



Report of Independent Auditors and Schedule of  
Expenditures of Federal Awards and Single Audit for

**Sojourner Center**

June 30, 2015

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

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### REPORTS ISSUED SEPARATELY

Financial statements with:  
REPORT OF INDEPENDENT AUDITORS

**REPORT OF INDEPENDENT AUDITORS 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  
Sojourner Center

We have audited, 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, the financial statements of Sojourner Center, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, 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 February 19, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sojourner Center'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 Sojourner Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Sojourner Center'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item No. 2015-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sojourner Center'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*.

### **Sojourner Center's Response to Findings**

Sojourner Center's response to the finding identified in our audit is described in the accompanying management's corrective action plan. Sojourner Center'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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams LLP*

Scottsdale, Arizona  
February 19, 2016

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
Sojourner Center

**Report on Compliance for Each Major Federal Program**

We have audited Sojourner Center'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 Sojourner Center's major federal programs for the year ended June 30, 2015. Sojourner Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Sojourner Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sojourner Center'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 Sojourner Center's compliance.

***Basis for Qualified Opinion on CFDA 14.235 U.S. Department of Housing and Urban Development, Supportive Housing Program***

As described in the accompanying schedule of findings and questioned costs, Sojourner Center did not comply with requirements regarding CFDA 14.235 Supportive Housing Program as described in finding number 2015-002 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for Sojourner Center to comply with the requirements applicable to that program.

***Qualified Opinion on CFDA 14.235 U.S. Department of Housing and Urban Development, Supportive Housing Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Sojourner Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.235 U.S. Department of Housing and Urban Development, Supportive Housing Program for the year ended June 30, 2015.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Sojourner Center 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

***Other Matters***

The result of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

Sojourner Center's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. Sojourner Center'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 Sojourner Center 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 Sojourner Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sojourner Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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 2015-002 and 2015-003 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-004 to be a significant deficiency.

Sojourner Center's responses to the internal control over compliance findings identified in our audit are described in the accompanying management's corrective action plan. Sojourner Center's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Sojourner Center as of and for the year ended June 30, 2015, and have issued our report thereon dated February 19, 2016, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Moss Adams LLP*

Scottsdale, Arizona

March 30, 2016, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is February 19, 2016.

**SOJOURNER CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

<u>Federal Grantor/Pass-through Entity Program Title or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>June 30, 2015 Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Child and Adult Care Food Program			
Passed through the Arizona Department of Education	10.558	07-22-44	\$ 15,895
Total Child and Adult Care Food Program			
<b>Total U.S. Department of Agriculture</b>			<b>15,895</b>
<b>U.S. Department of Health and Human Services</b>			
Temporary Assistance to Needy Families			
Passed through the Arizona Department of Economic Security			
Shelter Services	93.558	DE-12025-523	1,290,832
Passed through Arizona Foundation for Legal Services & Education	93.558	ADES13-049391	34,261
Social Services Block Grant used for Temporary Assistance to Needy Families			
Passed through the Arizona Department of Economic Security			
Shelter Services	93.558	DE-12025-524	302,632
Total Temporary Assistance to Needy Families			1,627,725
Child Care and Development Block Grant			
Passed through the Arizona Department of Economic Security			
Child Care at Domestic Violence Shelter	93.575	DE-111085-001	101,304
Total Child Care and Development Block Grant			
<b>Total U.S. Department of Health and Human Services</b>			<b>1,729,029</b>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant/Entitlement Grants			
Passed through the City of Phoenix			
Loan Balance	14.218	64210	168,000
Loan Balance	14.218	125187	1,500,000
Loan Balance	14.218	107477	1,000,000
Total Community Development Block Grant/Entitlement Grants			2,668,000
Supportive Housing Program	14.235		305,766
<b>Total U.S. Department of Housing and Urban Development</b>			<b>2,973,766</b>
<b>U.S. Department of Justice</b>			
Crime Victim Assistance			
Passed through the Arizona Department of Public Safety			
Victim Assistance Grant Program	16.575	2013-255	100,710
<b>Total U.S. Department of Justice</b>			<b>100,710</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 4,819,400</b>

## **SOJOURNER CENTER**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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#### **Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Sojourner Center for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (“OMB”) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Because the Schedule presents only a selected portion of the operations of Sojourner Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sojourner Center.

Sojourner center’s reporting entity is defined in Note 1 of its financial statements. All federal awards from federal agencies are included in the Schedule.

