

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

Grand Rapids, Michigan

Additional Reports Required by
the Uniform Guidance

For the year ended
December 31, 2018

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For the year ended December 31, 2018

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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

September 19, 2019

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 December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2019.

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) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been 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 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 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 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.



Certified Public Accountants
Grand Rapids, Michigan



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

September 19, 2019

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

Report on Compliance for Each Major Federal Program

We have audited West Michigan Partnership for Children’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of West Michigan Partnership for Children’s major federal programs for the year ended December 31, 2018. West Michigan Partnership for Children’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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of West Michigan Partnership for Children’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 West Michigan Partnership for Children’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 West Michigan Partnership for Children's compliance.

Opinion on Each Major Federal Program

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 each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2018.

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 2019-001, and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

West Michigan Partnership for Children's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. West Michigan Partnership for Children'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 West Michigan Partnership for Children 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 West Michigan Partnership for Children'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 West Michigan Partnership for Children'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 did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001, and 2019-002, that we consider to be significant deficiencies.

West Michigan Partnership for Children's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. West Michigan Partnership for Children'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 Required By The Uniform Guidance

We have audited the financial statements of West Michigan Partnership for Children as of and for the year ended December 31, 2018 and have issued our report thereon dated September 19, 2019, 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.



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 December 31, 2018

| Federal Grantor Pass Through Grantor Program Title Grant Number | Federal CFDA Number | Approved Grant Award Amount |
|--|---------------------------|-----------------------------------|
| U.S Department of Health and Human Services | | |
| Passed through Michigan Department of Health and Human Services: | | |
| Temporary Assistance for Needy Families (TANF) Cluster: | | |
| Temporary Assistance for Needy Families (TANF) | | |
| E20192936-00 | 93.558 | \$ 2,997,604 |
| Foster Care - Title IV-E | | |
| E20192936-00 | 93.658 | 5,696,910 |
| Adoption Assistance - Title IV-E | | |
| E20192936-00 | 93.659 | 906,257 |
| Social Services Block Grant | | |
| E20192936-00 | 93.667 | 2,529,864 |
| Medical Assistance Program - Medicaid Administration | | |
| E20192936-00 | 93.778 | <u>206,193</u> |
| Total Passed through Michigan Department of Health and Human Services | | <u>12,336,828</u> |
| Total U.S. Department of Health and Human Services | | <u>12,336,828</u> |
| Total Federal Financial Assistance | | <u><u>\$ 12,336,828</u></u> |

| Accrued (Deferred) Revenue At January 1, 2018 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Passed Through to Sub-recipients | Current Year Receipts (Cash Basis) | Accrued (Deferred) Revenue At December 31, 2018 |
|--|---|------------------------------|--|--|--|
| \$ - | \$ - | \$ 2,997,604 | \$ 428,957 | \$ 2,997,604 | \$ - |
| - | - | 5,696,910 | 990,042 | 5,696,910 | - |
| - | - | 906,257 | 173,303 | 906,257 | - |
| - | - | 2,529,864 | 164,911 | 2,529,864 | - |
| - | - | 206,193 | 38,975 | 206,193 | - |
| - | - | 12,336,828 | 1,796,188 | 12,336,828 | - |
| - | - | 12,336,828 | 1,796,188 | 12,336,828 | - |
| \$ - | \$ - | \$ 12,336,828 | \$ 1,796,188 | \$ 12,336,828 | \$ - |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2018

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 December 31, 2018. 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 accrual 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 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. Whereas a grant receivable existed at December 31, 2018, and is properly reflected in the financial statements of the Organization, the federal portion is indeterminable based on the aforementioned funding methodology.

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 December 31, 2018

Note D – Federal Income Reconciliation

| | Grant Expenditures Per Schedule of Federal Financial Assistance | Federal Revenue Per Financial Statements | Difference |
|---|--|---|-------------------|
| Temporary Assistance for Needy: | | | |
| Families (TANF) Cluster | \$ 2,997,604 | \$ 2,997,604 | \$ - |
| Foster Care - Title IV-E | 5,696,910 | 5,696,910 | - |
| Adoption Assistance | 906,257 | 906,257 | - |
| Social Services Block Grant | 2,529,864 | 2,529,864 | - |
| Medical Assistance Program - Medicaid Administration | 206,193 | 206,193 | - |
| | <u>\$ 12,336,828</u> | <u>\$ 12,336,828</u> | <u>\$ -</u> |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2018

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:

| | |
|--------|--|
| 93.558 | Temporary Assistance for Needy Families (TANF) Cluster |
| 93.658 | Foster Care - Title IV-E |
| 93.659 | Adoption Assistance - Title IV-E |

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

 \$750,000

Auditee qualified as a low-risk auditee?

