
The Grand Rapids Red Project

Human Immunodeficiency Virus Prevention Program
Ryan White Part B Program

For the Period October 1, 2017 – March 31, 2019

Audit Report – Issued December 2019

State of Michigan
Department of Health and Human Services
Bureau of Audit
Audit Division





STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

December 13, 2019

Mr. Steve Alsum, Chief Financial Officer
The Grand Rapids Red Project
401 Hall Street SE
Grand Rapids, Michigan 49507

Dear Mr. Alsum:

This is our audit report of the Human Immunodeficiency Virus (HIV) and Ryan White Part B programs administered by The Grand Rapids Red Project for the audit period October 1, 2017 through March 31, 2019.

The Michigan Department of Health and Human Services (MDHHS) is committed to ensuring high standards of integrity and accountability for public funds. To that end, we periodically perform audits to assess the agency's compliance with fiscal reporting and other requirements contained in MDHHS agreements and requirements, and Federal regulations.

The report includes the Executive Summary, Exceptions, Recommendations, Corrective Actions, Statements of Audited Grant Revenues and Expenses, Federal and State Grant Award Information, and Scope and Methodology.

Final reports are posted for public viewing on the [MDHHS website](#).

I would like to extend my appreciation for the cooperation extended throughout the audit process.

Sincerely,

A handwritten signature in black ink that reads "Shannah M. Havens".

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

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EXECUTIVE SUMMARY

Below is a summary of our exceptions and The Grand Rapids Red Project's Corrective Action Plan.

Exception 1 Page 2	Payroll Distributions Inaccurately Calculated
Criteria	Title 2 CFR 200.430(i)(1)
Amount to be Returned	\$-0-
Corrective Action	Review and corrected the formula on the payroll spreadsheet.
Completion Date	December 6, 2019
Person Responsible	Steve Alsum, Jennifer LeCoy, and Kelly Nicholson

Exception 2 Page 3	Insufficient Cost Allowability Policy
Criteria	2 CFR 200.302(b)(7)
Amount to be Returned	\$-0-
Corrective Action	Created the Policy.
Completion Date	December 6, 2019
Person Responsible	Steve Alsum, Jennifer LeCoy, and Kelly Nicholson

Exception 3 Page 3	Lack of Sufficient Procurement Procedures
Criteria	2 CFR 200.318-326
Amount to be Returned	\$-0-
Corrective Action	Created the Policy.
Completion Date	December 6, 2019
Person Responsible	Steve Alsum, Jennifer LeCoy, and Kelly Nicholson

Exception 1

Payroll Distributions Inaccurately Calculated

Condition

The Grand Rapids Red Project (Agency) did not accurately calculate its salary and wage percentages to properly allocate expenses to the appropriate benefitting programs.

Criteria

Title 2 CFR 200.430(i)(1) states that charges to Federal awards for salaries and wages must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Exception

During our review, we noted that the Agency's salaries and wages allocation process was appropriate, but a formula error caused a misallocation. The Agency properly tracked employees' actual time worked on a spreadsheet and allocated the payroll expenses to the appropriate benefitting programs. However, during our review of February 2019 payroll expenditures, we noted a formula error in the worksheet that resulted in the Agency overstating its RWHAP Part B salary and wage expenditures by \$585. The 2019 Statement of Audited Grant Revenues and Expenses shows the adjustment to reflect the reduced allowable expenditures as of March 31, 2019. The Agency stated that the formula was corrected and the amount overreported in February would be corrected on a subsequent FSR. The correction will be confirmed in a future monitoring visit.

Recommendation

We recommend that the Agency adopt a procedure to ensure all salary and wage expenses are accurately calculated and allocated to the appropriate benefitting program to ensure compliance with Federal regulation.

Agency Corrective Action Plan

The payroll spreadsheets have been reviewed for the fiscal year and corrections were made before the plan year was done. We have developed a new spreadsheet template that has less manual entry and will include check figures for hours and dollars. The accountant will review this report moving forward each time the spreadsheet is used to ensure that formulas are calculating correctly. With the new report and incorporating check figures, this should prevent this from occurring again in the future.

Completion Date

December 6, 2019

Responsible Individual(s)

Steve Alsum – Executive Director, Jennifer LeCoy – Accountant, and Kelly Nicholson – Business Manager

**Exception 2
Insufficient Cost Allowability Policy**

Condition

The Agency did not have written procedures for determining the allowability of costs.

