

Central Arizona Shelter Services, Inc.

Federal Awards Reports in Accordance with the Uniform Guidance

June 30, 2022

Central Arizona Shelter Services, Inc.
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Central Arizona Shelter Services, Inc.
Phoenix, Arizona

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 Central Arizona Shelter Services, Inc., a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, 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 March 27, 2023.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness which is listed as finding **2022-001**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, the auditor 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*.

Organizations Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Central Arizona Shelter Services, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Central Arizona Shelter Services, Inc. response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Snyder & Brown CPAs, PLLC

Tempe, Arizona

March 27, 2023

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

Board of Directors
Central Arizona Shelter Services, Inc.
Phoenix, Arizona

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

We have audited Central Arizona Shelter Services, Inc.'s ("Organization") compliance with the types of compliance requirements described in the *OMB Compliance supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Central Arizona Shelter Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Central Arizona Shelter Services, Inc.. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Central Arizona Shelter Services, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Central Arizona Shelter Services, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Central Arizona Shelter Services, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Central Arizona Shelter Services, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Central Arizona Shelter Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Central Arizona Shelter Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Central Arizona Shelter Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. 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 **2022-101** to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Central Arizona Shelter Services, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Central Arizona Shelter Services, Inc. as of and for the year ended June 30, 2022, and have issued our report thereon dated March 27, 2023, 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 the Uniform Guidance and is not a required part of the financial statements. The addition of nonfederal awards in the schedule of expenditures of federal awards is not required by Uniform Guidance and is also 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Snyder & Brown CPAs, PLLC

Tempe, Arizona
March 27, 2023

**Central Arizona Shelter Services, Inc.
Schedule of Findings and Questioned Costs
June 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	None reported
Significant deficiencies identified	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 500.516(a)?	No

Identification of major programs

Name of Federal Program or Cluster	Assistance Listing Number
Emergency Shelter Grants Program	14.231
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228
Dollar threshold used to distinguish between type A and type B Programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Central Arizona Shelter Services, Inc.
Schedule of Findings and Questioned Costs
June 30, 2022**

Section II – Financial Statement Findings

Finding 2022-001 — Financial Close and Reporting – Material Weakness

Criteria: A strong internal control system ensures that all material transactions have been recorded timely and accurately through an effective Financial Close and Reporting. All balance sheet accounts should be reconciled as part of the process to ensure accuracy.

Condition: The Organization did not perform adequate yearend reconciliations of all balance sheet accounts. Material corrections to fixed assets and accounts payable were identified during the course of the audit. Adjusting entries were made to properly state the balances.

Cause and Effect: Limited staffing resources and oversight devoted to the financial reporting process results in the potential for errors and misstatements in the financial statements.

Auditors' Recommendations: The Organization should devote additional resources to the financial close and reporting process to ensure that all balance sheet accounts are adequately reconciled and reviewed prior to the closing process.

**Central Arizona Shelter Services, Inc.
Schedule of Findings and Questioned Costs
June 30, 2022**

Section III – Federal Award Findings and Questioned Costs

Finding FA2022-101 — Timeliness of Subrecipient Payments – Significant Deficiency in Internal Controls over Compliance (Special Tests)

Federal program information:

Funding agencies:	U.S. Department of Housing and Urban Development
Titles:	Emergency Shelter Grants Program
Assistance Listing Number:	14.231
Award numbers:	C21-0580, 152439-0, 152126-0, ADES18-206228
Pass-Through grantors:	City of Glendale, Arizona, City of Phoenix, Arizona and Arizona Department of Economic Security
Compliance Requirements:	Special Tests – Payments to Subrecipients
Questioned Costs:	N/A

Criteria: Code of Federal Regulations § 576.203(c) *Obligation, expenditure and payment* requirements state that recipients of ESG funds must pay each subrecipient for allowable costs within 30 days after receiving the subrecipient’s complete payment request.

Condition: For 4 of 15 subrecipient payments selected for review it was noted that the payments were not made within the 30 day allowable period. Per discussion with management it was determined that the payments were not made within the time limit as a result of missing or inaccurate information in the subrecipient’s drawdown requests. However, no additional documentation could be provided to show that items were missing from the drawdown requests.

