

REPORT ON SINGLE AUDIT
WAKE COUNTY SMARTSTART
RALEIGH, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2018

BOARD OF DIRECTORS
ANGIE WELSH, BOARD CHAIR

ADMINISTRATIVE OFFICER
PAMELA DOWDY, EXECUTIVE DIRECTOR

Wake County SmartStart

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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

To Board Members of
Wake County SmartStart
Raleigh, North Carolina

We have audited, in accordance with the 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 Wake County SmartStart (a nonprofit organization), which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2018, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2018. As described in Note 1, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Wake County SmartStart'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 Wake County SmartStart's internal control. Accordingly, we do not express an opinion on the effectiveness of Wake County SmartStart'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 Wake County SmartStart'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 that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wake County SmartStart's financial statements are free of 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*.

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 Wake County SmartStart's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wake County SmartStart's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charlotte, North Carolina
November 14, 2018

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

To the Board of Directors
Wake County SmartStart
Raleigh, North Carolina

Report on Compliance for the Major Federal Program

We have audited Wake County SmartStart's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Wake County SmartStart's major federal program for the year ended June 30, 2018. Wake County SmartStart's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Wake County SmartStart complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Wake County SmartStart 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 Wake County SmartStart's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wake County SmartStart's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 our 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 Wake County SmartStart as of and for the year ended June 30, 2018, and have issued our report thereon dated November 14, 2018, 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. 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.

This report on the schedule of expenditures of federal awards is intended solely for the information and use of Wake County SmartStart, management, and federal awarding agencies and pass through entities, and is not suitable for other purposes.

CohnReznick LLP

Charlotte, North Carolina
November 14, 2018

**Wake County SmartStart
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Federal and State Grantor/Pass-through Grantor/Program	Type	Federal CFDA Number	Contract Number	Receipts	Expenditures
Federal Awards:					
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services Division of Child Development and Early Education Temporary Assistance for Needy Families (NC Pre-K) (Current Year)	A - Major	93.558	34980	\$ 2,078,264	\$ 2,078,264
Total TANF Cluster				<u>2,078,264</u>	<u>2,078,264</u>
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services Division of Child Development and Early Education Child Care and Development Fund (NC Pre-K) (Current Year)	B - Non-Major	93.575	34980	115,471	148,598
Total CCDF Cluster				<u>115,471</u>	<u>148,598</u>
United States Department of Health and Human Services Pass-through from the Corporation for National & Community Service Social Innovation Fund Pass-through from The North Carolina Partnership for Children, Inc. Social Innovation Grant Fund	B - Non-Major	94.019	303-16/17-014	60,374	84,902
Total Federal Awards				<u>\$ 2,254,109</u>	<u>\$ 2,311,764</u>

**WAKE COUNTY SMARTSTART
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 1- REPORT ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal award programs of Wake County SmartStart for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the modified cash basis of accounting as more fully described in the Summary of Significant Accounting Policies accompanying Wake County SmartStart's basic financial statements.

Wake County SmartStart has elected to not use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RELATION TO BASIC FINANCIAL STATEMENTS AND FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with amounts reported in Wake County SmartStart's basic financial statements and the related federal financial reports submitted by Wake County SmartStart.

**WAKE COUNTY SMARTSTART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

Yes No

Identification of Major Programs:

CFDA Number
93.558

Name of Federal Program
Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

Yes No

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**WAKE COUNTY SMARTSTART
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

There were no matters involving noncompliance reported in the prior year's audit.