

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

Grand Rapids, Michigan

**Additional Reports Required by
2 CFR Part 200 (Uniform Guidance)**

For the year ended September 30, 2023

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WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2023

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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**

June 28, 2024

To the Board of Directors
West Michigan Partnership for Children
Grand Rapids, 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 West Michigan Partnership for Children (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Michigan Partnership for Children's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Michigan Partnership for Children's internal control. Accordingly, we do not express an opinion on the effectiveness of West Michigan Partnership for Children'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Michigan Partnership for Children'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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2023-001.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Certified Public Accountants
Grand Rapids, Michigan

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

June 28, 2024

To the Board of Directors
West Michigan Partnership for Children
Grand Rapids, Michigan

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited West Michigan Partnership for Children's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on West Michigan Partnership for Children's major federal program for the year ended September 30, 2023. West Michigan Partnership for Children's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, West Michigan Partnership for Children 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, 2023.

Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of West Michigan Partnership for Children and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of West Michigan Partnership for Children's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to West Michigan Partnership for Children's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on West Michigan Partnership for Children's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about West Michigan Partnership for Children's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding West Michigan Partnership for Children's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of West Michigan Partnership for Children's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the West Michigan Partnership for Children's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on West Michigan Partnership for Children's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. West Michigan Partnership for Children's response was not subjected to the other 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of West Michigan Partnership for Children as of and for the year ended September 30, 2023. We issued our report thereon dated June 28, 2024, 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 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 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.

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Certified Public Accountants
Grand Rapids, Michigan

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
U.S Department of Health and Human Services		
Passed through Michigan Department of Health and Human Services:		
Child Welfare Continuum of Care:		
Temporary Assistance for Needy Families (TANF) Cluster:		
Temporary Assistance for Needy Families (TANF):	93.558	
2301 MITANF		\$ 1,871,614
Foster Care - Title IV-E:	93.658	
2301MIFOST		5,243,281
Adoption Assistance - Title IV-E:	93.659	
2301MIADPT		2,462,351
Social Services Block Grant:	93.667	
2301MISOSR		4,317,637
Medicaid Cluster:		
Medical Assistance Program:	93.778	
2305MI5ADM		<u>323,823</u>
Total Child Welfare Continuum of Care		<u>14,218,706</u>
Adoptive Foster Parent Recruitment and Retention:		
Foster Care - Title IV-E:	93.658	
2301MIFOST		<u>6,024</u>
Social Services Block Grant:	93.667	
2301MISOSR		<u>5,345</u>
Total Adoptive Foster Parent Recruitment and Retention		<u>11,369</u>
Total Passed through Michigan Department of Health and Human Services		<u>14,230,075</u>
Total U.S. Department of Health and Human Services		<u>14,230,075</u>
Total Federal Financial Assistance		<u><u>\$ 14,230,075</u></u>

Accrued (Deferred) Revenue At October 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Passed Through to Sub-recipients	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At September 30, 2023
\$ -	\$ 1,867,278	\$ 1,871,614	\$ 1,038,028	\$ 1,871,614	\$ -
-	3,495,760	5,243,281	2,988,468	5,243,281	-
-	1,606,443	2,462,351	1,162,021	2,462,351	-
-	167,157	4,317,637	1,715,859	4,317,637	-
-	222,490	323,823	151,143	323,823	-
-	7,359,128	14,218,706	7,055,519	14,218,706	-
-	4,124	6,024	-	6,024	-
-	5,762	5,345	-	5,345	-
-	9,886	11,369	-	11,369	-
-	7,369,014	14,230,075	7,055,519	14,230,075	-
-	7,369,014	14,230,075	7,055,519	14,230,075	-
\$ -	\$ 7,369,014	\$ 14,230,075	\$ 7,055,519	\$ 14,230,075	\$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2023

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of West Michigan Partnership for Children under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with 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). Because the Schedule presents only a selected portion of the operations of West Michigan Partnership for Children, it is not intended to and does not present the financial position, changes in net assets, or cash flows of West Michigan Partnership for Children.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following 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), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

No accruals have been recorded on the Schedule for amounts passed through to subrecipient due to a unique funding methodology employed by the grantor agency, the Michigan Department of Health and Human Services (MDHHS). The Organization is required to report all expenditures incurred during the audit period on quarterly cost reports and submit to MDHHS, who analyzes and makes a determination of the Federal award under which the costs will be claimed. An allocation of all Organization expenditures to their respective funding source, both Federal and State, was provided by MDHHS subsequent to year-end and was reported on the cash basis of accounting. Whereas a grant receivable existed at September 30, 2023, and is properly reflected in the financial statements of the Organization, the federal portion is indeterminable based on the aforementioned funding methodology.

