

**LAS VEGAS RESCUE MISSION**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**



HOULDSWORTH, RUSSO & COMPANY

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# LAS VEGAS RESCUE MISSION

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Las Vegas Rescue Mission  
Las Vegas, Nevada

### Report on the Financial Statements

We have audited the accompanying financial statements of Las Vegas Rescue Mission (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Las Vegas Rescue Mission as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### **Other Matters**

#### *Other Information*

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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017, on our consideration of Las Vegas Rescue Mission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Las Vegas Rescue Mission's internal control over financial reporting and compliance.

Hnedsmoth, Russo & Company, P.C.

Las Vegas, Nevada  
March 2, 2017

**LAS VEGAS RESCUE MISSION**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016**

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ASSETS	
CURRENT ASSETS	
Cash and equivalents	\$ 669,982
Cash and equivalents, restricted	301,000
Investments	34,938
Accounts receivable	3,367
Grants receivable	70,294
Prepaid expenses	25,960
Employee advances	4,990
	<hr/>
	1,110,531
OTHER ASSETS	
Fixed assets, net	<hr/>
	5,664,577
TOTAL ASSETS	
	<hr/> <hr/>
	\$ 6,775,108
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 44,154
Accrued liabilities	120,789
Deferred compensation	57,000
Funds held for others	9,400
	<hr/>
	231,343
LONG-TERM DEBT	
Note payable	<hr/>
	1,000,000
	<hr/>
	1,231,343
NET ASSETS	
Unrestricted	5,242,765
Temporarily restricted	<hr/>
	301,000
	<hr/>
	5,543,765
	<hr/>
	\$ 6,775,108
	<hr/> <hr/>

See notes to financial statements

**LAS VEGAS RESCUE MISSION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

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UNRESTRICTED NET ASSETS

Revenue, gains, and other support:

Contributions		\$	2,468,176
Government grants			1,355,497
Special event revenue	\$	49,717	
Less: direct benefits to donors		<u>9,693</u>	

40,024

Sale of merchandise			382,096
Program revenue			227,222
Donated goods			857,770
Unrealized gain on investments			3,427
Other revenue			<u>18,435</u>

Total revenue, gains, and other support 5,352,647

Expenses:

Program services:

Food services			1,814,575
Thrift store			474,723
Shelter and homeless services			<u>2,213,675</u>

Total program services 4,502,973

Support services:

Management and general			358,333
Fundraising			<u>790,455</u>

Total expenses 5,651,761

DECREASE IN UNRESTRICTED NET ASSETS (299,114)

NET ASSETS, BEGINNING OF YEAR 5,842,879

NET ASSETS, END OF YEAR \$ 5,543,765

**LAS VEGAS RESCUE MISSION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services			Supporting Services			Special Event Direct Benefit To Donors	Total
	Food Services	Thrift Store	Shelter & Homeless Services	Management and General	Fundraising			
Wages and payroll taxes	\$ 275,392	\$ 256,074	\$ 626,707	\$ 179,701	\$ 159,634	\$ -	\$ -	\$ 1,497,508
Employee benefits	42,695	39,700	97,159	27,859	24,748	-	-	232,161
Advertising	2,434	2,263	5,538	1,588	496,273	-	-	508,096
Bank and merchant fees	-	14,756	-	3,687	-	-	-	18,443
Depreciation expense	49,896	46,396	113,547	32,558	28,923	-	-	271,320
Dues and subscriptions	1,305	1,214	2,971	852	757	-	-	7,099
Equipment rental	5,039	4,686	11,468	3,288	2,921	-	-	27,402
Food commodities	1,319,642	-	966,982	-	-	-	-	2,286,624
Insurance	10,473	9,738	23,833	6,834	6,071	-	-	56,949
Maintenance	19,546	18,176	44,482	12,755	11,331	-	-	106,290
Meals	6,337	5,892	14,421	4,135	3,673	-	-	34,458
Office supplies	4,415	4,105	10,047	2,881	2,559	-	-	24,007
Permits and licenses	314	291	713	204	182	-	-	1,704
Postage and shipping	3,654	3,424	8,315	2,384	2,118	-	-	19,895
Professional fees	-	-	17,627	34,613	9,990	-	-	62,230
Supplies	4,475	3,891	112,944	-	-	3,013	-	124,323
Property taxes	-	-	-	-	1,305	-	-	1,305
Training	404	375	919	263	234	-	-	2,195
Transportation	11,710	10,887	26,645	7,640	6,787	-	-	63,669
Travel	1,464	1,361	3,331	955	848	-	-	7,959
Utilities	55,380	51,494	126,026	36,136	32,101	-	-	301,137
Venue	-	-	-	-	-	6,680	-	6,680
	\$ 1,814,575	\$ 474,723	\$ 2,213,675	\$ 358,333	\$ 790,455	\$ 9,693	\$ 9,693	\$ 5,661,454
Less: direct benefits to donors						(9,693)	(9,693)	(9,693)
						\$ -	\$ -	\$ 5,651,761

