



Year Ended
September 30,
2015

Single Audit Act
Compliance

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	3
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	7
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	13



INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

June 29, 2016

Board of Directors
Detroit Wayne Mental Health Authority
Detroit, Michigan

We have audited the financial statements of the *Detroit Wayne Mental Health Authority* (the "Authority"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements. We issued our report thereon dated March 30, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



DETROIT WAYNE MENTAL HEALTH AUTHORITY

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Defense				
Military Medical Research and Development	12.420	Direct	n/a	<u>\$ 85,277</u>
U.S. Department of Housing and Urban Development				
* Continuum of Care	14.267	Direct	n/a	669,115
Continuum of Care	14.267	Direct	n/a	<u>1,115,938</u>
				<u>1,785,053</u>
U.S. Department of Justice				
Edward Byrne Memorial Justice Grant Program	16.738	Direct	n/a	<u>5,641</u>
U.S. Department of Health and Human Services				
Projects for Assistance in Transition from Homelessness (PATH) Project	93.150	MDHHS	n/a	<u>436,247</u>
Partnerships for Success	93.243	MDHHS	n/a	224,946
Substance Abuse and Mental Health Services	93.243	MDHHS	n/a	581,795
Health Resources and Service Administration	93.243	U of M	n/a	<u>44,700</u>
				<u>851,441</u>
Medical Assistance Program	93.778	MDHHS	n/a	1,896,963
Block Grants for Community Mental Health Services	93.958	MDHHS	n/a	3,534,355
Block Grants for Community Substance Use Disorder Services	93.959	MDHHS	n/a	<u>9,535,448</u>
Total U.S. Department of Health and Human Services				<u>16,254,454</u>
Total Expenditures of Federal Awards				<u><u>\$ 18,130,425</u></u>

See notes to schedule of expenditures of federal awards.

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Detroit Wayne Mental Health Authority (the “Authority”), 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 presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. For grants awarded prior to December 26, 2014, 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. For grants awarded on or after December 26, 2014, expenditures are recognized following 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* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Certain grants were awarded on or after December 26, 2014. For these grants expenditures are recognized following 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* (Uniform Guidance) and are denoted as such in the Schedule with an asterisk (*).

3. PASS-THROUGH AGENCIES

The Authority receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the schedule with an abbreviation, defined as follows:

Abbreviation	Pass-through Agency Name
MDHHS	Michigan Department of Health and Human Services
U of M	Regents of the University of Michigan

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

4. SUBRECIPIENTS

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

Program Title	CFDA Number	Amount Provided
Military Medical Research and Development	12.420	\$ 66,662
Continuum of Care	14.267	1,785,053
Edward Byrne Memorial Justice Grant Program	16.738	5,641
Projects for Assistance in Transition for from Homelessness (PATH) Project	93.150	436,247
Substance Abuse and Mental Health Services	93.243	581,795
Medical Assistance Program	93.778	1,896,963
Block Grants for Community Mental Health Services	93.958	2,149,115
Block Grants for Substance Use Disorder Services	93.959	9,330,904
		<u>\$ 16,252,380</u>

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INDEPENDENT AUDITORS' 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*

March 30, 2016

Board of Directors
Detroit Wayne Mental Health Authority
Detroit, 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 *Detroit Wayne Mental Health Authority* (the "Authority"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Lobson LLC

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

June 29, 2016

Board of Directors
Detroit Wayne Mental Health Authority
Detroit, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Detroit Wayne Mental Health Authority* (the "Authority") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2015. The Authority's major federal program is identified in the summary of auditors' 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program 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 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 its major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Other Matters

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

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

Report on Internal Control Over Compliance

Management of the 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 the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 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 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 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 item 2015-001 that we consider to be a significant deficiency.

Purpose of this Report

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.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive style with a large, prominent 'R' at the beginning.

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ 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(ies) identified? X yes _____ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? X yes _____ no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

93.959

Block Grants for Substance Use Disorder Services

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

\$ 543,913

Auditee qualified as low-risk auditee?

X yes _____ no

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-001 - Revenue and Expenditure Report Adjustments

Finding Type. Immaterial noncompliance / Significant deficiency in internal controls over compliance (Reporting)

Federal programs:

Pass-through Michigan Department of Health and Human Services (MDHHS)

- Block Grants for Community Substance Use Disorder Services (CFDA# 93.959); U.S. Department of Health and Human Services.

Criteria. The MDHHS *Substance Use Disorder Services (SUDS) Audit Guidelines* require that the Authority submit a complete and accurate Revenue & Expenditure Report (RER) in accordance with the Prepaid Inpatient Health Plan (PIHP) Contract - Attachment P7.7.1.1.

Condition. The initially submitted Revenue & Expenditure report did not include all expenditures for Medicaid or Healthy Michigan costs from the Authority's ledger.

Cause. In accordance with the new PIHP contract, the Authority took over as the Coordinating Agency (CA) for Substance Use Disorder Services during fiscal year 2015. However, while the Authority took over responsibility for providing services effective immediately, operations were carried out by the previous CA (Institute for Population Health) during the first six months of the fiscal year. As a result, certain expenses submitted to the State by IPH were initially excluded from the Authority's Revenue & Expenditure Report (RER) due to recording issues related to inbound and outbound claims.

Effect. The initially submitted Legislative and Revenue & Expenditure Report understated total expenditures by \$1,579,012 related to under reported Medicaid and Healthy Michigan expenses. These expenditures were not related to Block Grants for Community Substance Use Disorder Services, and the required adjustments did not effect the amount of federal grant expenditures requested or drawn down. The Authority submitted a revised RER with corrected expenditure amounts to reflect the required adjustments.

Questioned Costs. None, inasmuch as the amounts reported did not result in drawing down federal funds in excess of allowable expenditures.

Recommendation. We recommend the Authority review its policies and procedures over reporting for the Legislative, and Revenue & Expenditure Report for Substance Use grants to ensure that reports accurately reflect all underlying information.

DETROIT WAYNE MENTAL HEALTH AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

View of Responsible Officials. The Authority concurs with the finding. As noted above, this finding will resolve itself as we no longer contract with the Institute of Population Health (IPH). Unfortunately, due to the timing of the audit fieldwork and reporting, IPH was essentially out of business and unable to provide information to resolve the discrepancy. The Authority believes that certain consumer eligibility information was not reported to the State and resulted in the outbound claim to the State being rejected; IPH was responsible for reporting such information for the first six months. Although the State rejected the claim, the MHWIN system would not accept a claim from IPH for a consumer that was not Medicaid eligible at the time of service.

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DETROIT WAYNE MENTAL HEALTH AUTHORITY

Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2015

None reported.

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