

Detroit Wayne Mental Health Authority

**Federal Awards
Supplemental Information
September 30, 2016**

Detroit Wayne Mental Health Authority

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

Independent Auditor's Report

To the Members of the Board
Detroit Wayne Mental Health Authority

We have audited the financial statements of the of Detroit Wayne Mental Health Authority (the "Authority") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated March 22, 2017 which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 22, 2017.

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 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.

Plante & Moran, PLLC

March 22, 2017

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Members of the Board
Detroit Wayne Mental Health Authority

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 Detroit Wayne Mental Health Authority (the "Authority") as of and for the year ended September 30, 2016, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Detroit Wayne Mental Health Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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.

To Management and the Members of the Board
Detroit Wayne Mental Health Authority

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Southfield, Michigan
March 22, 2017

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance
Independent Auditor's Report

To the Members of the Board
Detroit Wayne Mental Health Authority

Report on Compliance for Each Major Federal Program

We have audited Detroit Wayne Mental Health Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016. Detroit Wayne Mental Health Authority'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 each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Detroit Wayne Mental Health Authority'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* (the "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 Detroit Wayne Mental Health Authority'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 Detroit Wayne Mental Health Authority's compliance.

To the Members of the Board
Detroit Wayne Mental Health Authority

Opinion on Each Major Federal Program

In our opinion, Detroit Wayne Mental Health Authority 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, 2016.

Report on Internal Control Over Compliance

Management of Detroit Wayne Mental Health Authority 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 Detroit Wayne Mental Health Authority'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 Authority'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 a 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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2016-001, that we consider to be a significant deficiency.

The Detroit Wayne Mental Health Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Detroit Wayne Mental Health Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the Members of the Board
Detroit Wayne Mental Health Authority

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.

Plante & Moran, PLLC

Southfield, Michigan
March 22, 2017

Detroit Wayne Mental Health Authority

Schedule of Expenditures of Federal Awards Year Ended September 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development - Passed through the Federal Government - Continuum of Care	14.267	MI0058L5F011407/MI0058LF011508, MI0066L5F011407/MI0066L5F011508, MI0073L5F011407/MI0073L5F011508, MI0074LF011407/MI0074LF0115	\$ 1,897,355	\$ 1,897,355
U.S. Department of Health and Human Services - Substance Abuse and Mental Health Services: Passed through the Federal Government Passed through the Regents of The University of Michigan:	93.243	5U79SM061541-03, 5U79SM06154-04	389,579	390,639
Health Resources and Service Administration	93.243	G02HO27954-02-00, G02HO27954-02-01	-	65,900
Passed through the Michigan Department of Health and Human Services: Partnerships for Success	93.243	13 B1 MI SAPT 2015	152,000	152,000
Total Substance Abuse and Mental Health Services			541,579	608,539
U.S. Department of Health and Human Services: Passed through Detroit Urban Research Center - Minority Health and Health Disparities Research	93.307	N/A	960	960
Passed through the Michigan Department of Health and Human Services: Community Health - Community Health - Medicaid Cluster - Medical Assistance Program - OBRA/PASARR	93.778	2016116-00	1,956,337	1,962,680

Detroit Wayne Mental Health Authority

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Projects for Assistance in Transition from Homelessness (PATH) - PATH Grant	93.150	20161364-00	419,307	419,307
U.S. Department of Health and Human Services - Block Grants for Treatment and Prevention of Substance Abuse:				
Community Grant	93.959	13 BI MI SAPT 2015	\$ -	\$ 6,517,516
Prevention	93.959	13 BI MI SAPT 2015	-	3,072,604
Total Block Grants for Treatment and Prevention of Substance Abuse			-	9,590,120
U.S. Department of Health and Human Services - Block Grants for Community Mental Health Services:				
Integrated Healthcare	93.958	20161182-00	-	221,611
System of Care	93.958	20161182-00	1,017,690	1,039,773
Systems Transformation	93.958	20161182-00	1,595,187	2,298,859
Total Block Grants for Community Mental Health Services			2,612,877	3,560,243
Total U.S Department of Health and Human Services				16,141,849
Total federal awards				\$ 18,039,204

Detroit Wayne Mental Health Authority

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Detroit Wayne Mental Health Authority under programs of the federal government for the year ended September 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Detroit Wayne Mental Health Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Detroit Wayne Mental Health Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Authority has not elected to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Detroit Wayne Mental Health Authority

Schedule of Findings and Questioned Costs Year Ended September 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 No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? 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 Section 2 CFR 200.516 (a)? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Community Substance Use Disorder Services
93.778	Medicaid Cluster

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 Audit Findings

None

Detroit Wayne Mental Health Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section III - Federal Program Audit Findings

Reference Number	Finding
2016-001	<p>CFDA Number, Federal Agency, and Program Name - 93.959 Block Grants for Community Substance Use Disorder Services</p> <p>Federal Award Identification Number and Year - 13 BI MI SAPT 2015</p> <p>Pass-through Entity - Michigan Department of Health and Human Services</p> <p>Finding Type - Significant deficiency</p> <p>Repeat finding - No</p> <p>Criteria - In accordance with 2 CFR 200.331, Requirements for Pass-through Entities, all pass-through entities must: ensure that every subaward is clearly identified to the subrecipient as a subaward and includes certain information at the time of the subaward, and if any of these data elements change, includes the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.</p> <p>Condition - Required information for subawards must include, amongst other requirements, the Federal Award Identification and the CFDA Number and Name. Certain subrecipient contracts did not include all the required information including FAIN and CFDA numbers.</p> <p>Questioned Costs - None were identified</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - The Authority's legal department drafts and executes the contracts between the Authority and the subrecipient. For a sample of subrecipients, 14 out of 14 did not include the Federal Award Identification Number (FAIN), and for a sample of 3 out of 14, the CFDA number and reference to the federal program were not included. While all of the required information was not included, the Authority did include a number of the key required elements that would have made the subrecipients aware that the funds they are receiving were related to the federal grant, such as federal program project description. In addition, the Authority performed monitoring of the pass-through organizations to ensure they were complying with grant requirements.</p>

Detroit Wayne Mental Health Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-001 (Cont.)	<p>Cause and Effect - Based on review of the contracts, certain information was not provided to pass-through entities to ensure the Authority was aware of the related compliance requirements of the grant. Failure to include this information, could result in noncompliance by the pass-through entity.</p> <p>Recommendation - We recommend the Authority review its procurement procedures to ensure all required elements are included in agreements with pass through entities.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management concurs with the finding. The substance use disorder treatment contracts contain the CFDA number; however, the CFDA number was not included in the prevention contracts. The Authority has already entered into FY 2017 contracts; however, we will send out a letter to the provider network.</p>