017**

Revenues		
Grant and contract revenue		\$ 2,130,763
Program donations		<u>57,580</u>
Total revenues		2,188,343
Expenses		
Program services		
Community services	334,983	
Food, housing, and utilities assistance	859,475	
Weatherization	<u>832,612</u>	
Total program services	<u>2,027,070</u>	
Supporting activities		
Management and general	<u>159,056</u>	
Total supporting activities	<u>159,056</u>	
Total expenses		<u>2,186,126</u>
Increase in unrestricted net assets		2,217
Unrestricted net assets - beginning of year		<u>209,616</u>
UNRESTRICTED NET ASSETS - END OF YEAR		<u><u>\$ 211,833</u></u>

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

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services			Total Program Services	Supporting Activities	Total Expenses
	Community Services	Food, Housing, and Utilities Assistance	Weatherization		Management and General	
Salaries	\$ 168,209	\$ 116,673	\$ 180,838	\$ 465,720	\$ 93,416	\$ 559,136
Payroll taxes and benefits	64,512	51,280	68,079	183,871	24,670	208,541
Total personnel costs	232,721	167,953	248,917	649,591	118,086	767,677
Professional services and subcontractors	5,715	4,322	7,441	17,478	4,596	22,074
Travel	14,470	13,214	25,687	53,371	17,475	70,846
Facility rent/utilities	27,023	22,977	37,534	87,534	3,613	91,147
Equipment	19,665	5,693	31,691	57,049	5,591	62,640
Supplies	17,589	3,394	8,197	29,180	5,196	34,376
Insurance	13,040	2,844	9,238	25,122	4,499	29,621
Other	4,760	1,952	8,638	15,350	-	15,350
Direct assistance	-	637,126	455,269	1,092,395	-	1,092,395
Total expenses	\$ 334,983	\$ 859,475	\$ 832,612	\$ 2,027,070	\$ 159,056	\$ 2,186,126

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

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM

**Statement of Cash Flows
For the Year Ended June 30, 2017**

Cash Flows from Operating Activities

Increase in unrestricted net assets	\$ 2,217
Adjustments to reconcile increase in net assets to cash used by operating activities:	
(Increase) decrease in:	
Grant and contract receivables	(124,481)
Increase (decrease) in:	
Accounts payable	68,907
Accrued liabilities	<u>(19,334)</u>
Net cash used by operating activities	<u>(72,691)</u>
Cash - beginning of year	<u>154,431</u>
CASH - END OF YEAR	<u><u>\$ 81,740</u></u>

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

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM

Notes to Financial Statements

June 30, 2017

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Southeastern Arizona Community Action Program (SEACAP), an Arizona nonprofit corporation, administers various grants which provide individual assistance such as food, housing, utilities, weatherization, and housing rehabilitation to low income families living in Cochise, Graham, Greenlee, and Santa Cruz Counties in Arizona. The Program is supported primarily by grants administered by the State of Arizona and contracts / grants with governmental entities and private grantors.

The accounting policies of SEACAP conform to generally accepted accounting principles of the United States of America as applicable to nonprofit organizations. The following is a summary of the more significant accounting policies:

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – SEACAP reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. SEACAP's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, SEACAP considers the restriction met when the assets are placed in service.

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM

Notes to Financial Statements

June 30, 2017

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

Cash and Cash Equivalents – For purposes of its statement of cash flows, SEACAP considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Grant Funds Receivable – Grant funds receivable are stated at unpaid balances, less an allowance for doubtful accounts. SEACAP provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of grantors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is SEACAP's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At June 30, 2017, SEACAP considers all grants funds receivable as collectible.

Property and Equipment – Property and equipment acquired by SEACAP are considered to be owned by the funding program with whose funds the assets were purchased and, therefore, are not capitalized when acquired. Instead, capital acquisitions are reflected as expenditures in the year purchased. Funding sources may have a reversionary interest in the property as well as the determination of use of any proceeds from the sale of the assets. Those assets remain the property of the grantor until ownership is transferred to the Program. The Program maintains detailed records for all property and equipment reflecting its ownership and value.

