



THE ARC ALLIANCE ADVOCACY SERVICES

FINANCIAL AND COMPLIANCE REPORT

Years Ended June 30, 2016 and 2015

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
The Arc Alliance Advocacy Services
Eagleville, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of The Arc Alliance Advocacy Services (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 The Arc Alliance Advocacy Services as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues and Expenses - Montgomery County is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 February 13, 2017, on our consideration of The Arc Alliance Advocacy Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 of The Arc Alliance Advocacy Services' internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
February 13, 2017

THE ARC ALLIANCE ADVOCACY SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

The Arc Alliance Advocacy Services is a nonprofit agency formed in Montgomery County, Pennsylvania to offer support, coordination, and advocacy services for individuals with disabilities. The Arc Alliance Advocacy Services is a member of a group of affiliated organizations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Arc Alliance Advocacy Services 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:

Unrestricted net assets are those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Cash Equivalents

The Arc Alliance Advocacy Services considers all short-term investments with an original maturity date of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are carried at cost, less allowance for losses. The allowance for losses is determined using experience and an overall current evaluation of collectible accounts by management. An account is written off when it is determined that all collection efforts have been exhausted. The Arc Alliance Advocacy Services considers all accounts receivable to be collectible as of June 30, 2016 and 2015. Accordingly, there was no allowance for losses as of June 30, 2016 and 2015.

THE ARC ALLIANCE ADVOCACY SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Property and equipment are stated at cost, if purchased and at estimated fair market value at date of donation, if donated. The Arc Alliance Advocacy Services' policy is to capitalize all asset acquisitions over \$500.

Buildings and equipment are being depreciated over their estimated useful lives by the straight-line method as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	3 - 10 years

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All 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 statements of activities as net assets released from restrictions.

Concentrations and Credit Risk

During the years ended June 30, 2016 and 2015, The Arc Alliance Advocacy Services received approximately 82 and 85 percent, respectively, of its support and revenue from one funding agency (Department of Human Services). As of June 30, 2016 and 2015, accounts receivable was \$568,123 and \$441,721, respectively, from this source.

Tax-Exempt Status

The Arc Alliance Advocacy Services is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions, if any, as required.

Subsequent Events

In preparing these financial statements, The Arc Alliance Advocacy Services has evaluated events and transactions for potential recognition through February 13, 2017, the date the financial statements were available to be issued.

THE ARC ALLIANCE ADVOCACY SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable are recognized when the donor makes a promise to give that is, in substance, unconditional. The Arc Alliance Advocacy Services uses the allowance method to determine uncollectible monies receivable. The allowance method is based on prior years' experience and management's analysis of specific promises made. All receivables are collectible within one year and no allowance for uncollectible pledges is recorded, as management deems all pledges as collectible.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Building	\$ 65,396	\$ 65,396
Furniture and equipment	44,539	44,539
	<u>109,935</u>	<u>109,935</u>
Accumulated depreciation	<u>(65,431)</u>	<u>(53,231)</u>
	<u>\$ 44,504</u>	<u>\$ 56,704</u>

Funds for the acquisition of certain property and equipment have been provided by sponsoring governmental agencies. Upon termination of a contract service, the sponsoring agency may require the return of the property or equipment acquired under the terms of the applicable contract.

NOTE 4 - CONTINGENCIES

Support and revenue received from various public and private sources by The Arc Alliance Advocacy Services are subject to audit and adjustment by the funding sources or their representatives. If support and revenue are received for expenditures, which are subsequently disallowed, The Arc Alliance Advocacy Services may be required to repay the revenues to the funding sources. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of June 30, 2016 and 2015.

THE ARC ALLIANCE ADVOCACY SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 5 - DEBT SECURITY

The Arc Alliance Advocacy Services serves as a guarantor for the line of credit held by an affiliated organization. The balance on the line of credit is \$0 and \$400,000 at June 30, 2016 and 2015, respectively.

On June 27, 2016, an agreement was signed converting the line of credit to a term note in the amount of \$279,999 with the Foundation still serving as a guarantor.

NOTE 6 - RETIREMENT PLAN

The Arc Alliance Advocacy Services has a defined contribution annuity plan covering all eligible employees. A discretionary matching contribution of up to four percent of compensation is determined by The Arc Alliance Advocacy Services each year. Employees eligible for contributions from The Arc Alliance Advocacy Services must have attained age twenty and completed one half year of service. Plan contributions for the years ended June 30, 2016 and 2015 were \$4,032 and \$11,665, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Dolfinger Advocacy	\$ 7,500	\$ 5,720
Raynier Guardianship	<u>34,248</u>	<u>-</u>
	<u>\$ 41,748</u>	<u>\$ 5,720</u>

Net assets released from restrictions were \$5,720 and \$0 for the years ended June 30, 2016 and 2015, respectively.

