

CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2017

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017**

SINGLE AUDIT REPORTS

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>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	6
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	10

**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***

Board of Trustees
City of St. Louis Mental Health Board of Trustees
St. Louis, Missouri

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 of City of St. Louis Mental Health Board of Trustees (MHB), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise MHB's basic financial statements, and have issued our report thereon dated November 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MHB'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 MHB's internal control. Accordingly, we do not express an opinion on the effectiveness of MHB'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. 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 MHB’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 result 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.



CliftonLarsonAllen LLP

St. Louis, Missouri
November 16, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
City of St. Louis Mental Health Board of Trustees
St. Louis, Missouri

Report on Compliance for Each Major Federal Program

We have audited City of St. Louis Mental Health Board of Trustees (MHB) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MHB's major federal programs for the year ended June 30, 2017. MHB's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of MHB'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 MHB'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 MHB's compliance.

Opinion on Each Major Federal Program

In our opinion, MHB 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

MHB's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. MHB'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 MHB 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 MHB'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 MHB'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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we considered to be a significant deficiency.

MHB's response was to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. MHB's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of MHB as of and for the year ended June 30, 2017, and have issued our report thereon dated November 16, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. 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 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 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.



CliftonLarsonAllen LLP

St. Louis, Missouri
November 16, 2017

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)

93.104

Name of Federal Program or Cluster

Child Mental Health Service Initiative

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

\$ 750,000 / \$187,500

Auditee qualified as low-risk auditee?

 x yes _____ no

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

No Findings

Section III – Findings and Questioned Costs – Major Federal Programs

Finding: 2017-001 Subrecipient Monitoring

Federal Agency: U.S. Department of Health and Human Services –

Federal Program Title: Child Mental Health Service Initiative

CFDA No. 93.104

Award Periods: September 30, 2015 through September 29, 2016; September 30, 2016 through September 29, 2017

Type of Finding: Significant Deficiency and Compliance Finding over Subrecipient Monitoring

Questioned Costs: N/A

Condition: During our review of the grant agreement and related testing, we noted that the Organization did not have proper procedures in place to ensure that all subrecipient monitoring activities were completed adequately. We reviewed and tested five of the seven subaward agreements under this federal grant.

Criteria: Uniform Grant Guidance 2 CFR 200.331 requires that pass through entities identify the award and applicable requirements, evaluate the risk, and monitor the activities of the subrecipient.

Context: Uniform Grant Guidance (2 CFR 200.331(a)) requires pass through entities to clearly identify to the subrecipient as a subaward and include various data elements. The following data elements were not included in the subaward: Subrecipient's unique identifier, the total amount of the federal award and the CFDA number. Also, Uniform Grant Guidance (2 CFR 200.331(b) (f) (g)) requires the pass through entity to evaluate each subrecipient's risk of non compliance and verify that subrecipients are audited as required by subpart F and monitoring subrecipient's audits. It was noted that MHB does monitor its subrecipients and assess the risk; however, did not obtain the single audit reports to verify the subrecipient federal compliance findings and consider them in their risk assessment.

Cause: The Organization did not have proper policies and procedures in place to adequately address all subrecipient monitoring requirements under 2 CFR 200.331.

Effect: Failure to perform subrecipient monitoring procedures fully in accordance with policies and procedures in accordance with 2 CFR 200.331 may result in the Organization funding a recipient that is not compliant with federal regulations under Uniform Guidance.

Recommendation: The Organization should implement internal controls and update policies and procedures to ensure the subrecipient agreements and subrecipient monitoring is completed in accordance with federal regulations in a timely manner.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs

Finding: 2017-001 Subrecipient Monitoring (Continued)

Views of Responsible Officials: After eight years with the same audit firm, best practices dictated that MHB engage a new firm. One of the major selection criteria was that the firm have expertise in auditing governmental entities. As a result, CliftonLarsonAllen (CLA) was engaged in 2017, with the understanding that they would assist MHB to identify and comply with relevant government standards, policies, guidelines and rules as well as best practices.

MHB's previous audit firm neither noted any deficiencies or weaknesses in MHB's oversight of contracts or sub-awardee performance nor identified any areas of non-compliance with the federal Uniform Guidelines. However, CLA's audit of the federal Uniform Guidelines, as cited herein, has found areas of non-compliance with respect to sub-recipient monitoring.

MHB agrees that with respect to our pass-through role of distributing federal funds to sub-recipients in FY17, MHB was not in total compliance with the Uniform Guidelines. However, it is our contention that MHB's existing financial and programmatic oversight and monitoring processes, were sufficient to detect inappropriate use of federal funds as well as poor programmatic performance thereby addressing much of the substance and intent of the federal guidelines.

MHB has taken seriously the need to comply with the Uniform Guidelines as they became known. Even prior to the CLA fieldwork, MHB sought legal advice to initiate a revision to our federal sub-recipient contracts to include content required for pass-through entities to comply with CFR 200.331. At that same time, MHB requested support from the legal team for a process to distinguish between subrecipients and vendors per definitions provided by the Uniform Guidelines. The team provided a decision tree procedure that MHB began to implement immediately to help with making those distinctions. As other areas of compliance were identified during the audit process, MHB created additional tools and procedures including a Risk Assessment Tool to identify high risk and low risk grantees in order to determine the level of monitoring required for each subrecipient, as well as a dashboard to track all required monitoring activities.

MHB recognizes and accepts the need to assure that our monitoring processes even more closely meet federal guidelines in the future. We are currently developing a plan that will address internal controls and update policies and procedures so that compliance with federal regulations on sub-recipient monitoring is ensured in FY18.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant or Award Number	Passed Through To Subrecipients	Federal Expenditures
MAJOR PROGRAM:				
Department of Health and Human Services - Substance Abuse and Mental Health Services Administration				
Child Mental Health Service Initiative	93.104	1U79SM062451	\$ 381,293	\$ 964,665
OTHER FEDERAL ASSISTANCE:				
Department of Health and Human Services - Administration for Children and Families				
Assistance for Torture Victims - Services for Survivors of Torture Program	93.604	90ZT0171	221,831	231,581
Total Expenditures of Federal Awards			<u>\$ 603,124</u>	<u>\$ 1,196,246</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of St. Louis Mental Health Board of Trustees under programs of the federal government for the fiscal year ended June 30, 2017. 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 Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the entity, it is not intended to and does not present the financial position, changes in net position, or cash flows of the entity.

The schedule designates federal awards as direct and pass through. Direct awards represent federal funding awarded directly to the entity by a federal agency, pass-through awards are federal awards passed through a non-federal entity. Pass-through identifying information is presented when available and when applicable.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards included in the accompanying schedule of expenditures of federal awards are reported as operating grants in MHB's basic financial statements.

NOTE 4 INDIRECT COST

MHB has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance as there are currently no grants with indirect costs.