



STATE OF MICHIGAN

GRETCHEN WHITMER  
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

ROBERT GORDON  
DIRECTOR

September 11, 2019

Mr. Gary Allore, President  
Mercy Health Hackley Campus  
1700 Clinton Street  
Muskegon, Michigan 49443

Dear Mr. Allore:

Attached is our final report from the Michigan Department of Health and Human Services (MDHHS) audit of the Mercy Health Hackley Campus Ryan White Part B and HIV Prevention Programs 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 Statements of Grant Program Revenues and Expenditures. 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:  
[http://www.michigan.gov/mdhhs/0,5885,7-339-73970\\_43164-151236--,00.html](http://www.michigan.gov/mdhhs/0,5885,7-339-73970_43164-151236--,00.html).

Thank you for the cooperation extended throughout this audit.

Sincerely,

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

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

Attachment

cc: Deb Hallenbeck, Director, Audit Division  
Thomas Dunn, Section Manager, Operations, Training and Data Section  
Shawna Brown, Manager, Operations Monitoring Unit  
Cole Blades, Auditor, Public Health and Community Services Programs Section  
Angie DeYoung, Regional Manager, Mercy Health Hackley Campus  
Michelle Needham, Senior Accountant, Mercy Health Hackley Campus

# Audit Report

**Mercy Health Hackley Campus**  
(Formerly Hackley Hospital and Medical Center)  
(Trinity Health Corporation)

HIV Prevention  
Ryan White Part B

October 1, 2016 – June 30, 2018



Bureau of Audit  
Audit Division  
September 2019

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## **DESCRIPTION OF AGENCY**

Mercy Health Hackley Campus (formerly Hackley Hospital and Medical Center) (Agency) is a non-profit health care system owned by Trinity Health Corporation (Corporation), an Indiana nonprofit corporation headquartered in Livonia, Michigan which controls one of the largest health care systems in the United states. The Corporation is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church, and operates a comprehensive integrated network of health services located in 22 states.

The Agency provides comprehensive medical, psychosocial, educational and prevention services to persons living with HIV/AIDS. The Agency is located in Muskegon, Michigan and serves the residents of Allegan, Kent, Lake, Manistee, Mason, Mecosta, Montcalm, Muskegon, Newaygo, Oceana, and Ottawa 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 (FSRs), 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. Grant Funding from MDHHS for the RWHAP Part B is federal funding under Federal catalog number 93.917.

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.

## **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 period October 1, 2016 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 most recent HIV Prevention Program and RWHAP Part B site visit reports from the Program staff.
- Reviewed the completed Subrecipient Questionnaire.
- Reviewed the Grant Agreements, Budgets, and Program Specific Assurances and Requirements.
- Reconciled the HIV Prevention Program and RWHAP Part B 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.

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: insufficient supporting documentation for expenditures (Finding 1) and insufficient documentation to support reported fringe benefit expenses (Finding 2).

## **Finding**

### **1. Insufficient Supporting Documentation for Expenditures**

<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>	Not Applicable

<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>	Not Applicable

The Agency did not provide sufficient supporting documentation for some expenditures reported on the FSRs.

Title 2 CFR 200.302(b) states, "The financial management system of each non-Federal entity must provide for the following... (3) Records that identify adequately the source and application of funds for federally funded activities. These records must... be supported by source documentation." Also, Title 2 CFR 200.403 states, "...costs must meet the following general criteria in order to be allowable under Federal awards... (g) Be adequately documented."

During our review, we noted that the Agency did not provide sufficient documentation to support one \$280 travel advance recorded to the RWHAP Part B in April 2018 that did not include any receipts to support the expense. The Agency's policy for travel advances states that staff must provide an accounting of the use of funds on an expense report within ten business days of completion of the trip. The date of the conference was April 16 through April 20, 2018 and we noted that the staff had not submitted their travel receipts to the Agency as of May 31, 2018. Due to auditing a partial fiscal year, we will determine if any amount is due back to MDHHS for FYE September 30, 2018 during our next monitoring visit.

## **Recommendation**

We recommend that the Agency implement controls and procedures to ensure that sufficient documentation is retained to support all expenditures reported on the FSRs to ensure compliance with Federal regulations and travel policies.

## **Finding**

### **2. Insufficient Documentation to Support Reported Fringe Benefit Expenses**

<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>	Not Applicable

<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>	Not Applicable

The Agency did not provide sufficient documentation to support the fringe benefit expenditures reported on the FSRs.

Title 2 CFR 200.302(b) states, "The financial management system of each non-Federal entity must provide for the following... (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must...be supported by source documentation." Also, Title 2 CFR 200.403 states, "... costs must meet the following criteria in order to be allowable under Federal awards... (a) Be adequately documented."

In addition, Title 2 CFR 200.431 states, "(a)...the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity... (c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance; pension plan costs; and other similar benefits are allowable, provided such benefits are granted under established written policies."

During our review, we noted that the Agency could not provide sufficient documentation to support a 32% composite rate being used to report fringe benefits to RWHAP Part B and HIV Prevention Program throughout the fiscal year. Documentation was not provided to show that the reported amounts represent actual costs incurred.

