



SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

Single Audit Reports

June 30, 2022

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

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Independent Auditors' 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*

The Board of Directors
Shelby County Healthcare Corporation:

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 basic financial statements of Shelby County Healthcare Corporation (d/b/a Regional One Health), which comprise the Regional One Health's statement of financial position as of June 30, 2022, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Regional One Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional One Health's internal control. Accordingly, we do not express an opinion on the effectiveness of the Regional One Health'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional One Health's basic 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of Regional One Health's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional One Health's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Memphis, Tennessee
October 25, 2022



KPMG LLP
Triad Centre III
Suite 450
6070 Poplar Avenue
Memphis, TN 38119-3901

**Independent Auditors' 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 and Schedule
of Expenditures of State of Tennessee Financial Assistance**

The Board of Directors
Shelby County Health Care Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Shelby County Health Care Corporation, a component of Shelby County, Tennessee (d/b/a Regional One Health's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Regional One Health's major federal programs for the year ended June 30, 2022. Regional One Health's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Regional One Health complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Regional One Health and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Regional One Health's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Regional One Health's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Regional



One Health's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Regional One Health's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Regional One Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Regional One Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Regional One Health's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003 to be significant deficiencies.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Regional One Health's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Regional One Health is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Regional One Health's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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 and Schedule of Expenditures of State of Tennessee Financial Assistance

We have audited the basic financial statements of Regional One Health as of and for the year ended June 30, 2022, and have issued our report thereon dated October 25, 2022, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming an opinion on the basic 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 basic financial statements. The accompanying schedule of expenditures of State of Tennessee financial assistance as required by the State of Tennessee is also not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards and State of Tennessee financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Memphis, Tennessee
March 29, 2023

SHELBY COUNTY HEALTH CARE CORPORATION
(A Component Unit of Shelby County, Tennessee)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

<u>Federal sponsor/program title</u>	<u>CFDA</u>	<u>Pass-through award number</u>	<u>Pass-through entity</u>	<u>Direct expenditures</u>	<u>Pass-through expenditures</u>	<u>Federal expenditures</u>
U.S. Department of Health and Human Services:						
COVID-19 Provider Relief Fund*	93.498	N/A	N/A	\$ 1,549,247	—	1,549,247
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	FCPASCC-09-10.1	Le Bonheur Community Health and Well-Being	—	60,000	60,000
HIV Care Formula Grants	93.917	RFSH 343.4487-10	State of Tennessee	—	662,668	662,668
HIV Emergency Relief Project Grants*	93.914	1009.898C	Shelby County Government	—	1,776,003	1,776,003
Outpatient Early Intervention Services with Respect to HIV: Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	N/A	827,801	—	827,801
COVID-19 Coronavirus Relief Fund	21.019	N/A	Tennessee Department of Health	—	1,296,000	1,296,000
U.S. Department of the Treasury:						
COVID-19 Coronavirus State and Local Fiscal Recovery Funds*	21.027	N/A	City of Memphis, Tennessee	—	2,000,000	2,000,000
Total federal expenditures				<u>\$ 2,377,048</u>	<u>5,794,671</u>	<u>8,171,719</u>

N/A – not applicable

* Denotes a major program.

See accompanying Independent Auditors' Report.

See accompanying notes to Schedules of Expenditures of Federal Awards and Expenditures of State of Tennessee Financial Assistance.

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Schedule of Expenditures of State of Tennessee Financial Assistance

Year ended June 30, 2022

<u>Program name</u>	<u>CFDA number</u>	<u>Contract number</u>	<u>Award amount</u>	<u>Accrued (deferred) revenue June 30, 2021</u>	<u>Cash receipts</u>	<u>Transfers in</u>	<u>Disbursements</u>	<u>Refunds to grantors/ other</u>	<u>Transfers out</u>	<u>Accrued (deferred) revenue June 30, 2022</u>
Tennessee Department of Health and Human Services:										
HIV Care Formula Grants	93.917	GR-20-67253-01	\$ 955,700	225,771	(553,609)	—	537,030	—	—	209,192
HIV Care Formula Grants	93.917	GR-20-67253-01	762,800	—	—	—	125,638	—	—	125,638
COVID-19 Coronavirus Relief Fund*	21.019	NONE	1,296,000	—	(1,296,000)	—	1,296,000	—	—	—
COVID-19 Coronavirus State and Local Fiscal Recovery Funds*	21.027	NONE	2,000,000	—	(2,000,000)	—	2,000,000	—	—	—
Total State of Tennessee Financial Assistance			<u>\$ 5,014,500</u>	<u>225,771</u>	<u>(3,849,609)</u>	<u>—</u>	<u>3,958,668</u>	<u>—</u>	<u>—</u>	<u>334,830</u>