See notes to financial statements

**LAS VEGAS RESCUE MISSION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

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CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$	(299,114)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		271,320
Unrealized gain on investments		(3,427)
(Increase) decrease in operating assets:		
Accounts receivable		9,066
Grants receivable		(42,603)
Prepaid expenses		(6,060)
Employee advances		1,325
Increase (decrease) in operating liabilities:		
Accounts payable		(16,772)
Accrued liabilities		41,986
Deferred compensation		31,647
Funds held for others		6,479
		<hr/>
Net cash used in operating activities		(6,153)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments		3,274
Purchases of property and equipment		(36,652)
Proceeds from sale of property and equipment		1,450
		<hr/>
Net cash used in investing activities		(31,928)

NET DECREASE IN CASH (38,081)

CASH AND EQUIVALENTS, BEGINNING OF YEAR 

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1,009,063

CASH AND EQUIVALENTS, END OF YEAR 

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\$ 970,982

SUMMARY OF CASH ACCOUNTS

Cash and equivalents	\$	669,982
Cash and equivalents, restricted		301,000
		<hr/>
	\$	970,982



## LAS VEGAS RESCUE MISSION

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Nature of Activities*

The Las Vegas Rescue Mission (the “Mission”) is a non-profit organization located in Southern Nevada, which was organized solely for educational, religious, scientific and general charitable purposes. The Mission provides food, shelter, and clothing, and offers programs to help citizens recover from alcohol and drugs, and spiritual guidance.

The Mission was incorporated under the laws of the State of Nevada on October 3, 1979.

##### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

##### *Income Taxes*

The Mission is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

##### *Financial Statement Presentation*

Financial statement presentation follows the recommendations of the *Financial Accounting Standards Board* (FASB) in its *Accounting Standards Codification* (ASC). Under FASB ASC, the Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

##### *Advertising*

The Mission uses advertising to promote its programs among the audience it serves. The production costs of advertising are expensed as incurred. For the year ended June 30, 2016, advertising expense was \$508,096.

##### *Cash and Cash Equivalents*

The Mission considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

##### *Use of Estimates*

Timely 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. See Note 7 for discussion of significant estimates.

## LAS VEGAS RESCUE MISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2016

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Mission.

##### *Donated Assets and Services*

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Generally, donated goods, if significant in amount, are recorded at fair market value provided the Mission has a clearly measurable and objective basis for determining the value.

Donated services are recognized as contributions in accordance with FASB ASC, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Mission. The Mission received a substantial amount of donated services from unpaid volunteers. However, the value of the contributed services is not reflected in the accompanying financial statements as it did not meet the criteria for recognition under FASB ASC.

##### *Accounts and Grants Receivable*

Receivables are stated at the amount management expects to collect from outstanding balances. It is the Mission's policy to charge off uncollectible accounts and grants receivable when management determines the receivable will not be collected. As of June 30, 2016, management expects the outstanding balances to be collected in full. No interest income is recognized or charged on accounts receivable.

##### *Restricted and Unrestricted Revenue and Support*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## LAS VEGAS RESCUE MISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2016

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Inventory*

The Mission receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its thrift store. Contributions are measured at fair market value.

##### *Property and Equipment*

The Mission follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500 with a useful life over one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the useful lives of the assets, generally as follows:

Vehicles	5 Years
Furniture, Fixtures and Equipment	5-7 Years
Buildings and Improvements	5-39 Years

When assets are retired or otherwise disposed, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities for the period. The cost of maintenance and repairs is expensed as incurred, while significant renewals and betterments are capitalized.

