

**GALVESTON COUNTY
COMMUNITY ACTION COUNCIL, INC.**
Galveston, Texas

Independent Auditors' Report and
Financial Statements with
Supplementary Information

For the Year Ended November 30, 2017

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.
Galveston, Texas

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JARRED, GILMORE & PHILLIPS, PA

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Galveston County Community Action Council, Inc.
Galveston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Galveston County Community Action Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of November 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.

Auditors' 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 Council'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 Council'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 Galveston County Community Action Council, Inc. as of November 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***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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. The combining schedule of activities (presented on Pages 14-17) is prepared for 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 August 24, 2018, on our consideration of Galveston County Community Action Council, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Galveston County Community Action Council, Inc.'s 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 Galveston County Community Action Council, Inc.'s internal control over financial reporting and compliance.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
August 24, 2018

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Galveston, Texas
Statement of Financial Position
November 30, 2017

ASSETS

Current Assets:

Cash	\$ 42,051.44
Receivables, Net	1,073,599.52
Inventory	5,550.00
Total Current Assets	<u>1,121,200.96</u>

Capital Assets, Net	<u>330,936.35</u>
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TOTAL ASSETS	<u>\$ 1,452,137.31</u>
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LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities:

Accounts Payable	\$ 451,361.29
Accrued Payroll	77,433.81
Accrued Payroll Withholdings	49,255.71
Accrued Annual Leave	21,193.39
Advances from Grantor	4,793.40
Total Current Liabilities	<u>604,037.60</u>

TOTAL LIABILITIES	<u>604,037.60</u>
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Net Assets:

Unrestricted	818,382.58
Temporarily Restricted	<u>29,717.13</u>

TOTAL NET ASSETS	<u>848,099.71</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,452,137.31</u>
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The accompanying notes are an integral
part of the financial statements.

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Galveston, Texas
Statement of Activities
For the Year Ended November 30, 2017

CHANGES IN NET ASSETS

Unrestricted Net Assets	
Revenues and Gains	
Contributions	\$ 7,551,518.36
Interest Income	261.38
Total Revenue and Gains	<u>7,551,779.74</u>
Expenses	
Program Services	
Early Childhood	3,588,189.55
Energy Assistance	2,301,196.32
Housing	39,526.27
Community Services	1,345,577.89
Supporting Activities	
Management and General	892,228.53
Fundraising	22,923.10
Total Expenses	<u>8,189,641.66</u>
Net Assets Released From Restrictions through Satisfaction of Program Restrictions	<u>289,832.05</u>
Increase (Decrease) in Unrestricted Net Assets	(348,029.87)
Temporarily Restricted Net Assets	
Contributions	299,695.55
Miscellaneous Revenue	65.33
Interest Income	111.75
Net Assets Released From Restrictions Through Satisfaction of Program Restrictions	<u>(289,832.05)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>10,040.58</u>
Net Increase(Decrease) In Net Assets	(337,989.29)
NET ASSETS, November 30, 2016	<u>1,186,089.00</u>
NET ASSETS, November 30, 2017	<u>\$ 848,099.71</u>

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

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Galveston, Texas
Statement of Functional Expenses
For the Year Ended November 30, 2017

	Program Services				Total Program Services
	Early Childhood	Energy Assistance	Housing	Community Services	
Expenses					
Salaries	\$1,555,740.73	\$ 136,518.89	\$ 25,972.98	\$ 232,245.00	\$1,950,477.60
Fringe Benefits	502,508.16	40,857.09	11,240.10	80,878.39	635,483.74
Direct Client Benefits	303.25	2,038,472.53	-	972,435.07	3,011,210.85
Equipment	17,690.86	4,704.12	96.59	3,200.50	25,692.07
Licenses and Fees	16,064.64	7,603.94	14.76	5,072.16	28,755.50
Occupancy	870,806.85	55,986.29	1,943.97	39,101.51	967,838.62
Office Expense	1,320.49	2,664.01	0.47	2,040.87	6,025.84
Other	47,381.95	120.06	-	70.45	47,572.46
Professional Services	101,072.71	1,248.25	79.10	-	102,400.06
Supplies	71,816.64	11,836.29	137.80	8,246.78	92,037.51
Supplies - Food	319,450.59	-	-	163.51	319,614.10
Training and Staff Development	35,187.07	-	-	-	35,187.07
Travel	11,699.87	1,184.85	40.50	2,123.65	15,048.87
Vehicle Expense	37,145.74	-	-	-	37,145.74
Total Expenses	<u>\$3,588,189.55</u>	<u>\$2,301,196.32</u>	<u>\$ 39,526.27</u>	<u>\$1,345,577.89</u>	<u>\$7,274,490.03</u>
	Supporting Activities				
	Management and General	Fundraising	Total Organization Services		
Expenses					
Salaries	\$ 411,395.01	\$ 10,569.55	\$2,372,442.16		
Fringe Benefits	93,281.37	2,396.58	731,161.69		
Direct Client Benefits	83,603.28	2,147.93	85,751.21		
Equipment	7,231.49	185.79	3,018,628.13		
Licenses and Fees	11,436.06	293.82	37,421.95		
Occupancy	11,388.25	292.59	40,436.34		
Office Expense	95,142.27	2,444.39	1,065,425.28		
Other	7,423.80	190.73	13,640.37		
Professional Services	23,640.50	607.37	71,820.33		
Supplies	110,364.90	2,835.49	215,600.45		
Supplies - Food	10,740.01	275.93	103,053.45		
Training and Staff Development	1,618.72	41.59	321,274.41		
Travel	5,843.62	150.13	41,180.82		
Vehicle Expense	13,714.13	352.34	29,115.34		
Vehicle Expense	5,405.12	138.87	42,689.73		
Total Expenses	<u>\$ 892,228.53</u>	<u>\$ 22,923.10</u>	<u>\$8,189,641.66</u>		