#### **Note 2 – Summary of Significant Accounting Policies**

Expenditures reported in the accompanying schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles of Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, and Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

#### **Note 3 – Subrecipients**

Of the expenditures presented in the schedule, the Sojourner Center provided no awards to subrecipients.

**SOJOURNER CENTER**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**Note 4 - Federal Loans**

The Sojourner Center had the following loans outstanding at June 30, 2015:

<i>CFDA Number</i>	<i>Name of Federal Program</i>	<i>Amount Outstanding</i>
14.218	Community Development Block Grant Entitlement Grants (Loan No. 64210)	\$168,000
14.218	Community Development Block Grant Entitlement Grants (Loan No. 107477)	\$1,000,000
14.218	Community Development Block Grant Entitlement Grants (Loan No. 125187)	\$1,500,000

The Sojourner Center was awarded federal loans of \$2,668,000 for the community block grant development program from the U.S. Department of Housing and Urban Development, passed through the City of Phoenix, Arizona, CFDA #14.218. As of June 30, 2015 the outstanding balance and current year disbursements under this loan were \$2,668,000 and \$0, respectively. The loans have the following continuing compliance requirements:

1. The underlying property built with the loans will be occupied by victims of domestic violence and their children. (All loans)
2. The rent for the Community Development Block Grant units may not exceed 30 percent of the adjusted income of a family whose gross income equals 80 percent of the Median Family Income for the Phoenix Standard Metropolitan Statistical Area, as determined by the U.S. Department of Housing and Urban Development. (Only loan 107477)

**Note 5 - Social Services Block Grant**

The Sojourner Center was awarded funds for the Social Services Block Grant (SSBG) #93.667 that was passed through the Arizona Department of Economic Security. As indicated in the 2015 OMB Compliance Supplement, since the funds are used in conjunction with the Temporary Assistance to Needy Families (TANF) program, management transferred the funds out of SSBG to TANF. As a result, the funds transferred out of SSBG are subject to the requirement of TANF and are included with the other TANF funds on the schedule.

**SOJOURNER CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

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**I. SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major federal programs:

- Material weakness identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

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

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

**Identification of Major Federal Programs**

<i>CFDA Number</i>	<i>Name of Major Federal Program or Cluster</i>	<i>Opinion</i>
14.235	U.S. Department of Housing and Urban Development, Supportive Housing Program	Qualified
14.218	U.S. Department of Housing and Urban Development, Community Development Block Grants/ Entitlement Grants	Unmodified
93.558	U.S. Department of Health and Human Services, Temporary Assistance to Needy Families	Unmodified

**SOJOURNER CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

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**I. SUMMARY OF AUDITORS' RESULTS (continued)**

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

Auditee qualified as low-risk auditee?  Yes  No

**II. FINANCIAL STATEMENT FINDINGS**

**2015-001 Financial Close and Reporting – Significant Deficiency**

*Criteria:* A strong internal control system ensures that all material transactions have been recorded timely and accurately through an effective Financial Close and Reporting process, and that the month and year end closing process is conducted on a timely basis.

*Condition:* General ledger account reconciliations are performed regularly. However, there is no independent review of these reconciliations in order to detect errors in the reconciliations. Similarly, there is no independent review of journal entries and documentation to substantiate the entries is not maintained.

*Effect:* Failure to accurately review general ledger account reconciliations and journal entries on a regular basis can and has resulted in misstatements of the Organization's financial reports during the year and at year-end. Additionally, failure to maintain documentation supporting journal entries can result in inaccurate or inappropriate entries.

*Cause:* Capacity constraints within the accounting department limit the Organization's ability to properly segregate the recording and authorization functions of account reconciliations and journal entries.

*Recommendation:* We recommend that the Organization increase capacity in the accounting department or develop additional policies and procedures to ensure that all reconciliations and journal entries are properly supported and reviewed by an individual independent of the recording function and with sufficient knowledge of the accounts to detect errors.

