



**CARE 1st HEALTH PLAN ARIZONA, INC.**

Uniform Guidance Reports

Year Ended December 31, 2022

(With Independent Auditors' Reports Thereon)

**CARE 1st HEALTH PLAN ARIZONA, INC.**

Uniform Guidance Reports

Year ended December 31, 2022

**Table of Contents**

	<b>Page(s)</b>
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 <i>Government Auditing Standards</i>	1–2
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3–5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Care1st Health Plan, Inc.; audited financial statements, as of and for the year ended December 31, 2022, are separately attached hereto.	



KPMG LLP  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

## **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**

The Audit Committee of the Board of Directors  
Care1st Health Plan Arizona, Inc. and One Care by Care1st Health Plan Arizona, Inc.:

We have audited, in accordance with the 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, the combined financial statements of Care1st Health Plan Arizona, Inc. and One Care by Care1st Health Plan Arizona, Inc., which comprise the combined balance sheet as of December 31, 2022, and the related combined statements of income, comprehensive income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated August 22, 2023.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered Care1st Health Plan Arizona, Inc. and One Care by Care1st Health Plan Arizona, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Care1st Health Plan Arizona, Inc. and One Care by Care1st Health Plan Arizona, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Care1st Health Plan Arizona, Inc. and One Care by Care1st Health Plan Arizona, Inc.'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 entity'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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Care1st Health Plan Arizona, Inc. and One Care by Care1st Health Plan Arizona, Inc.'s combined 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**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 Care1st Health Plan Arizona, Inc. and One Care by Care1st Health Plan Arizona, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Care1st Health Plan Arizona, Inc. and One Care by Care1st Health Plan Arizona, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

St. Louis, Missouri  
August 22, 2023



KPMG LLP  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

## **Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Directors and Stockholder  
Care 1st Health Plan Arizona, Inc.:

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

#### *Opinion on Each Major Federal Program*

We have audited Care1st Health Plan Arizona, Inc. (the Company) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended December 31, 2022. The Company's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Company 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 December 31, 2022.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Company's federal programs.

#### *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it



exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



**Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Company as of and for the year ended December 31, 2022, and have issued our report thereon dated August 22, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 GAAS. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*KPMG LLP*

St. Louis, Missouri  
August 22, 2023

**CARE 1st HEALTH PLAN ARIZONA, INC.**  
Schedule of Expenditures of Federal Awards  
Year ended December 31, 2022

<u>Federal Grantor /Program Title / Cluster Title</u>	<u>Assistance listing number</u>	<u>Contract #</u>	<u>Grantor's number</u>	<u>Passed through to subrecipients</u>	<u>Federal expenditures</u>
U.S. Department of Health and Human Services:					
Substance Abuse and Mental Health Services:					
State Opioid Response Grants (SOR)	93.788	YH22-0061R-03	11356415170214	\$ 209,005	227,179
Total Substance Abuse and Mental Health Services				<u>209,005</u>	<u>227,179</u>
Block Grants for Community Mental Health Services (MHBG):					
SMI – Non Title XIX (MHBG SMI)	93.958	YH22-0061R-03	11356415170214	176,784	216,198
Children – Non Title XIX (MHBG SED)	93.958	YH22-0061R-03	11356415170214	352,182	401,050
SMI FEP – Non Title XIX (MHBG SMI)	93.958	YH22-0061R-03	11356415170214	50,727	57,435
Total Mental Health Block Grant				<u>579,693</u>	<u>674,683</u>
Block Grants for Prevention and Treatment of Substance Abuse (SABG):					
Substance Abuse/General Mental Health Prevention and HIV	93.959	YH22-0061R-03	11356415170214	857,257	979,932
	93.959	YH22-0061R-03	11356415170214	24,735	26,886
Total Block Grants for Prevention and Treatment of Substance Abuse				<u>881,992</u>	<u>1,006,818</u>
Total U.S. Department of Health and Human Services				<u>1,670,690</u>	<u>1,908,680</u>
Total Expenditures of Federal Awards				<u>\$ 1,670,690</u>	<u>1,908,680</u>

See accompanying independent auditors' report and the notes to the schedule of expenditures of federal awards.



**CARE 1ST HEALTH PLAN ARIZONA, INC**

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2022

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Care1st Health Plan, Inc. (the Company) under programs of the federal government for the year ended December 31, 2022. The Company is a for-profit company, however, due to requirements under contracts with the state of Arizona, is required to comply with 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). The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Company, it is not intended and does not present the financial position, changes in stockholder's equity or cash flows of the Company.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Company has not elected to use the ten percent de minimus indirect cost rate allowable under the Uniform Guidance. The Company had no loan or loan guarantee programs in effect.

**CARE 1ST HEALTH PLAN ARIZONA, INC**  
Schedule of Findings and Questioned Costs  
Year ended December 31, 2022

**(1) Summary of Auditors' Results**

- a. Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None Reported**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for major programs: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Major programs:
  - Block Grants for Community Mental Health Services – ALN 93.958
  - Block Grants for Prevention and Treatment of Substance Abuse – ALN 93.959
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- i. Auditee qualified as a low-risk auditee: **No**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

None