##### *Impairment of Long-Lived Assets*

The Mission periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of property and equipment or whether the remaining balance of property and equipment should be evaluated for possible impairment. The Mission uses an estimate of the related undiscounted cash flows over the remaining life of the property and equipment in measuring their recoverability.

##### *Gift of Long-Lived Assets*

The Mission reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

##### *Date of Management's Review*

Subsequent events have been evaluated through March 2, 2017, which is the date the financial statements were available to be issued.

## LAS VEGAS RESCUE MISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2016

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#### NOTE 2. FUNDS HELD FOR OTHERS

As of June 30, 2016, funds held for others consists of monies held by the Mission for program participants who do not maintain bank accounts. These monies are readily available to the individuals.

#### NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016:

Buildings and improvements	\$ 7,451,237
Land	343,757
Vehicles	173,070
Furniture, fixtures, and equipment	841,941
Construction in progress	<u>20,420</u>
	8,830,425
Less: accumulated depreciation	<u>3,165,848</u>
	<u>\$ 5,664,577</u>

Depreciation expense was \$271,320 for the year ended June 30, 2016.

#### NOTE 4. CONCENTRATIONS

In the ordinary course of business, the Mission maintains cash balances at financial institutions in excess of federally insured limits. The cash held by the banking institutions is insured up to the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. As of June 30, 2016, the total uninsured cash balances in these accounts was \$729,186.

As of June 30, 2016, the total amount of grants receivable was due from one grantor.

#### NOTE 5. NOTE PAYABLE

In December 2007, the Mission was awarded an Affordable Housing Program ("AHP") Subsidy for the construction of the Las Vegas Rescue Mission Men's Center totaling \$1,000,000. These funds have been recognized as a note payable and will be forgiven once the 15-year life of the note payable has expired. The entire \$1,000,000 balance of the loan will be recognized as revenue in the year of expiration.

This agreement includes certain restrictive covenants that must be adhered to by the Mission. These covenants include compliance with AHP regulations and a requirement that dwellings remain occupied by individuals whose incomes meet low-income thresholds, among others. If the Mission fails to meet any of these covenants, it is required to repay the note payable. The loan is collateralized with the premises located at 480 W. Bonanza Road in Las Vegas, Nevada. As of June 30, 2016, the Mission was in compliance with all such covenants.

## LAS VEGAS RESCUE MISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2016

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#### NOTE 6. INVESTMENTS AND FAIR VALUE OF ASSETS

In accordance with FASB ASC 820-10, the following are quantitative disclosures about the fair value measurements. Fair value measurements are categorized on three levels:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers and brokers in active markets. Valuations obtained from readily available pricing.

Level 2 – Valuation for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets and liabilities.

For the fiscal year ending June 30, 2016, the Mission's only assets or liabilities measured at fair value are its investments. Investments measured at fair value on a recurring basis as of June 30, 2016, are as follows:

	<u>Level 1</u>	<u>June 30, 2016</u>
Marketable securities	\$ 12,565	\$ 12,565
Mutual funds - equity	<u>22,373</u>	<u>22,373</u>
	<u>\$ 34,938</u>	<u>\$ 34,938</u>

#### NOTE 7. ESTIMATES

The Mission receives significant amounts of donated food and goods which are recognized as in-kind revenues and expenses. The valuation of these in-kind donations is a significant estimate. The amount recorded as donated food revenue and expense is determined using the estimated average costs per meal multiplied by the number of recipients. The amount recorded as other in-kind revenue and expense is determined based on the estimated fair value of the items donated.

The Mission also uses estimates to allocate expenses by function. The Mission's estimate of the functional expense allocation is based upon salary allocation. The salary allocation is determined based on the estimated time each employee spends working in each function.

The deferred compensation liability is estimated using the anticipated life expectancy of the beneficiary. It is reasonably possible that the actual life of the beneficiary could differ from this estimate. As of June 30, 2016, the effects of the financial statement impact of this reasonably possible change in estimate are not able to be determined.

