



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES

LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

November 5, 2019

Ms. Amy Evans, CFO
Great Lakes Bay Health Centers
501 Lapeer
Saginaw, Michigan 48607

Dear Ms. Evans:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Great Lakes Bay Health Centers HIV Prevention and Ryan White Part B Programs for the period October 1, 2016 through September 30, 2018; and the Women, Infants, and Children (WIC) Program for the period October 1, 2016 through September 30, 2017.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions, Findings, and Recommendations; Statements of Grant Program Revenues and Expenditures; Corrective Action Plans; and Comment and Recommendation. The Corrective Action Plans and Comment and Recommendation include the agency's response to the Preliminary Analysis.

Final reports are posted for public viewing on the MDHHS website at:
http://www.michigan.gov/mdhhs/0,5885,7-339-73970_43164-151236--,00.html.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Shannah M. Havens, CPA, MBA
Audit Section Manager
Public Health and Community Services Programs Section
Audit Division

Attachment

cc: Debra Hallenbeck, Director, Audit Division
Christina Herring, Director, WIC Division
Cecilia Hutson, Manager, WIC Division
Kelly Voegeding, Financial Analyst, WIC Division
Macomber, Katie, Director, Division of HIV and STD Programs
Dawn Lukomski, Manager, HIV Care and Prevention Sections
Thomas Dunn, Manager, Division of HIV and STD Programs
Shawna Brown, Manager, Operations Monitoring Unit
Bryce Wooton, Senior Auditor, Public Health and Community Services Program
Cole T. Blades, Auditor, Public Health and Community Services Program
John Rezayi, Controller, Great Lakes Bay Health Centers

Audit Report

Great Lakes Bay Health Centers

HIV Prevention Program
Ryan White Part B Program

October 1, 2016 – September 30, 2018

and

Women, Infants, and Children Program

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division

November 2019

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DESCRIPTION OF AGENCY

Great Lakes Bay Health Centers (Agency) is organized as a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Agency's administrative office is in Saginaw, Michigan. The Agency operates under the legal supervision and control of the Board of Directors.

FUNDING METHODOLOGY

The Agency receives funding from various sources including U.S. Department of Health and Human Services, U.S. Department of Agriculture, private contributors, and from grant programs administered through the Michigan Department of Health and Human Services (MDHHS). MDHHS provided the Agency with grant funding monthly, based on Financial Status Reports (FSRs), in accordance with the terms and conditions of each grant agreement and budget.

The HIV Prevention Program was funded by MDHHS Grant Funds. Grant funding from MDHHS for the HIV Prevention Program is federal funding under federal catalog number 93.940.

The HIV Care Formula Grant (Ryan White HIV/AIDS Program (RWHAP) Part B) was funded by MDHHS Grant Funds and Fees and Collections. Grant funding from MDHHS for the RWHAP Part B is federal funding under federal catalog number 93.917.

The Women, Infants, and Children (WIC) Program was funded by MDHHS grant funds and Other Local Funds. Grant funding from MDHHS for the WIC Program is federal funding under federal catalog number 10.557.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Agency's financial reporting and to determine the MDHHS shares of cost according to the agreements, and program standards and regulations. The following were the specific objectives of the audit:

1. To assess the Agency's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, federal standards, program standards and generally accepted accounting principles.
2. To determine the MDHHS shares of cost in accordance with MDHHS requirements and the agreements, Federal standards and program standards, and any balance due to or due from the Agency.

SCOPE AND METHODOLOGY

We examined the Agency's records and activities for the HIV Prevention and RWHAP Part B Programs for the period October 1, 2016 to September 30, 2018; and for the WIC Program for the period October 1, 2016 to September 30, 2017. Our audit procedures included the following:

- Reviewed the most recent Agency's Single Audit and Financial Statement Audit Reports for any HIV Prevention Program, RWHAP Part B Program, or WIC Program related concerns.
- Reviewed the most recent HIV Prevention Program and RWHAP Part B Program site visit reports from the Program staff.
- Reviewed the Grant Agreement, Budgets, and Program Specific Assurances and Requirements.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Fiscal Questionnaire.
- Reconciled the HIV Prevention Program, RWHAP Part B Program, and WIC Program FSRs and MDHHS payment schedules to the accounting records.
- Tested a selection of payroll and non-payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines and approval procedures.
- Reviewed building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed equipment purchases over \$5,000 for the HIV Prevention Program and RWHAP Part B Program; and \$2,500 for the WIC Program.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed RWHAP Part B Program billings, and collection of fees, and collection of donations.