See accompanying Independent Auditors' Report.

See accompanying notes to Schedules of Expenditures of Federal Awards and Expenditures of State of Tennessee Financial Assistance.

SHELBY COUNTY HEALTH CARE CORPORATION
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Notes to Schedules of Expenditures of Federal Awards and Expenditures of
State of Tennessee Financial Assistance

Year ended June 30, 2022

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of Shelby County Health Care Corporation (d/b/a Regional One Health) under programs of the federal government for the year ended June 30, 2022. The accompanying Schedule of Expenditures of State of Tennessee Financial Assistance (collectively with the Schedule of Expenditures of Federal Awards, the "Schedules") summarizes the expenditures of Regional One Health under programs of the state government for the year ended June 30, 2022. The amounts reported as federal and state expenditures in the Schedules were obtained from Regional One Health's general ledger. Because the Schedules present only a selected portion of the operations of Regional One Health, they are not intended to, and do not, present the financial position, results of operations, changes in net position, and cash flows of Regional One Health.

For purposes of the Schedules, federal awards include all grants, contracts, and similar agreements entered into directly between Regional One Health and agencies and departments of the federal government and all subawards to Regional One Health by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The information in the Schedule of Expenditures of Federal Awards is presented in accordance with 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).

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the accrual basis of accounting. 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. Regional One Health has not elected to utilize a de minimis indirect cost rate of 10% of total direct costs.

(3) Federal Loan and Loan Guarantee Programs

Regional One Health did not expend any federal funds to support loan programs or loan guarantee programs. Regional One Health does not have federal loan balances outstanding as of June 30, 2022.

SHELBY COUNTY HEALTH CARE CORPORATION
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Schedule of Findings and Questioned Costs

Year ended June 30, 2022

(1) Summary of Auditors' Results

Type of auditors' report issued on whether the basic financial statements were prepared in accordance with U.S. generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified not considered to be material weaknesses? _____ yes x none noted

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified not considered to be material weaknesses? x yes _____ none noted

Type of auditors' report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of federal program or cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
93.914	HIV Emergency Relief Project Grants
93.498	COVID-19 Provider Relief Fund

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

Auditee qualified as low-risk auditee? x yes _____ no

(2) Findings Related to the Financial Statements Reported in Accordance with *Government Accounting Standards*

None.

SHELBY COUNTY HEALTH CARE CORPORATION

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Schedule of Findings and Questioned Costs

Year ended June 30, 2022

(3) Findings and Questioned costs Relating to Federal Rewards

Finding 2022-001

Management's review of allowable costs

Federal Programs:

COVID-19 Coronavirus State and Local Fiscal Recovery Funds

CFDA No.:

21.027

Federal Agency:

U.S. Department of the Treasury

Federal Award Years:

CFDA 21.027 – March 3, 2022 – December 31, 2024

Criteria

45 CFR section 75.303 (a) states the non-federal entity must:

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 or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

45 CFR section 75.303 (b) states the non-federal entity must:

Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Recipients of coronavirus state and local fiscal recovery funds must support all expenses with adequate documentation and maintain proper control documentation to substantiate that these funds were used for health care-related expenses.

Condition

Management reviews quarterly expenditure reports to ensure compliance with the laws and regulations of the federal program, specifically the allowability of the related expenditures. There was no evidence of review of the expenditure reports.

Cause and Effect

ROH's controls were not designed or implemented effectively to maintain evidence of management's review, and the issue stems from the fact the review took place verbally. This level of review results in the inability to show evidence that the review has taken place. By ROH not providing evidence of the review of

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Schedule of Findings and Questioned Costs

Year ended June 30, 2022

the expenditure reports, the appropriate review procedures may be insufficient in evaluating ROH's compliance with the laws and regulations of the federal program.