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

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Galveston, Texas

Statement of Cash Flows

For the Year Ended November 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (337,989.29)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation Expense	85,751.21
(Increase) Decrease in Receivables	(525,186.68)
(Increase) Decrease in Inventory	29,918.00
Increase (Decrease) in Accounts Payable	84,318.84
Increase (Decrease) in Accrued Payroll	77,433.81
Increase (Decrease) in Accrued Payroll Withholdings	49,255.71
Increase (Decrease) in Accrued Annual Leave	(7,211.51)
Increase (Decrease) in Due to Grantor	<u>(116,244.10)</u>
Net cash provided by (used in) operating activities	<u>(659,954.01)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for Capital Assets	<u>(122,912.45)</u>
Net cash provided by (used in) investing activities	<u>(122,912.45)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(782,866.46)
Cash, November 30, 2016	<u>824,917.90</u>
Cash, November 30, 2017	<u>\$ 42,051.44</u>

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

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Galveston, Texas

Notes to The Financial Statements

November 30, 2017

1. NATURE OF ACTIVITIES

Organization

Galveston County Community Action Council, Inc. ("Council") was incorporated under the laws of the State of Texas on December 15, 1965, as a not-for-profit Council. The Council provides services to the poor as a four county outreach and service agency as outlined on the Economic Opportunity Act of 1964. The Council also operates the Galveston County Head Start Program.

The Council provides services to stimulate a better focusing of all available local, state, federal and private resources upon the goal of enabling low income families and individuals to attain the skills, knowledge, motivations and to secure the opportunities needed for them to become self-sufficient. The Council administers the following major sources of revenue to meet the needs of the areas it serves: Head Start Programs, Comprehensive Energy Assistance Programs and Community Services Block Grant Programs. Expenses are broken down by program services. The following is a description of the program services:

Head Start (Early Childhood Development) – Provides high quality comprehensive child and family development services to income and age eligible children and their families, which includes education, health, nutrition, mental health, and parent involvement.

Comprehensive Energy Assistance – Provides assistance to low income households in offsetting the burden of high energy costs.

Community Services Block Grant (Community Services) – Community services programs strive to reduce poverty and empower low-income families to become self-sufficient.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Council's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in the Accounting Standards Codification (FASB ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-45-9, the Council 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Council's net assets are classified as follows:

Unrestricted net assets: Unrestricted net assets represent those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction are included as well as resources derived from gifts and contributions. These resources are used at the discretion of the governing board to meet current expenses for any purpose.

Temporarily restricted net assets: Temporarily restricted net assets consist of those net assets whose use by the Council has been limited by donors to later periods of time or after specified dates or to specified purposes.

Permanently restricted net assets: Permanently restricted net assets consist of funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. As of November 30, 2017 Council reported no permanently restricted assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Council 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 reported amount of revenues and expenses during the reporting period.

In these financial statements, the liability resulting from disallowed cost under the Federal grant awards involves extensive reliance on management's estimates. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Council considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Council qualifies as an organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and a similar state statute and is not subject to tax at the entity level for Federal and State income tax purposes. The Council accounts for uncertain tax position in accordance with the provisions of Financial Accounting Standards Board (FASB) Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Council to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax position of the Council and determines that no position exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Council files informational "Return of Organization Exempt from Income Tax" (Form 990) in the U. S. Federal Jurisdiction.

Grants Receivable

The Council considers grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is deemed necessary.

Capital Assets

It is the Council's policy to capitalize capital assets with a useful life of more than one year and a value over \$5,000.00. Capital assets are stated at cost, if purchased, and at fair value at the date of donation, if donated. Such items acquired under grants from Federal and state sources are considered to be owned by the Council while used in the programs for which they are purchased or in programs authorized in the future. However, the funding source has a reversionary interest in the property. Property and equipment purchased or donated to the corporate account are depreciated based on estimated useful lives using the straight-line method as follows:

Equipment	3-7 Years
Vehicles	5 Years
Buildings and Improvements	15-40 Years

Inventories

Inventories consist of gift cards and are valued at cost.

Revenue Recognition

Contributions of cash and other assets are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the absence or existence and nature of any donor restrictions. Contributions are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long those long-lived assets must be maintained; the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skills which would have otherwise been purchased, are reported as unrestricted support. Other contributed services that enhance the Council's programs, but are not so essential that they would otherwise be purchased, are not recorded as support for financial statement purposes.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Functional Allocation of Expenses

The Council allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on direct costs for the program during the year.

In-Kind Goods/Services

The Council receives donated goods and services as part of its programs. In-kind contributions are shown both as support and expenditures in these programs, and are recorded at the fair value of the goods or services at the time of donation. Amounts included are only those allowable under generally accepted accounting principles.

3. **CONCENTRATION OF CREDIT RISK**

At year-end, the carrying amount of the Council's deposits including certificates of deposit was \$42,051.44. The bank balance was held at three banks resulting in a concentration of credit risk. The bank balance was \$479,013.04. Of the bank balance, \$331,585.08 was covered by FDIC insurance and \$147,427.96 was considered unsecured at year end.

