

**West Virginia Mental Health  
Consumers' Association, Inc.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED June 30, 2011  
AND  
INDEPENDENT AUDITORS' REPORT**

**DHHR - Finance**

**MAR 19 2012**

**Date Received**

**WEST VIRGINIA MENTAL HEALTH  
CONSUMERS' ASSOCIATION, INC.**

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

June 30, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
West Virginia Mental Health Consumers' Association, Inc.  
Charleston, West Virginia

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of West Virginia Mental Health Consumers' Association, Inc. (the Organization) (a nonprofit organization) as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets - modified cash basis, and functional expenses -- modified cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to Financial Statements, the Organization's policy is to prepare its financial statements using the basis of cash receipts and disbursements except that certain payroll tax withholdings and liabilities and depreciation are recorded. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of West Virginia Mental Health Consumers' Association, Inc. as of June 30, 2011, and its revenues, expenses, and changes in net assets for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2012 on our consideration of West Virginia Mental Health Consumers' Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*," and the schedule of expenditures of nonfederal awards is also presented for purposes of additional analysis, and they are 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Gray, Griffith & Mays, a.c.*

January 18, 2012  
Charleston, West Virginia

DHHR - Finance

MAR 19 2012

Date Received

**WEST VIRGINIA MENTAL HEALTH  
CONSUMERS' ASSOCIATION, INC.**

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS—  
MODIFIED CASH BASIS

June 30, 2011

**ASSETS**

Current assets:	
Cash	\$ 52,894
Property and equipment, at cost:	
Vehicles	33,356
Equipment	9,208
	<u>42,564</u>
Less: accumulated depreciation	(29,613)
Total property and equipment	<u>12,951</u>
Total assets	<u>\$ 65,845</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Payroll taxes and withholdings	\$ 25,688
Net assets:	
Unrestricted	<u>40,157</u>
Total liabilities and net assets	<u>\$ 65,845</u>

The accompanying notes are an integral part of these financial statements.

## WEST VIRGINIA MENTAL HEALTH CONSUMERS' ASSOCIATION, INC.

### STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS— MODIFIED CASH BASIS

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
Support:				
HPRP Assistance	\$ 315,822	\$ -	\$ -	\$ 315,822
Government grants	1,397,779	-	-	1,397,779
Pretera Center reimbursement	349,239	-	-	349,239
Contributions	2,265	-	-	2,265
Total support	2,065,105	-	-	2,065,105
Revenues:				
Service revenues	94,098	-	-	94,098
Phoenix Publication	12,000	-	-	12,000
Rental income	12,447	-	-	12,447
Special events	545	-	-	545
Total revenues	119,090	-	-	119,090
Total support and revenues	2,184,195	-	-	2,184,195
Expenses:				
Program services	2,040,319	-	-	2,040,319
General and administrative	84,304	-	-	84,304
Total expenses	2,124,623	-	-	2,124,623
Change in net assets	59,572	-	-	59,572
Net assets, beginning of year	(19,415)	-	-	(19,415)
Net assets, end of year	\$ 40,157	\$ -	\$ -	\$ 40,157

The accompanying notes are an integral part of these financial statements.

**WEST VIRGINIA MENTAL HEALTH  
CONSUMERS' ASSOCIATION, INC.**

STATEMENT OF FUNCTIONAL EXPENSES—  
MODIFIED CASH BASIS

Year Ended June 30, 2011

	Program Services	Management and General	Total
Advertising	\$ -	\$ 988	\$ 988
Salaries and wages	700,922	-	700,922
Employee benefits	164,890	5,959	170,849
Payroll taxes	81,301	-	81,301
Contracted services	77,703	30,619	108,322
Travel	93,669	1,342	95,011
Meetings	37,418	-	37,418
Training	4,365	-	4,365
Equipment maintenance	3,773	141	3,914
Program and office supplies	143,209	3,701	146,910
Educational curriculum	166,670	-	166,670
Postage	88	27	115
Rent	326,935	15,116	342,051
Utilities	163,127	1,881	165,008
Fuel	7,620	-	7,620
Depreciation	-	1,148	1,148
Insurance	23,793	1,159	24,952
Dues, fees and membership	5,003	12,182	17,185
Conferences	39,833	-	39,833
Interest	-	460	460
Miscellaneous	-	9,581	9,581
	<u>\$2,040,319</u>	<u>\$ 84,304</u>	<u>\$2,124,623</u>

The accompanying notes are an integral part of these financial statements.

