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# **WOMEN IN COMMUNITY SERVICE, INC.**

## **AUDIT REPORT**

### **FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/13/05

**WOMEN IN COMMUNITY SERVICE, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
I. Financial Section	
Financial Statements, for the Year Ended September 30, 2004, with Summarized Financial Information for 2003, Including the Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs	I (1 - 17)
II. Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	II (1 - 2)
III. Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	III (1 - 2)

**FINANCIAL STATEMENTS**

**WOMEN IN COMMUNITY  
SERVICE, INC.**

**FOR THE YEAR ENDED SEPTEMBER 30, 2004  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2003**

**WOMEN IN COMMUNITY SERVICE, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITORS' REPORT	I (3)
EXHIBIT A - Statement of Financial Position, as of September 30, 2004, with Summarized Financial Information for 2003	I (4)
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended September 30, 2004, with Summarized Financial Information for 2003	I (5)
EXHIBIT C - Statement of Functional Expenses, for the Year Ended September 30, 2004, with Summarized Financial Information for 2003	I (6)
EXHIBIT D - Statement of Cash Flows, for the Year Ended September 30, 2004, with Summarized Financial Information for 2003	I (7)
NOTES TO FINANCIAL STATEMENTS	I (8 - 12)
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL FINANCIAL INFORMATION	I (13)
SCHEDULE 1 - Schedule of Expenditures of Federal Awards, for the Year Ended September 30, 2004	I (14)
SCHEDULE 2 - Schedule of Findings and Questioned Costs, for the Year Ended September 30, 2004	I (15 - 17)

# GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Women in Community Service, Inc.  
Alexandria, Virginia

We have audited the accompanying statement of financial position of Women in Community Service, Inc. (WICS) as of September 30, 2004, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of WICS's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's financial statements for the year ended September 30, 2003, which were audited by other auditors whose report dated December 11, 2003 expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WICS as of September 30, 2004, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2004 on our consideration of WICS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



December 17, 2004

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**WOMEN IN COMMUNITY SERVICE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2004**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

<b>ASSETS</b>	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 53,751	\$ 685,070
Investments (Note 2)	51,087	101,290
Accounts receivable	18,870	1,408
Grants and contracts receivable	1,021,317	497,067
Prepaid expenses and other assets	<u>27,608</u>	<u>8,779</u>
Total current assets	<u>1,172,633</u>	<u>1,293,614</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment, net of accumulated depreciation and amortization of \$82,257 and \$68,662 in 2004 and 2003, respectively (Note 6)	<u>42,661</u>	<u>55,977</u>
<b>OTHER ASSETS</b>		
Deposits	<u>37,376</u>	<u>21,764</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,252,670</u></b>	<b><u>\$ 1,371,355</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Capital lease payable, current portion	\$ 2,250	\$ 5,401
Accounts payable	145,839	132,594
Accrued expenses	220,017	241,706
Deferred revenue	161,769	39,008
Deferred rent and lease incentives, current portion (Note 5)	<u>5,299</u>	<u>5,299</u>
Total current liabilities	535,174	424,008
<b>LONG-TERM LIABILITIES</b>		
Capital lease payable, net of current portion (Note 5)	-	2,700
Deferred rent and lease incentives, net of current portion	<u>70,837</u>	<u>67,791</u>
Total liabilities	<u>606,011</u>	<u>494,499</u>
<b>NET ASSETS</b>		
Unrestricted	225,727	347,364
Temporarily restricted (Note 3)	<u>420,932</u>	<u>529,492</u>
Total net assets	<u>646,659</u>	<u>876,856</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,252,670</u></b>	<b><u>\$ 1,371,355</u></b>

See accompanying notes to financial statements.