Criteria

Title 2 CFR 200.302(b)(7) requires written procedures for determining the allowability of costs in accordance with the cost principles contained in Title 2 CFR Subpart E and the terms and conditions of the award.

Exception

During our review of the Agency’s policies and procedures, we noted that the Agency did not have policies or procedures for determining the allowability of costs.

Recommendation

We recommend that the Agency establish sufficient written procedures to ensure the allowability of costs is properly determined to ensure compliance with Federal regulation.

Agency Corrective Action Plan

We have documented this policy and will review it with staff that incur and approve expenditures. These staff are also responsible to understand what is included in the approved grant budgets. Finance staff are also responsible to know the cost allocation policy, the grant budgets and 2 CFR 200 Cost Principles as an additional layer of review.

Completion Date

December 6, 2019

Responsible Individual(s)

Steve Alsum – Executive Director, Jennifer LeCoy – Accountant, and Kelly Nicholson – Business Manager

**Exception 3
Lack of Sufficient Procurement Procedures**

Condition

The Agency did not have sufficient documented procurement procedures.

Criteria

Title 2 CFR 200.318 requires documented procurement procedures that must conform to the standards identified in 2 CFR 200.318 – 326. Minimally, the following should be addressed in the written procurement procedures:

- Procedures to avoid the acquisition of unnecessary or duplicative items. Consideration should be given to the consolidation or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, purchase of Federal surplus property instead of new, entering into interagency agreements for use or procurement of commonly used goods or services, and any other appropriate analysis to determine the most economical approach.
- Items purchased under the micropurchase method may be awarded without competitive quotes as long as the price is reasonable.
- Items purchased under the small purchase method requires quotations from an adequate number of qualified sources.
- Bidding and proposal procedures in compliance with Federal regulation.

Exception

During our review of the Agency's policies and procedures, we noted that the Agency did not have documented procurement policies and procedures.

Recommendation

We recommend that the Agency establish sufficient written procurement procedures to ensure compliance with Federal regulation.

Agency Corrective Action Plan

We have documented this policy and will review it with staff that incur and approve expenditures.

Completion Date

December 6, 2019

Responsible Individual(s)

Steve Alsum – Executive Director, Jennifer LeCoy – Accountant, and Kelly Nicholson – Business Manager

The Grand Rapids Red Project HIV Prevention Statement of Audited Grant Revenues and Expenses 10/1/2017 - 9/30/2018					
	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
REVENUES					
MDHHS Grant	\$ 104,870	\$ 104,863	\$ 104,863	\$ -	
Total Revenues	\$ 104,870	\$ 104,863	\$ 104,863	\$ -	
EXPENSES					
Salaries and Wages	\$ 68,900	\$ 70,629	\$ 70,629	\$ -	
Fringe Benefits	\$ 13,780	\$ 12,303	\$ 12,303	\$ -	
Travel	\$ 4,016	\$ 4,343	\$ 4,343	\$ -	
Supplies and Materials	\$ 9,554	\$ 6,312	\$ 6,312	\$ -	
Other	\$ 8,620	\$ 11,276	\$ 11,276	\$ -	
Total Expenses	\$ 104,870	\$ 104,863	\$ 104,863	\$ -	

The Grand Rapids Red Project HIV Prevention Statement of Audited Grant Revenues and Expenses 10/1/2018 - 3/31/2019					
	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
REVENUES					
MDHHS Grant	\$ 218,480	\$ 74,612	\$ 74,612	\$ -	
Total Revenues	\$ 218,480	\$ 74,612	\$ 74,612	\$ -	
EXPENSES					
Salaries and Wages	\$ 114,686	\$ 43,942	\$ 43,942	\$ -	
Fringe Benefits	\$ 22,937	\$ 6,736	\$ 6,736	\$ -	
Travel	\$ 8,488	\$ 2,997	\$ 2,997	\$ -	
Supplies and Materials	\$ 12,668	\$ 3,588	\$ 3,588	\$ -	
Contractual	\$ 29,298	\$ 6,700	\$ 6,700	\$ -	
Other	\$ 30,403	\$ 10,649	\$ 10,649	\$ -	
Total Expenses	\$ 218,480	\$ 74,612	\$ 74,612	\$ -	

