

**Community Mental Health Partnership
of Southeast Michigan
Ann Arbor, Michigan**

Federal Awards
(Supplementary Information
To Financial Statements)
September 30, 2015



Community Mental Health Partnership of Southeast Michigan
Federal Awards
Supplementary Information to Financial Statements
September 30, 2015

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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 and each major fund of Community Mental Health Partnership of Southeast Michigan (the regional entity), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the regional entity's basic financial statements and have issued our report thereon dated March 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the regional 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 regional entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the regional 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 were not 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 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the regional 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-001.

Regional Entity's Response to Findings

The regional entity's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The regional 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.

Sincerely,

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

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

March 14, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 regional entity's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the regional entity's major federal programs for the year ended September 30, 2015. The regional 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 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 regional 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 regional 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 regional entity's compliance.

Opinion on Each Major Federal Program

In our opinion, the regional 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

The regional entity's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The regional entity's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the regional 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 regional 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 OMB Circular A-133, 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 regional 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The regional entity's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The regional entity'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 Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and each major fund of the regional entity as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the regional entity's basic financial statements. We issued our report thereon dated March 14, 2016, 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 OMB Circular A-133 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sincerely

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

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

March 14, 2016

Community Mental Health Partnership of Southeast Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Current Year Expenditures
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Department of Health and Human Services

Passed Through The Michigan Department of Health and Human Services

Block Grants for Community Mental Health Services	93.958	MDHHS	20150926	\$ 176,021
Block Grant for Prevention and Treatment of Substance Abuse	93.959	MDHHS	20150994	<u>2,134,309</u>
TOTALS				<u><u>\$ 2,310,330</u></u>

The Block Grant for Prevention and Treatment of Substance Abuse reflects both federal and state funding. See allocation below.

Funding Source	CDFA	Federal	State
Community Grant	93.959	77.00%	23.00%
Prevention	93.959	100.00%	0.00%

The notes to the financial statements are an integral part of this statement.

Note 1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Mental Health Partnership of Southeast Michigan (the regional entity) under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule of expenditures of federal awards presents only a selected portion of the operations of the regional entity, it is not intended to and does not present its financial position, changes in net assets or cash flows.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule of expenditures of federal awards are reported on the accrual basis of accounting, which is described in note 1 to the regional entity's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3. PASS-THROUGH AGENCIES

The regional entity receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the schedule.

Note 4. SUBRECIPIENTS

The regional entity administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the regional entity's reporting entity. Of the federal expenditures presented in the schedule of expenditures of federal awards, the regional entity provided federal awards to subrecipients as follows:

Grant	Amount
Block Grants for Community Mental Health Services (CFDA #93.958)	\$ 176,021
Block Grant for Prevention and Treatment of Substance Abuse (CFDA #93.959)	1,904,247
Total	\$ 2,080,268

Community Mental Health Partnership of Southeast Michigan
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

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(ies) identified? _____ Yes X No
- Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? X Yes _____ No

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 section 510(a) of OMB Circular A-133? X 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:

\$300,000

• Auditee qualified as low-risk auditee? _____ Yes X No

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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2015-001: Considered a significant deficiency in internal control over compliance

Condition: Contracts with select subrecipients did not include required disclosures relating to the federal award that was being passed through.

Criteria: As detailed by OMB Circular A-133, Section .400(d), agencies must include specific wording in contracts with subrecipients, as applicable.

Context: During testing of contracts with subrecipients it was noted that contracts with select subrecipients did not include portions of required disclosures including: 1) inform subcontractors of CFDA title and number, award name and number, and name of Federal agency for Federal awards passed through to subcontractors, and 2) inform subcontractors of the pass-through entity's responsibility for issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required.

Cause: Management was unaware of the requirement.

Effect: Select contracts were not in compliance with OMB Circular A-133, Section .400(d).

Questioned Costs: None

Recommendation: We recommend that the regional entity update all contracts with subrecipients to include required language.

Management's Response: Management is in agreement with the recommendation.