# WEST VIRGINIA MENTAL HEALTH CONSUMERS' ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

West Virginia Mental Health Consumers' Association, Inc (The Organization) was organized in 1987 as a non-profit organization to form a statewide mental health consumer network dedicated to promoting the rights, representation, respect and responsibility of consumers of mental health services. The Organization's primary activities include a coalition between mental health consumers and other citizens, organizing support groups, promoting equality of opportunity for gainful employment, conducting conferences for consumers, management of a statewide toll-free support line for information and informal support, and operation of regional satellite support centers throughout West Virginia. The Organization is supported primarily through governmental funding in the form of grant awards in addition to contributions and other service and rental revenues received.

#### Method of Accounting and Basis of Presentation

The records of the Organization are maintained on the modified cash basis of accounting and the accompanying statements have been prepared on that basis. The modified cash basis differs from accounting principles generally accepted in the United States of America primarily because certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Financial statement presentation follows the recommendations of the FASB codification 958, "Not-for-Profit Entities – Presentation of Financial Statements". Under those provisions, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by time or donor imposed restrictions on use. All other net assets, including board-designated or appropriated amounts, are considered unrestricted, and are reported as part of the unrestricted class.

**Unrestricted net assets:** Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted net assets:** Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets at June 30, 2011.



# WEST VIRGINIA MENTAL HEALTH CONSUMERS' ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2011

### 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Method of Accounting and Basis of Presentation (Continued)

**Permanently restricted net assets:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2011.

#### Revenue Recognition

All contributions and grants are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor or grantor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

#### Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### Property and Equipment

Property and equipment are recorded at cost as of the date of acquisition or fair value as of the date received in the case of gifts. The assets are capitalized when the Organization determines that substantial future benefits will be achieved and have a cost value of at least \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal. Renewals and improvements, which extend the useful lives of assets, are capitalized at cost. The cost of routine maintenance and repairs are charged to expense as incurred.

# WEST VIRGINIA MENTAL HEALTH CONSUMERS' ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2011

### 1 -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### Concentration of Credit Risk

The Organization maintains its cash and short-term investments at financial institutions located in West Virginia. The balances in these accounts, at times, may exceed Federally insured limits.

#### Contributed Services and Assets

Contributions of services are recognized if the services received create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. Contributed services which are recognized are valued at the estimated cost that would have been incurred by the Organization to purchase similar services. Contributed services that have met the above criteria totaled \$16,800 for the year ended June 30, 2011.

#### Advertising

The Organization expenses advertising costs as incurred. Advertising expenses are nominal.

#### Income Taxes

The Organization, which is not classified as a private foundation, is recognized by the Internal Revenue Service as exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar sections of state statutes and is determined to not be a private foundation. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years ending before June 30, 2008.

# WEST VIRGINIA MENTAL HEALTH CONSUMERS' ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2011

### 2 – SHORT- TERM BORROWINGS

The Organization has a \$25,000 line of credit, bearing interest at 6% and payable upon demand. The line of credit is securitized by the receivables, inventory, and other assets of the Organization. Currently, the bank requires an interest only payment on a monthly basis. At June 30, 2011, there were no borrowings against the line of credit leaving \$25,000 available for future borrowings.

The Organization's total interest expense for the year ended June 30, 2011 was \$460.

### 3 -- PENSION PLAN

The Organization maintains a 401(k) plan for the benefit of its employees. Full-time employees who have completed one year of service and have elected to participate in the plan receive a contribution of 1% of their salary. Contributions to the plan for the year ended June 30, 2011 totalled \$4,490.

### 4 – OPERATING LEASES

The Organization leases the facilities it occupies for office space and drop-in centers under operating leases with various expiration dates through June 30, 2012. Rental expense totaled \$134,103 for the year ended June 30, 2011. The operating leases have renewal options of one and three years. The remaining future minimum lease payment is \$98,800 for the year ended June 30, 2012.

