

Evanston Child Development Center, Inc.

Financial Report

June 30, 2016



Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Evanston Child Development Center, Inc.
Evanston, Wyoming

Report on Compliance for The Major Federal Program

We have audited Evanston Child Development Center, Inc.'s ("the Organization") compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on the of the Organization's major federal programs for the year ended June 30, 2016. The Organization's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Evanston Child Development Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Purpose of this Report

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

DeCoria, Maichel & Teague, P.S.

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

December 21, 2016

**Evanston Child Development Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results:

Financial Statements

The report of independent auditor expressed an unqualified opinion on the Organization’s basic financial statements.

The audit of the Organization’s financial statements disclosed two significant deficiencies in internal control over financial reporting.

The significant deficiencies in internal control over financial reporting were not considered to be, in the aggregate, a material weakness.

The audit disclosed no compliance findings material to the Organization’s financial statements.

Federal Awards

The audit identified no material weaknesses for internal control over major programs.

The report of independent auditor expressed an unqualified opinion on compliance for major programs.

The audit disclosed no compliance findings that are required to be reported in accordance with the Uniform Guidance.

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.600	Head Start

The dollar threshold used to distinguish type A and B programs was \$750,000.

The auditee qualified as a high-risk auditee.

**Evanston Child Development Center, Inc.
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2016**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2016-001

Condition	The size of the Organization's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting.
Criteria	An effective system of internal control over financial reporting requires that all closely related duties be segregated.
Effect	The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.
Cause	The Organization's staff is too small to allow adequate segregation of duties for an effective system of internal control over financial reporting.
Recommendation	Although the Organization's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting, we recommend that officials be aware that the condition does exist.
Management's Response	Management and the Organization's Board of Directors are aware of this condition and have made a conscious decision to accept the resulting degree of risk because of cost or other considerations.

Evanston Child Development Center, Inc.
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2016

Finding 2016-002

Condition	Due in part to the size of the Organization's staff and its limited resources, month-end and year-end closing procedures are not formalized and documented, and are not always performed in a timely manner.
Criteria	An effective system of internal control over financial reporting includes periodically reconciling the general ledger account, and adjusting the recorded balances if necessary.
Effect	In connection with performing our audit testing, we proposed 4 audit adjustments to correct account balances. Clarified Statements on Auditing Standards Section 265, <i>Communicating Internal Control Related Matters Identified in an Audit</i> (AU-C 265), indicates that identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control should at least be regarded as a significant deficiency and should be considered as a strong indicator of a material weakness in internal control.
Cause	The Organization does not have formalized, documented procedures for periodically reviewing and reconciling the general ledger account.
Recommendation	We recommend that month-end and year-end closing procedures be developed, documented and implemented. The implementation of such procedures should reduce or eliminate the need for audit adjustments.
Management's Response	The Organization will continue to develop and implement documented procedures for reconciling and adjusting account balances at month-end and year-end.

Evanston Child Development Center, Inc.
Status of Prior Year Findings
Year Ended June 30, 2016

Finding 2015-001

Condition The size of the Organization's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting.

Status This condition still exists at June 30, 2016. See Finding 2016-001.

Finding 2015-002

Condition Due in part to the Organization's size and limited resources, month-end and year-end closing procedures are not formalized and documented, and are not always performed in a timely manner.

Status This condition still exists at June 30, 2016. See Finding 2016-002.