**SOJOURNER CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

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**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2015-002 Allowable Costs - Material Weakness in Internal Control over Compliance and Compliance**

<i>CFDA Number</i>	<i>Federal Agency/ Pass-through Entity/Program Name</i>	<i>Pass Through Award Number</i>	<i>Award Year</i>	<i>Questioned Costs</i>
14.235	U.S. Department of Housing and Urban Development, Supportive Housing Program	AZ0095L9T021 306	2015	\$66

*Criteria:* A good system of internal control and OMB Circular A-122 requires all expenses to be approved and supported by appropriate documentation. In addition, Appendix B, Paragraph 1(m)(2) to Part 230 of OMB Circular A-122 states that reports maintained by non-profit organizations reflecting the distribution and activity of each employee's salary and wages must include an after-the-fact determination of the actual activity of each employee and must be signed by the individual employee, or by a responsible official having firsthand knowledge of the activities performed by the employee, and that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports. Lastly, all expenses charged to federal programs are required to be allowable costs under that program.

*Condition:* During our testing of 60 expense items charged to the federal program we noted that one item did not have supporting documentation and one item was not an allowable cost for the program. Additionally, we noted that personnel costs for 9 of 76 expense items charged to the program did not have documentation supporting the time charged to the federal award.

*Questioned costs:* Our testing of expense items resulted in questioned costs of \$66 relating to the expense items charged to the federal program. However, due to the lack of supporting documentation for the personnel costs charged to the program, we were unable to determine the additional questioned costs.

*Effect:* Improper expenses may be paid and charged to the federal program without adequate approval or charged at the wrong amount. Additionally, personnel time charged to federal awards may not be indicative of actual grant activities and therefore would be overstated or understated.

*Cause:* There is a weakness in internal controls over the approval of journal entries and record-keeping and there is a weakness in the process of charging expenses to federal programs. Additionally, there was a lack of controls over charging personnel time to federal programs and employees were not required to submit certifications or timesheets indicating the time spent for each federal program.

**SOJOURNER CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

**2015-002 Allowable Costs - Material Weakness in Internal Control over Compliance and Compliance (continued)**

*Recommendation:* We recommend Sojourner Center management routinely review and consider modifications to or implementation of policies and procedures that would strengthen internal controls surrounding the expenditure process, record-keeping and the management thereof. Additionally, management should implement a review process to ensure that all time charged to federal awards are supported by certified time and effort reports.

**2015-003 Special Tests and Provisions - Material Weakness in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Federal Agency/ Pass-through Entity/ Program Name</i>	<i>Award Number</i>	<i>Award Year</i>	<i>Questioned Costs</i>
93.558	U.S. Department of Health and Human Services, Temporary Assistance to Needy Families, Passed through the Arizona Department of Economic Security, Shelter Services and Legal Services and Education	DE-12025-523 DE-12025-524 ADES13-49391	2015	\$0

*Criteria:* The Arizona Department of Economic Security (“DES”) special terms and conditions require that background checks through the DES Security Central Registry be conducted for each employee that provides services to children or vulnerable adults.

*Condition:* For 1 out of 25 employees tested, the Organization did not perform the required background check.

*Questioned costs:* We did not identify any questioned costs as a result of this condition.

*Effect:* Without effective internal controls over background checks the Organization could hire someone that is not allowed contact with children or vulnerable adults under the terms of the contract.

*Cause:* The prospective employee was given the paperwork to allow the Organization to perform the background check and it was never returned to human resources. The Organization was unable to rectify the issue due to the employee terminating employment.

*Recommendation:* We recommend that the Organization improve their controls over background checks such that any employee requiring a background check not be on boarded until such time that the documentation is received.

**SOJOURNER CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

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**2015-004 Reporting – Significant Deficiency in Internal Control over Compliance**

<i>CFDA Number</i>	<i>Program Name</i>	<i>Award Number</i>	<i>Award Year</i>	<i>Questioned Costs</i>
14.235	U.S. Department of Housing and Urban Development, Supportive Housing Program	AZ0095L9T021 306	2015	\$0
93.558	U.S. Department of Health and Human Services, Temporary Assistance to Needy Families, Passed through the Arizona Department of Economic Security, Shelter Services and Legal Services and Education	DE-12025-523 DE-12025-524 ADES13-49391	2015	\$0

*Criteria:* Federal regulations and grant and contract conditions require that financial reports filed be supported with documentation, such as general ledger reports.

*Condition:* We noted instances where supporting documentation was not retained to support the amounts reported on federal financial reports.

*Questioned costs:* We did not identify any questioned costs as a result of this condition.

*Effect:* Without a centralized system of internal controls that includes documentation, review and reconciliation of reported expenditures, the Organization exposes itself to the risk of not complying with grant and contract provisions related to reporting.