_____ Yes X No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2018

Section II - Financial Statements Audit Findings

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

Section III – Major Federal Awards Findings and Questioned Costs

Current Year Findings

2019-001 Federal Written Procedures

Finding type: Significant deficiency in internal control over major programs.

Programs Impacted: CFDA 93.558, Temporary Assistance for Needy Families; CFDA 93.658, Foster Care - Title IV-E; and CFDA 93.659, Adoption Assistance - Title IV-E.

Criteria: Uniform Guidance, 2 CFR 200.303, requires that the Organization establish and maintain effective internal controls over Federal awards that provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: The Organization has not developed written procedures that are consistent with requirements imposed by the Uniform Guidance.

Cause: The Organization has developed written financial procedures, however due to an emphasis on grant compliance have not dedicated the resources necessary to document written procedures that are in compliance with all requirements imposed by the Uniform Guidance.

Effect: Control activities of the Organization were in some cases ineffective or nonexistent, thereby increasing the risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the Federal awards administered.

Questioned Costs: \$0 for all programs.

Recommendation: We recommend that the Organization compile and adhere to Federal Written Procedures that support an effective control environment and provide reasonable assurance that the Organization is in compliance with all requirements imposed by the Uniform Guidance.

Views of Responsible Officials: The Organization agrees with the finding and will compile and adhere to Federal Written Procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

WEST MICHIGAN PARTNERSHIP FOR CHILDREN

For the year ended December 31, 2018

Section III – Major Federal Awards Findings and Questioned Costs (Continued)

Current Year Findings (Continued)

2019-002 Subrecipient Monitoring

Finding type: Significant deficiency in internal control over major programs and noncompliance.

Programs Impacted: CFDA 93.558, Temporary Assistance for Needy Families; CFDA 93.658, Foster Care - Title IV-E; and CFDA 93.659, Adoption Assistance - Title IV-E.

Criteria: Uniform Guidance, 2 CFR 200.331(a), requires that all pass-through entities communicate to their subrecipient(s) specific information necessary to identify the Federal Awards and, when some information is not available, that they provide subrecipients with the best information available to describe the Federal awards.

Condition: The Organization did not identify all required detail necessary to adequately describe the Federal awards that they passed through to subrecipients. Whereas some of this information was not known to the Organization at the time of the award, subsequent communications or amendments to the grant agreement were not made.

Cause: The Organization did not receive detail of the Federal awards passed through to subrecipients until their grantor agency, the Michigan Department of Health and Human Services (MDHHS), provided such detail after the audit period had closed.

Effect: Subrecipients were not provided with the information necessary to ensure compliance with all federal requirements. Since the Organization does not know which Federal award MDHHS will use to fund their grant until after it has been spent, agreements with their subrecipients are incomplete and compliance with its terms does not ensure compliance with all federal program requirements.

Questioned Costs: \$0 for all programs.

Recommendation: We recommend that the Organization implement control procedures to ensure that all required Federal award information is provided to subrecipients, as required by the Uniform Guidance.

Views of Responsible Officials: The Organization agrees with the finding and will implement control procedures to ensure that all required Federal award information is communicated to subrecipients.



WMPC FY2018 Single Audit: Corrective Action Plan

| Federal Programs Audit: Finding # | Responsible Person | Management Views | Corrective Action Plan Details | Anticipated Completion Date |
|--------------------------------------|---------------------------------------|--|--|--|
| 2019-001 | CFO / Contract & Financial Analyst | Management agrees with the finding and is in the process of implementing the recommendation. | The Organization will develop written financial procedures consistent with requirements imposed by the Uniform Guidance. Finance analyst attended a conference on this subject in July to gain further knowledge. Documentation will be reviewed for compliance by external audit team. | 9/30/2019 |
| 2019-002 | Contract & Financial Analyst | Management agrees with the finding and is in the process of implementing the recommendation. | Given that the timing of receipt for the federal award details will never be prior to the audit / grant close deadline, our initial sub-recipient agreements require amendment. The Organization will create a process to ensure amendments and any other communication are done timely. | Promptly upon receipt of federal award details |



September 19, 2019

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

We have audited the financial statements of West Michigan Partnership for Children for the year ended December 31, 2018, and have issued our report thereon dated September 19, 2019. Professional standards require that we provide you with the following information about our responsibilities under *Generally Accepted Auditing Standards* and *Government Auditing Standards* and the Uniform Guidance as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 6, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by West Michigan Partnership for Children are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Adjustments

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. To back out deferred revenue recorded as of December 31, 2018, in the amount of \$6,538,599.
2. To adjust for accrued Foster Care expenses as of December 31, 2018, in the amount of \$66,922.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2019.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of West Michigan Partnership for Children and is not intended to be and should not be used by anyone other than these specified parties.



Hungerford Nichols