



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

GRETCHEN WHITMER  
GOVERNOR

ROBERT GORDON  
DIRECTOR

May 30, 2019

Jacob Distel, Executive Officer  
Lansing Area AIDS Network  
913 W. Holmes, Suite 115  
Lansing, Michigan 48910

Dear Mr. Distel:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Lansing Area AIDS Network HIV Prevention Program for the period October 1, 2016 through September 30, 2017 and Ryan White Part B Program for the periods October 1, 2016 through September 30, 2017 and October 1, 2017 through June 30, 2018.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions; Statements of Grant Program Revenues and Expenditures; and a Comment and Recommendation. The Comment and Recommendation includes 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](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, Section Manager, Operations, Training, and Data Section  
Shawna Brown, Department Manager, Operations Monitoring Unit  
David Knechtges, Director of Finance, LAAN

# Audit Report

## Lansing Area AIDS Network

HIV Prevention  
and  
Ryan White Part B Programs

October 1, 2016 – June 30, 2018



Bureau of Audit  
Audit Division  
May 2019

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## **DESCRIPTION OF AGENCY**

The Lansing Area AIDS Network (Agency) is organized as a not-for-profit corporation, under the provision of 501(c)(3) of the Internal Revenue Code. The Agency provides continuum of care services, inclusive of early intervention services, to individuals living with and affected by HIV/AIDS. The Agency operates under the legal supervision and control of its Board of Directors. The Agency is located in Lansing, Michigan and serves the residents of Clinton, Eaton, Gratiot, Ingham, Jackson, Montcalm, and Shiawassee 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 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. 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 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.

## SCOPE AND METHODOLOGY

We examined the Agency's records and activities for the HIV Prevention Program for the fiscal period October 1, 2016 to September 30, 2017 and RWHAP Part B Program 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 completed Subrecipient Questionnaire.
- Reconciled HIV Prevention and RWHAP Part B Programs 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 building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed RWHAP 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 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 no exceptions related to financial reporting.

### 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 obligation under the HIV Prevention Program for fiscal year ended September 30, 2017 totals \$93,920. The MDHHS obligations under the RWHAP Part B Program for fiscal year ended September 30, 2017 totals \$600,000 and the period ended June 30, 2018 totals \$428,149. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs.

**Lansing Area AIDS Network  
HIV/AIDS - Prevention  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$93,920	\$93,920 <sup>1</sup>		\$93,920
<b>TOTAL REVENUES</b>	\$93,920	\$93,920		\$93,920
<b>EXPENDITURES:</b>				
Salary & Wages	\$58,242	\$55,604		\$55,604
Fringe Benefits	\$14,024	\$13,250		\$13,250
Travel	\$3,500	\$1,706		\$1,706
Supplies and Materials	\$6,600	\$7,246		\$7,246
Other Expenses	\$11,554	\$16,115		\$16,115
<b>TOTAL EXPENDITURES</b>	\$93,920	\$93,920		\$93,920

<sup>1</sup> Actual MDHHS payments.

**Lansing Area AIDS Network  
HIV/AIDS RWB  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$600,000	\$600,000 <sup>1</sup>		\$600,000
Local Funds				\$0
<b>TOTAL REVENUES</b>	\$600,000	\$600,000		\$600,000
<b>EXPENDITURES:</b>				
Salary & Wages	\$401,985	\$406,425		\$406,425
Fringe Benefits	\$111,294	\$111,686		\$111,686
Travel	\$5,000	\$4,065		\$4,065
Supplies and Materials	\$9,500	\$7,300		\$7,300
Other Expenses	\$72,221	\$70,524		\$70,524
<b>TOTAL EXPENDITURES</b>	\$600,000	\$600,000		\$600,000

<sup>1</sup> Actual MDHHS payments.

**Lansing Area AIDS Network  
HIV/AIDS - Ryan White Part B  
Statement of Grant Program Revenues and Expenditures  
10/1/17 - 6/30/18**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$600,000	\$428,149 <sup>1</sup>		\$428,149
<b>TOTAL REVENUES</b>	\$600,000	\$428,149		\$428,149
<b>EXPENDITURES:</b>				
Salary & Wages	\$396,025	\$279,344		\$279,344
Fringe Benefits	\$108,955	\$80,398		\$80,398
Travel	\$5,000	\$2,573		\$2,573
Supplies and Materials	\$11,569	\$5,273		\$5,273
Other Expenses	\$78,451	\$60,561		\$60,561
<b>TOTAL EXPENDITURES</b>	\$600,000	\$428,149		\$428,149
<sup>1</sup> Actual MDHHS payments.				

## Comment and Recommendation

### 1. Non-Compliant Fringe Benefit Distributions

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Federal Sub-Tier</b>	Centers for Disease Control and Prevention (CDC)
<b>Federal Program Title</b>	HIV Prevention Activities Health Department Based
<b>CFDA Number</b>	93.940
<b>Project Title</b>	HIV Prevention Program
<b>Amount Due to MDHHS</b>	\$-0-
<b>Repeat Finding</b>	No

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Federal Sub-Tier</b>	Health Resources and Services Administration (HRSA)
<b>Federal Program Title</b>	HIV Care Formula Grants
<b>CFDA Number</b>	93.917
<b>Project Title</b>	Ryan White HIV/AIDS Program Part B
<b>Amount Due to MDHHS</b>	\$-0-
<b>Repeat Finding</b>	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.

**Management's Response:** The Agency will improve its current fringe benefit allocation for employees working on multiple activities. Each quarter, the Finance Director will review actual time worked based on each employee's timesheets to the budget, determine the subsequent quarter allocation, make any adjusting entries if the difference between the prior quarter's percentage and actual time worked is significant, and retain the workbook as documentation to support the distribution.

**Person Responsible  
for Implementation:**

Ryan White Part B Program Managers, Ligia Romero and Melissa Blood; HIV Prevention Program Manager, Nhoua Yang; Finance Director, David Knechtges; and Executive Director, Jacob Distel, Jr.

**Anticipated  
Completion Date:**

May 31, 2019