

MECCA SERVICES
Iowa City, Iowa

INDEPENDENT AUDITORS' REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

DRAFT

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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***

Board of Directors
MECCA Services
Iowa City, Iowa

We have audited the financial statements of MECCA Services (MECCA) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 4, 2013. 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

Management of MECCA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered MECCA'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 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 and correct 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 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.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity 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.

Cedar Rapids, Iowa
January 4, 2013



Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Board of Directors
MECCA Services
Iowa City, Iowa

Compliance

We have audited the compliance of MECCA Services (MECCA) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012. MECCA's major federal program is 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 its major federal program is the responsibility of MECCA's management. Our responsibility is to express an opinion on MECCA'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 MECCA'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 MECCA's compliance with those requirements.

In our opinion, MECCA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012. 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 are described in the accompanying schedule of findings and questioned costs as item 2012-III-A.

Internal Control Over Compliance

The management of MECCA 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 MECCA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 MECCA'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. 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 2012-III-A. 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.

Schedule of Expenditures of Federal Awards

We audited the financial statements of MECCA as of and for the year ended June 30, 2012, and have issued our report thereon dated January 4, 2013. 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 OMB Circular A-133 and is not a required part of the financial statements. The schedule of expenditures of federal awards 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. Such 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.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity 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.

Cedar Rapids, Iowa
January 24, 2013

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MECCA SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through Iowa Department of Public Health: Substance Abuse Prevention and Treatment Block Grant Program: Strategic Prevention Framework State Incentive Grant	93.243	5881CP17	\$ <u>95,969</u>
Passed through Iowa Department of Public Health: Substance Abuse Prevention and Treatment Access to Recovery	93.275	5881AC20	<u>47,898</u>
Drug-Free Communities Support Program	93.276	1H79SP017267-01	<u>75,370</u>
Passed through Iowa Department of Public Health: HIV Care Consortium	93.917	5882HC09	59,501
HIV Care Consortium	93.917	5883HC09	<u>24,250</u>
Total CFDA # 93.917			<u>83,751</u>
Passed through Iowa Department of Public Health: Substance Abuse Prevention and Treatment Block Grant Program: Comprehensive Substance Abuse Prevention	93.959*	5881CP17	168,918
Passed through Magellan Behavioral Care of Iowa: Substance Abuse Prevention and Treatment Block Grant Program: Behavioral Health Addendum	93.959*	N/A	1,213,114
Women and Children	93.959*	N/A	<u>117,230</u>
Total CFDA # 93.959			<u>1,499,262</u>
Passed through Iowa Department of Public Health: HIV Prevention HERR	93.940	5881AP19	14,686
Total U.S. Department of Health and Human Services			<u>1,816,936</u>

MECCA SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Federal Expenditures
U.S Department of Housing and Urban Development			
Passed through City of Des Moines:			
Transitional Housing	14.218	Year 12	16,293
Passed through City of Iowa City:			
Entitlement Grant	14.218	N/A	<u>10,500</u>
Total CFDA # 14.218			<u>26,793</u>
Passed through Iowa Finance Authority :			
Housing Opportunities for Persons with AIDS	14.241	2011 F-1 R5	42,189
Housing Opportunities for Persons with AIDS	14.241	2012 F-1 R5	<u>45,586</u>
Total CFDA # 14.241			<u>87,775</u>
Total U.S. Department of Housing and Urban Development			<u>114,568</u>
U.S Department of Homeland Security			
Passed through Iowa County:			
Project Alert	97.076	N/A	<u>2,505</u>
Total Federal Expenditures			<u>\$ 1,934,009</u>

* This program was tested as a major program at June 30, 2012.

MECCA SERVICES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards (the schedule) includes the federal grant activity of MECCA Services and is presented on the accrual basis of accounting. The information on 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 financial statements.

NOTE 2 - SUB-RECIPIENT PAYMENTS, NON-CASH ASSISTANCE, INSURANCE, LOANS OR LOAN GUARANTEES OUTSTANDING

There were no payments passed through to sub-recipient agencies during the year ended June 30, 2012. In addition, there was no non-cash assistance, insurance, loans or loan guarantees outstanding as of and for the year ended June 30, 2012.

This information is an integral part of the accompanying
schedule of expenditures of federal awards.

MECCA SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? _____ Yes X No
- Deficiencies identified that are not considered to be material weaknesses? X Yes _____ None Reported

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

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

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

Auditee qualified as low-risk auditee? _____ X Yes _____ No

**MECCA SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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MECCA SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS

Finding 2011-III-A Problem Gambling Screening

U.S Department of Health and Human Services

Passed through Iowa Department of Public Health and Magellan Behavioral Care of Iowa
Substance Abuse Prevention and Treatment Block Grant Program, CFDA #93.959

Passed through Magellan Behavioral Care of Iowa, Behavioral Health Addendum and Women
and Children grants

Criteria:

MECCA is required to complete a problem gambling screening with all grant participants during the intake process.

Condition:

Documentation of the screening could not be located for certain case files.

Context:

Certain case files did not include documentation of the problem gambling screening.

Effect:

Potential referrals to the Iowa gambling treatment program may have been missed.

Cause:

MECCA did not always follow its policies and procedures to document the problem gambling screening.

Recommendation:

MECCA should enforce its policies and procedures to help ensure compliance with documentation of problem gambling screening.

Management's Response:

MECCA will address the issue noted in the finding with the appropriate staff.

**MECCA SERVICES
CORRECTIVE ACTION PLAN
Year Ended June 30, 2012**

FINDING 2012-III-A: PROBLEM GAMBLING SCREENING

MECCA will address the issue noted in the finding with the appropriate staff.

Contact person: Chris Auner, CFO
Anticipated completion date: June 30, 2013

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MECCA SERVICES
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS

Finding 2011-III-A Level-of-Effort Reporting

U.S Department of Health and Human Services

Passed through Iowa Department of Public Health and Magellan Behavioral Care of Iowa Substance Abuse Prevention and Treatment Block Grant Program, CFDA #93.959

Passed through Magellan Behavioral Care of Iowa, Behavioral Health Addendum and Women and Children grants

Criteria:

The total number of eligible individuals served, for which level-of-effort units are claimed, must be reported to the grantor.

Condition:

MECCA was unable to support the eligibility of one individual who was included in the level-of-effort units reported.

Status:

No issues were noted during the current year audit.

Finding 2011-III-B Problem Gambling Screening

U.S Department of Health and Human Services

Passed through Iowa Department of Public Health and Magellan Behavioral Care of Iowa Substance Abuse Prevention and Treatment Block Grant Program, CFDA #93.959

Passed through Magellan Behavioral Care of Iowa, Behavioral Health Addendum and Women and Children grants

Criteria:

MECCA is required to complete a problem gambling screening with all grant participants during the intake process.

Condition:

Documentation of the screening could not be located for certain case files.

Status:

See finding 2012-III-A Problem Gambling Screening