



Single Audit Reports

For the Year Ended December 31, 2017

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**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***

**Independent Auditor's Report**

**To the Board of Directors  
YouthCare  
Seattle, Washington**

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 YouthCare (the Organization), which comprise the statement of financial position as of December 31, 2017, 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 July 10, 2018.

**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 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 these 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.



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## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark Nuber P.S.*

Certified Public Accountants  
July 10, 2018

**Report on Compliance for Each Major Program;  
Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of Federal Awards  
in Accordance With the Uniform Guidance**

**Independent Auditor's Report**

**To the Board of Directors  
YouthCare  
Seattle, Washington**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited YouthCare's (the Organization's) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2017. 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



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## **Opinion on Each Major Federal Program**

In our opinion, the Organization 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 December 31, 2017.

## **Other Matter**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying Management's Corrective Action Plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Organization'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 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.

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, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying Management's Corrective Action Plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Organization as of and for the year ended December 31, 2017, and have issued our report thereon dated July 10, 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 audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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.



Certified Public Accountants  
July 10, 2018

## YOUTHCARE

### Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2017

| Federal Grantor/Pass-Through Grantor/Program Title   | Federal<br>CFDA<br>Number | Award/<br>Pass-Through<br>Identification<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|--|---------------------------|--|---------------------------------------|----------------------------------|
| <b>Department of Agriculture:</b>  |                           |  |                                       |                                  |
| Passed Through State of Washington - Office of Superintendent of Public Instruction Child and Adult Care Food Program          | 10.558                    | 17-160279  | \$ -                                  | \$ 6,148                         |
| <b>Total Department of Agriculture</b>   |                           |  |                                       | <b>6,148</b>                     |
| <b>Department of Housing and Urban Development:</b>  |                           |  |                                       |                                  |
| Passed Through City of Seattle Department of Housing and Human Services- Community Development Block Grants/Entitlement Grants | 14.218                    | Note 3   |                                       | 337,755                          |
| Total CFDA 14.218 / CDBG - Entitlement Grants Cluster  |                           |  |                                       | 337,755                          |
| Direct program-  |                           |  |                                       |                                  |
| Continuum of Care Program  | 14.267                    | WA0057L0T001308                                    |                                       | 71,323                           |
| Continuum of Care Program  | 14.267                    | WA0057L0T001309                                    |                                       | 28,613                           |
| Continuum of Care Program  | 14.267                    | WA0046L0T001308                                    |                                       | 78,822                           |
| Continuum of Care Program  | 14.267                    | WA0046L0T001309                                    |                                       | 99,043                           |
|  |                           |  |                                       | 277,801                          |
| Passed Through City of Seattle Department of Housing and Human Services-   |                           |  |                                       |                                  |
| Continuum of Care Program  | 14.267                    | DA16-5831  |                                       | 92,414                           |
| Continuum of Care Program  | 14.267                    | DA17-5831  |                                       | 104,466                          |
| Continuum of Care Program  | 14.267                    | DA16-1417  |                                       | 159,630                          |
| Continuum of Care Program  | 14.267                    | DA16-1065  |                                       | 104,084                          |
| Continuum of Care Program  | 14.267                    | DA17-1065  |                                       | 41,150                           |
| Continuum of Care Program  | 14.267                    | DA16-1611  |                                       | 50,279                           |
| Continuum of Care Program  | 14.267                    | DA17-1611  |                                       | 65,106                           |
| Total CFDA 14.267  |                           |  |                                       | 894,930                          |
| <b>Total Department of Housing and Urban Development</b>   |                           |  |                                       | <b>1,232,685</b>                 |
| <b>Department of Justice:</b>  |                           |  |                                       |                                  |
| Passed Through International Rescue Committee-   |                           |  |                                       |                                  |
| Services for Trafficking Victims   | 16.320                    | 2015-VT-BX-K012                                    |                                       | 22,152                           |
| Services for Trafficking Victims   | 16.320                    | 2014-VT-BX-K029                                    |                                       | 16,683                           |
| Services for Trafficking Victims   | 16.320                    | 2016-VT-BX-K038                                    |                                       | 118,581                          |
| Total CFDA 16.320  |                           |  |                                       | 157,416                          |
| Passed Through King County Sexual Assault Resource Center-   |                           |  |                                       |                                  |
| Consolidated And Technical Assistance Grant Program  | 16.888                    | MOU-OVW-2016-9002                                  |                                       | 24,398                           |
| Passed Through Northwest Network-  |                           |  |                                       |                                  |
| Consolidated And Technical Assistance Grant Program  | 16.888                    | MOU OVW Fiscal Yr 2017                             |                                       | 23,526                           |
| Total CFDA 16.888  |                           |  |                                       | 47,924                           |
| <b>Total Department of Justice</b>   |                           |  |                                       | <b>205,340</b>                   |
| <b>Department of Labor:</b>  |                           |  |                                       |                                  |
| Passed Through Workforce Development Council of Seattle-King County-   |                           |  |                                       |                                  |
| WIA Youth Activities   | 17.259                    | 16/251-YWK   |                                       | 46,260                           |
| WIA Youth Activities   | 17.259                    | 16/702-UUT   |                                       | 131,704                          |
| Total CFDA 17.259/WIA/WIOA Cluster   |                           |  |                                       | 177,964                          |
| Youthbuild   | 17.274                    | YB-26245-14-60-A-53                                |                                       | 104,174                          |
| <b>Total Department of Labor</b>   |                           |  |                                       | <b>282,138</b>                   |