4. **RECEIVABLES, NET**

Receivables at November 30, 2017, consist of amounts due as follows:

Community Service Block Grant (CSBG)	\$ 343,541.97
Community Service Block Grant (CSBG Disaster)	424,708.00
Child and Adult Care Food Program (CACFP)	35,381.50
Low Income Home Energy Assistance Program (CEAP)	259,468.05
Section 8	<u>10,500.00</u>
Total Receivables, Net	<u>\$ 1,073,599.52</u>

5. **INVENTORIES**

Inventories consisted of the following at November 30, 2017:

Gift Cards	\$ <u>5,550.00</u>
Total Inventories	<u>\$ 5,550.00</u>

6. CAPITAL ASSETS

Following are the changes in capital assets for the year ended November 30, 2017:

	Balance 11/30/2016	Additions	Retirements	Balance 11/30/2017
Capital assets not being depreciated				
Land	\$ 25,000.00	\$ -	\$ -	\$ 25,000.00
Total capital assets not being depreciated	25,000.00	-	-	25,000.00
Other Capital Assets				
Buildings and Leasehold Improvements	51,374.81	-	-	51,374.81
Equipment	31,115.22	122,912.45	-	154,027.67
Vehicles	514,321.35	-	-	514,321.35
Total Other Capital Assets	596,811.38	122,912.45	-	719,723.83
Accumulated Depreciation				
Buildings and Leasehold Improvements	(5,137.48)	(10,274.96)	-	(15,412.44)
Equipment	(3,111.52)	(25,381.28)	-	(28,492.80)
Vehicles	(319,787.27)	(50,094.97)	-	(369,882.24)
Total Accumulated Depreciation	(328,036.27)	(85,751.21)	-	(413,787.48)
Capital Assets Summary				
Net Land	25,000.00	-	-	25,000.00
Net Buildings, Equipment, and Vehicles	268,775.11	37,161.24	-	305,936.35
Total Net Capital Assets	\$ 293,775.11	\$ 37,161.24	\$ -	\$ 330,936.35

7. COMPENSATED ABSENCES

The Council accounts for compensated absences (unused vacation) as directed by the Financial Accounting Standards Board Accounting Standards Codification No. 710-10-50-1 (FASB ASC 710-10-50-1), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits.

The Council's policy is to accrue eight (8) hours per month for each full-time non head start employee, except for the head start director and head start secretary, for vacation. The head start director and secretary also receive 8 hours per month. Upon termination employees are entitled to a maximum of 240 hours of accrued vacation and no sick leave.

As of November 30, 2017, the liability for compensated absences was \$21,193.39.

8. EMPLOYEE BENEFIT PLANS

The Council participates in a 403 (b) defined contribution retirement plan (the Plan). Employees are eligible to contribute to the Plan on their dates of hire. Employees and employer contributions are fully vested at all times. The Council contributed \$17,520.20 to the Plan for the year ended November 30, 2017.

9. NET ASSETS – TEMPORARILY RESTRICTED

Temporarily restricted net assets by program are as follows:

Temporarily Restricted Net Assets:

Donations received and restricted by purpose

Head Start Donations	\$ 275.95
CPL Neighbor to Neighbor	921.69
WCEC-Utilities	3,239.48
Reliant CNP Program	5,378.06
NTN	13,380.07
Tri Eagle Energy	2,208.15
Nueces Electric Coop	1,413.57
Breeze Energy	750.00
United Way	<u>2,150.16</u>

Total Temporarily Restricted Net Assets \$ 29,717.13

10. OPERATING LEASES

As of November 30, 2017 the Council has entered into several non-cancelable operating leases for facilities that expire at various years through July 2020. Total rent expense for the year ended November 30, 2017 was \$474,908.92. Future minimum lease payments related to the operating leases are detailed as follows:

Year ended November 30,	
2018	\$ 461,951.00
2019	398,652.00
2020	202,155.06

As of November 30, 2017, the Council has entered into a number of month to month operating leases for office equipment and storage space. Total payments for the year ended November 30, 2017, were \$27,574.30. There are no future minimum lease amounts.

11. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Council expects such amounts, if any, to be immaterial.

12. IN-KIND CONTRIBUTIONS

Under the grant agreements, the Council (grantee) receives a percentage of total estimated project funds from the Federal government. The balance of the project funds is contributed to the Council from non-Federal sources in the form of "in-kind" contributions of services or property from the Council, delegated agencies, the community, or non-Federal governmental organizations. The services and goods donated are valued according to the grant guidelines. Presently, the Head Start program is the only program requiring and receiving in-kind match. In-kind revenues and in-kind expenses that are allowable under generally accepted accounting principles (GAAP) have been recognized in the Head Start programs.

Volunteers - Parent	\$ 128,784.65
Space	463,854.00
Other-Cash Donation Match	<u>280,000.00</u>
Total Program Match	872,638.65
Non-GAAP In-Kind	(128,784.65)
Cash Donation Match	<u>(280,000.00)</u>
Total GAAP Non-Cash match	<u>\$ 463,854.00</u>

13. CONCENTRATION OF RISK

The Council receives substantial revenue in the form of Federal and State grants. The effect on the Council's ability to continue operations if these funding sources were lost or cancelled is unknown.

