



Genesee Health System

Single Audit Act Compliance
Year Ended September 30, 2019

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Genesee Health System
Flint, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Genesee Health System (the Authority) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 1, 2020

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

June 1, 2020



Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Genesee Health System
Flint, Michigan

Report on Compliance for Each Major Federal Program

We have audited Genesee Health System's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.



Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did



not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended September 30, 2019, and have issued our report thereon dated June 1, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

June 1, 2020

Genesee Health System

Schedule of Expenditures of Federal Awards Year ended September 30, 2019

Federal Agency/Cluster/Program Title	CFDA Number	Passed Through	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services				
Medicaid Cluster:				
Medical Assistance Program:				
OBRA - PASSAR	93.778	MDHHS	-na-	\$ 404,241
Flint Lead Exposure Registry	93.197	MSU	RC107653-GHS	31,224
Health Center Cluster:				
Health Center Program	93.224	Direct	H80CS25709	1,990,956
The State Innovation Model - SIM Genesee CHIR	93.624	GFHC	E20191165	125,359
CHIR Mobile Unit	93.624	GFHC	E20191165	71,512
Lead Safe Home Program Medicaid Outreach Project	93.767	MDHHS	1905MI5021	413,222
Mental Health and Juvenile Justice Screening Expansion	93.958	MDHHS	B09SM010026	20,172
Community Mental Health Services Block Grants:				
Veterans Navigator	93.958	R10	CBH-2018	93,054
Fetal Alcohol Syndrome Diagnostic Clinic (FACLC)	93.994	MDHHS	B04MC32550	14,571
Total U.S. Department of Health and Human Services				3,164,311
U.S. Department of Housing and Urban Development				
Continuum of Care:				
Operation Lease Up	14.267	MCD	MI0149L5F051709	298,196
Shelter Plus Care	14.267	MDHHS	MI0155L5F051710	114,904
Rapid Rehousing	14.267	MCD	MI0447L5F05170804	23,936
Total U.S. Department of Housing and Urban Development				437,036
U.S. Department of Housing and Urban Development				
Race to the Top Early Learning Challenge	84.412	MDHHS	1905MI5ADM	75,426
Total Expenditures of Federal Awards				\$ 3,676,773

See notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Genesee Health System (the Authority) under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the Authority has not elected to use the 10% de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. Pass-Through Agencies

The Authority receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the schedule with an abbreviation, defined as follows:

Pass-Through Agency Abbreviation	Pass-Through Agency Name
GFHC	Greater Flint Health Coalition
MCD	Metro Community Development
MDHHS	Michigan Department of Health and Human Services
R10	Region 10
MSU	Michigan State University

4. Sub-Recipient Agencies

The Authority did not expend any federal awards through subrecipients in the current year.

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Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care
93.778	Medicaid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

No matters were reported.

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Schedule of Findings and Questioned Costs

SECTION III - Federal Award Findings and Questioned Costs

2019-001 - Special Tests and Provisions

Information on Federal Program - Continuum of Care Program (CFDA #14.267); U.S. Department of Housing and Urban Development; Passed through the Metro Community Development and Michigan Department of Health and Human Services; Project numbers MI0149L5F051709, MI0447L5F05170804, and MI0155L5F051710.

Criteria - The Continuum of Care Program regulations for Leasing, 24 CFR 578.49, states the requirement in (b)(1) *Leasing structures*. When grants are used to pay rent for all or part of a structure or structures, the rent paid must be reasonable in relation to rents being charged in the area for comparable space. In addition, the rent paid may not exceed rents currently being charged by the same owner for comparable unassisted space.

Condition - Genesee Health System negotiates the rent paid for housing units used in the Continuum of Care Program. Although the program manages to stay under the HUD-published fair market rent (FMR) rates, the Authority does not comply with federal requirements that require three comparable units to be priced out and documented in the file to meet the rent reasonableness test for the area. During our testing over lease agreements, we noted the following exceptions:

- Nine of ten instances of reviewing lease agreements where support of comparison of rental amounts with comparative rates were not provided.

Cause - The Authority believes they receive a reasonable rate for housing that is substantially better or has greater square footage, and this allows the Authority to build strong relationships with the Landlords that they have worked with for years.

Effect or Potential Effect - Noncompliance with program rules governing rent reasonableness comparison test.

Questioned Costs - N/A

Context - We tested a sample of ten items and found nine exceptions as noted in the condition. This is a condition identified per review of the Authority's compliance with specified requirements using a statistically valid sample.

Repeat Finding - This is not a repeat finding from prior year.

Recommendation - We recommend that the Authority adopt a policy to implement the comparison of three rental rates in the area to comply with federal regulations.

Views of Responsible Officials - Working in conjunction with Metro Community Development, the Authority has adopted a policy for comparing three area rental rates to ensure compliance with federal regulations.