Questioned Cost

None.

Statistically Valid Sample

The sample was not intended to be, and was not, a statistically valid sample.

Identification of whether the audit finding is a repeat of a finding in the immediately prior audit.

This is not a repeat finding.

Recommendation

We recommend that management implement appropriate controls and processes to ensure that once all costs incurred by the grant are properly reviewed for allowability that the evidence of review is maintained.

Management's Response

ROH will implement controls and processes to ensure all costs are manually reviewed and approved to ensure allowability under the grant and that evidence of review is maintained.

Finding No. 2022-002

Management review of grant report submissions

Federal Programs:

COVID-19 Coronavirus State and Local Fiscal Recovery Funds, COVID-19 Provider Relief Fund

CFDA No.:

21.027, 93.498

Federal Agency:

U.S. Department of the Treasury, U.S. Department of Health and Human Services

Federal Award Years:

CFDA 21.027 – March 3, 2022 – December 31, 2024

CFDA 93.498 – January 1, 2021 – December 31, 2022

Criteria

45 CFR section 75.303 (a) states the non-federal entity must:

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

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compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

45 CFR section 75.303 (b) states the non-federal entity must:

Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Recipients of provider relief funds and coronavirus state and local fiscal recovery funds must support all expenses with adequate documentation and maintain proper control documentation to substantiate that these funds were used for health care-related expenses or lost revenues attributable to coronavirus.

Condition

Management reviews grant reports prior to their submission to the U.S. Department of Health and Human Services or the City of Memphis, Tennessee to ensure compliance with the laws and regulations of the federal program. There was no evidence of review of the grant report submissions.

Cause and Effect

ROH’s controls were not designed or implemented effectively to maintain evidence of management’s review, and the issue stems from the fact the review took place verbally. This level of review results in the inability to show evidence that the review has taken place. By ROH not providing evidence of the review of the grant report submissions, the appropriate review procedures may be insufficient in evaluating ROH’s compliance with the laws and regulations of the federal program.

Questioned Cost

None.

Statistically Valid Sample

The sample was not intended to be, and was not, a statistically valid sample.

Identification of whether the audit finding is a repeat of a finding in the immediately prior audit.

This is a repeat finding.

Recommendation

We recommend that management implement appropriate controls and processes to ensure that once the grant reports are reviewed prior to submission that the evidence of review is maintained.

Management’s Response

ROH will implement controls and processes to ensure grant reports are reviewed prior to submission and that evidence of review is maintained.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Finding 2022-003

Management's review of program income

Federal Programs:

HIV Emergency Relief Project Grants

CFDA No.:

93.914

Federal Agency:

U.S. Department of Health and Human Services

Federal Award Years:

CFDA 93.914 – March 1, 2021 – February 28, 2022

March 1, 2022 – February 28, 2023

Criteria

Per 2 CFR section 280 (and as clarified by Health Resources and Services Administration Program Clarification Notice 15-03), program income, which is defined as all income directly generated by the supported activity, should be added to the federal award by the grantee, and subjected to the same terms, conditions, and regulations applicable to the federal award itself.

Condition

Regional One Health has an established control to review program income prior to submission to the granting agency, but did not effectively review program income prior to submission to the granting agency

Cause and Effect

We noted that internal controls had not been appropriately designed and implemented to mitigate the risk of noncompliance with federal program income requirements. The deficiency in internal controls over program income could result in Regional One Health failing to comply with the applicable compliance provisions.

Questioned Cost

None.

Statistically Valid Sample

The sample was not intended to be, and was not, a statistically valid sample.

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Year ended June 30, 2022

Identification of whether the audit finding is a repeat of a finding in the immediately prior audit.

This is not a repeat finding.

Recommendation

We recommend that management reviews program income to ensure compliance with the applicable program income provisions and that evidence of the review is maintained.

Management's Response

ROH will implement controls and processes to ensure program income calculations are manually reviewed and approved to ensure appropriateness under the grant and that evidence of review is maintained.