## LAS VEGAS RESCUE MISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2016

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#### NOTE 8. DEFERRED COMPENSATION

The Mission has a deferred compensation arrangement with a former officer of the Mission. Providing the Mission is solvent, the recipient is entitled to a defined benefit payment of \$1,500 per month for the remainder of the recipient's life. If the Mission becomes insolvent, payments to the recipient will cease until such a time that the Mission regains solvency. During times of insolvency, the defined benefit payment of \$1,500 will accrue.

During the year ended June 30, 2016, \$18,000 was paid to the recipient. As of June 30, 2016, the estimated deferred compensation liability was \$57,000. This amount was calculated using inputs to include the anticipated life expectancy of the recipient, an estimated return on investment of 0.71%, and a monthly payment of \$1,500 (see Note 7). The Mission expects to pay this liability using unrestricted cash.

#### NOTE 9. COMMITMENTS

In December 2015, the Mission entered into a line of credit agreement for \$250,000 that is collateralized by the Mission's property. At June 30, 2016, this line of credit had a maturity date of November 30, 2016 with an interest rate of 6%. As of June 30, 2016, this line of credit has a balance of \$0. Subsequent to fiscal year end, this line of credit was renewed for one year.

#### NOTE 10. LEASES

The Mission leases postage and office equipment and vehicles classified as operating leases. The leases are renewable and have varying expiration dates. Total rent expense under these leases for the year ended June 30, 2016 was \$22,992.

Future minimum rental payments, which are required under the operating leases for the year ending June 30, 2016 are as follows:

2017	\$	6,046
2018		6,046
2019		<u>4,535</u>
	\$	<u>16,627</u>

#### NOTE 11. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2016, a prior period adjustment was discovered that needed to be made to the beginning net assets balance, as follows:

June 30, 2015 unrestricted net assets balance, originally stated	\$	5,815,190
Add: Grant revenue not previously recognized		27,689
Less: Temporarily restricted net assets improperly recognized		<u>301,000</u>
June 30, 2015 unrestricted net assets balance, restated	\$	<u>5,541,879</u>

**LAS VEGAS RESCUE MISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2016**

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**NOTE 11. PRIOR PERIOD ADJUSTMENT (CONTINUED)**

Grant revenue had been understated for the year ended June 30, 2015. The effect of the prior period adjustment is to increase net assets for the amount of revenue that should have been recognized.

Temporarily restricted net assets had been understated for the year ended June 30, 2016. The effect of the prior period adjustment is to decrease unrestricted net assets for the amount of temporarily restricted net assets that should have been recognized.

**NOTE 12. RESTRICTED NET ASSETS**

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Mission is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Mission pursuant to those stipulations. As of June 30, 2016, the Mission was researching the amount of temporarily restricted net assets held by the organization and, therefore, the amount presented is an estimate.

Temporarily restricted net assets are restricted for the following purposes at June 30, 2016:

Shelter of Hope	\$ 253,000
Women's scholarship	<u>48,000</u>
	<u>\$ 301,000</u>

As of June 30, 2016, temporarily restricted net assets were held in cash.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Las Vegas Rescue Mission  
Las Vegas, Nevada

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 Las Vegas Rescue Mission (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2017.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2016-001.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-002, 2016-003, 2016-004, and 2016-005.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Las Vegas Rescue Mission'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*.



## **Las Vegas Rescue Mission's Response to Findings**

Las Vegas Rescue Mission's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Las Vegas Rescue Mission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Henderson, Russo & Company, P.C.*

Las Vegas, Nevada  
March 2, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Las Vegas Rescue Mission  
Las Vegas, Nevada

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

We have audited Las Vegas Rescue Mission's compliance with the types of compliance requirements described in the *3OMB Compliance Supplement* that could have a direct and material effect on each of Las Vegas Rescue Mission's major federal programs for the year ended June 30, 2016. Las Vegas Rescue Mission'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 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 each of Las Vegas Rescue Mission'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 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 Las Vegas Rescue Mission'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 Las Vegas Rescue Mission's compliance.

***Opinion on Each Major Program***

In our opinion, Las Vegas Rescue Mission 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 award programs for the year ended June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-009. Our opinion on each major federal program is not modified with respect to these matters.



