

**COMMUNITY PARTNERSHIP
OF SOUTHERN ARIZONA, INC.
Tucson, Arizona**

**SINGLE AUDIT REPORTS
June 30, 2011**

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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

Board of Directors
Community Partnership of Southern Arizona, Inc.
Tucson, Arizona

We have audited the consolidated financial statements of Community Partnership of Southern Arizona, Inc. ("CPSA") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 5, 2011. 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 CPSA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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 of this section and would not necessarily 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CPSA's consolidated 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of CPSA in a separate letter dated October 5, 2011.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Tucson, Arizona
October 5, 2011

**INDEPENDENT AUDITOR'S 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**

Board of Directors
Community Partnership of Southern Arizona, Inc.
Tucson, Arizona

Compliance

We have audited the compliance of Community Partnership of Southern Arizona, Inc. ("CPSA") 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 its major federal programs for the year ended June 30, 2011. CPSA's major federal programs are identified in the summary of auditor's 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 CPSA's management. Our responsibility is to express an opinion on CPSA'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 CPSA'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 CPSA's compliance with those requirements.

In our opinion, CPSA complied, in all material respects, with the 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 instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-01 and 2011-02.

Internal Control Over Compliance

The management of CPSA 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 CPSA'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 our 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 the entity'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 first paragraph of this section and was not designed to identify all deficiencies in internal control 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 weaknesses, as defined above.

CPSA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit CPSA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Director's and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Tucson, Arizona
October 5, 2011

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Directors
Community Partnership of Southern Arizona, Inc.
Tucson, Arizona

We have audited the basic consolidated financial statements of Community Partnership of Southern Arizona, Inc., as of and for the year ended June 30, 2011, and have issued our report thereon dated October 5, 2011. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Tucson, Arizona
October 5, 2011

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Finding 2011-01

U.S. Department of Health and Human Services, Medical Assistance Program, CFDA No. 93.778

Condition: The contract department did not have approved funding allocation documentation for one service provider dated 11/9/10.

Criteria: The contract department should have all approved documentation sent to all providers.

Cause: Provider was in the process of being eliminated as a provider during the period.

Effect: The provider could be paid at the incorrect rate.

Questioned Costs: None.

Recommendation: We recommend management implement a review control to ensure that the contract department has all the updated contracts or amendments.

Management Response: Management will communicate this to the contract department to ensure all contracts are complete.

Contact Person: Janet Wiseman, Controller.

Finding 2011-02

U.S. Department of Health and Human Services, Medical Assistance Program, CFDA No. 93.778, Block Grants for Prevention and Treatment of Substance Abuse, CFDA No. 93.959, Block Grants for Community Mental Health Services, CFDA No. 93.958, State Children's Insurance Program, CFDA No. 93.767

Condition: There were instances throughout the fiscal year in which CPSA was using incorrect bases in their indirect cost allocations.

Criteria: CPSA has an approved cost allocation plan as well as internal policies regarding the allocation of indirect costs. The bases used in the allocation process were not being followed in accordance with the approved cost allocation plan.

Cause: Accounting was using the incorrect period of data or the incorrect percentages for allocation bases.

Effect: Incorrect cost allocations could be made during the year.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

Section III – Federal Award Findings and Questioned Costs (Continued)

Questioned Costs: None.

Recommendation: We recommend that the allocation bases and process be defined clearly and reviewed. Employees making the allocations should be aware of the allocation bases and process for the allocation entries.

Management Response: Janet Wiseman, Controller.

Contact Person: Management will formally review all cost allocation bases monthly to ensure this does not reoccur.

Section IV – Prior Year Findings and Questioned Costs Relating to Federal Awards

Finding 2010-01

U.S. Department of Health and Human Services, Medical Assistance Program, CFDA 93.778

Condition and Criteria: Adjudicated claims are to be supported by appropriate documentation including units claimed for services provided on behalf of eligible individuals.

Cause: Units of service on five claims were not properly calculated based on detail information on the progress notes which resulted in an under billing of units, one claim was duplicated in error, and once claim was billed when no unit of service was delivered.

Effect: Seven claims totaling \$375 were not supported with the requisite case notes.

Questioned Costs: Unknown.

Recommendation: Policy and procedure should be followed for maintenance of all individual case files whose claims are to be adjudicated.

Status: Not a finding for the year ended June 30, 2011.

COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services, Pass-through programs from:			
Arizona Department of Health Services:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	53-2003-05	\$ 251,050
Substance Abuse and Mental Health Services - Projects for Regional and National Significance	93.243	53-2003-03/05	121,687
State Children's Insurance Program	93.767*	53-2003-03/05	1,125,734
Medical Assistance Program	93.778*	53-2003-03/05	171,372,761
Block Grants for Community Mental Health Services	93.958*	53-2003-03/05	1,168,484
Block Grants for Prevention and Treatment Of Substance Abuse	93.959*	53-2003-03/05	6,011,822
Arizona Department of Economic Security:			
Temporary Assistance for Needy Families	93.558	DE060012-002	<u>253,319</u>
Total U.S. Department of Health and Human Services			<u>180,304,857</u>
U.S. Department of Housing and Urban Development, Pass-through program from:			
Arizona Department of Housing:			
Supportive Housing Program	14.235	521-09, 535-10	180,894
Shelter Plus Care	14.238	544-10, 549-10	<u>1,388,112</u>
Total U.S. Department of Housing and Urban Development			<u>1,569,006</u>
Total expenditures of federal awards			<u>\$181,873,863</u>

* Indicates a major program for the fiscal year ended June 30, 2011.

This schedule should be read only in connection
with the accompanying notes to the schedule.

**COMMUNITY PARTNERSHIP OF SOUTHERN ARIZONA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. Because the Schedule presents only a portion of the operations of CPSA, it is not intended to and does not present the financial position, results of operations and cash flows of CPSA.

NOTE 2 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (“CFDA”) NUMBERS

The program titles and CFDA numbers were obtained from the Catalog of Federal Domestic Assistance.

NOTE 3 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, CPSA provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Supportive Housing Program	14.235	\$ 93,483
Shelter Plus Care	14.238	1,388,112
Projects for Assistance in Transition from Homelessness (PATH)	93.150	251,050
Substance Abuse and Mental Health Services	93.243	3,000
Temporary Assistance for Needy Families	93.558	253,319
State Children's Insurance Program	93.767	853,682
Medical Assistance Program	93.778	160,140,858
Block Grants for Community Mental Health Services	93.958	1,168,484
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>4,266,869</u>
Total		<u>\$ 168,418,857</u>

This information is an integral part of the accompanying schedule.