## WOMEN IN COMMUNITY SERVICE, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

	2004			2003
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Contributions	\$ 209,568	\$ 305,391	\$ 514,959	\$ 449,356
Contracts (Note 8)	4,876,451	-	4,876,451	5,343,063
Investment income (Note 2)	1,374	-	1,374	2,793
Donated goods	97,072	-	97,072	85,484
Other income	2,087	-	2,087	1,792
Publication sales	1,457	-	1,457	1,130
Net assets released from donor restrictions (Note 4)	<u>413,951</u>	<u>(413,951)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,601,960</u>	<u>(108,560)</u>	<u>5,493,400</u>	<u>5,883,618</u>
<b>EXPENSES</b>				
Program Services	5,595,765	-	5,595,765	5,762,671
Management and General	15,440	-	15,440	16,897
Fundraising	<u>112,392</u>	<u>-</u>	<u>112,392</u>	<u>86,578</u>
Total expenses	<u>5,723,597</u>	<u>-</u>	<u>5,723,597</u>	<u>5,866,146</u>
Change in net assets	(121,637)	(108,560)	(230,197)	17,472
Net assets at beginning of year	<u>347,364</u>	<u>529,492</u>	<u>876,856</u>	<u>859,384</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 225,727</u></b>	<b><u>\$ 420,932</u></b>	<b><u>\$ 646,659</u></b>	<b><u>\$ 876,856</u></b>

## WOMEN IN COMMUNITY SERVICE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

	<u>2004</u>			<u>2003</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
Salaries	\$ 2,514,218	\$ 386,347	\$ 51,779	\$ 2,952,344	\$ 3,124,401
Payroll taxes and employee benefits (Note 7)	1,058,234	162,514	21,794	1,242,542	1,233,499
Office rent (Note 5)	198,765	93,044	12,006	303,815	321,601
Consultants	169,398	143,514	2,250	315,162	242,335
Travel	191,032	17,062	1,696	209,790	222,783
Contract assets	58,279	(100)	-	58,179	111,357
Applicant recruits	111,121	-	-	111,121	103,093
Telephone	59,134	13,570	1,175	73,879	89,100
Equipment rental and maintenance	55,390	10,102	556	66,048	75,635
Supplies	64,028	15,446	353	79,827	65,387
Training	30,240	9,329	210	39,779	54,516
Postage	33,367	6,848	593	40,808	43,888
Promotion	39,004	12,676	-	51,680	36,684
Printing and publications	21,524	6,818	873	29,215	34,255
Life skills food functions	31,883	-	-	31,883	22,707
Memberships	8,546	7,433	295	16,274	20,453
Depreciation and amortization	-	13,594	-	13,594	15,075
Insurance	376	4,671	-	5,047	13,435
Volunteer recognition	25,941	3,353	-	29,294	10,905
Payroll processing	-	10,199	-	10,199	9,486
Miscellaneous	8,887	5,292	-	14,179	9,060
Board and committees	-	25,252	-	25,252	6,491
Contract unallowable expenses	<u>2,958</u>	<u>728</u>	<u>-</u>	<u>3,686</u>	<u>-</u>
Subtotal	4,682,325	947,692	93,580	5,723,597	5,866,146
Allocation of management and general	<u>913,440</u>	<u>(932,252)</u>	<u>18,812</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 5,595,765</u></b>	<b><u>\$ 15,440</u></b>	<b><u>\$ 112,392</u></b>	<b><u>\$ 5,723,597</u></b>	<b><u>\$ 5,866,146</u></b>

See accompanying notes to financial statements.



**WOMEN IN COMMUNITY SERVICE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (230,197)	\$ 17,472
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	13,594	15,075
(Increase) decrease in:		
Accounts receivable	(17,462)	9,147
Grants and contracts receivable	(524,250)	76,626
Prepaid expenses and other assets	(18,829)	(4,214)
Deposits	(15,612)	6,763
Increase (decrease) in:		
Accounts payable	13,245	8,600
Accrued expenses	(21,689)	(30,931)
Deferred revenue	122,761	24,859
Deferred rent	<u>3,046</u>	<u>6,523</u>
Net cash provided (used) by operating activities	<u>(675,393)</u>	<u>129,920</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(278)	(458)
Proceeds from sale of investments	<u>50,203</u>	<u>103,306</u>
Net cash provided by investing activities	<u>49,925</u>	<u>102,848</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligation	<u>(5,851)</u>	<u>(5,399)</u>
Net cash used by financing activities	<u>(5,851)</u>	<u>(5,399)</u>
Net increase (decrease) in cash and cash equivalents	(631,319)	227,369
Cash and cash equivalents at beginning of year	<u>685,070</u>	<u>457,701</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>53,751</u></b>	<b>\$ <u>685,070</u></b>

See accompanying notes to financial statements.