Las Vegas Rescue Mission's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Las Vegas Rescue Mission'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 Las Vegas Rescue Mission 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 Las Vegas Rescue Mission'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 Las Vegas Rescue Mission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-006 and 2016-007 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-008 to be a significant deficiency.

Las Vegas Rescue Mission's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Las Vegas Rescue Mission'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.

*Hmedsmoth, Russo & Company, P.C.*  
Las Vegas, Nevada  
March 2, 2017

**LAS VEGAS RESCUE MISSION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2016**

Federal Grantor/Pass Through Grantor	Program Title	Pass Through Entity Identifying Number	Federal CFDA Number	Expenditures
Passed through Nevada Department of Agriculture:				
U.S. Department of Agriculture	The Emergency Food Assistance Program (Administrative Costs)	T80187270	10.568	\$ 184,551
U.S. Department of Agriculture	The Emergency Food Assistance Program (Food Commodities)	T80187270	10.569	1,170,946
				<u>\$ 1,355,497</u>

See notes to financial statements

## LAS VEGAS RESCUE MISSION

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2016

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#### NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal award activity of Las Vegas Rescue Mission under programs of the federal government for the year ended June 30, 2016. The information in the 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 this schedule only presents a selected portion of the operations of Las Vegas Rescue Mission, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Las Vegas Rescue Mission.

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Expenditures are recognized following the cost principles outlined in the OMB Circular A-122, "*Cost Principles for Non-Profit Organizations*," wherein certain types of expenditures are not allowable or are limited as to reimbursement. Las Vegas Rescue Mission did not elect to use the 10% de minimis cost rate.

#### NOTE 3. PASS-THROUGH AWARDS

Las Vegas Rescue Mission received certain federal financial assistance from pass-through awards of the pass-through entities listed on the schedule of expenditures of federal awards.

## LAS VEGAS RESCUE MISSION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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#### SUMMARY OF AUDITOR'S RESULTS

##### *Financial Statements*

1. The auditor's report expresses an unmodified opinion on the financial statements of Las Vegas Rescue Mission.
2. Four instances of significant deficiencies and one instance of material weakness related to the audit of the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of Las Vegas Rescue Mission, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

##### *Federal Awards*

1. One significant deficiency and two instances of material weaknesses related to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
2. The auditor's report on compliance for Las Vegas Rescue Mission expresses an unmodified opinion.
3. Audit findings required to be reported in accordance with 2 CFR 200.516(a) are included in this schedule.
4. The programs tested as major programs were the U.S Department of Agriculture – The Emergency Food Assistance Program (Administrative Costs), CFDA #10.568 and the U.S Department of Agriculture – The Emergency Food Assistance Program (Food Commodities), CFDA #10.569.
5. The threshold for distinguishing between Type A and Type B programs was \$750,000.
6. Las Vegas Rescue Mission does not qualify as a low-risk auditee.

#### FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

##### 2016-001: Material Adjustments to Financial Statements

*Criteria:* Financial statements are required to be fairly stated in accordance with accounting principles generally accepted in the United States of America.

*Condition:* During the audit, material adjustments were discovered that needed to be made to the accounting records in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

## LAS VEGAS RESCUE MISSION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

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#### FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

##### 2016-001: Material Adjustments to Financial Statements (Continued)

*Context:* Prior to the audit, balances in the general ledger were not adjusted which resulted in general ledger balances that were not in accordance with accounting principles generally accepted in the United States of America.

*Effect:* Failure to adjust general ledger balances to be in accordance with accounting standards generally accepted in the United States of America resulted in improper balances.

*Cause:* Internal controls were not designed and implemented over the conversion and reconciliation of accounting records in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

*Recommendation:* We recommend that management design a system whereby all general ledger balances are adjusted to be in accordance with accounting principles generally accepted in the United States of America prior to those balances being submitted for audit procedures.

*Management Response:* Effective January, 2017, the Las Vegas Rescue Mission has contracted KG&R Bookkeeping Solutions (“KG&R”) as their outsourced controller. The directors of KG&R have over 45 years of accounting and financial reporting experience between the two of them. KG&R has an exceptional reputation in the accounting industry for financial statement reporting of not-for-profit organizations. As part of their engagement, KG&R will ensure that all balance sheet accounts are reconciled to a source document at least quarterly and that accurate financial statements are presented to the Executive Director and Board of Directors monthly.