### 5 – RELATED PARTY TRANSACTIONS

The Organization entered into a collaborative agreement with Presteria Center to deliver services per the proposal, the Wellness and Recovery Program, funded by West Virginia Bureau for Behavioral Health and Health Facilities. Presteria Center is a lead agency and West Virginia Mental Health Consumer's Association is a partner in this agreement. Under the terms of the agreement, Presteria will provide monthly reimbursement to the Organization within 30 days after receipt of the invoices for expenditures for each month. Amounts received from Presteria for expense reimbursements totaled \$349,239 for the year ended June 30, 2011.

# WEST VIRGINIA MENTAL HEALTH CONSUMERS' ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2011

### 6 – CONCENTRATION OF FUNDS

The Organization receives a significant portion of its support from federal and state government agencies. Approximately 78% of revenues were derived from these sources in year ended June 30, 2011. A material reduction in the level of support provided by these agencies would have a significant impact on the Organization's programs and activities, and its ability to continue as a going concern.

### 7 – SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions occurring after June 30, 2011 through the date of the Auditors' Report, which is the date the financial statements were available to be issued. No significant events were noted requiring adjustments to or disclosure in the Financial Statements.

Subsequent to year end the Organization did not receive governmental funding in the form of grant awards of approximately \$1.2 million budgeted for fiscal year 2012. As a result, certain programs supported by governmental assistance were suspended until further funding can be secured.

Subsequent to year end the Organization received for fiscal year 2011 governmental grant award payments in the amount of approximately \$169,000.

Subsequent to year end the Organization began two new projects with projected income of approximately \$50,000.

Subsequent to year end the Organization applied for grant award of approximately \$83,000. The grant approval remains to be announced.

## SUPPLEMENTARY INFORMATION

**WEST VIRGINIA MENTAL HEALTH  
CONSUMERS' ASSOCIATION, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through I.D. No.	Expenditures Paid
U.S. Department of Housing and Urban Development Passed-through West Virginia Office of Economic Opportunity Homeless Prevention and Rapid Re-Housing Program-ARRA	14.257	S-09-DY-54-0001	\$ 322,252
U.S. Department of Health and Human Services: Passed-through West Virginia Department of Health and Human Resources: Project to assist in Transitioning from Homelessness (PATH) Block Grants for Community Mental Health Services	93.150 93.958	G110068 G110068	70,000 368,239
Total U.S. Department of Health and Human Services			<u>438,239</u>
Total expenditures of federal awards			<u>\$ 760,491</u>

See Independent Auditors' Report and Notes to the Schedule of Expenditures of Federal Awards

# WEST VIRGINIA MENTAL HEALTH CONSUMERS' ASSOCIATION, INC.

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2011

### 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization and is presented on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of West Virginia Mental Health Consumers' Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the basis of cash receipts and disbursements except that certain payroll tax withholdings and liabilities and depreciation are recorded. This basis is a comprehensive basis of accounting other than generally accepted accounting principles. Expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**WEST VIRGINIA MENTAL HEALTH  
CONSUMERS' ASSOCIATION, INC.**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2011

**2010-1 SEGREGATION OF DUTIES**

Condition

The Organization, due to its size, has a lack of segregation over the processing and recording of accounting transactions.

Recommendation

If it meets the budget of the Organization, hire additional personnel to perform various accounting functions. If not, then involve board members or non-accounting management staff to oversee various accounting procedures.

Current Status

The finding has not been corrected because of unforeseen circumstances of staff turnover in the year ended June 30, 2011.

Views of Responsible Officials and Planned Corrective Actions

The recommendation was adopted in November 2011. A new staff member was hired and various accounting duties were assigned amongst various personnel in order to properly segregate accounting functions.



**WEST VIRGINIA MENTAL HEALTH  
CONSUMERS' ASSOCIATION, INC.**

SCHEDULE OF EXPENDITURES OF NONFEDERAL AWARDS

June 30, 2011

<u>State Grantor/Program</u>	<u>Account Number</u>	<u>Expenditures Paid</u>
West Virginia Department of Health and Human Resources Behavioral Health Programs	G110068	\$ 801,707

See Independent Auditors' Report.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
West Virginia Mental Health Consumers' Association, Inc.  
Charleston, West Virginia

We have audited the financial statements of West Virginia Mental Health Consumers' Association, Inc. (the Organization) (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated January 18, 2012. We conducted our audit in accordance with 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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered West Virginia Mental Health Consumers' Association, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 Virginia Mental Health Consumers' Association, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting and is listed as item 2011-1. 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.

### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether West Virginia Mental Health Consumers' Association, Inc.'s financial statements are free of 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Question Costs as item 2011-1.

We noted certain matters that we reported to management of West Virginia Mental Health Consumers' Association, Inc. in a separate letter dated January 18, 2012.

West Virginia Mental Health Consumers' Association, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit West Virginia Mental Health Consumers' Association, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, and the federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Gray, Griffith & Mayo, a.c.*

January 18, 2012  
Charleston, West Virginia

DHHR - Finance

MAR 19 2012

Date Received



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
West Virginia Mental Health Consumers' Association, Inc.  
Charleston, West Virginia

**COMPLIANCE**

We have audited West Virginia Mental Health Consumers' Association, Inc.'s compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of West Virginia Mental Health Consumers' Association, Inc.'s major federal programs for the year ended June 30, 2011. West Virginia Consumers' Health Association, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of West Virginia Mental Health Consumers' Association, Inc.'s management. Our responsibility is to express an opinion on West Virginia Consumers' Health Association, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Virginia Mental Health Consumers' Association, Inc.'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. Our audit does not provide a legal determination of West Virginia Mental Health Consumers' Association, Inc.'s compliance with those requirements.

In our opinion, West Virginia Mental health Consumers' Association, Inc. complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2.

### **INTERNAL CONTROL OVER COMPLIANCE**

Management of West Virginia Mental Health Consumers' Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered West Virginia Mental Health Consumers' Association, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Virginia Mental Health Consumers' Association, Inc.'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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2. *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.

West Virginia Mental Health Consumers' Association, Inc.'s responses to the findings identified on our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit West Virginia Mental Health Consumers' Association, Inc.'s responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, management, others within the organization, and the various federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Gray, Griffith & Mays, a.c.*

January 18, 2012  
Charleston, West Virginia

DHHR - Finance

MAR 19 2012

Date Received

**WEST VIRGINIA MENTAL HEALTH  
CONSUMERS' ASSOCIATION, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

**Financial Statements:**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

\* Material weakness(es) identified? Yes            No   X  

\* Significant deficiency(s) identified not considered to be material weakness? Yes   X   No           

Noncompliance material to financial statements noted? Yes            No   X  

**Federal Awards:**

Internal control over major programs:

\* Material weakness(es) identified? Yes            No   X  

\* Significant deficiency(s) identified not considered to be material weakness? Yes   X   No           

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes   X   No           

**Major Programs:**

CFDA Number

14.257

93.958

Name of Federal Program or Cluster

Homeless Prevention and Rapid Re-Housing  
Block Grants for Community Mental Health Services

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes            No   X

**WEST VIRGINIA MENTAL HEALTH  
CONSUMERS' ASSOCIATION, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)**

For the Year Ended June 30, 2011

**FINDINGS- FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCY**

**2011-1 PAYROLL RECORDS MAINTENANCE**

Condition

Time sheets for several employees were not available for examination; also several time sheets were not approved by the proper level of management.

Criteria

Internal controls should be in place to ensure that accurate timesheets be approved by proper level of management and records are retained for a period of three years.

Cause

Procedures are in place for supervisory approval of timesheets and retention of records but procedures were apparently not followed correctly.

Effect

Because of failure to require approval from proper level of management and records retention, the appropriate programs and supporting services may not be recorded and billed correctly for the respective time spent on that particular program or supporting service.

Recommendation

We recommend that procedures be developed to strengthen internal controls over the retention and approval of timesheets by the proper level of management

Views of Responsible Officials and Planned Corrective Actions

The Organization agrees with the finding and the recommended procedures have been implemented.



**WEST VIRGINIA MENTAL HEALTH  
CONSUMERS' ASSOCIATION, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)**

For the Year Ended June 30, 2011

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**2011-2**

**BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES –  
CFDA 93.958**

**HOMELESS PREVENTION AND RAPID RE-HOUSING – CFDA 14.257**

Significant Deficiency

As discussed at Finding 2011-1, some time sheets were not available for examination and some time sheets were not approved by the proper level of management. Because of the failure to required approval from management, the appropriate programs and supporting services may not be recorded and billed correctly for the respective time spent on that particular program or service. Procedures should be developed to strengthen internal controls over retention and approval of the time sheets by management.