

## Tim Center

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**From:** Allison Harrell <aharrell@thf-cpa.com>  
**Sent:** Monday, February 19, 2024 4:30 PM  
**To:** Tim Center  
**Cc:** Keith Dean; Kate Beam; John Grant; Lisa Edgar; Quincee Messersmith; Shanetta Keel; Julian Dozier  
**Subject:** Meeting follow-up  
**Attachments:** 0922 Single Audit Schedules - Capital Area Comm Action Agency - Revised.pdf

Hello all,

After our meeting a little over a week ago, we were tasked with finding any literature that would address the 6 week period between when the PPP loan was obtained and when the OMB Memo M20-26 was issued to ascertain if the payroll costs during that period could be used for forgiveness even if they were also claimed for Federal grant expenditures. Unless the Agency defers as restricted unearned revenue the amount of grant funds received related to the payroll expenses that were used for PPP loan forgiveness, the Agency would be counting the same expenses for forgiveness of the PPP loan as were reimbursed by Federal grant funds. I read John Grant's email, but did not find that those circumstances applied here, as the OMB memo served as a reminder for the Code of Federal Regulations. Additionally, I did not locate any other specific guidance stating that there were any exceptions to that 6 week period. The relevant excerpt from 2 CFR 200.403 is below:

### § 200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:...

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.

As requested, we amended the language on the finding regarding the PPP forgiveness. Please see attached. Let me know if you have any other suggestions to the wording for Julian and I to review.

In order to issue the final financial statements, we will need your amended response to the findings as well as an updated management representation letter.

Thank you,  
Allison



**Allison Harrell, CPA**

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Capital Area Community Action Agency, Inc. and Subsidiary

Schedule of Findings and Questioned Costs  
Relating to Federal Awards

Year ended September 30, 2022

**Section 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

Significant deficiency(ies) identified not considered to be material weaknesses? No

Noncompliance material to financial statements noted? Yes

**Federal Programs**

Type of auditor's report issued on compliance for major federal programs?

<u>CFDA Number</u>	<u>Name of Federal Program</u>	
93.600	Head Start	Unmodified
93.569	Community Services Block Grant Program	Qualified

Internal control over Federal programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.600	Head Start
93.569	Community Services Block Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: Federal \$750,000

Auditee qualified as low-risk auditee? No

**Section II -- Financial Statement Findings**

**2022-001 Payroll Protection Program Forgiveness**

*Criteria:* White House OMB Memo M20-26 which states, "payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice." 2 CFR 200.403 states that "except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards...(f) not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period."

*Condition:* Management used payroll from a federal grant (Head Start) to apply for PPP loan forgiveness. This same payroll was requested for reimbursement. Such payroll amounts cannot be reimbursed by both the PPP program and other federal funding.

*Effect:* Previous reporting for Head Start grant expenditures was not accurate due to subsequent receipt of PPP loan forgiveness. The Agency is out of compliance with the PPP requirements, standards of White House OMB Memo M20-26 and 2 CFR 200.403.

*Cause:* Management applied for the PPP loan not knowing if their grant funds were going to continue during the Covid-19 pandemic. The PPP loan was applied for 6 weeks prior to the White House OMB Memo M20-26 being issued, therefore Management's interpretation of the rules at that time did not contemplate the disallowance for costs also covered by a separate federal grant program.

*Recommendation:* The Agency should seek grantor guidance regarding deferred grant funds.

*Management's Response:* See the Management's Response to Findings section for management's detailed response to item 2022-001.

# Capital Area Community Action Agency, Inc. and Subsidiary

## Schedule of Findings and Questioned Costs Relating to Federal Awards (continued)

Year ended September 30, 2022

### Section III – Federal Award Findings and Questioned Costs

#### 2022-001 Payroll Protection Program Forgiveness - See above in Section II.

#### 2022-002 Internal Controls Over Compliance -Allowable Costs/Cost Principles (Related Party Rental Payments) - Head Start (HS) - CFDA 93.600 - Grant Period Year Ended September 30, 2022

*Criteria:* Rents paid between the Agency and its subsidiary resulted in amounts charged to the program in amounts greater than the allowable amounts based on 2 CFR 200.465.

*Condition:* The Agency leases office space from its subsidiary, Capital Area Community Action Agency Holdings, Inc. (Holdings). Rental payments are based on a set monthly rate. However, rental costs under less-than-arm's-length leases are allowable only up to the amount of actual costs incurred to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance. Management calculation of rental costs included unallowable components such as loan principle, future planned repairs and maintenance, and the amortization of a future loan payment. These costs are not allowable under 2 CFR 200.

*Questioned Costs:* \$20,679

*Effect:* The Agency is out of compliance with the allowable costs principles concerning related party rental payments.

*Cause:* Management's interpretation of the allowable costs principles included various other costs such as principal payments, future repairs, and the amortization of future principle payments.

*Recommendation:* The Agency should review its lease agreement and reconcile payments made to Holdings for allowable expenditures and determine if any amounts are due back to the grantor. The Agency should also amend their lease agreement to include only allowable costs.

*Management's Response:* See the Management's Response to Findings section for management's detailed response to item 2022-002.

#### 2022-003 Internal Controls Over Compliance -Allowable Costs/Cost Principles (Related Party Rental Payments) - Community Service Block Grant Program (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022

*Criteria:* Rents paid between the Agency and its subsidiary resulted in amounts charged to the program in amounts greater than the allowable amounts based on 2 CFR 200.465.