All journal entries will be recorded in sequential number with a lead sheet to summarize annually. These entries will be filed in a binder with all backup documentation and signed off by the Executive Director. This binder will be retained with the organization’s accounting records for a period of ten years.

##### 2016-002: Segregation of Duties Over Cash Receipts and Cash Disbursements

*Criteria:* Appropriate segregation of duties should be maintained over all accounting cycles to promote an effective control environment.

*Condition:* Appropriate segregation of duties was not maintained over cash receipts or cash disbursements.

*Context:* During the financial statement audit procedures performed, it was discovered that one individual was responsible for retrieving and opening the mail, recording receipts into the general ledger, and completing the bank deposit. This same individual also maintained check stock, recorded cash disbursements to the general ledger, and reconciled the bank accounts.

*Effect:* There is a risk that material misappropriation could occur which would go undetected.



## LAS VEGAS RESCUE MISSION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

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#### FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

##### 2016-002: Segregation of Duties Over Cash Receipts and Cash Disbursements (Continued)

*Cause:* Internal controls were not designed and implemented over the segregation of duties related to the cash receipts and cash disbursement accounting functions.

*Recommendation:* We recommend that management design procedures whereby appropriate segregation of duties over the cash receipts and cash disbursements processes are maintained.

*Management Response:* Effective January, 2017, the Las Vegas Rescue Mission has contracted KG&R Bookkeeping Solutions (“KG&R”) as their outsourced controller. As part of their engagement, KG&R has designed segregation of duties that will be put into effect within the organization effective February 1, 2017.

The opening of mail, recording receipts into the general ledger, completing the bank deposit, maintaining check stock, recording cash disbursements into the general ledger, and reconciling the bank accounts will be segregated amongst organization staff, KG&R staff, the Executive Director, and the Board Treasurer.

##### 2016-003: In-Kind Donations Tracking and Recognition

*Criteria:* In order for financial statements to be fairly stated in accordance with accounting principles generally accepted in the United States of America, in-kind revenues and expenses must be recognized.

*Condition:* During the audit, adjustments to in-kind revenue and expenses were discovered that needed to be made to the accounting records in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

*Context:* Failure to properly recognize in-kind revenues and expenses in accordance with accounting principles generally accepted in the United States of America resulted in improper balances.

*Effect:* In-kind revenues and expenses were not posted to the accounting records in accordance with accounting principles generally accepted in the United States of America.

*Cause:* Internal controls over the recognition and posting of in-kind revenues and expenses needed in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America were not well defined or consistently implemented.

*Recommendation:* We recommend that management design a system whereby in-kind donations are tracked and recognized in the accounting records. This recognition should be posted to the accounting records prior to the general ledger balances being submitted for audit procedures.



**LAS VEGAS RESCUE MISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

2016-003: In-Kind Donations Tracking and Recognition (Continued)

*Management Response:* Effective January, 2017 a donation tracking log has been developed and implemented with kitchen staff.

2016-004: Document Retention

*Criteria:* The Mission should maintain supporting documentation for all contractual agreements entered into.

*Condition:* The Mission was unable to produce supporting documentation for three existing lease agreements.

*Context:* Failure to maintain documentation related to contractual obligations could result in an improper assessment of a transaction, which could result in improper financial statement recognition.

*Effect:* Lack of supporting documentation for contracts entered into could result in a misapplication of accounting principles generally accepted in the United States of America as these documents are required for financial statement impact assessment purposes.

*Cause:* Internal controls were not designed and implemented over controls related to document retention.

*Recommendation:* We recommend that management design and implement a document retention policy to ensure that those contractual liabilities are properly recognized in the accounting records.

*Management Response:* Management adopted a Record Retention and Destruction policy approved by the Board in October of 2015. With the staff changes and outsourced controller function with KG&R Bookkeeping Solutions (“KG&R”), management is confident of improved recognition of contractual liabilities and document retention going forward.

2016-005: Controls Over Approval of Payroll

*Criteria:* To promote an effective control environment, internal controls over the approval of payroll amounts should be well defined and documented.

