

# **ALLIANCE HEALTH**

## **COMPLIANCE REPORT**

*As of and for the Year Ended June 30, 2020*

*And Report of Independent Auditor*

**ALLIANCE HEALTH**  
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**Report of Independent Auditor on Internal Control over Financial Reporting and  
on Compliance and on Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
Alliance Health  
Morrisville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Alliance Health (the "Organization"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 29, 2020.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001.

**Response to Finding**

The Organization's response to the finding identified in our audit is described in the accompanying corrective action plan. The Organization'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 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.

Cherry BeKaert LLP

Raleigh, North Carolina  
October 29, 2020

**Report of Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by the OMB Uniform Guidance and the State Single Audit Implementation Act**

To the Board of Directors  
Alliance Health  
Morrisville, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Alliance Health's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization'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"), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act 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 the Organization'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 the Organization's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 the Organization'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 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Cherry BeKaert LLP

Raleigh, North Carolina  
October 29, 2020

**Report of Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and on Internal Control over Compliance Required by the OMB Uniform Guidance and the State Single Audit Implementation Act**

To the Board of Directors  
Alliance Health  
Morrisville, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Alliance Health's (the "Organization") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2020. The Organization's major State 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 the requirements of laws, regulations, contracts, and grants applicable to its State programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major State 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 applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act 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 State program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 State program. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on Each Major State Program**

In our opinion, the Organization 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 State programs for the year ended June 30, 2020.

## Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State 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 the Organization'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 state 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Cherry BeKaert LLP*

Raleigh, North Carolina  
October 29, 2020



**ALLIANCE HEALTH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2020

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**I. Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   No

Non-compliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   No

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.515(d)(2) with the Uniform Guidance? \_\_\_\_\_ Yes   X   No

Major federal programs for Alliance Health for the year ended June 30, 2020 are:

<b><u>CFDA #</u></b> 93.788	<b><u>Program Name</u></b> Opioid State Targeted Response
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Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# ALLIANCE HEALTH

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

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### I. Summary of Auditor's Results (continued)

#### State Awards

Internal control over major State programs:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   No

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

- Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? \_\_\_\_\_ Yes   X   No

Major State programs for Alliance Health for the year ended June 30, 2020 are:

#### Program Name

Individual Placement & Support  
Single Stream Line Funding  
Child Based Facility Crisis

### II. Findings Related to the Audit of the Basic Financial Statements

#### Budgetary Compliance

#### Finding 2020-001

#### NONMATERIAL NONCOMPLIANCE

**Criteria:** The Organization is responsible for monitoring budget to actual expenditures and amending the budget as necessary to avoid overages.

**Context:** For State expenditures, total actual expenditures exceeded budgeted expenditures for the fiscal year ended June 30, 2020.

**Effect:** Actual expenditures reported in the financial statements are greater than budgeted expenditures.

**Cause:** Additional funding was received during the year, budgeted as Medicaid funds but actual expenditures went to State providers and were recorded as State expenditures causing an overage in State budget-to-actual amounts.

**Questioned Costs:** There were no questioned costs related to this instance of noncompliance.

**Recommendation:** Monitoring procedures should be implemented to make sure actual expenditures are monitored in comparison to budget. Any amendments to the budget should be made prior to year-end.

**Views of Responsible Officials:** The Organization agrees with the finding and has implemented a corrective action plan.

**ALLIANCE HEALTH**

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

*YEAR ENDED JUNE 30, 2020*

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**III. Findings, Responses, and Questioned Costs Related to the Audit of Federal Awards**

None reported.

**IV. Findings, Responses, and Questioned Costs Related to the Audit of State Awards**

None reported.

**ALLIANCE HEALTH**  
**CORRECTIVE ACTION PLAN**

*YEAR ENDED JUNE 30, 2020*

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Response to Finding 2020-001:

In July 2020, it was determined that actual State revenue and expenditures exceeded budgeted State revenue and expenditures due to a reclassification of funding source related to COVID expenses. Alliance originally recorded the revenue and expenditures based on the funding type of the expenditures, with a portion going to both Medicaid and State. It was determined after July 1, that 100% of the funding was State funding regardless of the expenditure category. As a corrective action, management brought the overage to the Board and subsequently amended the fiscal year 2019-2020 budget accordingly. The amendment was approved by the Board on August 6, 2020. Management and the Board will more closely review the source of funding to ensure compliance in future years.

Status: Corrected as of August 6, 2020

**ALLIANCE HEALTH**  
**SCHEDULE OF PRIOR YEAR FINDINGS**

*YEAR ENDED JUNE 30, 2020*

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None noted.

# ALLIANCE HEALTH

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2020

<u>Program Name</u>	<u>Federal CFDA #</u>	<u>State/Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
<u>Community Planning and Development</u>				
Passed-through the Office of Economic Recovery and Investment: Dash	14.267		\$ 159,286	\$ -
Total U.S. Department of Housing and Urban Development			159,286	-
<u>U.S. Department of Homeland Security Federal Emergency Management</u>				
Crisis Counseling (CCP)	97.032		1,080,053	-
<u>Substance Abuse and Mental Health Administration</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:				
Block Grant for Community Mental Health Services	93.958		4,833,036	-
Social Services Block Grant - Block Grant for Social Services	93.667		792,773	-
Block Grant for Prevention and Treatment of Substance Abuse:	93.959		3,032,822	-
Opioid State Targeted Response	93.788		5,833,297	-
Total Substance Abuse and Mental Health Administration			14,491,928	-
<u>State Awards</u>				
<u>N.C. Dept. of Health and Human Services</u>				
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:				
Department of Justice:				
Community Living Assistance			-	469,672
Transition Year Stability Resources			-	171,781
Transition Management Services			-	796,540
Individual Placement and Support			-	617,603
Subsidy Administration			-	90,000
Targeted Unit Transition Program			-	24,065
Diversion Screening			-	461,335
Employment BH Team Meetings			-	8,800
Emergency Funding			-	6,549
Transition Coordinator			-	90,000
In-Reach Learning			-	7,164
Total Department of Justice			-	2,743,509
LME Systems Management			-	4,359,385
Single Stream Line Funding			-	41,276,547
Forensic Evaluations			-	32,100
Personal Care Services - ST Group Homes			-	143,933
Three Way			-	4,502,695
Money Follows the Person			-	18,811
Traumatic Brain Injury			-	329,637
Transition to Community Living Voucher (TCLV)			-	1,857,564
NC Start Expansion			-	800,000
Children with Complex Needs			-	85,203
Community Case Management			-	963,359
Child Based Facility Crisis			-	953,080
Child Tiered Care Coordination Pilot			-	486,086
Alcohol Drug Abuse Treatment Center (ADATC)			-	4,834,140
Total N.C. Dept. of Health and Human Services			15,731,267	63,386,049
North Carolina Center for Safer Schools			-	-
Money Follows the Person Demonstration Project			-	-
Total Federal and State Awards			\$ 15,731,267	\$ 63,386,049

## **ALLIANCE HEALTH**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED JUNE 30, 2020*

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#### **Note 1—General**

The schedule of expenditures of federal and State awards (the “Schedule”) presents the activities of all federal and State financial awards programs of Alliance Health (the “Organization”). The reporting entity is defined in Note 1 to the Organization’s basic financial statements. All federal and State financial awards passed through from other government agencies are included in the Schedule.

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

The Organization has not contracted or made awards to any sub recipients.

#### **Note 2—Basis of accounting**

The accompanying Schedule is presented using the full accrual basis of accounting, which is described in Note 1 to the Organization’s basic financial statements.