



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

May 22, 2019

Derk Pronger, Interim President
Munson Medical Center
3529 W. Front Street
Traverse City, Michigan 49684

Dear Mr. Pronger:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Munson Medical Center Ryan White Part B Program for the period October 1, 2016 through June 30, 2018.

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; and Corrective Action Plans. The Corrective Action Plans include the agency's response to the Preliminary Analysis.

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

Thank you for the cooperation extended throughout this audit.

Sincerely,

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

Attachment

cc: Debra Hallenbeck, Director, Audit Division
Thomas Dunn, Manager, Division of HIV and STD Programs
Cole T. Blades, Auditor, Population Health and Community Services Programs Section
Stephen Haynes, Senior Accountant, Munson Medical Center
David Rushlow, Program Manager, Munson Medical Center

Audit Report

Munson Medical Center

Ryan White Part B Program

October 1, 2016 – June 30, 2018



Bureau of Audit

Audit Division

May 2019

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DESCRIPTION OF AGENCY

Munson Medical Center (Agency) is governed and managed by Munson Healthcare, a non-profit company that provides primary, secondary, and tertiary care to residents of the northern portion of Michigan's Lower Peninsula.

The Agency provides medical case management and other core support services to persons living with HIV/AIDS. The Agency is located in Traverse City, Michigan and serves the residents of Alcona, Alpena, Antrim, Benzie, Charlevoix, Cheboygan, Clare, Crawford, Emmet, Gladwin, Grand Traverse, Iosco, Kalkaska, Leelanau, Manistee, Missaukee, Montmorency, Ogemaw, Osceola, Oscoda, Otsego, Presque Isle, Roscommon, and Wexford Counties.

FUNDING METHODOLOGY

The Agency receives funding from grant programs administered through the Michigan Department of Health and Human Services (MDHHS). MDHHS grant funding is reimbursed monthly, based on Financial Status Reports, in accordance with the terms and conditions of each grant agreement and budget.

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

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 share of costs 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 fiscal periods October 1, 2016 to September 30, 2017 and October 1, 2017 to June 30, 2018. Our review procedures included the following:

- Reviewed the most recent Agency Single Audit and Financial Statement Audit reports for any related Program concerns.
- Reviewed the completed Subrecipient Questionnaire.
- Reconciled the Ryan White Part B Program Financial Status Reports (FSRs) to the accounting records.
- Reviewed a sample of payroll expenditures.
- Tested a sample of expenditures for program compliance and adherence to policy and approval procedures.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed Ryan White Part B Program client eligibility.

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. We identified the following exceptions: source of funds reported incorrectly on FSRs (Finding 1), noncompliant fringe benefit distributions (Finding 2), improper expenditure allocation (Finding 3), and insufficient controls over prepaid cards (Finding 4).

Finding

1. Source of Funds Reported Incorrectly on FSRs

| | |
|------------------------------|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Federal Sub-Tier | Health Resources and Services Administration (HRSA) |
| Federal Program Title | HIV Care Formula Grants |
| CFDA Number | 93.917 |
| Project Title | Ryan White HIV/AIDS Program Part B |
| Amount Due to MDHHS | \$-0- |
| Repeat Finding | No |

The Agency did not properly report and classify its source of funds on its Financial Status Reports (FSRs).

MDHHS's Financial Status Report (FSR) Form Preparation Instructions states, "The FSR is to report expenditures and revenue on cash or accrued basis dependent on the grant requirements and the grantee's reporting basis." Also, the description of fees and collections is, "Fees and collections earned during the current report period. Fees and collections represent funds, which the program earns through its operation and retains for operational purposes. This would include fees for services, payments by third parties (insurance, patient collections, Medicaid, etc.) and any other collections." In addition, the description for local funds is, "Funding provided by the Agency to support the expenditures for this agreement." It further describes other funds as, "Funds from other sources."

During our review, we noted that the Agency reported fees and collections on a cash basis; however, the Agency asserted on its application that their method of accounting is accrual. We also noted that the Agency misclassified \$26,552 on its 2017 final FSR and \$3,527 on its June 30, 2018 FSR of local funds as 1st and 2nd Party fees and collections. The Agency stated they did not bill any Ryan White Part B clients for services provided so there would be no fees for services earned by the program. Adjustments are shown on the attached Statements of Grant Program Revenues and Expenditures. There is no MDHHS Grant impact since Grant funds were fully exhausted for the Program and the additional expenditures were funded by these local funds.

Recommendation

We recommend that the Agency implement policies and procedures to ensure that sources of funds are properly reported and classified.

Finding

2. Non-Compliant Fringe Benefit Distribution

| | |
|------------------------------|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Federal Sub-Tier | Health Resources and Services Administration (HRSA) |
| Federal Program Title | HIV Care Formula Grants |
| CFDA Number | 93.917 |
| Project Title | Ryan White HIV/AIDS Program Part B |
| Amount Due to MDHHS | \$-0- |
| Repeat Finding | No |

The Agency did not properly allocate its employees' fringe benefit expenditures for employees working on multiple activities.