Our audit did not include a review of program content or quality of services provided.

CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

FINANCIAL REPORTING

Objective 1: To assess the Agency's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.

Conclusion: The Agency was generally effective and accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles. However, we identified the following exceptions: accounting records do not reconcile with FSRs

(Finding 1), payroll distributions inappropriately based on predetermined percentages (Finding 2), and non-compliant allocation of cash payments in lieu of health insurance benefits (Finding 3).

Finding

1. Accounting Records Do Not Reconcile with FSRs

Federal Agency	U.S. Department of Agriculture Food and Nutrition Service
Program Title	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number	CFDA 10.557
Title of Project	Women, Infants, and Children (WIC)
Repeat Finding	Not Applicable

The Agency’s accounting records did not reconcile with its FSRs. Also, the Agency did not report all program expenditures and source of funds on its FSRs.

The Agency’s grant agreement with MDHHS requires that FSRs report total actual program expenditures, regardless of the source of funds. The contract also requires compliance with Title 2 CFR 200. Title 2 CFR 200.302 requires the Agency to have a financial management system that is sufficient to permit the preparation of reports required by the terms and conditions of the Federal award. The financial management system must provide for accurate, current, and complete disclosure of the financial results of the Federal award; and records that identify adequately the source and application of funds. Also, Title 2 CFR 200.303 (a) requires the Agency to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Agency overstated its WIC Special Supplemental, WIC Breastfeeding Peer Counselor, and WIC Migrant Programs expenditures by \$11,722, \$151, and \$3,177 respectively, on its FY 2016 final FSRs. However, instead of appropriately amending the FY 2016 FSRs, the Agency made off-the-book adjustments understating the FY 2017 FSRs to make up for overreporting FY 2016 expenditures. Also, the Agency made additional off-the-book fiscal year-end adjustments to the FY 2017 FSRs totaling \$1,345 for the WIC Special Supplemental Program and \$975 for the WIC Breastfeeding Peer Counselor Program, in order for expenditures to reconcile to budgeted source of funds. The Agency did not have sufficient controls in place to ensure that accounting records reconciled to its FSRs.

During our review, we noted the following discrepancies when we reconciled the final FSR expenditure categories to the related WIC Special Supplemental Program general ledger accounts, resulting in a \$13,068 understatement of total expenditures on its FYE 2017 FSR:

- Salaries and Wages is higher on the general ledger by \$10,921
- Fringe Benefits is higher on the general ledger by \$1,170
- Supplies and Materials is higher on the general ledger by \$61
- Other Expenses is higher on the general ledger by \$916

During our review, we noted the following discrepancies when we reconciled the final FSR expenditure categories to the related WIC Breastfeeding Peer Counselor Program general ledger accounts, resulting in a \$1,127 understatement of total expenditures on its FYE 2017 FSR:

- Salaries and Wages is higher on the general ledger by \$574
- Fringe Benefits is higher on the general ledger by \$553

During our review, we noted the following discrepancies when we reconciled the final FSR expenditure categories to the related WIC Migrant Program general ledger accounts, resulting in a \$3,177 understatement of total expenditures on its FYE 2017 FSR:

- Salaries and Wages is higher on the general ledger by \$2,633
- Fringe Benefits is higher on the general ledger by \$1
- Travel is higher on the general ledger by \$60
- Supplies and Materials is higher on the general ledger by \$458
- Other Expenses is higher on the general ledger by \$25

Adjustments to general ledger amounts are shown on the attached Statements of Grant Program Revenues and Expenditures for each program. Grant funds were fully exhausted for the WIC Special Supplemental, WIC Breastfeeding Peer Counselor, and WIC Migrant Programs. Accordingly, all additional expenditures were funded by local funds.

Recommendation

We recommend that the Agency implement sufficient controls and procedures to ensure that all its Programs' FSRs reconcile with its accounting records to ensure compliance with Federal regulation. We also recommend that the Agency report all its Programs' expenditures and source of funds on its FSRs to ensure compliance with Federal regulations and the grant agreement.

