

Audit Report

Benzie-Leelanau District Health Department
Family Planning and WIC Programs

October 1, 2009 – September 30, 2010



Office of Audit
Quality Assurance and Review
August 2011



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
OFFICE OF AUDIT
400 S. PINE, LANSING, MI 48933

OLGA DAZZO
DIRECTOR

August 31, 2011

William A. Crawford, RS, MSA, Health Officer
Benzie-Leelanau District Health Department
6051 Frankfort Highway
Benzonia, Michigan 49617

Dear Mr. Crawford,

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Benzie-Leelanau District Health Department Family Planning and WIC Programs for the period October 1, 2009 through September 30, 2010.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and corrective action plans. The conclusions, findings, and recommendations are organized by audit objective. The corrective action plans include the agency's paraphrased response to the Preliminary Analysis, and the Office of Audit's response to those comments where necessary.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in black ink that reads 'Debra S. Hallenbeck'.

Debra S. Hallenbeck, Manager
Quality Assurance and Review
Office of Audit

Enclosure

cc: Stan Bien, Director, WIC Division
Paulette Dobyne Dunbar, Manager, Division of Family and Community Health
Pam Myers, Director, Office of Audit
Keith Rubley, Auditor, Office of Audit

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DESCRIPTION OF AGENCY

The Benzie-Leelanau District Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Benzie County, which is the reporting entity, and the administrative office is located in Benzonia, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of Benzie and Leelanau Counties. The Health Department provides community health program services to the residents of both counties. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease Control, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Women Infant and Children Supplemental Food Program (WIC), Bioterrorism/Emergency Preparedness, Medicaid Outreach, and Family Planning Program.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs administered through the Michigan Department of Community Health (MDCH), which consist of federal and state funds. MDCH provides the Health Department with grant funding monthly based on Financial Status Reports in accordance with the terms and conditions of each grant agreement and budget.

The Family Planning Program was funded by MDCH Grant Funds, First and Third Party Fees and Collections, Local and Other revenue. Grant funding from MDCH for the Family Planning Program is federal funding under federal catalog number 93.217, and is subject to performance requirements. That is, reimbursement from MDCH is based upon the understanding that a certain level of performance (measured in caseload established by MDCH) must be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

The WIC Program was funded by MDCH Grant Funds, Third Party Fees and Collections, and Local funding. Grant funding from MDCH for the WIC Program is federal funding under federal catalog number 10.557, and is first source funding subject to performance requirements.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Family Planning Program and WIC Program internal controls and financial reporting, and to determine the MDCH shares of Family Planning Program and WIC Program costs. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness in establishing and implementing internal controls over the Family Planning and WIC Programs.

2. To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH shares of cost for the Family Planning and WIC Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

SCOPE AND METHODOLOGY

We examined the Health Department's records and activities for the fiscal period October 1, 2009 to September 30, 2010. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit Report for any Family Planning Program or WIC Program concerns.
- Completed an internal control questionnaire.
- Reconciled the Family Planning Program and WIC Program Financial Status Report (FSR) 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 building space costs for proper reporting and compliance with Federal requirements.
- Reviewed Family Planning Medical Supply inventory records.
- Reviewed Family Planning billing and collection of fees, and collection of donations.

Our audit did not include a review of program content or quality of services provided.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

INTERNAL CONTROLS

Objective 1: To assess the Health Department's effectiveness in establishing and implementing internal controls over the Family Planning and WIC Programs.

Conclusion: The Health Department was generally effective in establishing and implementing internal controls over the Family Planning and WIC Programs; however, three exceptions were noted relating to the Family Planning Program. We noted that income amounts were not documented for all clients (Finding 1), a minor receiving confidential services that was eligible for a 100% discount was charged for supplies and services (Finding 2), and billing rates were not sufficient to recover cost (Finding 3).

Finding

1. Income Amounts Not Requested of All Clients

The Health Department did not document income amounts of all Family Planning Program clients in violation of Family Planning Program requirements.

During the review of Family Planning client encounter forms, it was noted that income amounts were not requested of clients whose charges were billed to a third party.

The “Program Guidelines for Project Grants for Family Planning Services” issued by the United States Department of Health and Human Services, PART I, Section 6.3; and the Michigan Title X Family Planning Program Standards & Guidelines Manual, Section III, Part I, 6.3.1 states:

...Clients must not be denied project services or be subjected to any variation in quality of services because of the inability to pay. Billing and collection procedures must have the following characteristics:...Individual eligibility for a discount must be documented in the client’s financial record...Client income should be re-evaluated at least annually.

Additionally, due to the requirement of reporting Family Planning Program users by income level on Table 4 of the Family Planning Annual Report (FPAR), it is imperative that income amounts of all Family Planning Program clients be obtained regardless of third party payments. Data collected on the FPAR is used to monitor compliance with legislative mandates, such as giving priority in the provision of services to low-income persons.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that all clients’ income amounts are documented and evaluated at least annually.

Finding

2. Improper Charges for Minor’s Confidential Services

The Health Department requested and received payment from a minor for Family Planning Services even though the minor was eligible for a 100% discount based on income of the minor in violation of Family Planning Program requirements.