*Condition:* The Agency leases office space from its subsidiary, Capital Area Community Action Agency Holdings, Inc. (Holdings). Rental payments are based on a set monthly rate. However, rental costs under less-than-arm's-length leases are allowable only up to the amount of actual costs incurred to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance. Management calculation of rental costs included unallowable components such as loan principle, future planned repairs and maintenance, and the amortization of a future loan payment. These costs are not allowable under 2 CFR 200.

*Questioned Costs:* \$13,587. These costs were satisfied with the settlement agreement with the Florida Department of Commerce as described in note 15.

*Effect:* The Agency is out of compliance with the allowable costs principles concerning related party rental payments.

*Cause:* Management's interpretation of the allowable costs principles included various other costs such as principal payments, future repairs, and the amortization of future principle payments.

*Recommendation:* The Agency should review its lease agreement and reconcile payments made to Holdings for allowable expenditures and determine if any amounts are due back to the grantor. The Agency should also amend their lease agreement to include only allowable costs.

*Management's Response:* See the Management's Response to Findings section for management's detailed response to item 2022-003.

#### 2022-004 Internal Controls Over Compliance - Special Tests and Provisions (Tri-Partite Board) - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022

*Criteria:* In accordance with the requirements of the Program outlined in CFDA 93.569, CGSB and the CSBG Act at 42 USC 9910(a) nonprofit organizations administer CSBG through a board comprising of one third (1/3) of the members be elected representatives in the community or their designee. Additionally, not fewer than one-third (1/3) of the board members are chosen in a democratic selection process adequate to assure that these members of the board are representative of the low-income individuals and families served.

Capital Area Community Action Agency, Inc. and Subsidiary

Schedule of Findings and Questioned Costs  
Relating to Federal Awards  
(continued)

Year ended September 30, 2022

**Section III -- Federal Award Findings and Questioned Costs (Continued)**

**2022-004 Internal Controls Over Compliance - Special Tests and Provisions (Tri-Partite Board) - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022 (Continued)**

*Condition:* The Agency was unable to meet the 1/3 requirement for public elected/appointed officials and/or the 1/3 requirement for low income individuals and families served during the year ended September 30, 2022.

*Questioned Costs:* N/A

*Effect:* The Agency is out of compliance with the provisions requiring Tri-Partite Board as defined by The CSBG Act at 42 USC 9910.

*Cause:* While the Agency's internal controls did identify a lack of participation in these areas, they did not include control activities to resolve the non-compliance in a timely manner.

*Recommendation:* The Agency should implement procedures to mitigate the risk of prolonged non-compliance that are triggered when non-compliance with Tri-Partite Board requirements are identified.

*Management's Response:* See the Management's Response to Findings section for management's detailed response to item 2022-004.

**2022-005 Internal Controls Over Compliance - Monitoring - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022**

*Criteria:* In accordance with the requirements of the Program outlined in CFDA 93.569, when a pass-through entity provides federal awards to a subrecipient, the pass through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward.

*Condition:* The Agency did not monitor their processes for participant eligibility with CSBG criteria.

*Questioned Costs:* N/A

*Effect:* The Agency's risk for approving ineligible funding to their subrecipient for individual assistance is increased.

*Cause:* The Agency does not historically passthrough CSBG funds to third parties and was required to pass these funds through based on the contract requirements. While they were aware of the requirements to perform subrecipient monitoring, they did not perform those procedures on the subrecipients internal controls over eligibility determination.

*Recommendation:* The Agency should implement procedures to ensure that subrecipient monitoring procedures are implemented for all compliance requirements and perform these procedures on a routine basis.

*Management's Response:* See the Management's Response to Findings section for management's detailed response to item 2022-005.

**2022-006 Internal Controls Over Compliance - Eligibility - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022**

*Criteria:* In accordance with the requirements of the Program outlined in CFDA 93.569, the official guidelines as revised annually by HHS shall be used to determine eligibility.



Capital Area Community Action Agency, Inc. and Subsidiary

Schedule of Findings and Questioned Costs  
Relating to Federal Awards  
(continued)

Year ended September 30, 2022

**Section III – Federal Award Findings and Questioned Costs (Continued)**

**2022-006 Internal Controls Over Compliance - Eligibility - Community Service Block Grant (CSBG) - CFDA 93.569 - Grant Period Year Ended September 30, 2022 (Continued)**

*Condition:* The test of the Agency's controls over compliance with eligibility compliance requirements resulted in four of 25 samples where the controls were not documented and as such could not be determined to be in place. The test of the Agency's controls over compliance with eligibility compliance requirements resulted in two of 25 samples where the controls did not detect errors in the determination of income for eligibility.

*Questioned Costs:* N/A

*Effect:* The Agency's risk for approving ineligible funding for individual assistance is increased.

*Cause:* Pressures from COVID-19 resulted in controls being performed by others during an absence of qualified personnel and other communication issues. These pressures caused certain procedures in the process to be over-looked, improperly documented, or performed by someone without the requisite knowledge or training.

*Recommendation:* The Agency should implement procedures to ensure that when pressures arise that create additional risk for error and/or non-compliance, additional safeguards are put in place including routine monitoring and cross training.

*Management's Response:* See the Management's Response to Findings section for management's detailed response to item 2022-006.

**Section IV – Other Matters**

No other matters.

*See report of independent auditors.*