**WOMEN IN COMMUNITY SERVICE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Women in Community Service, Inc. (WICS) is a nonprofit organization, incorporated in Washington, D.C. and located in Alexandria, Virginia. WICS was founded in 1964 by five national civic and religious organizations for women. WICS is dedicated to reducing the number of women and young people living in poverty by promoting self-reliance and economic independence. WICS coordinates the efforts of several thousand volunteers throughout the United States who provide mentoring, job skills and employment training to thousands of low-income women and young people each year. These activities are funded primarily through contributions from private sources and through direct and indirect grants and contracts from the federal government.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Cash and cash equivalents -

WICS considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, WICS maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at market value. Unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Property and equipment -

Property and equipment are stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the life of the lease. Expenditures greater than \$1,000 are capitalized; the cost of maintenance and repairs is recorded as expenses are incurred. Expenditures for fixed assets which are purchased with federal money and may need to be returned to the grantor at the end of the grant are expensed when incurred and recorded as contract assets on the accompanying Statement of Functional Expenses.

Income taxes -

WICS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. WICS is not a private foundation.

**WOMEN IN COMMUNITY SERVICE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of WICS and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of WICS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

WICS has grants and contracts from U.S. government agencies. Revenue from these grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants for which billings have not been presented to or collected from grantors is reflected as grants and contracts receivable in the accompanying Statement of Financial Position.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-kind contributions -

WICS receives a significant amount of donated materials, services, and facilities for its women and youth programs. Donated materials, services, and facilities are recorded as in-kind contributions at the estimated fair value at the date of donation. WICS's programs are also furthered through the contribution of time from unpaid volunteers. Volunteers have contributed over 140,000 hours for the year ended September 30, 2004 to WICS's program services. These services are not reflected in the accompanying Statement of Activities and Change in Net Assets because they do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States of America.

**WOMEN IN COMMUNITY SERVICE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**2. INVESTMENTS**

Investments consisted of the following at September 30, 2004:

	<u>Market Value</u>
Certificates of Deposit	\$ <u>51,087</u>

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at September 30, 2004:

Programs	\$ 331,258
Other	<u>89,674</u>
	<b>\$ <u>420,932</u></b>

**4. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Programs	\$ 381,373
Other	<u>32,578</u>
	<b>\$ <u>413,951</u></b>

**5. LEASE COMMITMENT**

WICS leases its office space under a non-cancelable operating lease that expires May 30, 2011. Under the terms of the lease, the base rent increases annually on an incremental basis as stated in the lease. The lease provides a lease incentive to build out the space totaling \$52,994. Under *accounting principles generally accepted in the United States of America (GAAP)*, all rental payments, including fixed rent increases, less any rental abatements are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and lease incentive in the accompanying Statement of Financial Position. WICS also leases office space in Denver, Colorado under a non-cancelable office lease that expired on September 30, 2004.

**WOMEN IN COMMUNITY SERVICE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**5. LEASE COMMITMENT (Continued)**

The future minimum rental payments required under the operating leases as of September 30, 2004 are as follows:

**Year Ended September 30,**

2005	\$ 122,999
2006	126,689
2007	130,489
2008	134,404
2009	138,436
Thereafter	<u>239,531</u>
	<b><u>\$ 892,548</u></b>

Rent expense for the year ended September 30, 2004 was \$303,815. WICS also has several month-to-month leases for other office space throughout the United States.

**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at September 30, 2004:

Office furniture and equipment	\$ 44,920
Leasehold improvements	52,995
Equipment under capital lease	<u>27,003</u>
	124,918
Less: Accumulated depreciation and amortization	<u>(82,257)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<b><u>\$ 42,661</u></b>

**7. PENSION PLAN**

WICS maintains a noncontributory, defined contribution retirement plan that is available to all full-time employees who have attained 18 years of age and have completed one year consisting of 1,000 service hours at WICS or any other organization in the nonprofit health and social services field described Section 501(c) of the Internal Revenue Code. WICS make contributions equal to 7% of the eligible participant's annual compensation up to the maximum allowable individual contribution limit established by the Internal Revenue Service (IRS) each year. Employees are immediately vested in the employer contributions. Pension expense for the year ended September 30, 2004 totaled \$170,318 and is included in payroll taxes and employee benefits in the accompanying Statement of Functional Expenses.