Compensated Absences – Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability. In accordance with FASB ASC 710, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

Income Taxes – Income taxes are not provided for in the financial statements since SEACAP is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes. Furthermore, the Program has been classified by the Internal Revenue Service as a publicly supported organization, and not as a private foundation.

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM

Notes to Financial Statements

June 30, 2017

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Grant and Contract Support – SEACAP recognizes grant revenue as services are rendered under unit-of-service contracts and as expenses are incurred under cost reimbursement contracts. A receivable is recognized to the extent grant revenue earned exceeds cash advances. Conversely, deferred revenue is recorded when cash advances exceed grant and contract revenue earned. Grantors may, at their discretion, request reimbursement for expenses or return of funds, or both, by SEACAP as a result of noncompliance with the terms of grants or contracts. In addition, if the SEACAP terminates its activities, all unexpended funds are to be returned to the funding sources.

Contributed Services – Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by SEACAP. Volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following program and supporting services are included in the accompanying financial statements:

Community Services – provides services to alleviate the causes and conditions of poverty in the community. This program service encompasses all other program services that are not Food, Housing, and Utilities Assistance, or Weatherization.

Food, Housing, and Utilities Assistance – provides financial assistance to limited income households with utility services (electrical, gas, water) and rent, under the umbrella of case management. Other supportive services are provided that will enable the household to become self-reliant as quickly as possible.

Weatherization – Enables low-income families to reduce their energy bills by making their homes more energy efficient. Funds are used to improve the energy performance of dwellings families in need, using the most advanced technologies and testing procedures available in the housing industry.

Management and General – Includes the functions necessary to maintain SEACAP's working environment; program strategy; administrative function of the Board of Directors; and manage financial and budgetary responsibilities.

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM
Notes to Financial Statements
June 30, 2017

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Management’s Review – Management has evaluated all of the SEACAP’s events or transactions for subsequent events that would require disclosure in the financial statements through the financial issuance date of November 2, 2017.

NOTE 2 – GRANT FUNDS RECEIVABLE

A summary of grant funds receivable at June 30, 2017, consisted of the following:

Arizona Public Service	\$ 133,499
Arizona Department of Economic Security	124,049
Arizona Governor's Office of Energy Policy	70,511
Other	60,026
Arizona Community Action Association	34,490
Southeastern Arizona Governments Organization	6,057
Southwest Gas	1,319
	\$ 429,951

NOTE 3 – OPERATING LEASES

SEACAP leases office space under month-to-month contracts with monthly rental expenses of \$300, \$350, and \$2,500 per month. Miscellaneous equipment is also leased on a month-to-month basis. Total rent expense for the year ended June 30, 2017 was \$38,147.

NOTE 4 – CONTINGENT LIABILITY

SEACAP participates in several federal and state-funded programs administered by oversight agencies. The programs included in these financial statements may be subject to program compliance and/or financial monitoring by the granting agencies or their representatives. Accordingly, the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

NOTE 5 – CONCENTRATIONS

At June 30, 2017, the total amount of cash in the bank totaled \$134,366. The entire bank balance was covered by US Government Federal Depository Insurance (FDIC).

For the year ending June 30, 2017, SEACAP received 50% of its support from the Arizona Department of Economic Security. Decreases in the funding of or discontinuance of these programs in future years may have an effect upon the operations of SEACAP.