14. SUBSEQUENT EVENTS

The Council evaluated events and transactions occurring subsequent to November 30, 2017 through August 24, 2018, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Combining Schedule of Activities
For the Year Ended November 30, 2017

	Head Start	CACFP	Head Start	CEAP	CPL Neighbor to
Program Code	1010	1200	1013/1100	2000	Neighbor
CFDA No.	93.600	10.558	N/A	93.568	2500
	Early Childhood	Early Childhood	Early Childhood	Energy Assistance	Energy Assistance
Revenues and Gains					
Contributions					
Federal Grant Income	\$ 2,950,188.00	\$ 102,195.66	\$ -	\$ 2,453,809.26	\$ -
Local Contributions	-	-	280,000.00	-	-
Local Non-Cash	592,638.65	-	-	-	-
Miscellaneous Revenue	-	-	65.33	-	-
Interest Income	-	-	111.75	-	-
Transfers	200,710.02	-	-	-	-
Total Revenue and Gains	3,743,536.67	102,195.66	280,177.08	2,453,809.26	-
Expenses					
Administration					
Salaries	171,255.69	-	-	102,399.97	-
Fringe Benefits	40,755.60	-	-	24,252.20	-
Depreciation Expense	-	-	-	-	-
Direct Client Benefits	-	-	-	-	-
Equipment	6,292.50	-	-	1,337.06	-
Licenses and Fees	2,465.15	-	-	913.51	-
Occupancy	49,083.51	-	-	11,600.60	-
Office Expense	1,959.76	-	-	782.08	-
Other	411.94	-	-	774.27	-
Professional Services	3,661.58	-	-	8,990.90	-
Supplies	5,709.81	-	-	1,500.44	-
Supplies - Food	531.65	-	-	136.49	-
Training and Staff Development	668.75	-	-	4,500.00	-
Travel	3,049.74	-	-	5,211.16	-
Vehicle Expense	-	-	-	46.31	-
Program					
Salaries	1,477,192.58	-	78,548.15	136,518.89	-
Salaries Non-Cash	128,784.65	-	-	-	-
Fringe Benefits	435,009.92	-	67,498.24	40,857.09	-
Direct Client Benefits	303.25	-	-	2,028,640.48	-
Equipment	12,653.40	1,693.56	3,343.90	4,704.12	-
Licenses and Fees	16,064.64	-	-	7,603.94	-
Occupancy	384,470.87	-	22,481.98	55,986.29	-
Occupancy Non-Cash	463,854.00	-	-	-	-
Office Expense	1,298.65	-	21.84	2,664.01	-
Other	46,039.42	-	1,342.53	120.06	-
Professional Services	-	37,237.50	63,835.21	1,248.25	-
Supplies	178,630.22	11,518.25	4,580.62	11,836.29	-
Supplies - Food	246,171.06	51,696.35	21,583.18	-	-
Training and Staff Development	25,277.39	50.00	9,859.68	-	-
Travel	11,699.87	-	-	1,184.85	-
Vehicle Expense	30,241.07	-	6,904.67	-	-
Total Expenses	3,743,536.67	102,195.66	280,000.00	2,453,809.26	-
Increase (Decrease) in Net Assets	-	-	177.08	-	-
NET ASSETS, Beginning of Year	-	-	98.87	-	921.69
NET ASSETS, End of the Year	\$ -	\$ -	\$ 275.95	\$ -	\$ 921.69

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Combining Schedule of Activities (Continued)

For the Year Ended November 30, 2017

	WCEC-Utilities	Reliant.CNP Program	NTN	Tri Eagle Energy	Nueces Electric Coop
Program Code	2550	4550	5000	2750	2650
CFDA No.	N/A	N/A	N/A	N/A	N/A
	Energy Assistance	Energy Assistance	Energy Assistance	Energy Assistance	Energy Assistance
Revenues and Gains					
Contributions					
Federal Grant Income	\$ -	\$ -	\$ -	\$ -	\$ -
Local Contributions	1,000.00	8,480.17	10,000.00	-	215.38
Local Non-Cash	-	-	-	-	-
Miscellaneous Revenue	-	-	-	-	-
Interest Income	-	-	-	-	-
Transfers	-	-	-	-	-
Total Revenue and Gains	1,000.00	8,480.17	10,000.00	-	215.38
Expenses					
Administration					
Salaries	-	-	-	-	-
Fringe Benefits	-	-	-	-	-
Depreciation Expense	-	-	-	-	-
Direct Client Benefits	-	-	-	-	-
Equipment	-	-	-	-	-
Licenses and Fees	-	-	-	-	-
Occupancy	-	-	-	-	-
Office Expense	-	-	-	-	-
Other	-	-	-	-	-
Professional Services	-	-	-	-	-
Supplies	-	-	-	-	-
Supplies - Food	-	-	-	-	-
Training and Staff Development	-	-	-	-	-
Travel	-	-	-	-	-
Vehicle Expense	-	-	-	-	-
Program					
Salaries	-	-	-	-	-
Salaries Non-Cash	-	-	-	-	-
Fringe Benefits	-	-	-	-	-
Direct Client Benefits	-	3,275.14	6,556.91	-	-
Equipment	-	-	-	-	-
Licenses and Fees	-	-	-	-	-
Occupancy	-	-	-	-	-
Occupancy Non-Cash	-	-	-	-	-
Office Expense	-	-	-	-	-
Other	-	-	-	-	-
Professional Services	-	-	-	-	-
Supplies	-	-	-	-	-
Supplies - Food	-	-	-	-	-
Training and Staff Development	-	-	-	-	-
Travel	-	-	-	-	-
Vehicle Expense	-	-	-	-	-
Total Expenses	-	3,275.14	6,556.91	-	-
Increase (Decrease) in Net Assets	1,000.00	5,205.03	3,443.09	-	215.38
NET ASSETS, Beginning of Year	2,239.48	173.03	9,936.98	2,208.15	1,198.19
NET ASSETS, End of the Year	\$ 3,239.48	\$ 5,378.06	\$ 13,380.07	\$ 2,208.15	\$ 1,413.57