Title 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 employee leave time based on the employees' budgeted work schedules. If an employee is absent, leave time hours are allocated to programs based on the budgeted work schedule for the absent time period, instead of properly allocating the leave time to all programs that the employee actually worked.

Recommendation

We recommend that the Agency implement policies and procedures to ensure that all fringe benefit distributions are based on records that accurately reflect the work performed to ensure compliance with Federal regulation.

Finding

3. Improper Expenditure Allocation

| | |
|------------------------------|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Federal Sub-Tier | Health Resources and Services Administration (HRSA) |
| Federal Program Title | HIV Care Formula Grants |
| CFDA Number | 93.917 |
| Project Title | Ryan White HIV/AIDS Program Part B |
| Amount Due to MDHHS | \$-0- |
| Repeat Finding | No |

The Agency did not properly allocate an expenditure to the appropriate benefiting program.

Title 2 CFR 200.403 states, "...costs must meet the following general criteria in order to be allowable under Federal awards...(a) Be necessary and reasonable for the performance of the Federal award and be allocated thereto under these principles." Also, Title 2 CFR 200.405(a) Allocable Costs states, "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with the relative benefits received." In addition, Title 2 CFR 200.303 states, "The non-Federal entity must: (a) 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 the conditions of the Federal award..." Title 2 CFR 200.62 defines internal control over compliance requirements for Federal awards as "a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal Awards: (a) Transactions are properly recorded and accounted for..."

During our FY 2018 review, we noted one computer for \$1,728 related to another cost center was improperly recorded to the RW Part B cost center. The Agency did not have sufficient controls in place to ensure its expenditures were properly recorded to the appropriate benefiting programs. The 2018 Statement of Grant Program Revenues and

Expenditures shows the adjustment to reflect the reduced allowable expenditure as of June 30, 2018. The Agency stated that the expense was corrected in a subsequent period. The correction will be confirmed in our next monitoring visit.

Recommendation

We recommend that the Agency implement sufficient controls and procedures to properly allocate and record its expenditures to the appropriate benefiting programs to ensure compliance with Federal regulation.

Finding

4. Insufficient Controls Over Prepaid Cards

| | |
|------------------------------|---|
| Federal Agency | U.S. Department of Health and Human Services |
| Federal Sub-Tier | Health Resources and Services Administration (HRSA) |
| Federal Program Title | HIV Care Formula Grants |
| CFDA Number | 93.917 |
| Project Title | Ryan White HIV/AIDS Program Part B |
| Amount Due to MDHHS | \$-0- |
| Repeat Finding | No |

The Agency did not have sufficient controls to ensure prepaid cards for gasoline, transportation, and food were accounted for and used only for client financial assistance.

Title 2 CFR 200.303 states, “The non-Federal entity must: (a) 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. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States...” Also, Title 2 CFR 200.62 states, “Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards...(c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.”

During our physical inventory of the Agency’s prepaid cards used for client’s financial assistance, we noted that the Agency could not account for 26 (5%) of 489 gift cards for \$460. We noted that the Agency has gift card tracking logs that document dates cards are distributed to clients with the client or staff’s signature and a Client Financial Assistance Screening Policy; however, there is no indication of a procedure indicating a periodic physical inventory to ensure all gift cards that have not been distributed and the cards on the distribution log reconcile to the amount purchased.

Recommendation

We recommend that the Agency implement sufficient control activities to ensure that prepaid cards are accounted for and used only for client financial assistance.

MDHHS SHARES OF COSTS 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 under the RWHAP Part B Program for fiscal year ended September 30, 2017 totals \$310,000; and as of June 30, 2018, totals \$230,953. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. Adjustments were made as a result of the audit and are reflected on the Statements of Grant Program Revenues and Expenditures.

**Munson Medical Center
HIV/AIDS Ryan White Part B
Statement of Grant Program Revenues and Expenditures
10/01/2016-09/30/2017**

| | BUDGETED | REPORTED | AUDIT ADJUSTMEN T | ALLOWABLE |
|---|------------------|------------------------|-------------------------|------------------|
| REVENUES: | | | | |
| MDHHS Grant | \$310,000 | \$310,000 ¹ | | \$310,000 |
| Fees and Collections – 1 st and 2 nd Party | \$10,000 | \$26,552 | (\$26,552) ² | \$0 |
| Local | | | \$26,552 ² | \$26,552 |
| TOTAL REVENUES | \$320,000 | \$336,552 | \$0 | \$336,552 |
| EXPENDITURES: | | | | |
| Salaries and Wages | \$196,981 | \$204,743 | | \$204,743 |
| Fringe Benefits | \$47,252 | \$57,275 | | \$57,275 |
| Travel | \$770 | \$5,785 | | \$5,785 |
| Supplies and Materials | \$500 | \$6,148 | | \$6,148 |
| Other Expenses | \$74,474 | \$62,601 | | \$62,601 |
| TOTAL EXPENDITURES | \$320,000 | \$336,552 | \$0 | \$336,552 |

¹ Actual MDHHS payments.

