

**Community Mental Health Partnership
of Southeast Michigan**

Federal Awards
(Supplementary Information
To Financial Statements)
September 30, 2017



Community Mental Health Partnership of Southeast Michigan
Federal Awards
Supplementary Information to Financial Statements
September 30, 2017

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

Community Mental Health Partnership of Southeast Michigan
Ann Arbor, Michigan

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 business-type activities, each major fund, and the aggregate remaining fund information of Community Mental Health Partnership of Southeast Michigan (the Entity), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements and have issued our report thereon dated April 3, 2018

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Entity'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity'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*.

The Entity's Response to Findings

The Entity's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Entity'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 Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

June 18, 2018



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

Community Mental Health Partnership of Southeast Michigan
Ann Arbor, Michigan

Report on Compliance for Each Major Federal Program

We have audited Community Mental Health Partnership of Southeast Michigan's (the Entity's) 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 Entity's major federal programs for the year ended September 30, 2017. The Entity'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 the Entity'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 the Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Entity 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 September 30, 2017.

Report on Internal Control over Compliance

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Community Mental Health Partnership of Southeast Michigan as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements. We issued our report thereon dated April 3, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.



Roslund, Prestage & Company, P.C.
Certified Public Accountants

June 18, 2018

Community Mental Health Partnership of Southeast Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

Federal Agency/Pass-Through Grantor/Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Expenditures	Passed Through to Subrecipients
Block Grants For Community Mental Health Services					
PMTO	93.958	MDHHS	20171172-00	\$ 50,000	\$ -
Integrated Health	93.958	MDHHS	20161172-00	31,965	-
SMI	93.958	MDHHS	20161172-00	101,840	-
Total CFDA #93.958				<u>183,805</u>	<u>-</u>
Opiod State Targeted Response	93.788	MDHHS		11,987	-
Block Grants for Prevention and Treatment of Substance Abuse					
Prevention	93.959	MDHHS		1,138,443	-
Community Grant	93.959	MDHHS		2,272,222	513,055
Total CFDA #93.959				<u>3,410,665</u>	<u>513,055</u>
Total Expenditures of Federal Awards				<u>\$ 3,606,457</u>	<u>\$ 513,055</u>

Community Mental Health Partnership of Southeast Michigan
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Community Mental Health Partnership of Southeast Michigan under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Community Mental Health Partnership of Southeast Michigan, it is not intended to and does not present its financial position or changes in net position of Community Mental Health Partnership of Southeast Michigan.

NOTE 2. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures

Expenditures reported on the schedule are reported on the full 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 reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Community Mental Health Partnership of Southeast Michigan has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3. – RECONCILIATION TO FINANCIAL STATEMENTS

Below is a reconciliation of federal expenditures identified in the Schedule of Expenditures of Federal Awards to federal funding listed in the financial statements:

Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 3,606,457
Federal expenditures per the financial statements	3,490,133
Difference *	\$ 116,324

* See finding 2017-001 in the schedule of findings and questioned costs.

Community Mental Health Partnership of Southeast Michigan
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

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 ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

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

Unmodified

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

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

\$750,000

• Auditee qualified as low-risk auditee? ☐ Yes ☒ No

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 – Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Finding Type: Significant Deficiency in Internal Control over Financial Reporting

Criteria: 2 CFR 200.508 requires the Entity to "Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section 200.510 Financial Statements."

Condition: The Entity initially misreported the Federal expenditures on its SEFA related to CFDA #93.959 by (\$104,337) and CFDA #93.778 by (\$11,987).

Community Mental Health Partnership of Southeast Michigan
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Cause/Effect: This condition appears to be the result of inadequate internal controls over the preparation of the SEFA, difficulty in tracking the allocation method based on type of awards granted and subsequently modified, and timing of awards granted.

Questioned Cost: None.

Recommendation: We recommend that the Entity evaluate its processes for identifying federal awards to be included on the SEFA; developing a tracking mechanism to determine the type of awards granted, the date of awards granted, the date of modifications of awards granted, and the effect of award modifications on the allocation process to ensure that all federal expenditures are properly reported.

View of Responsible
Official: Management is in agreement with this recommendation

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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None

Community Mental Health Partnership of Southeast Michigan
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2017

No prior audit findings.



ADMINISTRATION

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June 22, 2018

Re: Schedule of Expenditures of Federal Awards(SEFA) Corrective Action Plan

To whom it may concern:

An inadequate internal control over the preparation of the SEFA was identified during the review of the final SEFA. Community Mental Health Partnership of Southeast Michigan (CMHPSM) found difficulty in tracking the allocation of awards granted based on grant year and special initiatives.

To address the inadequacy, CMHPSM updated the account segment structure to include components to enhance the tracking of federal awards for special initiatives. This change was implemented in October of 2018. I, Suzanne Stolz, Chief Financial Officer is the responsible party.

Regards,

A handwritten signature in black ink, appearing to read "Suzanne Stolz".

Suzanne Stolz, MSA
Chief Financial Officer
(734)222-3896