

NAMI Wisconsin, Inc.
Settlement of DHS Cost Reimbursement Awards
For the Year Ended December 31, 2018

DHS identification Number	CARS profile 533716 \$125,000 7/1/17 - 6/30/18 1/1/18 - 6/30/18	CARS profile 533716 \$125,000 7/1/18 - 6/30/19 6/1/18 - 12/31/18	CARS profile 531050 \$240,875 1/1/18-12/31/18 1/1/18-12/31/18
A. Expenditures reported to DHS for Payment	\$ 79,500	\$ 28,623	\$ 240,875
B. Total operating costs of the award			
Program expenses			
Salaries and wages	21,729	30,248	143,424
Payroll taxes	2,059	2,522	12,687
Payroll benefits	417	492	1,969
Professional fees	-	198	4,875
Training	19,550	43,599	83,810
Travel - staff	749	7,308	4,130
Copying and printing	-	658	14,517
Outreach	-	6,983	5,741
Total program expenses	44,504	92,008	271,153
Management and general expenses			
Telephone	-	-	2,527
Repairs and maintenance	-	995	792
Board expenses	1,423	1,223	144
Insurance	-	1,082	965
Office supplies	64	806	2,118
Postage	48	796	759
Utilities	909	736	1,888
Total management and general expenses	2,444	5,638	9,193
B. Total operating costs of the award	46,948	97,646	280,346
C. Less disallowed costs	-	-	-
D. Less program revenue and other offsets to costs	-	-	-
E. Total Allowable costs	\$ 46,948	\$ 97,646	\$ 280,346
F. Gain or (loss) on award	\$ 32,552	\$ (69,023)	\$ (39,471)

See Independent Auditor's Report



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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 and the DHS Audit Guide*

To the Board of Directors of:
NAMI Wisconsin, Inc. (a nonprofit organization)
Madison, WI

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, and the *DHS Audit Guide*, the financial statements of NAMI Wisconsin, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, 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 July 15, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2018-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2018-002, 2018-003 and 2018-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NAMI Wisconsin, Inc.'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the *DHS Audit Guide* which are described in the accompanying schedule of findings and questioned costs as item 2018-005.

NAMI Wisconsin, Inc.'s Response to Findings

NAMI Wisconsin, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. NAMI Wisconsin, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *DHS Audit Guide* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MBE CPAs, LLP

Reedsburg, WI
July 15, 2019

**NAMI Wisconsin, Inc.
Schedule of Prior Year Findings
Year Ended December 31, 2018**

Material Weakness

2017-1 Material Adjusting Entry

Condition: A material adjusting entry to NAMI Wisconsin, Inc.'s accounting records was required in order for the financial statements to be free from material misstatement.

Current status: This is a recurring finding. See schedule of findings and questioned costs 2018-001.

Significant Deficiencies

2017-2 Grant Award Drawdowns

Condition: \$2,871 in grant expenditures were reported and requested for, prior to sufficient allowable expenditures being incurred by NAMI Wisconsin

Current status: Finding has been resolved.

2017-3 Temporarily Restricted Net Assets

Condition: NAMI Wisconsin, Inc. has not established procedures for tracking and accounting for temporarily restricted net assets.

Current status: Finding has been resolved.

Nonmaterial Non-Compliance

2017-4 Procurement Policies

Condition: NAMI Wisconsin, Inc. has not established a written procurement policy meeting the minimum requirements of the Department of Health Services Allowable Cost Policy Manual.

Current status: Finding has been resolved.

2017-5 Grant Award Drawdowns

Condition: Grant expenditures were reported and requested for, prior to sufficient allowable expenditures being incurred by NAMI Wisconsin throughout the year.

Current status: This is a recurring finding. schedule of findings and questioned costs 2018-004.

NAMI Wisconsin, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section I – Summary of Audit Results

Financial Statements

Type of Auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness identified? Yes

Significant deficiencies identified and not considered a material weakness Yes

Noncompliance material to the financial statements? No

Section II – Financial Statement Findings

Material Weakness

2018-001 Material Adjusting Entries

Condition: A material adjusting entries to NAMI Wisconsin, Inc.'s accounting records were required in order for the financial statements to be free from material misstatement.

Criteria: Proper staff training should be present in order for the financial statements and related notes to be prepared in accordance with generally accepted accounting principles, free from material misstatement.