## **Recommendation**

We recommend that the Agency implement controls and procedures to ensure that sufficient documentation is retained to support all expenditures reported on the FSRs to ensure compliance with Federal regulations.

## **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 under the HIV Prevention Program for fiscal year ended September 30, 2017 is \$102,141 and the period ended June 30, 2018 is \$79,501. The MDHHS obligations under Ryan White Part B Programs for fiscal year ended September 30, 2017 is \$508,128 and the period ended June 30, 2018 is \$366,055. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made adjustments which affected both HIV Prevention Program and RWHAP Part B funding for the period ended June 30, 2018; however, due to auditing a partial year for 2018, we will determine if any amount is due back to MDHHS for FYE September 30, 2018 during our next monitoring visit.



**Mercy Health Hackley Campus  
HIV 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	\$102,141	\$102,141 <sup>1</sup>		\$102,141
<b>TOTAL REVENUES</b>	\$102,141	\$102,141	\$0	\$102,141
<b>EXPENDITURES:</b>				
Salary & Wages	\$68,271	\$70,495		\$70,495
Fringe Benefits	\$16,385	\$18,118		\$18,118
Travel	\$4,785	\$3,572		\$3,572
Supplies and Materials	\$4,400	\$1,823		\$1,823
Contractual	\$0	\$0		\$0
Equipment	\$0	\$0		\$0
Other Expenses	\$8,300	\$8,133		\$8,133
<b>TOTAL EXPENDITURES</b>	\$102,141	\$102,141	\$0	\$102,141

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

**Mercy Health Hackley Campus  
HIV Prevention  
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	\$102,141	\$79,501 <sup>1</sup>		\$79,501
<b>TOTAL REVENUES</b>	\$102,141	\$79,501	\$0	\$79,501
<b>EXPENDITURES:</b>				
Salary & Wages	\$73,889	\$55,925		\$55,925
Fringe Benefits	\$17,733	\$15,897		\$15,897
Travel	\$5,188	\$4,925		\$4,925
Supplies and Materials	\$1,800	\$1,425		\$1,425
Contractual	\$0	\$0		\$0
Equipment	\$0	\$0		\$0
Other Expenses	\$3,531	\$1,329		\$1,329
<b>TOTAL EXPENDITURES</b>	\$102,141	\$79,501	\$0	\$79,501

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

**Mercy Health Hackley Campus**  
**Ryan White B**  
**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	\$508,128	\$508,128 <sup>1</sup>		\$508,128
<b>TOTAL REVENUES</b>	\$508,128	\$508,128	\$0	\$508,128
<b>EXPENDITURES:</b>				
Salary & Wages	\$348,133	\$345,055		\$345,055
Fringe Benefits	\$83,552	\$83,021		\$83,021
Travel	\$16,695	\$10,611		\$10,611
Supplies and Materials	\$17,600	\$18,985		\$18,985
Contractual	\$0	\$0		\$0
Equipment	\$0	\$0		\$0
Other Expenses	\$42,148	\$50,455		\$50,455
<b>TOTAL EXPENDITURES</b>	\$508,128	\$508,128	\$0	\$508,128

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

**Mercy Health Hackley Campus**  
**Ryan White 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	\$575,528	\$366,335 <sup>1</sup>	(\$280) <sup>2</sup>	\$366,055
<b>TOTAL REVENUES</b>	\$575,528	\$366,335	(\$280)	\$366,055
<b>EXPENDITURES:</b>				
Salary & Wages	\$411,057	\$244,649		\$244,649
Fringe Benefits	\$98,654	\$69,623		\$69,623
Travel	\$8,514	\$6,293	(\$280) <sup>2</sup>	\$6,013
Supplies and Materials	\$6,203	\$4,540		\$4,540
Contractual	\$8,000	\$13,113		\$13,113
Equipment	\$0	\$0		\$0
Other Expenses	\$43,100	\$28,117		\$28,117
<b>TOTAL EXPENDITURES</b>	\$575,528	\$366,335	(\$280)	\$366,055

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

<sup>2</sup> Insufficient Supporting Documentation for Expenditures (Finding 1)

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** **Insufficient Supporting Documentation for Expenditures**

The Agency did not provide sufficient supporting documentation for some expenditures reported on the FSRs.

**Recommendation:** Implement controls and procedures to ensure that sufficient documentation is retained to support all expenditures reported on the FSRs to ensure compliance with Federal regulations and travel policies.

**Corrective Action:** Updated the Employee Expense Reimbursement policy to reflect that travel advances will not be included on the FSRs until actual costs are incurred and receipts are provided.

**Person Responsible  
for Implementation:** Michelle Needham

**Anticipated  
Completion Date:** September 2019

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 4

**Finding:** Insufficient Documentation to Support Reported Fringe Benefit Expenses

The Agency did not provide sufficient documentation to support the fringe benefit expenditures reported on the FSRs.

**Recommendation:** Implement controls and procedures to ensure that sufficient documentation is retained to support all expenditures reported on the FSRs to ensure compliance with Federal regulations.

**Corrective Action:** During the next fiscal site visit, Mercy Health, Muskegon will share the fringe benefit calculation methodology with the auditors.

**Person Responsible for Implementation:** Vicky Pascavis and Erin Hobson

**Anticipated Completion Date:** December 2019