Finding

2. Payroll Distributions Inappropriately Based on Predetermined Percentages

Federal Agency	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
Program Title	Comprehensive HIV Prevention Project for Health Care
CFDA Number	CFDA 93.940
Title of Project	HIV Prevention Program
Repeat Finding	Not Applicable

Federal Agency	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
Program Title	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
CFDA Number	CFDA 93.917
Title of Project	Ryan White Part B
Repeat Finding	Not Applicable

Federal Agency	U.S. Department of Agriculture Food and Nutrition Service
Program Title	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number	CFDA 10.557
Title of Project	Women, Infants, and Children (WIC)
Repeat Finding	Not Applicable

The Agency improperly used predetermined percentages to distribute salaries, wages, and leave hours for certain employees which did not reflect the actual work performed.

Title 2 CFR 200.430(i) (1) states, "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated... (viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed; (B) Significant changes in the corresponding work activity are identified and entered into the records in a timely manner...; and (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated." Additionally, 2 CFR 200.431(b) for Fringe benefits specific to leave states, "The cost of fringe benefits in the form of regular compensation paid to employees during periods of

authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if... (2) The costs are equitably allocated to all related activities, including Federal awards.”

During our review, we noted that the Agency charged salaries, wages, and leave hours to the HIV Prevention Program, RWHAP Part B Program, and WIC Program based on predetermined allocation percentages for the following employees:

HIV Prevention Program –

- HIV Educator / Outreach Worker charged at a predetermined percentage of 15%.
- HIV Outreach / Intervention Coordinator / Outreach Worker charged at a predetermined percentage of 95% beginning April 1, 2018.
- HIV Prevention Manager charged at a predetermined percentage of 28% beginning April 1, 2018.

HIV/AIDS Ryan White Part B Program –

- Nurse Manager charged at a predetermined percentage of 83%.
- Medical Case Manager / Outreach Worker charged at a predetermined percentage of 50%.

WIC Special Supplemental Program –

- Director charged at a predetermined percentage of 71%.

WIC Migrant Program –

- Director charged at a predetermined percentage of 19%.

Compensation can be allocated to benefitting programs using a predetermined budgeted percentage for interim purposes, but 2 CFR 200 requires an adjustment to actual. During our review of employee time records, we noted that time sheets do not reflect the actual work performed by the employee when working on multiple programs. Rather, time sheets state the total hours worked during that pay period and are simply allocated to benefitting programs based on the predetermined budgeted percentage. Since time records do not show actual activity of employees, the Agency is unable to properly conduct an analysis of actual activity to determine if any adjustments are necessary.

Recommendation

We recommend that the Agency adopt policies and procedures to ensure that all charged salaries, wages, and leave hours are based on records that accurately reflect the actual work performed, and any use of predetermined percentages are only used for interim accounting purposes with appropriate adjustments as required by Federal regulations.

Finding

3. Non-Compliant Allocation of Cash Payments in Lieu of Health Insurance Benefits

Federal Agency	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
Program Title	Comprehensive HIV Prevention Project for Health Care
CFDA Number	CFDA 93.940
Title of Project	HIV Prevention Program
Repeat Finding	Not Applicable

Federal Agency	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
Program Title	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
CFDA Number	CFDA 93.917
Title of Project	Ryan White Part B
Repeat Finding	Not Applicable

Federal Agency	U.S. Department of Agriculture Food and Nutrition Service
Program Title	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number	CFDA 10.557
Title of Project	Women, Infants, and Children (WIC)
Repeat Finding	Not Applicable

The Agency did not properly allocate its monthly cash payments in lieu of health insurance for employees working on multiple activities.

Title 2 CFR 200.430 for Compensation states, “(a) Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits... Costs of compensation are allowable to the extent that they satisfy the specific requirements of this Part, and that the total compensation for the individual employees: ... (3) Is determined and supported as provided in paragraph (i) of this section...” Title 2 CFR 200.430 (i) (1) states, “Charges to Federal awards... must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated... (viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed; (B) Significant changes in the corresponding work

activity are identified and entered into the records in a timely manner...; and (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated."

The Agency offers employees the option to forego hospitalization insurance and in lieu of health insurance will pay the employee the following, depending on coverage type:

Medical Coverage	Annually	Per Payroll @ 26
Single:	\$1,200	\$46.15
Double:	\$2,500	\$96.15
Family:	\$3,000	\$115.38

During our salary and wage review, we noted that one (25%) of four HIV Prevention Program staff, two (50%) of four RWHAP Part B staff, and three (33%) of nine WIC Program staff opted out of health insurance benefits and received cash payments. However, the Agency did not properly charge programs an equitable share of the costs based on the employees' actual activity performed. For instance, the HIV Prevention Program employee's payment was charged 100% for pay date 4/20/2018 when the payment should have been charged 95%. Also, the two RWHAP Part B employees' payments were improperly charged 100% to the program, instead of 83% and 50%, respectively. Additionally, all three WIC Program employees' payments were charged 100% to the WIC Program, when all three employees worked on multiple programs. Furthermore, we noted the Agency did not have sufficient controls in place to properly conduct an analysis of actual activity to determine if any adjustments are necessary. Due to the amount of Local Funds – Other reported on the Programs' FSRs, no adjustments will be made to the attached Statements of Grant Program Revenues and Expenditures since there is no impact on grant funds.