Cause: Lack of advanced knowledge in the accounting field.

Effect: If left uncorrected, repairs and maintenance expense would be understated by \$19,577, building improvements would be overstated by \$19,577, and expense classifications across types would be misstated by \$28,687.

Recommendation: Training in the accounting field should be attended annually by personnel in charge of the financial statements.

Management Comments: We acknowledge our responsibility for proper financial recording and we will work with our bookkeeper to ensure proper recording of financial transactions.

Significant Deficiencies

2018 – 002 - Segregation of Duties

Condition: NAMI Wisconsin, Inc. (the Organization) lacks proper segregation of duties with respect to accounting and financial reporting functions. Proper segregation of duties is necessary to prevent a situation where one person handles a transaction from beginning to end. This condition is further discussed under the following four categories:

Authorization – For the payroll processes, management does approve hours and pay rates prior to processing payroll. For cash disbursements, management authorizes all invoices prior to payment. Existing controls are preventative in nature.

NAMI Wisconsin, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Significant Deficiencies (continued)

2018 – 002 - Segregation of Duties (continued)

Custody – Most payments were processed by check and access to checks and equipment was secure. Existing controls are preventative in nature.

Recordkeeping – All invoices were entered into the accounting records on a software package. Existing controls are preventative in nature.

Reconciliation – Accountant prepares reconciliation of all accounts. Existing controls are preventative in nature.

Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Proper segregation of duties should be evident in order to ensure that no single employee has control over all phases of a transaction.

Cause: The lack of proper segregations of duties is due to the limited number of employees and small staff size available to delegate all accounting functions.

Effect: As a result of the lack of proper segregation of duties, errors or intentional fraud could occur without being detected timely.

Recommendation: Management should continue to closely monitor the transactions that are occurring and segregate duties as much as possible given the level of staffing.

Management Comments: We acknowledge our responsibility for the implementation of internal controls. Due to our limited staff, it is not feasible for us to fully segregate all duties. We will work with our staff and bookkeeper to correct the finding to the best of our ability.

2018 – 003 Preparation of the Financial Statements

Condition: The Organization does not have staff with the required experience or training to prepare the financial statements and related notes in accordance with accounting principles generally accepted in the United States of America.

Criteria: Proper staff training should be present in order for the financial statements and related notes to be prepared in accordance with generally accepted accounting principles.

Cause: Lack of experience and training by Organization personnel in the accounting field.

Effect: Incorrect financial statement preparation could occur.

Recommendation: Training in the accounting field should be attended at least annually by Organization personnel in charge of the financial statements.

Management Comments: We acknowledge our responsibility for the financial statements. Adding staff with appropriate expertise to correct the deficiency is cost prohibitive. As determined feasible, we will continue to gain the required knowledge necessary for properly presenting financial statements.

NAMI Wisconsin, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Significant Deficiencies (continued)

2018 – 004 Documentation Retention

Condition: The Organization failed to follow their written documentation retention policy for payroll and expense transaction documents.

Criteria: Proper staff training should be completed on Organization policies and procedures.

Cause: Lack of experience and training by Organization personnel in the accounting field and turnover in management position.

Effect: Incorrect financial statement preparation could occur.

Recommendation: Annual training and review of internal policies should be completed at least annually by Organization personnel in charge of the financial data.

Management Comments: We acknowledge our responsibility for ensuring all documents are kept per our internal policies and DHS guidelines. We will work with our staff to ensure proper retention is completed.

Nonmaterial Non-Compliance

2018-005 Grant Award Drawdowns

Condition: Grant expenditures were reported and requested for, prior to sufficient allowable expenditures being incurred.

Criteria: By completing the expenditure report to request funds, agencies are certifying that expenditures identified in the report are true and correct in the amounts stated and represent actual and necessary costs of administering provisions of the contract.

Cause: Monthly grant expenditure reporting process did not ensure expenditure reports tied to accounting records.

Effect: Non-compliance with terms of grant awards may jeopardize the organization's ability to successfully obtain future grant funding.

Recommendation: Controls should be put in place over reporting grant expenditure activity for reimbursement.

Management Comments: We acknowledge our responsibility for ensuring all financial reporting is accurate. We will work with our bookkeeper to correct the reporting and requests for reimbursement.