During the year ended September 30, 2023, the Organization passed through additional funding to its partner agencies, including \$1,500,000 in Workforce Stabilization grants and \$5,549,650 for the purpose of establishing a risk reserve for future expenditures incurred by the Child Welfare Continuum of Care program. Funds distributed are a culmination of net assets generated in multiple fiscal years and are an unknown combination of State and Federal dollars based on the unique funding methodology. Federal expenditures, by program, are reported each year by the Organization based on allocations provided by MDHHS. Because the additional funds received by the Organization during the current year were included in expenditure totals used for current or prior year allocations, we have treated them as State dollars and have appropriately excluded from the schedule of expenditures of federal awards.

Note C – Indirect Cost Rate

West Michigan Partnership for Children has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2023

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Child Welfare Continuum of Care:			
TANF Cluster	\$ 1,871,614	\$ 1,871,614	\$ -
Foster Care - Title IV-E	5,243,281	5,243,281	-
Adoption Assistance - Title IV-E	2,462,351	2,462,351	-
Social Services Block Grant	4,317,637	4,317,637	-
Medicaid Cluster	323,823	323,823	-
Adoptive Foster Parent Recruitment and Retention:			
Foster Care - Title IV-E	6,024	6,024	-
Social Services Block Grant	5,345	5,345	-
	<u>\$ 14,230,075</u>	<u>\$ 14,230,075</u>	<u>\$ -</u>

Note E – Subsequent Events

The Michigan Department of Health and Human Services commenced an audit of WMPC's records for the period October 1, 2020 through September 30, 2024 during March, 2024. As part of the engagement, which has not been completed as of the date of this report, an error was discovered that impacts current year federal expenditures reported and may necessitate adjustments to previously submitted single audit reports. Confirmations of federal expenditures, provided each year to the Organization by MDHHS, incorrectly excluded a component of federal funding and, as a result, significantly understated the federal expenditures for each Child Welfare Continuum of Care program. Necessary corrections have been made to the Schedule of Expenditures of Federal Awards for the year ended September 30, 2023, and the Organization is working with MDHHS to determine the impact on prior audit periods. Reissuance of reports and resubmission to the Federal Audit Clearinghouse will occur if material misstatements are found to have occurred in a previous reporting period.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2023

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 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 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 Part 200?

 X Yes _____ No

Identification of major programs audited:

93.667 - Social Services Block Grant

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

 \$750,000

Auditee qualified as a low-risk auditee?

 X Yes _____ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended September 30, 2023

Section II - Financial Statements Audit Findings

There were no findings that are required to be reported under *Government Auditing Standards*.

Section III – Major Federal Award Programs Findings and Questioned Costs

Current Year Findings

2023-001 Significant Deficiency in Internal Controls over Compliance (Allowable Costs), and Noncompliance with Laws and Regulations

Condition: Fringe benefits, including bonus distributions and increased Health Savings Account (HSA) and retirement contributions, were provided and charged to federal programs in the absence of adequate written policies and procedures.

Programs Affected: Child Welfare Continuum of Care programs; Assistance Listing Numbers: 93.558, 93.658, 93.659, 93.667, 93.778.

Criteria: 2 CFR 200.431(c) states that the cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance; pension plan costs; and other similar benefits are allowable, provided such benefits are granted under established written policies.

Cause: Original policies and procedures for fringe benefits lacked necessary detail, and subsequent updates have not been made.

Effect: Decisions made regarding changes to compensation were not supported by detailed written policies and procedures.

Questioned Costs: Unknown. Due to MDHHS's funding methodology for the Continuum of Care grants, the total federal portion of fringe benefits cannot be determined.

Context: Fringe benefit policies lacked specificity regarding the process by which benefits such as bonus distributions, and changes to other forms of compensation such as HSA and retirement contributions, were determined. The Organization performed various due diligence activities to support such determinations, including comparability studies and board approval of all decisions made, however written policies to reflect these activities did not exist.

Recommendation: The Organization should establish a formal written policy that accurately reflects the fringe benefits charged to federal programs, including but not limited to the bonus structure, retirement contributions, and HSA contributions.

Organization's Response: The Organization agrees with the finding and will implement corrective action to address the condition.

CORRECTIVE ACTION PLAN – FINDING 2023-001

Responsible Person: Tim Bergsma, CFO – West Michigan Partnership for Children (WMPC)

Management View: Management agrees with the finding and is in the process of implementing the recommendation.

Corrective Action: WMPC will create a Compensation Adjustment Policy. This policy will reference the compensation policy, connect to the budget approval process, and identify clear directions regarding the approval process for compensation adjustments.

Anticipated Completion Date: August 15, 2024