The minor had requested an IUD contraceptive, which is an acceptable contraceptive method. All available information indicated that the minor was seeking confidential services. The minor paid for the contraceptive and for the insertion fee even though her annual income made her eligible for a 100% discount. The total cost to the minor was \$284.

In the “Program Guidelines for Project Grants for Family Planning Services” issued by the United States Department of Health and Human Services, PART I, Section 6.3 states:

... Clients must not be denied project services or be subjected to any variation in quality of services because of the inability to pay. Billing and collection procedures must have the following characteristics:...(3) Clients whose documented income is at or below 100% of the Federal poverty level must not be charged,... (8) Eligibility for discounts for minors who receive confidential services must be based on the income of the minor.

Additionally, the Health Department’s own Financial Management Policy states that only if a minor has parental permission to seek contraceptive services and if the minor knows his/her family income, the charge for the minors is based upon the parent’s income. Otherwise, a minor’s income is counted as his or her own income.

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure adherence to their Financial Management Policy and the Program Guidelines regarding the charging of confidential services to minors based solely on the minor’s income. Also, the Health Department should make every reasonable effort to reimburse the minor for the payments improperly collected.

Finding

3. Billing Rates Not Sufficient to Recover Cost

The Health Department’s billing rates for family planning services and supplies were generally too low to recover cost. Therefore, clients from households with an annual income that exceeded 250 % of the poverty guideline were not charged for the reasonable cost of providing services as required by Title X regulations.

For our test, we multiplied the billing rate for each service and supply times the number of times each service/supply was provided during the year. This determined the maximum annual recovery if every client was billed (and paid) the maximum amount billable per the fee schedule. When this was compared to the total reported cost of \$125,682 we found the rates used would not recover \$18,484 of the cost (see Cost vs. Amounts Billed for Supplies and Services Schedule).

Title X regulations at 42CFR59.5 (a) state, in part:

*...Each project supported under this part must:
...(8) Provide that charges will be made for services to persons other than those from low-income families in accordance with a fee schedule of discounts based on ability to pay, except that charges to persons from families whose annual income exceeds 250 percent of the levels set forth in the most recent Poverty Guidelines...will be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services....*

Because the Health Department fee schedule can not recover the total cost of services and supplies, amounts charged to persons from families whose annual income exceeds 250 percent of the Poverty Guidelines will not recover the reasonable cost of providing services.

The estimated effect is that a small amount potentially recoverable from clients was paid from local revenues. Because the amount recovered from all clients was \$5,534, and billing rates were about 14.7% under cost, we can estimate the effect was less than \$1,000 for the year.

Recommendation

We recommend that the Health Department comply with the Title X regulations by increasing its billing rates to an amount that is sufficient to recover the reasonable cost of services.

FINANCIAL REPORTING

Objective 2: To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department generally reported their Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles. We noted one exception in WIC salary and wage expense reporting (Finding 4).

Finding

4. WIC Salary and Wages Understated

The Health Department did not report all applicable WIC Program wages for an employee who reported working on WIC related activities in violation of contract and Federal regulation requirements.

At year end the Health Department made an adjustment to Salary and Wages in the amount of \$1,500 to account for the above mentioned activity. Based on the actual reported time, the additional amount charged to Salary and Wages should have been \$4,966.

The Health Department's agreement with MDCH, Part II, Section IV. D. requires that the FSR includes total actual program expenditures regardless of the source of funds. Additionally, the Health Department's agreement with MDCH, Part II, Section III. A. requires that the Health Department comply with all applicable general administrative requirements such as OMB Circulars covering cost principles. OMB Circular A-87 (located at 2 CFR Part 225), Appendix A, states the following with respect to the cost of Federal awards:

D. Composition of Cost

1. *Total cost. The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits...*

E. Direct Costs

1. *General. Direct costs are those that can be identified specifically with a final cost objective.*
2. *Application. Typical direct costs chargeable to Federal awards are:*
 - a. *Compensation of employees for the time devoted and identified specifically to the performance of those awards.*

Recommendation

We recommend that the Health Department implement policies and procedures to ensure wages are reported properly to the appropriate programs as they occur.

MDCH SHARE OF COSTS AND BALANCE DUE

Objective 3: To determine the MDCH shares of cost for the Family Planning and WIC Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

Conclusion: The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2010 is \$32,285 and under the WIC Program is \$137,935. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting the Family Planning Program, and one adjustment affecting the WIC Program (Finding 4), but it had no impact on MDCH funding.