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Combining Schedule of Activities (Continued)

For the Year Ended November 30, 2017

	Breeze Energy	Section 8	CSBG	CSBG-Disaster	United Way
Program Code	2850	2600	2300	2302	2302
CFDA No.	N/A	N/A	93.569	93.569	93.569
	Energy Assistance	Housing	Community Services	Community Services	Community Services
Revenues and Gains					
Contributions					
Federal Grant Income	\$ -	\$ -	\$ 1,116,408.86	\$ 424,708.00	\$ -
Local Contributions	-	37,968.00	-	-	-
Local Non-Cash	-	-	-	-	-
Miscellaneous Revenue	-	-	-	-	-
Interest Income	-	-	-	-	-
Transfers	-	-	46,050.84	-	-
Total Revenue and Gains	-	37,968.00	1,162,459.70	424,708.00	-
Expenses					
Administration					
Salaries	-	-	123,729.05	-	-
Fringe Benefits	-	-	30,670.15	-	-
Depreciation Expense	-	-	-	-	-
Direct Client Benefits	-	-	299.28	-	-
Equipment	-	-	4,100.32	-	-
Licenses and Fees	-	-	8,302.18	-	-
Occupancy	-	-	36,872.28	-	-
Office Expense	-	-	4,851.74	-	-
Other	-	-	606.04	280.00	-
Professional Services	-	-	15,036.66	-	-
Supplies	-	-	3,805.69	-	-
Supplies - Food	-	-	992.17	-	-
Training and Staff Development	-	-	825.00	-	-
Travel	-	-	5,805.57	-	-
Vehicle Expense	-	-	5,413.68	-	-
Program					
Salaries	-	25,972.98	225,221.92	7,023.08	-
Salaries Non-Cash	-	-	-	-	-
Fringe Benefits	-	11,240.10	79,508.97	1,369.42	-
Direct Client Benefits	-	-	556,850.90	415,584.17	-
Equipment	-	96.59	3,200.50	-	-
Licenses and Fees	-	14.76	5,072.16	-	-
Occupancy	-	1,943.97	39,101.51	-	-
Occupancy Non-Cash	-	-	-	-	-
Office Expense	-	0.47	2,040.87	-	-
Other	-	-	70.45	-	-
Professional Services	-	79.10	-	-	-
Supplies	-	137.80	7,905.95	340.83	-
Supplies - Food	-	-	163.51	-	-
Training and Staff Development	-	-	-	-	-
Travel	-	40.50	2,013.15	110.50	-
Vehicle Expense	-	-	-	-	-
Total Expenses	-	39,526.27	1,162,459.70	424,708.00	-
Increase (Decrease) in Net Assets	-	(1,558.27)	-	-	-
NET ASSETS, Beginning of Year	750.00	107,429.75	-	-	2,150.16
NET ASSETS, End of the Year	\$ 750.00	\$ 105,871.48	\$ -	\$ -	\$ 2,150.16

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Combining Schedule of Activities (Continued)

For the Year Ended November 30, 2017

	Program Code CFDA No.	Corporate 2301 & 4500 N/A Mgt & General	Organization Wide Sub-Totals	Elimination and GAAP Adjustments	Consolidated Totals
Revenues and Gains					
Contributions					
Federal Grant Income		\$ -	\$ 7,047,309.78	\$ -	\$ 7,047,309.78
Local Contributions		125,299.03	462,962.58	(122,912.45)	340,050.13
Local Non-Cash		-	592,638.65	(128,784.65)	463,854.00
Miscellaneous Revenue		-	65.33	-	65.33
Interest Income		261.38	373.13	-	373.13
Transfers		(246,760.86)	-	-	-
Total Revenue and Gains		(121,200.45)	8,103,349.47	(251,697.10)	7,851,652.37
Expenses					
Administration					
Salaries		24,579.85	421,964.56	-	421,964.56
Fringe Benefits		-	95,677.95	-	95,677.95
Depreciation Expense		85,751.21	85,751.21	-	85,751.21
Direct Client Benefits		7,118.00	7,417.28	-	7,417.28
Equipment		-	11,729.88	-	11,729.88
Licenses and Fees		-	11,680.84	-	11,680.84
Occupancy		30.27	97,586.66	-	97,586.66
Office Expense		20.95	7,614.53	-	7,614.53
Other		22,175.62	24,247.87	-	24,247.87
Professional Services		85,511.25	113,200.39	-	113,200.39
Supplies		-	11,015.94	-	11,015.94
Supplies - Food		-	1,660.31	-	1,660.31
Training and Staff Development		-	5,993.75	-	5,993.75
Travel		-	14,066.47	-	14,066.47
Vehicle Expense		84.00	5,543.99	-	5,543.99
Program					
Salaries		-	1,950,477.60	-	1,950,477.60
Salaries Non-Cash		-	128,784.65	(128,784.65)	-
Fringe Benefits		-	635,483.74	-	635,483.74
Direct Client Benefits		-	3,011,210.85	-	3,011,210.85
Equipment		-	25,692.07	-	25,692.07
Licenses and Fees		-	28,755.50	-	28,755.50
Occupancy		-	503,984.62	-	503,984.62
Occupancy Non-Cash		-	463,854.00	-	463,854.00
Office Expense		-	6,025.84	-	6,025.84
Other		-	47,572.46	-	47,572.46
Professional Services		-	102,400.06	-	102,400.06
Supplies		-	214,949.96	(122,912.45)	92,037.51
Supplies - Food		-	319,614.10	-	319,614.10
Training and Staff Development		-	35,187.07	-	35,187.07
Travel		-	15,048.87	-	15,048.87
Vehicle Expense		-	37,145.74	-	37,145.74
Total Expenses		225,271.15	8,441,338.76	(251,697.10)	8,189,641.66
Increase (Decrease) in Net Assets		(346,471.60)	(337,989.29)	-	(337,989.29)
NET ASSETS, Beginning of Year		1,058,982.70	1,186,089.00	-	1,186,089.00
NET ASSETS, End of the Year		\$ 712,511.10	\$ 848,099.71	\$ -	\$ 848,099.71