Cause and Effect: The organization does not have adequate policies and procedures in place to document the subrecipient drawdown review and they did not maintain adequate supporting documentation to show draw down requests were incomplete. The result is that there is increased chance of non-compliance with the requirements of the grant.

Auditors’

Recommendations: The organization should establish policies and procedures to ensure that drawdown requests are documented when received and should maintain adequate documentation to substantiate delays in payments made to subrecipients.

Organization's Section

Central Arizona Shelter Services, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grants/Entitlement Grants, passed through the:			
City of Peoria	14.218	ACON51218A	\$ 28,461
City of Gilbert	14.218	321000339	80,000
City of Glendale	14.218	C21-0580	258,660
City of Phoenix	14.218	154900	44,430
CFDA 14.218 Total			<u>411,551</u>
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii passed through the:			
Arizona Department of Housing	14.228	142-21, 115-22	<u>7,717,371</u>
Emergency Shelter Grants Program, passed through the:			
City of Glendale	14.231	C21-0580	2,124,200
City of Phoenix	14.231	152439-0, 152126-0	2,857,439
Arizona Department of Economic Security	14.231	ADES18-206228	558,996
CFDA 14.231 Total			<u>5,540,635</u>
Total U.S. Department of Housing and Urban Development			<u>13,669,557</u>
<u>U.S. Department of Health and Human Services</u>			
Temporary Assistance for Needy Families, passed through:			
Arizona Department of Economic Security	93.558	ADES18-206228	<u>94,792</u>
Social Services Block Grant, passed through the:			
Arizona Department of Economic Security	93.667	ADES18-206228	<u>605,087</u>
Total U.S. Department of Health and Human Services			<u>699,879</u>
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter Program, passed through:			
Maricopa County	97.024	N/A	<u>285,233</u>
Total U.S. Department of Homeland Security			<u>285,233</u>
Total Expenditures of Federal Awards			<u>\$ 14,654,669</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Central Arizona Shelter Services, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Central Arizona Shelter Services, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Note 2 - Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization's summary of significant accounting policies is presented in Note 1 in the Organization's basic financial statements.

Note 3 - Assistance listing number

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or the 2022 Federal Assistance Listings.

Note 4 - Indirect Costs

The Organization elected to use the 10 percent de minimis indirect cost rate.

Note 5 - Subrecipients

The Organization made subrecipient payments to other non-profit organizations totaling \$1,113,446 during the fiscal year ended June 30, 2022.



Our mission is to prevent and end homelessness among individuals and families while advancing compassionate community solutions.

Finding 2022-001 — Financial Close and Reporting – Material Weakness

Anticipated date of correction: June 2023

Person responsible: Mark Bustamante, Chief Financial Officer

Management's Response:

We agree with the auditor's comments. The following actions will be taken to improve the year-end close process. We will ensure that all transactions are properly coded and accrued in the appropriate fiscal year.

We would like it noted that the transactions related to this finding were for expenses associated with multi-year grant contracts that did not close at the end of the fiscal year. Therefore, the timing difference was not an issue to the funder; but we do acknowledge that the corrections recommended by the auditor were necessary in order for the financial statements to be presented accurately.

Finding 2022-101 — Timeliness of Subrecipient Payments – Significant Deficiency in

Internal Controls over Compliance (Special Tests)

Anticipated date of correction: June 2023

Person responsible: Mark Bustamante, Chief Financial Officer

Management's Response:

We agree with the auditor's comments. The following actions will be taken to make sure sub-recipients payments comply with the Code of Federal Regulations 576.203(c). We will pay invoices within 30 days or document the reason for any delay.

We would like it noted that in most cases the late payments were due to incomplete payment requests from the sub-recipients. Unfortunately, our invoice review process did not include preserving our notes and communication with the sub-recipients regarding our questions and requests for missing documentation that ultimately lead to the submission of additional documentation from the sub-recipients and final approval of the invoice payment.

Central Arizona Shelter Services (CASS)

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