² Source of Funds Incorrectly Reported (Finding 1)

**Munson Medical Center
HIV/AIDS Ryan White Part B
Statement of Grant Program Revenues and Expenditures
10/01/2017-06/30/2018**

| | BUDGETED | REPORTED | AUDIT ADJUSTMENT | ALLOWABLE |
|---|------------------|--------------------|---------------------|------------------|
| REVENUES: | | | | |
| MDHHS Grant | \$310,000 | \$232,691 1 | (\$1,738) 3 | \$230,953 |
| Fees and Collections – 1 st and 2 nd Party | \$15,343 | \$3,527 | (\$3,527) 2 | \$0 |
| Local | | | \$3,527 2 | \$3,527 |
| TOTAL REVENUES | \$325,343 | \$236,218 | (\$1,738) | \$234,480 |
| EXPENDITURES: | | | | |
| Salaries and Wages | \$170,793 | \$142,980 | | \$142,980 |
| Fringe Benefits | \$51,750 | \$39,170 | | \$39,170 |
| Travel | \$7,000 | \$2,709 | | \$2,709 |
| Supplies and Materials | \$5,300 | \$3,599 | (\$1,738) 3 | \$1,861 |
| Other Expenses | \$90,500 | \$47,760 | | \$47,760 |
| TOTAL EXPENDITURES | \$325,343 | \$236,218 | (\$1,738) | \$234,480 |

1 Actual MDHHS payments.

2 Source of Funds Incorrectly Reported (Finding 1)

3 Improper Expenditure Allocation (Finding 3)

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: Source of Funds Reported Incorrectly on FSRs

The Agency did not properly report and classify its source of funds on its Financial Status Reports (FSRs)

Recommendation: Implement policies and procedures to ensure that sources of funds are properly reported and classified.

Comments: MDHHS Reporting System, Egrams, did not have “Other” as an option to report on.

Corrective Action: MDHHS Program team has opened an amendment in Egrams for us to change where the budgeted source of funds resides from Fees and Collections to Other. Munson will also start to report the non-State funds on an accrual basis.

**Persons Responsible
for Implementation:** Stephen Haynes

**Anticipated
Completion Date:** Completed prior to 9/30/2019, retroactively to 10/01/2018 to encompass the entire current grant year.

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: **Non-Compliant Fringe Benefit Distributions**

The Agency did not properly allocate its employees' fringe benefit expenditures for employees working on multiple activities.

Recommendation: Implement policies and procures to ensure that all fringe benefit distributions are based on records that accurately reflect the work performed to ensure compliance with Federal regulation.

Comments: This is a limitation of Munson's payroll system that defaulted certain types of pay codes to an employee's home department in the General Ledger, even if the employees perform work on multiple departments.

Corrective Action: The manager going forward will ensure that all authorized absences are allocated based on the employees' actual time allocation between the multiple departments, as part of normal bi-weekly payroll.

Persons Responsible for Implementation: Dave Rushlow and Stephen Haynes

Anticipated Completion Date: Completed prior to Munson's fiscal year end, 6/30/2019, and retroactively to 10/1/2018 to encompass the entire current grant year.

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: Improper Expenditure Allocation

The Agency did not properly allocate an expenditure to the appropriate benefiting program.

Recommendation: Implement sufficient controls and procedures to properly allocate and record its expenditures to the appropriate benefiting programs to ensure compliance with Federal regulation.

Comments: In July 2018, the manager changed from Nick Erber to Dave Rushlow. Munson's ordering process defaults all orders to the employee's home department. Dave Rushlow is also the manager of Bleeding Disorder Clinic. Due to the change, when Bleeding Disorders ordered a new computer, it defaulted to the Ryan White Department.

Corrective Action: Expense was reclassified from the Ryan White Department to the correct department in September 2018 and correct on the Ryan White reports for the grant year ending 09/30/2018 so it did not get erroneously reimbursed. Every month, Thomas Judd reviews and approves all expenditures on Ryan White Department before monthly FSR is completed.

Persons Responsible

for Implementation: Stephen Haynes, Dave Rushlow, and Victoria Cammarata

Anticipated

Completion Date: Completed in September 2018

Corrective Action Plan

Finding Number: 4

Page Reference: 5

Finding: **Insufficient Controls Over Prepaid Cards**

The Agency did not have sufficient controls to ensure prepaid cards for gasoline, transportation, and food were accounted for and used only for client financial assistance.

Recommendation: Implement sufficient control activities to ensure that prepaid cards are accounted for and used only for client financial assistance.

Comments: Prepared cards were stored in a lockbox. An audit of the inventory with more frequency was deemed necessary.

Corrective Action: New policy and procedure put in place immediately following financial audit.

Persons Responsible

for Implementation: Manager and Complex Care Coordinator

Anticipated

Completion Date: Completed on September 30, 2018