*Condition:* During the financial statement audit procedures performed, it was discovered that one individual received vacation pay during a pay period, in addition to their standard compensation, without obtaining prior management approval. Evidence of this individual’s pay rate was also not maintained in the employee file. Additionally, certain employees received bonus payouts which were grossed up to compensate for the deduction in payroll taxes. This gross up had not been approved by the Board of Directors.

## LAS VEGAS RESCUE MISSION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

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#### FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

##### 2016-005: Controls Over Approval of Payroll (Continued)

*Context:* Failure to define internal controls over the approval of payroll amounts could result in an improper amount being paid to employees.

*Effect:* Written documentation did not exist for payroll amounts paid to certain employees.

*Cause:* Internal controls over the approval of payroll amounts were not well defined or consistently implemented.

*Recommendation:* We recommend that management design and implement a process whereby all payroll amounts are approved and documented prior to disbursement being made.

*Management Response:* Effective January, 2017, the Las Vegas Rescue Mission has contracted KG&R Bookkeeping Solutions (“KG&R”) as their outsourced controller. As part of their engagement, KG&R has designed segregation of duties that will be put into effect within the organization effective February 1, 2017.

The approval of timecards, preparation and processing of payroll and payroll taxes, preparation of the quarterly payroll tax returns and year end forms will be segregated amongst organization staff, KG&R staff, and the Executive Director. These functions may be outsourced to a third party payroll service company and timecards will be uploaded electronically by the outsourced payroll provider (Pricing for outsourcing the payroll function is currently being evaluated).

#### FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

##### 2016-006: Schedule of Expenditures of Federal Awards – All Major Programs

*Criteria:* In accordance with 2 CFR 200.510, the auditee must prepare a schedule of expenditures of federal awards which must include the total federal awards expended.

*Condition:* Expenditures relating to the period were omitted from the schedule of expenditures of federal awards.

*Context:* Management failed to identify expenditures as expended from federal awards in the proper period and, therefore, these expenditures were not included on the schedule of expenditures of federal awards.

*Effect:* Improper recognition of federal expenditures could result in an improper determination relating to the necessity of a Single Audit and/or a major program determination.

*Cause:* The design and implementation of internal controls over the recognition of the expenditures of federal awards was not effective.

**LAS VEGAS RESCUE MISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT  
(CONTINUED)**

2016-006: Schedule of Expenditures of Federal Awards – All Major Programs (Continued)

*Recommendation:* We recommend that management design a system whereby all federal expenditures are tracked and included on the schedule of expenditures of federal awards in the proper period.

*Management Response:* As part of the outsourced controllership of the Las Vegas Rescue Mission accounting function to KG&R Bookkeeping Solutions, a new QuickBooks accounting system will be implemented effective March 1, 2017. This revised setup will include a new chart of accounts and three dimensional “Class” tracking that will allow for ease of tracking federal award expenditures. This class tracking will include tracking by functional expense, program, and fund source (grant, sponsorship, etc.). A profit & loss report by Class will support all grant draws.

Expenses will be coded to the correct class upon posting of vendor invoices into the accounting system. These expenses will be tracked on accrual basis with the date on the vendor invoice used as the posting date. An accounts payable summary report will be provided to the Board of Directors monthly as part of the monthly financial packet for review.

2016-007: Data Collection Form Submission – All Major Programs

*Criteria:* In accordance with 2 CFR 200.512, the auditee must submit required data elements described in Appendix X to Part 200—Data Collection Form (Form SF-SAC), which state whether the audit was completed in accordance with this part and provides information about the auditee, its Federal programs, and the results of the audit. This information must be submitted to the Federal Audit Clearinghouse, the designated repository.

*Condition:* Data Collection Forms were not submitted for the periods ending June 30, 2013, June 30, 2014, and June 30, 2015.

*Context:* Management failed to identify and remediate this failure to submit the Data Collection Form in accordance with 2 CFR 200.512.

*Effect:* Noncompliance with applicable CFR requirements could impact relationships with existing and potential grantors.

*Cause:* The design and implementation of internal controls over the submission of the Data Collection Form was not effective.