THE ARC ALLIANCE ADVOCACY SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 8 - RELATED PARTY TRANSACTIONS

The Arc Alliance Advocacy Services pays management fees to an affiliated organization for payroll and other services performed. Administration fees for the years ended June 30, 2016 and 2015 were \$535,180 and \$404,819, respectively.

The Arc Alliance Advocacy Services conducts its operations from office space leased from an affiliated company. The lease is calculated at a market rate and is renewable on an annual basis. The total net rental expense for the years ended June 30, 2016 and 2015 was \$151,578 and \$104,400, respectively.

During the years ended June 30, 2016 and 2015, the Arc Alliance Advocacy Services received grants of \$100,000 and \$0, respectively, from the Arc Alliance Foundation to help supplement the difference between operating costs and fees for service revenue received to operate its programs.

Amounts due to affiliated organizations at June 30 were as follows:

	<u>2016</u>	<u>2015</u>
The Arc Alliance Foundation	<u>\$ 281,158</u>	<u>\$ 427,203</u>

NOTE 9 - NATIONAL AND STATE AFFILIATION

The Arc Alliance is an autonomous, community-based nonprofit organization, which is an intermediary affiliate of Arc (national and state headquarters). Membership fees paid to the national and state organization are calculated in accordance with a fee formula established by the national and state board of directors. Arc National provides maintenance of a nationwide recognition of Arc, consultation services for programs and facilities, training, and various other services for affiliated organizations. Dues incurred and paid to Arc National during the years ended June 30, 2016 and 2015 were \$6,800 and \$9,021, respectively. The Arc Alliance Advocacy Services' share of these fees for the years ended June 30, 2016 and 2015 were \$209 and \$298, respectively. Dues incurred and paid to Arc of PA during the years ended June 30, 2016 and 2015 were \$31,570 and \$28,325, respectively. The Arc Alliance Advocacy Services' share of these fees for the years ended June 30, 2016 and 2015 were \$971 and \$934, respectively.

THE ARC ALLIANCE ADVOCACY SERVICES

EVALUATION OF ACCOUNTING AND ADMINISTRATIVE CONTROLS

For the Year Ended June 30, 2016

We have reviewed the accounting and administrative controls of The Arc Alliance Advocacy Services to determine if controls are in place and operating effectively as required by DHS 51.46 (4300.161b) regulations. We have disclosed no conditions that we believe to be noncompliant by The Arc Alliance Advocacy Services with regards to the DHS 51.46 (4300.161b) regulations other than items disclosed in the schedule of findings and questioned costs.

THE ARC ALLIANCE ADVOCACY SERVICES

INDIRECT COST ALLOCATION PLAN

For the Year Ended June 30, 2016

Indirect administrative costs of The Arc Alliance Advocacy Services are allocated according to program and supporting services based on employee time estimates, square footage, or other appropriate usage factors.

In our opinion, based on the audit procedures performed, the methodology for allocation of indirect administrative costs used by The Arc Alliance Advocacy Services resulted in a fair and equitable distribution of costs, meeting the requirements of DHS 51.99 (4300.94) regulations for the fiscal year ended June 30, 2016.

THE ARC ALLIANCE ADVOCACY SERVICES

CONTRACT CONDITIONS AND COMPLIANCE

For the Year Ended June 30, 2016

1. Revenue and expenditures under a contract consist both of direct costs and allocation of administrative costs. We examined revenues and expenditures under both program funded and fee-for-service contracts to render our opinion on invoicing based upon terms and conditions of the contract.

In our opinion, based on audit procedures performed, invoicing done by The Arc Alliance Advocacy Services is based upon terms and conditions negotiated in developing the contract budget or unit costs as required by DHS 51.46 (4300.161b) regulations.

2. As part of our engagement, we have been requested to review compliance with provisions of the contracts, including compliance with allowable cost standards in sections DHS 51.81 through 51.103 (4300.82 through 4300.108) of the Mental Health/Developmental Disabilities Fiscal Regulations.

Our review of The Arc Alliance Advocacy Services' compliance with contractual regulations, policies and procedures, which was made for the purpose set forth above, disclosed no matters that we believe to be noncompliant.

3. Fee-for-Service Contracts - We have reviewed The Arc Alliance Advocacy Services' billing of units of service. We have determined that units of service billed were actually provided and were billed at the proper rates.
4. We have reviewed The Arc Alliance Advocacy Services' collection of third-party revenues for medical assistance and other reimbursements to determine if The Arc Alliance Advocacy Services is collecting such third-party revenues in compliance with the terms of their contracts.

The Arc Alliance Advocacy Services bills medical assistance and other reimbursement providers, where applicable, on a monthly basis in conjunction with the invoices prepared for each county.

By performing the above audit procedures, we have determined that third-party revenues are being properly billed and collected by The Arc Alliance Advocacy Services.