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SINGLE AUDIT ACT REPORTS SECTION

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through the Arizona Department of Economic Security			
Community Services Block Grant	93.569	ADES15-089122	\$ 248,344
TANF Cluster			
Temporary Assistance for Needy Families	93.558	ADES15-089122	177,132
Low-Income Home Energy Assistance	93.568	ADES15-089122	639,309
Passed through the Arizona Governor's Office of Energy Policy			
Low-Income Home Energy Assistance	93.568	LW-ESA-12-2182-08	333,425
Passed through the Southeastern Arizona Governments Organization			
Aging Cluster			
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	122-16/126-16/127-16	22,155
National Family Caregiver Support, Title III, Part E	93.052	122-16/126-16/127-16	2,418
Social Services Block Grant	93.667	122-16/126-16/127-16	2,577
Total U.S. Department of Health and Human Services			<u>1,425,360</u>
<u>U.S. Department of Energy</u>			
Passed through the Arizona Governor's Office of Energy Policy			
Weatherization Assistance for Low-Income Persons	81.042	EW-ESA-14-4181-08	121,841
Total Federal Awards			<u>\$ 1,547,201</u>

The accompanying notes are an integral part of this schedule.

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Southeastern Arizona Community Action Program under programs of the federal government for the year ended June 30, 2017. 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 Southeastern Arizona Community Action Program, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southeastern Arizona Community Action Program.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3– INDIRECT COST RATE

Southeastern Arizona Community Action Program has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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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***

To the Board of Directors
Southeastern Arizona Community Action Program
Safford, 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 financial statements of Southeastern Arizona Community Action Program (SEACAP) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SEACAP'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 SEACAP'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 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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. (Finding reference **2017-001**).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SEACAP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Finding

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Management'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.



November 2, 2017



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

To the Board of Directors
Southeastern Arizona Community Action Program
Safford, Arizona

Report on Compliance for Each Major Federal Program

We have audited Southeastern Arizona Community Action Program's (SEACAP) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SEACAP's major federal programs for the year ended June 30, 2017. SEACAP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SEACAP'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 SEACAP'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 SEACAP's compliance.

Opinion on Each Major Federal Program

In our opinion, SEACAP 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 June 30, 2017.

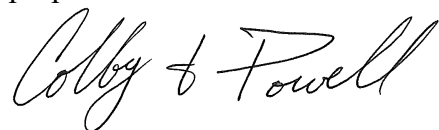
Report on Internal Control Over Compliance

Management of SEACAP 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 SEACAP'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 SEACAP's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



November 2, 2017

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM
Schedule of Findings and Questioned Costs
June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u>	Yes	<u> X </u>	No
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u>	Yes	<u> X </u>	No

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)?

	<u> </u>	Yes	<u> X </u>	No
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Identification of major federal programs:

CFDA Number	Name of Federal Program
93.558	TANF Cluster Temporary Assistance for Needy Families
93.569	Community Services Block Grant

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

\$750,000

Auditee qualified as low-risk auditee?

	<u> X </u>	Yes	<u> </u>	No
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SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM
Schedule of Findings and Questioned Costs
June 30, 2017

Section II – Financial Statement Findings

Item: 2017-001

Misstatements Requiring Audit Adjustment

<i>Criteria:</i>	Prior to audit, trial balances must be prepared and reconciled to subsidiary accounting ledgers and reports.
<i>Condition:</i>	During our audit we noted misstatements that were not identified by the Management's finance department which required us to propose adjusting journal entries.
<i>Cause:</i>	SEACAP did not have procedures in place to review and reconcile trial balance to subsidiary accounting ledgers and reports.
<i>Effect:</i>	Misstatements were unidentified by accounting staff which required adjusting journal entries.
<i>Recommendation:</i>	We recommend that management review all audit entries to help identify areas in the accounting system that required adjustment. The finance department should ensure that these areas are complete before each audit.
<i>Management's Response:</i>	Management agrees with this finding and will work on improving the accounting reconciliations to ensure that there are less audit adjustments.

SOUTHEASTERN ARIZONA COMMUNITY ACTION PROGRAM
Summary Schedule of Prior Year Audit Findings
June 30, 2017

There were no prior year audit findings.