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.

Schedule of Expenditures of Federal Awards

For the year ended November 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Year Ended	Pass-Through Entity Identifying Number	CFDA #	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Program				
Head Start Program	11/30/2017	N/A	93.600 (M)	\$ 2,950,188.00
Pass-through:				
Texas Department of Housing & Community Affairs				
Community Services Block Grant	8/31/2017	61160002383	93.569	227,845.86
Community Services Block Grant	12/31/2017	61170002633	93.569	888,563.00
Community Services Block Grant - Disaster	11/30/2017	61160002746	93.569	424,708.00
			TOTAL 93.569 (M)	1,541,116.86
Comprehensive Energy Assistance Program	6/30/2017	58160002343	93.568	244,695.51
Comprehensive Energy Assistance Program	12/31/2017	58170002592	93.568	2,209,113.75
			TOTAL 93.568 (M)	2,453,809.26
Total U.S. Department of Health and Human Services				6,945,114.12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-through				
State of Texas Department of Agriculture				
Child and Adult Care Food Program	11/30/2017	02392	10.558	102,195.66
Total U.S. Department of Agriculture				102,195.66
Total Federal Financial Assistance				\$ 7,047,309.78

NOTE A -- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Galveston County Community Action Council, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. 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: INDIRECT COST RATE

Galveston County Community Action Council, Inc. did not elect to use the 10% de minimis cost rate.

(M) = Major Program

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Galveston County Community Action Council, Inc.
Galveston, Texas

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 Galveston County Community Action Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of November 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, and have issued our report thereon dated August 24, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Galveston County Community Action Council, 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 Galveston County Community Action Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Galveston County Community Action Council, 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 Council's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Galveston County Community Action Council, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Galveston County Community Action Council, Inc.'s Response to Findings

Galveston County Community Action Council, Inc.'s response to the findings identified in our audit is described in the accompanying corrective action plan. Galveston County Community Action Council, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
August 24, 2018

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

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

Board of Directors
Galveston County Community Action Council, Inc.
Galveston, Texas

Report on Compliance for Each Major Federal Program

We have audited Galveston County Community Action Council, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Galveston County Community Action Council, Inc.'s major federal programs for the year ended November 30, 2017. Galveston County Community Action Council, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Galveston County Community Action Council, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 Galveston County Community Action Council, Inc. 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 qualified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Galveston County Community Action Council, Inc.'s compliance.

Basis for Qualified Opinion on CFDA 93.600 Head Start, CFDA 93.568 Low-Income Home Energy Assistance Program, and CFDA 93.569 Community Services Block Grant

As described in the accompanying schedule of findings and questioned costs, Galveston County Community Action Council, Inc. did not comply with requirements regarding CFDA 93.600 Head Start, CFDA 93.568 Low-Income Home Energy Assistance Program, and CFDA 93.569 Community Services Block Grant as described in finding 2017-002 for allowable costs, CFDA 93.568 Low-Income Home Energy Assistance Program, and CFDA 93.569 Community Services Block Grant as described in finding 2017-003 for eligibility, CFDA 93.600 Head Start as described in finding 2017-004 for reporting, and CFDA 93.600 Head Start as described in finding 2017-005 for matching. Compliance with such requirements is necessary, in our opinion, for Galveston County Community Action Council, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 93.600 Head Start, CFDA 93.568 Low-Income Home Energy Assistance Program, and CFDA 93.569 Community Services Block Grant

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Galveston County Community Action Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Head Start, Low-Income Home Energy Assistance Program and Community Services Block Grant for the year ended November 30, 2017.

Other Matters

Galveston County Community Action Council, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Galveston County Community Action Council, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Galveston County Community Action Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Galveston County Community Action Council, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Galveston County Community Action Council, Inc.'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, 2017-004, and 2017-005 to be material weaknesses.

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.

Galveston County Community Action Council, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Galveston County Community Action Council, Inc.'s response was not subjected to the

auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
August 24, 2018

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.
Galveston, Texas

Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2017

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

The auditors' report expresses an unmodified opinion on the financial statements of Galveston County Community Action Council, Inc..