See independent auditor's report and notes to schedule of expenditures of federal awards.



**YOUTHCARE**

**Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended December 31, 2017**

| Federal Grantor/Pass-Through Grantor/Program Title   | Federal<br>CFDA<br>Number | Award/<br>Pass-Through<br>Identification<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|--|---------------------------|--|---------------------------------------|----------------------------------|
| <b>Department of Transportation:</b>   |                           |  |                                       |                                  |
| Passed Through King County Dept of Transportation - Metro Transit-<br>Job Access And Reverse Commute Program | 20.516                    | 5956409  |                                       | 16,312                           |
| <b>Total Department of Transportation/CFDA 20.516/Transit Services Program Cluster</b>                       |                           |  |                                       | <b>16,312</b>                    |
| <b>Department of Health and Human Services:</b>  |                           |  |                                       |                                  |
| Passed through Planned Parenthood-<br>Teen Pregnancy Prevention Program                                      | 93.297                    | None available                                     |                                       | 29,868                           |
| Direct program-  |                           |  |                                       |                                  |
| Transitional Living for Homeless Youth   | 93.550                    | 90CX7064/03  |                                       | 51,414                           |
| Transitional Living for Homeless Youth   | 93.550                    | 90CX7064/04  |                                       | 141,030                          |
| Transitional Living for Homeless Youth   | 93.550                    | 90XC6888/05  |                                       | 112,558                          |
| Transitional Living for Homeless Youth   | 93.550                    | 90CX7141/01  |                                       | 58,516                           |
| Total CFDA 93.550  |                           |  |                                       | 363,518                          |
| Passed Through Youth Development Bureau-   |                           |  |                                       |                                  |
| Basic Center Grant   | 93.623                    | 90CY6830/01  |                                       | 151,427                          |
| Basic Center Grant   | 93.623                    | 90CY6830/02  |                                       | 59,040                           |
| Total CFDA 93.623  |                           |  |                                       | 210,467                          |
| Direct program-  |                           |  |                                       |                                  |
| Unaccompanied Alien Children Program   | 93.676                    | 90ZU0105/03  |                                       | 129,580                          |
| Unaccompanied Alien Children Program   | 93.676                    | 90ZU0221/01  |                                       | 1,418,653                        |
| Total CFDA 93.676  |                           |  |                                       | 1,548,233                        |
| Direct program-  |                           |  |                                       |                                  |
| Education and Prevention Grants to Reduce Sexual Abuse of<br>Runaway, Homeless and Street Youth              | 93.557                    | 90YO2237/01  |                                       | 178,669                          |
| Education and Prevention Grants to Reduce Sexual Abuse of<br>Runaway, Homeless and Street Youth              | 93.557                    | 90YO2237/02  |                                       | 62,742                           |
| Total CFDA 93.557  |                           |  |                                       | 241,411                          |
| <b>Total Department of Health and Human Services</b>   |                           |  |                                       | <b>2,393,497</b>                 |
| <b>Department of Homeland Security:</b>  |                           |  |                                       |                                  |
| Passed Through United Way-<br>Emergency Food and Shelter National Board Program                              | 97.024                    | Phase 33/34  |                                       | 12,299                           |
| <b>Total Department of Homeland Security</b>   |                           |  |                                       | <b>12,299</b>                    |
| <b>Total Federal Expenditures</b>  |                           |  | <b>\$ -</b>                           | <b>\$ 4,148,419</b>              |

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report.

## YOUTHCARE

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2017

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#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of YouthCare under programs of the federal government for the year ended December 31, 2017. 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). Because the Schedule presents only a selected portion of the operations of YouthCare, it is not intended to and does not present the financial position, changes in net assets, or cash flows of YouthCare.

#### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. YouthCare has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### Note 3 - Loans

YouthCare has one federal loan outstanding that is forgivable after 20 years at the expiration of the term of the loan if YouthCare complies with all of the terms and conditions of the loan documents. YouthCare is required to report compliance with the continuing use requirement that the facility financed with the loan provide services to low and moderate income persons in the specific category of homeless youth. Following is information related to the loan outstanding:

| <u>Location</u>                  | <u>Expiration Date</u> | <u>Original Loan</u> | <u>Outstanding at<br/>December 31, 2017</u> |
|----------------------------------|------------------------|----------------------|---|
| 2500 NE 54th Street, Seattle, WA | December 31, 2018      | \$ 337,755           | \$ 337,755                                  |

**YOUTHCARE**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2017**

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**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  No
- Significant deficiencies identified?  Yes  None reported.

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported.

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 2 CFR 200.516(a)?  Yes  No

**Identification of Major Programs**

| <u>CFDA Numbers</u>   | <u>Name of Federal Program or Cluster</u>   |
|---|---|
| 14.267<br>93.557  | Continuum of Care Program<br>Education and Prevention Grants to Reduce<br>Sexual Abuse of Runaway, Homeless and<br>Street Youth |
| Dollar threshold used to distinguish between<br>Type A and Type B programs: | \$ 750,000  |
| Auditee qualified as low-risk auditee?                                      | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No   |

## YOUTHCARE

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended December 31, 2017

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#### Section II - Financial Statement Findings

No matters were reported.

#### Section III - Findings and Questioned Costs for Federal Awards

##### Finding 2017-001: Significant Deficiency in Compliance and Internal Controls Over Compliance for Eligibility

**Federal Agency:** Department of Housing and Urban Development  
**Program Title:** Continuum of Care Program  
**CFDA Number:** 14.267  
**Pass-Through Entity:** City of Seattle, Human Services Department  
**Award Number:** DA17-1611  
**Award Period:** August 1, 2017 - July 31, 2018

##### Criteria

YouthCare is responsible for determining that all participants meet prescribed eligibility requirements and that those requirements are appropriately documented.

##### Condition/Context for Evaluation

During testing over eligibility, we noted that out of a sample of fifteen, one was missing required documentation supporting the income verification that is required to be performed every 90 days that a participant receives financial assistance. This was a new compliance requirement for the award as of August 1, 2017. The sample was not a statistical sample.

##### Cause

YouthCare did not have monitoring processes in place at the time the award agreement was renewed to ensure that all changes to compliance requirements were identified.

##### Effect or Potential Effect

YouthCare's failure to adequately document eligibility requirements could result in potential ineligible participants being enrolled in the program.

##### Repeat Finding

Not Applicable.

##### Questioned Costs

Not determinable.

##### Recommendation

We recommend YouthCare fully implement its policies and procedures to have full reviews of all grant and award documents to ensure that all compliance requirements are identified, with procedures put into place to ensure compliance with any new or modified compliance requirements. Management should also perform a random check to ensure the eligibility guidelines are properly followed. These policies and procedures should be fully communicated to the staff who work on eligibility determination and oversee the programs.

##### Views of Responsible Officials of Auditee

Management agrees with the finding and has provided the corrective action plan following the Single Audit Report.

**YOUTHCARE**

**Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2017**

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No matters were reported.

**ENGAGE  
STABILIZE  
PREPARE**

PREVENTION

ENGAGEMENT  
SERVICES

HOUSING &  
SHELTER

EMPLOYMENT

EDUCATION

BRIDGE  
CONTINUUM

*Management's Corrective Action Plan  
For the Year Ended December 31, 2017*

**Finding Number 2017-001**

**Contact Person(s):**

Richard Heine, CFO  
Richard.heine@youthcare.org

**Explanation and specific reasons for disagreement with the audit finding or that corrective action is not required (if applicable):**

No disagreement.

**Corrective action taken/planned:**

Review all contractual requirements for completeness and ensure compliance. Completed by June 12, 2018.

Communicate to staff the procedures to verify income at program entry and time of rental support reassessment using the program income verification form, pay stubs and agency employment verification form. Completed by June 12, 2018

Communicate and implement the Rapid Re-Housing Model supervisor review guidelines and requirement to complete this form 90 days from the point of financial assistance. Case Manager will complete these forms on applicable dates and Supervisor will verify information and sign off. Completed by June 12, 2018.

Develop and implement processes by which program requirements are monitored for compliance leveraging checklists pertaining to pertinent documents and ensuring continuity during times of transition.

**Anticipated completion date:**

Fall 2018