2018-006 Allocation plan of indirect costs

Condition: The Organization does not keep a detailed allocation plan for indirect costs across the Organization's programs.

Criteria: By completing the expenditure report to request funds, agencies are certifying that expenditures identified in the report are true and correct in the amounts stated and represent actual and necessary costs of administering provisions of the contract.

NAMI Wisconsin, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Nonmaterial Non-Compliance (continued)

2018-006 Allocation plan of indirect costs (continued)

Cause: Monthly grant expenditure reporting process did not ensure expenditure reports tied to accounting records.

Effect: Non-compliance with terms of grant awards may jeopardize the organization's ability to successfully obtain future grant funding.

Recommendation: Controls should be put in place over reporting grant expenditure activity for reimbursement.

Management Comments: We acknowledge our responsibility for ensuring all DHS policies and procedures are documented and followed. We will work with our staff to create and maintain proper documentation.

Section III – Other Issues

Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned costs, significant deficiencies, material weakness, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *DHS Audit Guide*:

Department of Health Services Yes

Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Name and Signature of partner



Morgan R. Klemm, CPA

Date of Report

July 15, 2019

NAMI Wisconsin, Inc.
Corrective Action Plan (Unaudited)
For the Year Ended December 31, 2018

2018 – 001 – Material Adjusting Entries

Persons Responsible for Corrective Action: Chrisanna Manders, Interim Executive Director and Kevin Slaby, Treasurer

Planned Corrective Action: The deficiency has been discussed and we acknowledge our responsibility for preparing financial statements free of material adjustments. We are aware of this condition and we will work with our third party bookkeeper to complete proper entries throughout the year.

Anticipated Completion Date: August 2019

2018 – 002 – Segregation of Duties

Persons Responsible for Corrective Action: Chrisanna Manders, Interim Executive Director and Kevin Slaby, Treasurer

Planned Corrective Action: The control deficiency has been discussed and we acknowledge our responsibility for maintaining proper internal controls. We are aware of this condition and realize it is not desirable from a control point of view. Due to the current size of the organization, we have outsourced payroll and general bookkeeping tasks to our third party bookkeeper to mitigate the risk without adding new staff.

Anticipated Completion Date: This will be an ongoing project

2018 – 003 – Preparation of the Financial Statements

Persons Responsible for Corrective Action: Chrisanna Manders, Interim Executive Director and Kevin Slaby, Treasurer

Planned Corrective Action: The control deficiency has been discussed and we acknowledge our responsibility for preparing financial statements and related notes. Due to the cost of adding the staff necessary to correct the deficiency, we cannot add staff with the knowledge needed to prepare the financial statements in accordance with GAAP, but we will continue to work with our third party bookkeeper to ensure all financials are kept in accordance with GAAP.

Anticipated Completion Date: This will be an ongoing project

2018 – 004 – Documentation Retention

Persons Responsible for Corrective Action: Chrisanna Manders, Interim Executive Director and Kevin Slaby, Treasurer

Planned Corrective Action: The deficiency has been discussed and we acknowledge our responsibility for compliance requirements with our accounting policies. We are aware of this condition will work within our organization to provide training and ensure that all policies and procedures are understood and adhered to.

Anticipated Completion Date: August 2019

**NAMI Wisconsin, Inc.
Corrective Action Plan (Unaudited)
For the Year Ended December 31, 2018**

2018 – 005 – Grant Award Drawdowns

Persons Responsible for Corrective Action: Chrisanna Manders, Interim Executive Director and Kevin Slaby, Treasurer

Planned Corrective Action: The deficiency has been discussed and we acknowledge our responsibility for compliance requirements with accounting policies of the DHS Audit Guide. We are aware of this condition will work with our third party bookkeeper to ensure that all expenditures are correctly associated with each drawdown request.

Anticipated Completion Date: August 2019

2018 – 006 – Allocation Plan for Indirect Costs

Persons Responsible for Corrective Action: Chrisanna Manders, Interim Executive Director and Kevin Slaby, Treasurer

Planned Corrective Action: The deficiency has been discussed and we acknowledge our responsibility for compliance requirements with accounting policies of the DHS Audit Guide. We are aware of this condition and we will work to adopt a written policy within the next fiscal year.

Anticipated Completion Date: August 2019