Internal Control over Financial Reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None Reported
Non compliance or other matters required to be reported under <i>Government Auditing Standards</i> ?	<u> </u>	Yes	<u> X </u>	No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None Reported

The auditors' report on compliance for the major federal award programs for Galveston County Community Action Council, Inc. expresses a qualified opinion.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance X Yes No

Identification of major programs:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Low-Income Home Energy Assistance Program	CFDA 93.568
Community Service Block Grant	CFDA 93.569
Head Start	CFDA 93.600

The threshold for distinguishing Types A and B programs was \$750,000.00.

Auditee qualified as a low risk auditee? Yes X No

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.
Galveston, Texas

Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2017

II. FINANCIAL STATEMENT FINDINGS

Finding 2017-001 – Bank Reconciliations

Criteria:

Internal controls should be in place that provide reasonable assurance that financial systems provide records for proper accountability for all funds and other assets of the Council.

Condition:

Bank statements were not reconciled timely to the general ledger. Not reconciling the bank accounts on a monthly basis could result in errors or other problems occurring that might not be recognized and resolved on a timely basis. Management and the Board of Directors may be relying on inaccurate financial reports in making decisions that affect the Council.

Context:

During fieldwork for the audit for the year ended November 30, 2017, it was noted that the bank had not been reconciled for October and November 2017 and up to the date of fieldwork.

Effect:

The deficiencies in the design and operation of the internal controls in this area could adversely affect the recording, processing, summarization, and reporting of financial data if actual cash bank balances are not reconciled to the cash balances in the general ledger at the end of each month on a timely basis.

Cause:

The Council did not have adequate staff properly trained to complete the necessary timely reconciliations.

Recommendation:

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate internal controls over both cash receipts and cash disbursements. The Council's general ledger should be adjusted to match with the audit at November 30, 2017, and proceed forward in implementing this recommendation on a monthly basis.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on page 31-32 of the current year audit.

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.
Galveston, Texas

Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2017-002 – Allowable Costs

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Low-Income Home Energy Assistance Program	CFDA 93.568
Community Service Block Grant	CFDA 93.569
Head Start	CFDA 93.600

Criteria:

Allocation is described by the Uniform Guidance Subpart A 200.4 as “A means of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.”

Condition:

During our testing, it was noted that the Council’s allocation of cost was based on outdated cost objectives and cost objectives were not reflective of actual activity nor provided for an equitable relationship between all programs.

Effect:

The Council did not document compliance with direct costing objectives, which could result in disallowed costs.

Cause:

The Council staff did not realize the importance of updating allocation percentages to be reflective of actual activity, nor to include all programs even if state or locally funded.

Recommendation:

We recommend the Council implement procedures to update the cost objectives of each cost that is reflective of actual and includes all programs. This analysis should also continue on an on-going basis.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on page 31-32 of the current year audit.

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.
Galveston, Texas

Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding: 2017 - 003 – Eligibility

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Low-Income Home Energy Assistance Program	CFDA 93.568
Community Services Block Grant	CFDA 93.569

Compliance requirement: Federal Circulars require the Council maintain records sufficient to document client eligibility and need.

Condition:

During our testing of the LiHEAP program participant files, it was noted sixteen (16) of sixty (60) files tested were determined to not have adequate supporting documentation for income eligibility. Two (2) of sixty (60) files were missing the history of utility billings. One (1) of sixty (60) were missing documentation the pledge was made within 48 hours and was missing the notice of payment provided to client. Two (2) of sixty (60) did not have signed applications.

During our testing of the CSBG program participant files, it was noted twenty-four (24) of sixty (60) files tested were determined to not have adequate supporting documentation for income eligibility. Also, two (2) of Sixty (60) files were missing the needs assessment which documents the participants need for assistance.

During our testing of the CSBG Disaster Relief program participant files, it was noted twenty-one (21) of sixty (60) files tested were determined to not have adequate supporting documentation for income eligibility. Twelve (12) of Sixty (60) files were missing the needs assessment which documents the participants need for assistance and one (1) of sixty (60) was awarded more than allowed by the grant. Also, five (5) of sixty (60) files were missing signed applications.

Context:

The Council is issuing assistance payments without proper determination of eligibility.

Effect:

Incomplete files without accurate information and documentation questions the integrity of the participant data and payment, which would lead a grantor to disallow costs reimbursed for legitimate participant assistance.

Recommendation:

We recommend management develop, implement, and monitor policies that will ensure file completeness and integrity, such as a checklist in the front of the file to ensure all components of a file are present before the claim is submitted for reimbursement and staff obtain training the area of allowable income verification documentation.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on page 31-32 of the current year audit.

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.
Galveston, Texas

Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding: 2017-004 – Reporting

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start

CFDA 93.600

Criteria:

Grantees will maintain records sufficient to detail and support amounts reported to Grantors.

Condition:

During our testing of reports the Council was unable to provide supporting documentation.

Effect:

Without documentation of reported amounts, the Council cannot support reported amounts and could result in disallowed costs if over reported and the Council not being reimbursed for allowable costs if under reported.

Cause:

The Council lacked sufficient policies and procedure to maintain records sufficient to support financial reports filed with grantors.

Recommendation:

We recommend the Council implement policies and procedures to maintain support for amounts filed, which could be as easy as attaching a general ledger or year-to-date expenditure report to report copies maintained in-house.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on page 31-32 of the current year audit.

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.
Galveston, Texas

Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding: 2017-005 – Matching

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start

CFDA 93.600

Criteria:

Grantees will maintain records sufficient to detail and support amounts reported to Grantors as match.

Condition:

During our testing of match the Council was unable to provide documentation to support amounts reported and no one is accumulating the information in a timely manner.