**WOMEN IN COMMUNITY SERVICE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**8. RISKS AND CONTINGENCIES**

WICS receives contracts from various agencies of the United States Government. Such contracts are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government contracts is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2004. *Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.*

*WICS receives a substantial portion of its revenue from the U.S. Department of Labor for its Job Corps program. If a significant reduction in the level of this funding should occur, it may have a significant effect on WICS's programs. For the year ended September 30, 2004, WICS recognized contract revenue of \$3,239,159 from this contract, which was approximately 58% of WICS's total revenue and support.*

# GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL FINANCIAL INFORMATION**

To the Board of Directors  
Women in Community Service, Inc.  
Alexandria, Virginia

Our report on our audit of the basic financial statements of Women in Community Service, Inc. as of September 30, 2004 appears on page I-3. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedules of Expenditures of Federal Awards and Findings and Questioned Costs are presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133 and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gelman Rosenberg & Freedman*

December 17, 2004

## WOMEN IN COMMUNITY SERVICE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Federal Granting Agency and Program Title</u>	<u>CFDA or Award Number</u>	<u>2004 Expenditures</u>
<b>U.S. Department of Labor</b>		
Pre-Termination and Post-Termination Support to Job Corps Enrollees	17.259	\$ 2,362,386
Pre-Termination and Post-Termination Support to Job Corps Enrollees	17.259	876,773
Homeless Veteran's Reintegration, Training and Placement Project Program	17.805	135,264
Pass-Through from the Silicon Valley Workforce Investment Network - Literacy Youth Empowerment Program	17.259	<u>105,311</u>
Total U.S. Department of Labor		<u>3,479,734</u>
<b>U.S. Department of Housing and Urban Development</b>		
Pass-Through from the Memphis Housing Authority - Hope VI	14.866	125,697
Pass-Through from the Memphis Housing Authority - Hope VI	14.866	233,281
Pass-Through from the City of Memphis, Tennessee - Families First	14.218	76,960
Pass-Through from the City of Memphis, Tennessee - Families First	14.218	86,442
Pass-through from Unity for the Homeless, Inc. - Family Services	14.235	59,802
Pass-through from Unity for the Homeless, Inc. - Family Services	14.235	<u>20,812</u>
Total U.S. Department of Housing and Urban Development		<u>602,994</u>
<b>U. S. Department of Education</b>		
Pass-Through from Shelby County - Lifeskills Program	N/A	<u>198,207</u>
<b>U.S. Department of Health and Human Service</b>		
Pass-Through from the State of Louisiana Department of Social Services - Family Independence Work Program	93.558	<u>102,500</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 4,383,435</u></b>

**Note:** The accompanying Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.



WOMEN IN COMMUNITY SERVICE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Section I - Summary of Audit Results

Financial Statements

- 1). Type of auditor's report issued: **Unqualified**
- 2). Internal control over financial reporting:
- Material weakness(es) identified?  Yes  No
  - Reportable condition(s) identified that are not considered to be material weakness(es)?  Yes  None Reported
- 3). Noncompliance material to financial statements noted?  Yes  No

Federal Awards

- 4). Internal control over major programs:
- Material weakness(es) identified?  Yes  No
  - Reportable condition(s) identified that are not considered to be material weakness(es)?  Yes  None Reported
- 5). Type of auditor's report issued on compliance for major programs: **Unqualified**
- 6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA or Award Number(s)</u>
Pre-Termination and Post-Termination Support to Job Corps Enrollees	17.259

- 8). Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- 9). Auditee qualified as a low-risk auditee?  Yes  No

WOMEN IN COMMUNITY SERVICE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Section II - Financial Statement Findings

Finding 04-1: Reportable Condition #1

**Federal Program:** U.S. Department of Labor - Pre-Termination and Post-Termination Support to Job Corps Enrollees

**Criteria:** Section I of Office of Management and Budget (OMB) Circular A-122, "Cost Principles of Non-Profit Organizations," requires that charges to federal awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official of the organization. The distribution of salaries and wages to federal awards must be supported by personnel activity reports except when a substitute system has been approved in writing by the cognizant agency. Personnel activity reports must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to federal awards. The activity reports must reflect an after-the-fact determination of the actual activity of each employee (budget estimates do not qualify as support for charges to federal awards). The reports must account for the total activity for which employees are compensated; must be signed by the individual employee and by a responsible supervisory official having first hand knowledge of the activities performed by the employee; the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports; and must be prepared at least monthly and must coincide with one or more pay periods.