*Recommendation:* We recommend that management design a system whereby the submission of the Data Collection Form is verified.

## LAS VEGAS RESCUE MISSION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

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#### FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT (CONTINUED)

##### 2016-007: Data Collection Form Submission – All Major Programs (Continued)

*Management Response:* With the engagement of a new auditor, Houldsworth, Russo & Company, P.C., (“HRC”) management has been educated as to these filing requirements and will be in compliance moving for tax year 2016 going forward. Management will verify the relevant data submission prior to filing by our external auditor, HRC.

##### 2016-008: Internal Controls Systems Over Eligibility – All Major Programs

*Criteria:* As defined in 2 CFR 200.62, and auditee is required to maintain a system of internal control over compliance designed to provide reasonable assurance that federal award transactions executed are in compliance with the terms and conditions of the federal award.

*Condition:* Of the 60 recipient households selected for testing, evidence of eligibility for 2 recipient households was unable to be produced by management.

*Context:* Management failed to identify and remediate this lack of evidence of eligibility.

*Effect:* This lack of eligibility evidence resulted in the possibility of an ineligible recipient household receiving food distribution.

*Cause:* The design and implementation of internal controls over the review and retention of eligibility support was not effective.

*Recommendation:* We recommend that management design and implement a system whereby documentation over eligibility is maintained.

*Management Response:* Effective March, 2017, Management revised procedures to require a supervisor to confirm proper documentation has been obtained before food is delivered to customer. In addition, the manager will compare computer records with verification information daily to confirm proper documentation has been secured. All paperwork will be filed in a locked cabinet and kept for three years until destroyed in accordance with policy.

##### 2016-009: Compliance Over Eligibility – All Major Programs

*Criteria:* As defined in 2 CFR 200.333, supporting documentation pertinent to a federal award must be retained for a period of three years from the date of submission of the final expenditure report.

*Condition:* Of the 60 recipient household selected for testing, evidence of eligibility for 2 recipient households was unable to be produced by management.

*Context:* Management failed to retain supporting documentation for eligible recipient households as required by 2 CFR 200.333

**LAS VEGAS RESCUE MISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT  
(CONTINUED)**

2016-009: Compliance Over Eligibility – All Major Programs (Continued)

*Effect:* This lack of eligibility evidence resulted in the possibility of an ineligible recipient household receiving food distribution.

*Cause:* The design and implementation of internal controls over the review and retention of eligibility support was not effective.

*Recommendation:* We recommend that management maintain documentation over eligibility in accordance with applicable grant agreements.

*Management Response:* Effective March, 2017, management revised procedures to require a supervisor to confirm proper documentation has been obtained before food is delivered to customer. In addition, the manager will compare computer records with verification information daily to confirm proper documentation has been secured. All paperwork will be filed in a locked cabinet and kept for three years until destroyed in accordance with policy.

## LAS VEGAS RESCUE MISSION

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2016

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#### PRIOR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT

None

#### PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2015-001: Internal Controls Systems Over Eligibility – US Department of Agriculture The Emergency Food Assistance Program, Administrative and Food Commodities, CFDA #10.568 and #10.569, respectively

*Criteria:* As defined in 2 CFR 200.62, and auditee is required to maintain a system of internal control over compliance designed to provide reasonable assurance that federal award transactions executed are in compliance with the terms and conditions of the federal award.

*Condition:* During the audit, the Mission was unable to provide detail for certain days that The Emergency Food Assistance Program was in operation. Upon further review, it was discovered that certain days had not been properly entered into the Mission's database accounting system. Therefore, certain days were unable to be tested. The Mission's accounting management had not been properly reviewing the data entered into the database accounting system.

*Context:* Management failed to identify and remediate the ineffectiveness of controls over compliance over eligibility.

*Effect:* This lack of eligibility evidence resulted in the possibility of an ineligible recipient household receiving food distribution.

*Cause:* The design and implementation of internal controls over the review and retention of eligibility support was not effective.

*Management Response:* Management had changed personnel, implemented computer back-up and an improved filing system to contain the more than twenty thousand annual income verifications. Further enhancements are explained above.

*Current Status:* Corrective action was not properly implemented. In the current year, there is one significant deficiency in internal control over compliance related to eligibility noted.