Recommendation

We recommend that the Health Department implement controls and procedures to ensure that all cash payments in lieu of health insurance costs are allocated based on actual work performed to ensure compliance with Federal regulation.

MDHHS SHARES OF COST AND BALANCE DUE

Objective 2: To determine the MDHHS shares of cost in accordance with MDHHS requirements and agreements, Federal standards and program standards and any balance due to or due from the Agency.

Conclusion: The MDHHS obligations for fiscal year ended September 30, 2017 are \$123,956 for the HIV Prevention Grant, \$213,400 for the HIV/AIDS Ryan White Part B Grant, \$334,266 for the WIC Special Supplemental Grant, \$25,654 for the WIC Breastfeeding Peer Counselor Grant, and \$85,750 for the WIC Migrant Grant. The MDHHS obligations for fiscal year ended September 30, 2018 are \$108,154 for the HIV Prevention Grant and \$226,413 for the HIV/AIDS Ryan White Part B Grant. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made adjustments, but none affected HIV Prevention, RWHAP Part B, WIC Special Supplemental, WIC Breastfeeding Peer Counselor, or WIC Migrant grant funding.

**Great Lakes Bay Health Centers
HIV Prevention
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$123,956	\$123,956 ¹		\$123,956
Other	\$0	\$0		\$0
TOTAL REVENUES	\$123,956	\$123,956	\$0	\$123,956
EXPENDITURES:				
Salary & Wages	\$92,140	\$92,395		\$92,395
Fringe Benefits	\$22,114	\$22,114		\$22,114
Travel	\$3,285	\$2,327		\$2,327
Supplies & Materials	\$4,917	\$5,177		\$5,177
Other Expenses	\$1,500	\$1,942		\$1,942
TOTAL EXPENDITURES	\$123,956	\$123,956	\$0	\$123,956

¹ Actual MDHHS payments.

**Great Lakes Bay Health Centers
HIV/AIDS - Ryan White Part B
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
Fees and Collections	\$57,686	\$57,686		\$57,686
State Agreement	\$226,413	\$213,400 ¹		\$213,400
Other	\$9,213	\$6,646		\$6,646
TOTAL REVENUES	\$293,312	\$277,731	\$0	\$277,731
EXPENDITURES:				
Salary & Wages	\$178,232	\$167,417		\$167,417
Fringe Benefits	\$42,776	\$44,150		\$44,150
Travel	\$7,841	\$7,151		\$7,151
Supplies & Materials	\$3,538	\$3,609		\$3,609
Contractual	\$58,725	\$54,092		\$54,092
Other Expenses	\$2,200	\$1,314		\$1,314
TOTAL EXPENDITURES	\$293,312	\$277,731	\$0	\$277,731

¹ Actual MDHHS payments.

**Great Lakes Bay Health Centers
WIC Special Supplemental
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$334,266	\$334,266 ¹		\$334,266
Other	\$25,000	\$25,000	\$13,068 ²	\$38,068
TOTAL REVENUES	\$359,266	\$359,266	\$13,068	\$372,334
EXPENDITURES:				
Salary & Wages	\$263,651	\$257,038	\$10,921 ²	\$267,959
Fringe Benefits	\$62,222	\$70,503	\$1,170 ²	\$71,673
Travel	\$1,500	\$1,418		\$1,418
Supplies & Materials	\$4,450	\$4,932	\$61 ²	\$4,993
Other Expenses	\$27,443	\$25,374	\$916 ²	\$26,290
TOTAL EXPENDITURES	\$359,266	\$359,266	\$13,068	\$372,334

¹ Actual MDHHS payments.