**Condition:** While WICS requires that formal timesheets be prepared by each employee, we noted that employees indicate time worked on different projects using an estimated percentage not the actual hours worked. This is an issue for all headquarter employees. The employees in the field offices are required to keep timesheets as well; however, their time is 100% chargeable to the contract.

**Context, Effect and Cause:** By not tracking actual hours worked on each project on the timesheet, time could be charged incorrectly. This would result in salary expense not being allocated to the proper projects.

**Recommendation:** We recommend that employees working on multiple projects indicate actual time worked on different projects on their timesheets rather than on an estimated percentage basis.

**Management Response:** Since March 1, 2005, WICS has revised both the timesheet and timekeeping instructions to remove the section where time worked was broken down by project/contract on a percentage worked basis. Instead of one line to record "regular hours" worked each day, there are now multiple lines for recording actual work hours on a daily basis by project/contract. Timekeeping instructions have been modified to clearly indicate that actual hours worked must be recorded on a daily basis by project/contract as follows:

"Regular Work: Record your regular work hours in this section. Under Contract/Dept: print or type the subaccounts, contracts, or departments to which your time is charged. For each workday, record the actual number of hours worked for each subaccount, contract, or department for which you worked on that day."

Supervisors approving timesheets as well as payroll data entry personnel have been instructed to return timesheets where actual hours have not been recorded on a daily basis by project/contract to the employee for correction before processing the timesheet for payment.

**WOMEN IN COMMUNITY SERVICE, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)**

Please refer to Section II.

**Section IV - Prior Year Findings**

**Finding 03-1:**

**Federal Programs:** U.S. Department of Housing and Urban Development; Pass-through from the Memphis Housing Authority; Hope IV; Grant Number H-G-02-C-0039; CFDA Number 14.866

**Prior Year Comment:** WICS's grant contained several annual performance goals. As of September 30, 2003, WICS did not meet one of the performance goals required under this grant.

**Criteria:** The grant requires that WICS facilitate GED/ABE completion for fifteen new, unduplicated case management clients.

**Cause:** Although WICS has enrolled a total of 35 adults and youth in the GED program, WICS was unable to ensure that the individuals were able to complete the GED during the timeframe of the grant agreement.

**Current Year Status:** WICS received a modification to the agreement which eliminated the requirement for WICS to facilitate GED/ABE completion for fifteen new, unduplicated case management clients.

# GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Directors  
Women in Community Service, Inc.  
Alexandria, Virginia

We have audited the financial statements of Women in Community Service, Inc. as of and for the year ended September 30, 2004, and have issued our report thereon dated December 17, 2004. 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.

### **Compliance**

As part of obtaining reasonable assurance about whether Women in Community Service, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 04-1.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Women in Community Service, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Women in Community Service, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Finding 04-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management in a separate letter dated December 17, 2004.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gelman Rosenberg & Freedman*

December 17, 2004

# GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Women in Community Service, Inc.  
Alexandria, Virginia

### **Compliance**

We have audited the compliance of Women in Community Service, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2004. Women in Community Service, Inc.'s major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Women in Community Service, Inc.'s management. Our responsibility is to express an opinion on Women in Community Service, Inc.'s compliance based on our audit.

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 Women in Community Service, Inc.'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. Our audit does not provide a legal determination on Women in Community Service, Inc.'s compliance with those requirements.

As described in Finding 04-01 in the accompanying Schedule of Findings and Questioned Costs, Women in Community Service, Inc. did not comply with requirements regarding the Cost Principles of Non-Profit Organizations that are applicable to its United States Department of Labor Job Corp program. Compliance with such requirements is necessary, in our opinion, for Women in Community Service, Inc. to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Women in Community Service, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

### Internal Control Over Compliance

The management of Women in Community Service, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Women in Community Service, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Women in Community Service, Inc.'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Finding 04-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. However, the reportable condition described above is not considered to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gelman, Rosenburg & Friedman*

December 17, 2004