*Cause:* The Organization did not have an effective controls system in place to ensure that documentation was retained to support amounts reported.

*Recommendation:* Without a centralized system of internal controls that includes documentation, review and reconciliation of reported expenditures, the Organization exposes itself to the risk of not complying with grant and contract provisions related to reporting.

**SOJOURNER CENTER**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2015**

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**2014-001 Property and Equipment** – Clear policies and procedures should be employed over property and equipment records that provide for accurate and timely recording and reconciliation of fixed assets in accordance with generally accepted accounting principles. Condition: The following internal control deficiencies were noted during the audit:

- A physical inventory of fixed assets has not been performed in a reasonable period of time.
- The fixed asset detail was not reconciled to the general ledger for the fiscal year ended June 30, 2014.

*Status at June 30, 2015* – This finding was partially corrected in the current year. See finding at 2015-001.

**2014-002 14.235/93.558 US HUD SUPPORTIVE HOUSING PROGRAM AND US DHHS TANF Allowable Costs** – A good system of internal control and OMB Circular A-122 requires all expenses to be approved and supported by appropriate documentation. In addition, all expenses charged to federal programs are required to be allowable costs under that program. Condition: Out of 22 expense items charged to the federal program 14 items were not properly approved and five items were not charged to the program based on the determined allocation for the type of expense.

*Status at June 30, 2015* – This finding was repeated at 2015-002 in the current year for 14.235 US HUD Supportive Housing Program and was resolved in the current year for 93.558 US DHHS TANF.

**2014-003 14.235/93.558 US HUD SUPPORTIVE HOUSING PROGRAM AND US DHHS TANF Allowable Costs** – OMB Circular A-122 states that reports must reflect an after-the-fact determination of the actual activity of each employee and must be signed by the individual employee, or by a responsible official having firsthand knowledge of the activities performed by the employee, and that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports. Condition: personnel costs are being charged based on pre-determined allocation rates.

*Status at June 30, 2015* – This finding was repeated at 2015-003 in the current year for 14.235 US HUD Supportive Housing Program and was resolved in the current year for 93.558 US DHHS TANF.

**2014-004 14.235/93.558 US DHHS TANF Period of Availability** – Federal requirements for period of availability require that purchases/expenditures are incurred during the budget period authorized by the funding agency. Condition: Auditors reported that they were unable to determine if the period of availability of payroll and non-payroll expense items charged to the federal program, were adhered to.

*Status at June 30, 2015* – This finding was fully corrected in the current year.

# SOJOURNER CENTER MANAGEMENT'S CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2015

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March 29, 2016,

Ms. Melissa Harman, CPA  
Moss Adams, LLP  
8800 East Raintree Drive, Suite 2010  
Scottsdale, AZ 85260

Re: Single Audit FY 2015

Dear Ms. Harman:

We hereby address the non-compliance findings for the Financial Statements and Single Audit conducted on Sojourner Center's Federal Awards for Fiscal Year 2015:

**Financial Statements Findings:**

**1. 2015-001 Financial Close and Reporting- Significant Deficiency**

Condition:

"General ledger account reconciliations are performed regularly. However, there is no independent review of these reconciliations in order to detect errors in the reconciliations. Similarly, there is no independent review of journal entries and documentation to substantiate the entries is not maintained."

Management's response – During the second quarter for FY16, Sojourner Center hired an Accounting Specialist to support the Controller. Also, finance policies and internal control procedures are in the process of being reviewed and revised to be in alignment with the Council on Accreditation (COA); furthermore the Controller will ensure that all reconciliations and journal entries have the appropriate support documentation and approvals and the Chief Operating Officer will provide independent review of journal entries and documentation to substantiate entries.

**Federal Awards Findings:**

**1. 2015-002 Allowable Costs - Material Weakness in Internal Control over Compliance**

Condition – "During our testing of 60 expense items charged to the federal program we noted that one item did not have supporting documentation and one item was not an allowable cost for the program. Additionally, we noted that personnel costs for 9 of 76 expense items charged to the program did not have documentation supporting the time charged to the federal award."