² Accounting Records Do Not Reconcile with FSRs (Finding 1)

**Great Lakes Bay Health Centers
WIC Breastfeeding Peer Counselor
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$25,654	\$25,654 ¹		\$25,654
Other	\$0	\$0	\$1,127 ²	\$1,127
TOTAL REVENUES	\$25,654	\$25,654	\$1,127	\$26,781
EXPENDITURES:				
Salary & Wages	\$19,509	\$19,176	\$574 ²	\$19,750
Fringe Benefits	\$4,877	\$4,948	\$553 ²	\$5,501
Travel	\$500	\$582		\$582
Supplies & Materials	\$768	\$948		\$948
TOTAL EXPENDITURES	\$25,654	\$25,654	\$1,127	\$26,781

¹ Actual MDHHS payments.

² Accounting Records Do Not Reconcile with FSRs (Finding 1)

**Great Lakes Bay Health Centers
WIC Migrant
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$85,750	\$85,750 ¹		\$85,750
Other	\$2,000	\$2,000	\$3,177 ²	\$5,177
TOTAL REVENUES	\$87,750	\$87,750	\$3,177	\$90,927
EXPENDITURES:				
Salary & Wages	\$67,597	\$62,016	\$2,633 ²	\$64,649
Fringe Benefits	\$15,953	\$16,605	\$1 ²	\$16,606
Travel	\$1,400	\$1,465	\$60 ²	\$1,525
Supplies & Materials	\$800	\$748	\$458 ²	\$1,206
Other Expenses	\$2,000	\$6,916	\$25 ²	\$6,941
TOTAL EXPENDITURES	\$87,750	\$87,750	\$3,177	\$90,927

¹ Actual MDHHS payments.

² Accounting Records Do Not Reconcile with FSRs (Finding 1)

**Great Lakes Bay Health Centers
HIV Prevention
Statement of Grant Program Revenues and Expenditures
10/1/17 - 9/30/18**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$123,956	\$108,154 ¹		\$108,154
TOTAL REVENUES	\$123,956	\$108,154	\$0	\$108,154
EXPENDITURES:				
Salary & Wages	\$91,838	\$76,725		\$76,725
Fringe Benefits	\$22,041	\$21,898		\$21,898
Travel	\$3,285	\$4,840		\$4,840
Supplies & Materials	\$5,292	\$3,855		\$3,855
Other Expenses	\$1,500	\$836		\$836
TOTAL EXPENDITURES	\$123,956	\$108,154	\$0	\$108,154

¹ Actual MDHHS payments.

**Great Lakes Bay Health Centers
HIV/AIDS - Ryan White Part B
Statement of Grant Program Revenues and Expenditures
10/1/17 - 9/30/18**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
Fees and Collections	\$57,686	\$67,103		\$67,103
State Agreement	\$226,413	\$226,413 ¹		\$226,413
Other	\$9,213	\$18,194		\$18,194
TOTAL REVENUES	\$293,312	\$311,710	\$0	\$311,710
EXPENDITURES:				
Salary & Wages	\$173,654	\$179,009		\$179,009
Fringe Benefits	\$41,677	\$41,578		\$41,578
Travel	\$11,777	\$19,613		\$19,613
Supplies & Materials	\$2,942	\$3,093		\$3,093
Contractual	\$60,750	\$66,905		\$66,905
Other Expenses	\$2,512	\$1,512		\$1,512
TOTAL EXPENDITURES	\$293,312	\$311,710	\$0	\$311,710

¹ Actual MDHHS payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Accounting Records Do Not Reconcile with FSRs**

The Agency's accounting records did not reconcile with its FSRs. Also, the Agency did not report all program expenditures and source of funds on its FSRs.

Recommendation: Implement sufficient controls and procedures to ensure that all its Programs' FSRs reconcile with its accounting records to ensure compliance with Federal regulation. Also, report all its Programs' expenditures and source of funds on its FSRs to ensure compliance with Federal regulations and the grant agreement.

Comments: The discrepancies uncovered were known to Great Lakes Bay Health Centers (GLBHC). It was due to a practice of allowing the allowable expenses of the grant program to exceed the available funding. This was working under the assumption that it would be impossible to actually capture ALL related expenses (such as HR support, IT, administrative, etc.) and that as long as we expended more than the grant dollars, we were compliant.

Corrective Action: Having been given this new understanding of what is and what is not compliant, GLBHC will begin to include in its budgets local dollars that can be reported on the FSR's to account for the overage of expenses. As an added bonus, this will actually make our jobs somewhat easier as the FSR's will now be equal to our General Ledger reports whereas before, we assumed we had to limit them to the grant funding. No real change in workflow is required other than what is actually reported on the FSR. We

have the correct data in the general ledger already; we will just report it in its entirety moving forward.