The Grand Rapids Red Project Ryan White Part B Statement of Audited Grant Revenues and Expenses 10/1/2017 - 9/30/2018					
	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
REVENUES					
MDHHS Grant	\$ 245,541	\$ 242,293	\$ 242,293	\$ -	
Total Revenues	\$ 245,541	\$ 242,293	\$ 242,293	\$ -	
EXPENSES					
Salaries and Wages	\$ 153,691	\$ 160,134	\$ 160,134	\$ -	
Fringe Benefits	\$ 30,738	\$ 26,315	\$ 26,315	\$ -	
Travel	\$ 11,077	\$ 12,822	\$ 12,822	\$ -	
Supplies and Materials	\$ 11,040	\$ 10,446	\$ 10,446	\$ -	
Other	\$ 38,995	\$ 32,576	\$ 32,576	\$ -	
Total Expenses	\$ 245,541	\$ 242,293	\$ 242,293	\$ -	

The Grand Rapids Red Project Ryan White Part B Statement of Audited Grant Revenues and Expenses 10/1/2018 - 3/31/2019					
	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
REVENUES					
MDHHS Grant	\$ 348,101	\$ 154,126	\$ 153,541	\$ (585)	1
Total Revenues	\$ 348,101	\$ 154,126	\$ 153,541	\$ (585)	
EXPENSES					
Salaries and Wages	\$ 222,560	\$ 103,668	\$ 103,083	\$ (585)	1
Fringe Benefits	\$ 44,512	\$ 15,586	\$ 15,586	\$ -	
Travel	\$ 15,655	\$ 7,541	\$ 7,541	\$ -	
Supplies and Materials	\$ 8,403	\$ 1,453	\$ 1,453	\$ -	
Other	\$ 56,968	\$ 25,878	\$ 25,878	\$ -	
Total Expenses	\$ 348,098	\$ 154,126	\$ 153,541	\$ (585)	
Exception 1: Payroll Distributions Inaccurately Calculated					

FEDERAL AND STATE GRANT AWARD INFORMATION

Program Title	HIV Prevention
Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Centers for Disease Control and Prevention
Federal Program Title	HIV Prevention Activities Health Department Based
CFDA Number	93.940
MDHHS Agreement No.	E20180035
MDHHS Agreement Period	10/01/2017 – 09/30/2018
Exception(s) Related to Program	2, 3
Amount to be Returned	\$-0-
Exception(s) for Return Amount	Not Applicable
See the Statement of Audited Grant Revenues and Expenses for line item adjustment details for exceptions.	

Program Title	HIV Prevention
Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Centers for Disease Control and Prevention
Federal Program Title	HIV Prevention Activities Health Department Based
CFDA Number	93.940
MDHHS Agreement No.	E20190128
MDHHS Agreement Period	10/01/2018 – 09/30/2019
Exception(s) Related to Program	2, 3
Amount to be Returned	\$-0-
Exception(s) for Return Amount	Not Applicable
See the Statement of Audited Grant Revenues and Expenses for line item adjustment details for exceptions.	

Program Title	Ryan White HIV/AIDS Program Part B
Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Health Resources and Services Administration
Federal Program Title	HIV Care Formula Grants
CFDA Number	93.917
MDHHS Agreement No.	E20180085
MDHHS Agreement Period	10/01/2017 – 09/30/2018
Exception(s) Related to Program	1, 2, 3
Amount to be Returned	\$-0-
Exception(s) for Return Amount	Not Applicable
See the Statement of Audited Grant Revenues and Expenses for line item adjustment details for exceptions.	

Program Title	Ryan White HIV/AIDS Program Part B
Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Health Resources and Services Administration
Federal Program Title	HIV Care Formula Grants
CFDA Number	93.917
MDHHS Agreement No.	20192713
MDHHS Agreement Period	10/01/2018 – 09/30/2019
Exception(s) Related to Program	1, 2, 3
Amount to be Returned	\$-0-
Exception(s) for Return Amount	Not Applicable
See the Statement of Audited Grant Revenues and Expenses for line item adjustment details for exceptions.	

SCOPE AND METHODOLOGY

We examined the Agency's records and activities for the period October 1, 2017 through March 31, 2019.

Our audit procedures included the following:

- 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 and RWHAP Part B Financial Status Reports (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.

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

GLOSSARY OF ABBREVIATIONS AND TERMS

AIDS	Acquired Immunodeficiency Syndrome
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
FSR	Financial Status Report
HIV	Human Immunodeficiency Virus
MDHHS	Michigan Department of Health and Human Services
RWHAP	Ryan White HIV/AIDS Program