**SOJOURNER CENTER  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2015**

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**Management's response** – Management is not in agreement with the level of the material weakness finding given during these two testings. First, it should be noted that out of 60 expense items tested only two totaling \$66 (which should be considered an immaterial amount) failed said testing. Sojourner Center has strengthened its internal controls from previous fiscal years and there has been a significant and noticeable improvement in procedures. Accounts payable procedures include gathering support documentation prior to submitting requests for reimbursements, ensuring that all necessary forms have been completed and approved by the appropriate personnel in a timely manner, and reviewing allocations before invoices are entered in the weekly payables cycle. Second, only nine out of 76 personnel expense items tested failed, which is a significant improvement from previous fiscal years. The Quality Assurance Department will continue to monitor all time and effort for staff positions that are federal grant funded; in addition, the QA and Compliance Manager ensures that the time and effort reports are completed in a timely manner and also reviews them for accurateness and completeness.

**2. 2015-003 Special Tests and Provisions – Material Weakness in Internal Control**

**Condition**- “For 1 out of 25 employees tested, the Organization did not perform the required background check.”

**Management's response** – During the second quarter for FY16, Sojourner Center hired an additional HR/Payroll Specialist to support the HR Director. Once this background check screening mistake was discovered the HR Director immediately proceeded to revise this procedure as follows: The HR Specialist ensures the Direct Service Form is completed during the application/prescreening process and ensures it is immediately handed to the HR/Payroll Specialist who faxes it to DES. The HR/Payroll Specialist notifies the HR Specialist when the results are received. For a result of no finding, a new hire orientation is scheduled when all other requirements are met and a final hiring decision is made. For a “substantiated, disqualifying act” finding, the applicant is provided a copy of the notice and advised that the hiring process cannot continue; thus, the applicant is not hired.

**3. 2015-004 Reporting – Significant Deficiency in Internal Control over Compliance**

**Condition** – “We noted instances where supporting documentation was not retained to support the amounts reported on federal financial reports.”

**Management's response** – Management is not in agreement with this deficiency given during this testing. The processes for reporting and drawdowns for both CFDA 14.235 and 93.558 are an automated process where data is retrieved from APRICOT and Abila software, which is very complex. For CDFA 93.558 the drawdowns are based on units and 1/12<sup>th</sup> increments, with which the Department of Economic Security (DES) has been satisfied; the reporting is based on beds per night which surpass the 1/12<sup>th</sup> monthly. Furthermore, during the most recent DES site visit on November of 2015, reporting and fiscal compliance was reviewed by DES Staff and no issues were found with regards to fiscal compliance or reporting. For CDFA 14.235 the data is entered straight into the HUD online portal and no support documentation is required to be uploaded or kept outside of the managed databases (the majority of HUD partners are not DV agencies and directly take data out of a joint HMIS system, APRICOT was reviewed by HUD and was deemed to meet all database and data management requirements). Also during the yearly agency presentation for the Supportive Housing Program Sojourner Center has never been informed by HUD personnel of any issues with regards to fiscal compliance. It is Management's perception that there was a lack of understanding on the part of audit staff on grant contract reporting and drawdown standard procedures as well as stipulated requirements of major contracts. Lastly, Sojourner Center will continue to strengthen its internal control procedures to avoid any risk of noncompliance.

Previous Findings:

# SOJOURNER CENTER MANAGEMENT'S CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2015

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1. 2014-001 Property and Equipment

*Status at June 30, 2015* – This finding was partially corrected in the current year. See finding at 2015- 001.

Management's response – See 2015-001.

2. 2014-002 14.235/93.558 US HUD Supportive Housing Program and US DHHS TANF Allowable Costs

*Status at June 30, 2015* – This finding was repeated at 2015-002 in the current year for 14.235 US HUD Supportive Housing Program.

Management's response – See 2015-002.

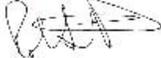
3. 2014-003 14.235/93.558 US HUD Supportive Housing Program and US DHHS TANF Allowable Costs

*Status at June 30, 2015* – This finding was repeated at 2015-003 in the current year for 14.235 US HUD Supportive Housing Program.

Management's response – See 2015-003.

We are confident that we have addressed all audit findings requirements; if you have any questions, please do not hesitate to contact our Controller, Ana Pabon at [apabon@sojournercenter.org](mailto:apabon@sojournercenter.org) / 602-296-3352 or the undersigned at [rknechtel@sojournercenter.org](mailto:rknechtel@sojournercenter.org) / 602-296-3337 at your convenience. Thank you.

Sincerely,



Robert L. Knechtel, JD, MD  
Chief Operating Officer

RLK/alp