**Person Responsible
for Implementation:** John Rezayi, Controller

**Anticipated
Completion Date:** October 2019 FSR

Corrective Action Plan

Finding Number: 2

Page Reference: 5

Finding: **Payroll Distributions Inappropriately Based on Predetermined Percentages**

The Agency improperly used predetermined percentages to distribute salaries, wages, and leave hours for certain employees which did not reflect the actual work performed.

Recommendation: Adopt policies and procedures to ensure that all charged salaries, wages, and leave hours are based on records that accurately reflect the actual work performed, and any use of predetermined percentages are only used for interim accounting purposes with appropriate adjustments as required by Federal regulations.

Comments: While we feel our percentages are very close to actuals, we have felt that the annual inquiry we make with the program manager and the employee to estimate their time was sufficient.

Corrective Action: Policies will be written to document how we intend to come into compliance with this finding. There will be separate procedures for those that are 100% charged to a grant (attestation after the fact), and those that split between funding streams (manual time keeping or time study). Initial expenses will be charged at the budgeted estimate and depending on the method, periodic adjustments of those amounts to actual will be made in the next FSR so that by year end, what is charged to the grant will be reasonably close to actual.

Person Responsible

for Implementation: Grant Project Managers (J. Harding, WIC; A. Martin, Prevention; P. Peters, Ryan White) and J. Rezayi, Controller

Anticipated

Completion Date: Policies will be written and approved by January 1, 2020 and implemented with the February 2020 FSR.

Corrective Action Plan

Finding Number: 3

Page Reference: 7

Finding: Non-Compliant Allocation of Cash Payments in Lieu of Health Insurance Benefits

The Agency did not properly allocate its monthly cash payments in lieu of health insurance for employees working on multiple activities.

Recommendation: Implement controls and procedures to ensure that all cash payments in lieu of health insurance costs are allocated based on actual work performed to ensure compliance with Federal regulation.

Comments: While we feel our percentages are very close to actuals, we have felt that the annual inquiry we make with the program manager and the employee to estimate their time was sufficient.

Corrective Action: Once the corrective action to address finding #2 is implemented, this will be corrected as fringe benefits are allocated in the same manner.

Person Responsible for Implementation: John Rezayi, Controller

Anticipated Completion Date: February 2020 FSR

Comment and Recommendation

1. Non-Compliance with Fiscal Questionnaire Requirements

Federal Agency	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
Program Title	Comprehensive HIV Prevention Project for Health Care
CFDA Number	CFDA 93.940
Title of Project	HIV Prevention Program
Repeat Finding	Not Applicable

Federal Agency	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
Program Title	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
CFDA Number	CFDA 93.917
Title of Project	Ryan White Part B
Repeat Finding	Not Applicable

Federal Agency	U.S. Department of Agriculture Food and Nutrition Service
Program Title	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number	CFDA 10.557
Title of Project	Women, Infants, and Children (WIC)
Repeat Finding	Not Applicable

The Agency did not submit a current Fiscal Questionnaire for FY 2018, did not respond to all questions, and did not submit the FY 2019 Fiscal Questionnaire to EGrAMS by the submission date deadline.

As part of MDHHS's subrecipient monitoring activities to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts, MDHHS requires subrecipients to complete the Fiscal Questionnaire and submit it to MDHHS through EGrAMS by December 15 each fiscal year. Additionally, question A.20. of the Fiscal Questionnaire reads, "Are there clearly defined responsibilities for the following duties, including consideration for access and use within the automated accounting system? Indicate all that apply and list the name of the position(s) responsible:.."

During our review of the submitted Fiscal Questionnaire, we noted that the Agency inappropriately submitted an outdated fiscal questionnaire which did not include the most updated questions. We also noted that the Agency did not answer the key financial questions. We further noted that the Agency did not submit its FY 2019 Fiscal

Questionnaire to EGrAMS by the submission date deadline of December 15. We recommend that the Agency complete and timely submit the Fiscal Questionnaire to ensure compliance with MDHHS requirements.

Management Response: We agree with the findings and offer sincere apologies for the tardiness and incompleteness of the reports. It was truly an oversight on the part of the Finance office. We have full intentions to remain compliant with all reporting requirements. We have worked in the past to improve on the timeliness of our FSRs and have found success in that arena; I am confident we can do the same with this report.

**Person Responsible
for Implementation:** Amy Evans, CFO

**Anticipated
Completion Date:** December 15, 2019