THE ARC ALLIANCE ADVOCACY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services (HHS):</u>				
Medical Assistance Programs				
Passed through PA Department of Health and Human Services Center:				
Medical Assistance Program	I	93.778	*	<u>\$ 1,204,913</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES AWARDS				<u>1,204,913</u>
TOTAL				<u>\$ 1,204,913</u>

I - Indirect Source of Funding

* Pass-Through Grantor Number not provided by pass-through agency.

Note: No funds were passed through to subrecipients in the year ended June 30, 2016.

THE ARC ALLIANCE ADVOCACY SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Arc Alliance Advocacy Services under programs of the federal government for the year ended June 30, 2016. 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 The Arc Alliance Advocacy Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of The Arc Alliance Advocacy Services.

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 the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business for amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMUS RATE FOR INDIRECT COSTS

The Organization did not elect to use the de minimis rate for indirect costs.

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

**To the Board of Directors
The Arc Alliance Advocacy Services
Eagleville, Pennsylvania**

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 The Arc Alliance Advocacy Services (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 February 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc Alliance Advocacy Services' 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 Arc Alliance Advocacy Services' internal control. Accordingly, we do not express an opinion on the effectiveness of The Arc Alliance Advocacy Services' 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc Alliance Advocacy Services' 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 Arc Alliance Advocacy Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arc Alliance Advocacy Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
February 13, 2017



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

**To the Board of Directors
The Arc Alliance Advocacy Services
Eagleville, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited The Arc Alliance Advocacy Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Arc Alliance Advocacy Services' major federal programs for the year ended June 30, 2016. The Arc Alliance Advocacy Services' 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 Arc Alliance Advocacy Services' 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 The Arc Alliance Advocacy Services' 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 Arc Alliance Advocacy Services' compliance.

Opinion of Each Major Federal Program

In our opinion, The Arc Alliance Advocacy Services 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 June 30, 2016.

Report Internal Control Over Compliance

Management of The Arc Alliance Advocacy Services 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 Arc Alliance Advocacy Services' 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 Arc Alliance Advocacy Services' 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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Herbein + Company, Inc.

**Reading, Pennsylvania
February 13, 2017**

THE ARC ALLIANCE ADVOCACY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified
Internal Control Over Financial Reporting:
Material weakness(es) identified? yes X no
Significant Deficiency(s) identified not considered to be
material weaknesses? yes X none reported
Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control Over Major Programs:
Material weakness(es) identified? yes X no
Significant Deficiency(s) identified not considered to be
material weaknesses? yes X 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 Section 200.516(a)? yes X no

Identification of Major Program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

THE ARC ALLIANCE ADVOCACY SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Section II - Financial Statement Findings

There were no financial statement findings reported.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

THE ARC ALLIANCE ADVOCACY SERVICES

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Section II - Financial Statement Findings

There were no financial statement findings reported.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.



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**INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING
 AGREED-UPON PROCEDURES**

**To the Board of Directors
 The Arc Alliance Advocacy Services
 Eagleville, Pennsylvania**

We have performed the procedures enumerated below, which were agreed to by the Commonwealth of Pennsylvania, Department of Human Services and The Arc Alliance Advocacy Services solely to assist you with respect to the financial schedules and exhibits required by the Office of Developmental Programs Audit Requirements for Fiscal Year 2015/2016. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Human Services. Consequently, we made no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- a. We have verified by comparison that the amounts and classifications that the supplemental financial schedule listed below, which summarize amounts reported to the Department of Human Services for fiscal year ended June 30, 2016, have been accurately compiled and reflect the audited books and records of The Arc Alliance Advocacy Services. We have also verified by comparison to the example schedules that these schedules are presented, at a minimum, at the level of detail and in the format required by the Department of Human Services Office of Developmental Programs Audit Requirements pertaining to this period.

Program Name	Referenced Schedule/Exhibit
Medical Assistance	Reconciliation of Federal Awards Passed Through the Pennsylvania Department of Human Services Per the Schedule of Expenditures of Federal Awards and Revenue Received Per the Pennsylvania Audit Confirmation.

- b. We have agreed the expenditure amounts listed on the reconciliation schedule under the “Federal Expenditures per the SEFA” column to the audited Schedule of Expenditures of Federal Awards (SEFA).
- c. We have agreed the receipt amounts listed on the reconciliation schedule under the “Federal Awards Received per the audit confirmation reply from Pennsylvania” column to the subrecipient Federal amounts that were reflected in the audit confirmation reply from the Office of Budget, Comptroller Operations.

- d. We have recalculated the amount listed under the “Difference” column and agreed them to the audited books and records of The Arc Alliance Advocacy Services.
- e. The processes detailed in paragraphs (a) and (b) above disclosed no adjustments and/or findings.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Department of Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Herbein + Company, Inc.

Reading, Pennsylvania
February 13, 2017