Effect:

Without documentation of reported match amounts, the Council cannot support reported amounts and could result in disallowed costs if over reported and the Council not being reimbursed for allowable costs if under reported.

Cause:

With the turn-over with the Finance Director position, the Council lacked sufficient policies and procedure to maintain records sufficient to support match reported to grantors. The prior finance director was responsible for the accumulation and reporting of match, which was not completed after the finance directors departure.

Recommendation:

We recommend the Council implement policies and procedures to summarize the in-kind on a monthly basis and record in the Council's accounting system as a means to track and monitor compliance with matching requirements. This policy and procedure should be in writing so in a turn-over situation, new staff will know proper policies and procedures.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on page 31-32 of the current year audit.

GALVESTON COUNTY COMMUNITY ACTION COUNCIL, INC.
Galveston, Texas

Summary Schedule of Prior Audit Findings
For the Year Ended November 30, 2017

Finding: 2016-001 – Allowable Costs

Condition:

During our testing, it was noted that the Council's allocation of cost was based on outdated cost objectives and cost objectives were not reflective of actual activity nor provided for an equitable relationship between all programs.

Status: This is a repeat finding, see finding 2017-002.

Finding: 2016-002 – Allowable Costs

Condition:

During a recent monitoring by the State of Texas, it was noted the Agency has not followed a documented procurement process for several current contracts, which resulted in disallowed costs of \$116,244 at November 30, 2016 and totaled \$130,797 at December 31, 2016.

Status: The Council was required to pay back the disallowed costs to the State of Texas. The Council has implemented procurement procedures on all major purchases over \$5,000.00. All contracts which have expired have not been renewed without going through the procurement process as defined in the Uniform Guidance. All cost associated with the disallowed expenses were paid for in fiscal year 2017 with unrestricted funds.

Finding: 2016-003 – Reporting

Condition:

During our testing of reports the Council was unable to provide supporting documentation.

Status: The Council has started keeping expenditure reports to support year to date amounts reported and all reports are reviewed by the executive director or his designee before signature and submission for Low-Income Home Energy Assistance and Community Services Block Grant, however this is a repeat finding for Head Start, see finding 2017-004.

Finding: 2016-004 – Eligibility

Condition:

During our testing of the CEAP program participant files, it was noted nineteen (19) of sixty (60) files tested were determined to not have adequate supporting documentation for income eligibility.

Status: This is a repeat finding, see finding 2017-003.

CORRECTIVE ACTION PLAN

August 24, 2018

Cognizant or Oversight Agency for Audit

Galveston County Community Action Council, Inc. respectfully submits the following corrective action plan for the year ended November 30, 2017.

Name and address of independent certified public accounting firm: Jarred, Gilmore & Phillips, PA, P.O. Box 779, 1815 S Santa Fe, Chanute, Kansas 66720.

Audit period: Year ended November 30, 2017.

The findings from the August 24, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding 2017-001 – Bank Reconciliations

Recommendation:

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate internal controls over both cash receipts and cash disbursements. The Council's general ledger should be adjusted to match with the audit at November 30, 2017, and proceed forward in implementing this recommendation on a monthly basis.

Views of responsible officials and planned corrective action:

Since year end, the Council has hired a new Finance Director with a master's degree, which has been trained on the accounting software and will be responsible for bringing bank reconciliation's up to date. During field work of the audit, the Fiscal Director was able to reconcile through February 2018.

Finding: 2017-002 – Allowable Costs

Recommendation:

We recommend the Council implement procedures to update the cost objectives of each cost that is reflective of actual and includes all programs. This analysis should also continue on an on-going basis.

Views of responsible officials and planned corrective action:

The Council has updated its cost allocation plan and has reassessed cost allocation objectives, but is awaiting the State of Texas' approval of the plan. Once the State has approved the plan, the Council will implement and monitor on an on-going basis.

Finding: 2017-003 – Eligibility

Recommendation:

We recommend management develop, implement, and monitor policies that will ensure file completeness and integrity, such as a checklist in the front of the file to ensure all components of a file are present before the claim is submitted for reimbursement and staff obtain training the area of allowable income verification documentation.

Views of responsible officials and planned corrective action:

Since the completion of audit field work, the Council has obtained training for staff and implemented a review process that will review all files until which time management feels staff are properly handling eligibility.

CORRECTIVE ACTION PLAN

Finding: 2017-004 – Reporting

Recommendation:

We recommend the Council implement policies and procedures to maintain support for amounts filed, which could be as easy as attaching a general ledger or year-to-date expenditure report to report copies maintained in-house.

Views of responsible officials and planned corrective action:

Since the completion of audit field work, the Council has started keeping expenditure reports to support year to date amounts reported and all reports are reviewed by the executive director or his designee before signature and submission.

Finding: 2017-005 – Matching

Recommendation:

We recommend the Council implement policies and procedures to summarize the in-kind on a monthly basis and record in the Council's accounting system as a means to track and monitor compliance with matching requirements. This policy and procedure should be in writing so in a turn over situation, new staff will know proper policies and procedures.

Views of responsible officials and planned corrective action:

Since the completion of audit field work, the Council has started a process of tracking and recording non-cash match required by grantors. Policies and procedures will be put into writing once procedures are implemented and determined to be working properly.

If the Oversight Agency for Audit has questions regarding this plan, please call Melvin Williams, Executive Director, at (409)765-7878.

Sincerely,

Galveston County Community Action Council, Inc.

Galveston County Community Action Council, Inc.