CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 16, 2018

To the Board of Directors of
Association for Mental Health and Wellness, Inc. and Subsidiary
Ronkonkoma, New York

We have audited the consolidated financial statements of the Association for Mental Health and Wellness, Inc., and its subsidiary, Clubhouse Collective, Inc. (not-for-profit corporations, collectively, the "Organization") as of December 31, 2017, and have issued our report thereon dated April 16, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Consolidated Financial Statement Audit

As communicated in our engagement letter dated January 8, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. In planning and performing our audit of the consolidated financial statements of the Organization as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Cerini & Associates, LLP • 3340 Veterans Memorial Highway • Bohemia, NY 11716
phone 631.582.1600 • fax 631.582.1714 • www.ceriniandassociates.com

Communication of Internal Control Matters

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.

Our consideration of internal control was for the limited purpose described in the first section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We have provided our comments regarding other matters noted during our audit. These items are outlined in **Appendix A**.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, and others in our firm, as appropriate, and our firm overall, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Organization's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 1 to the consolidated financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the consolidated financial statements are:

- the allowance for doubtful accounts developed based on the Organization's mix of accounts receivable, historical collection patterns, and ongoing communications with funding sources;
- the estimated liability due back to certain funding sources for overpayments resulting from the Organization exceeding budgeted levels of service and revenue; and
- management's allocation of costs, specifically personnel, based on management's estimates of the levels of efforts performed by all staff members on the Organization's various programs and functions.

We evaluated the above estimates, noting that they appear reasonable in relation to the consolidated financial statements taken as a whole.

Consolidated Financial Statement Disclosures

Certain consolidated financial statement disclosures may involve significant judgment and may be particularly sensitive because of their significance to consolidated financial statement users. There were no sensitive disclosures affecting the Organization's financial statements.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the consolidated financial statements as a whole. There were no uncorrected misstatements noted during the audit. We did not propose adjusting journal entries as a result of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the

Organization's consolidated financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate management representation letter dated April 16, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Cerini & Associates LLP

Bohemia, New York

Appendix A

Best Practice Recommendations

1. **<u>Issue:</u>**

   During our review of the Organization's Corporate Compliance Plan as part of the 2015, 2016, and 2017 audits, we noted that while the Organization does perform satisfactory billing quality assurance procedures and does investigate all instances of potential non-compliance discovered through its quality assurance procedures, the Organization does not have a designated internal audit department that performs proactive risk assessments and scheduled audits of the quality assurance function.

   <u>Recommendation:</u>

   We recommend that the Organization consider creating a department or designating an individual within the Organization who is responsible for the internal audit function. This department/individual would report directly to the Organization's Compliance Officer, would perform formal risk assessments of the Organization's various Medicaid programs at least annually, and would plan, develop, and perform regular internal audits of risk areas during the year.

2. **<u>Issue:</u>**

   During our testing of deficit-funded grant contracts as part of the 2015, 2016 and 2017 audits, we noted that salaries for employees who work in more than one program are allocated based on management's estimates, rather than actual hours of service performed in each program or systematic time studies.

   <u>Recommendation:</u>

   We recommend that management consider performing quarterly time studies for all employees who work in more than one program. This will ensure that the allocation of salaries between the Organization's various programs is based on a methodology that is approved by its funding sources.

3. **<u>Issue:</u>**

   During our 2017 testing of the health homes and PROS programs, we noted one instance out of 40 sampled in which a health homes participant's homelessness status was reported incorrectly within the required monthly questionnaire. As a result of this error, the Organization billed a higher rate for this participant than was earned and was overpaid $321 by Medicaid. We expanded testing of homelessness status to an additional 20 monthly questionnaires, noting no errors. As a result of our additional testing, we concluded that this was an isolated error.

Recommendation:

We recommend that management implement quality assurance procedures to ensure that homelessness status is accurately reported within the monthly questionnaires for all health homes participants.