Benzie-Leelanau District Health Department
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/09 - 9/30/10

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$32,285	\$32,285 ¹	\$0	\$32,285
Fees 1 st & 2 nd Party	\$6,000	\$5,534	\$0	\$5,534
Fees & Collections – 3 rd Party	\$29,500	\$25,292	\$0	\$25,292
Fed/State Funding (Non-MDCH)	\$9,356	\$9,203	\$0	\$9,203
Local Non - LPHO	\$111	\$146	\$0	\$146
Local Funds - Other	\$45,807	\$53,223	\$0	\$53,223
Miscellaneous Income	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$123,059	\$125,683	\$0	\$125,683
EXPENDITURES:				
Salary and Wages	\$42,106	\$41,802	\$0	\$41,082
Fringe Benefits	\$17,431	\$16,275	\$0	\$16,275
Supplies	\$21,375	\$23,885	\$0	\$23,885
Travel	\$750	\$1,047	\$0	\$1,047
Communications	\$400	\$349	\$0	\$349
Other Expenses	\$4,487	\$4,735	\$0	\$4,735
Space Cost	\$9,828	\$12,264	\$0	\$12,264
Admin Overhead	\$10,530	\$10,582	\$0	\$10,582
Nursing Administration	\$16,521	\$15,463	\$0	\$15,463
TOTAL EXPENDITURES	\$123,059	\$125,682	\$0	\$125,682

¹ Actual MDCH payments provided on a performance reimbursement basis.

**Benzie-Leelanau District Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/09 - 9/30/10**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$137,935	\$137,935 ¹	\$0	\$137,935
Fees & Collections – 3 rd Party	\$1,000	\$1,024	\$0	\$1,024
Local Funding	\$4,683	\$745	\$3,466	\$4,211
TOTAL REVENUES	\$143,618	\$139,704	\$3,466	\$143,170
EXPENDITURES:				
Salary and Wages	\$58,672	\$53,647	\$3,466 ²	\$57,113
Fringe Benefits	\$24,289	\$20,767	\$0	\$20,767
Supplies	\$1,125	\$1,585	\$0	\$1,585
Travel	\$1,800	\$2,563	\$0	\$2,563
Communications	\$1,066	\$902	\$0	\$902
Other Expenses	\$1,800	\$2,790	\$0	\$2,790
Space Cost	\$17,689	\$23,141	\$0	\$23,141
Admin Overhead	\$14,673	\$13,729	\$0	\$13,729
Nursing Administration	\$22,504	\$20,582	\$0	\$20,582
TOTAL EXPENDITURES	\$143,618	\$139,706	\$3,466	\$143,172

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Salary and Wage adjustment based on activity report (Finding 4).

**Benzie-Leelanau District Health Department
Family Planning
Costs vs. Amounts Billed for Supplies and Services Schedule
10/1/09 - 9/30/10**

<u>SAC#</u>	<u>Code</u>	<u>Procedure</u>	<u>Total Quantity</u>	<u>Price</u>	<u>Total</u>
3044	99201	Problem Focused	22	\$68.00	\$1,496.00
3043	99202	Expanded Problem Focused	40	\$116.00	\$4,640.00
3002	99203	Detailed	32	\$168.00	\$5,376.00
3040	99384	Initial – 12-17	12	\$176.00	\$2,112.00
3001	99385	Initial – 18-39	58	\$176.00	\$10,208.00
3041	99386	Initial – 40-64	2	\$204.00	\$408.00
3051	99211	Office Visit 5 min.	261	\$32.00	\$8,352.00
3050	99212	Office Visit 10 min.	67	\$68.00	\$4,556.00
3004	99213	Office Visit 15 min.	56	\$112.00	\$6,272.00
3046	99394	Annual Visit 12-17	14	\$152.00	\$2,128.00
3003	99395	Annual Visit 18-39	167	\$152.00	\$25,384.00
3047	99396	Annual Visit 40-64	5	\$168.00	\$840.00
3011	81025	Urine Preg Test	71	\$8.00	\$568.00
3007	81000	Urinalysis Dip	9	\$4.00	\$36.00
3013	87207	Herpes Test	5	\$8.00	\$40.00
3008	88164	Pap Test	222	\$32.00	\$7,104.00
3016	56501	TCA Application	5	\$20.00	\$100.00
3006	85018	Hemoglobin	1	\$4.00	\$4.00
3010	87210	Wet Prep	44	\$8.00	\$352.00
3500	A4993	Oral Contraceptives	945	\$12.00	\$11,340.00
3657	J1055	Depo	238	\$12.00	\$2,856.00
3621	J7303	Nuva Ring	192	\$28.00	\$5,376.00
3031	58300	IUD Insertion	19	\$56.00	\$1,064.00
3032	58301	IUD Removal	9	\$60.00	\$540.00
3639	58300	IUD Copper	4	\$228.00	\$912.00
3640	58301	IUD Levonorgestrel	14	\$360.00	\$5,040.00
3502	A4267	Condoms	94	\$1.00	\$94.00
					\$107,198.00
		Total Expenses			\$125,682.00
		(Shortfall)/Excess			(\$18,484.00)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Income Amounts Not Requested of All Clients**

The Health Department did not document income amounts of all Family Planning Program clients in violation of Family Planning Program requirements.

Recommendation: Implement policies and procedures to ensure that all clients' income amounts are documented and evaluated at least annually.

Comments: None.

Corrective Action: All Health Department Family Planning staff members have been reminded of the importance of asking and documenting income on all clients, even those with insurance.

Anticipated Completion Date: Completed.

MDCH Response: Monitoring procedures should be implemented to ensure staff members are documenting clients' income amounts as required.

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: **Improper Charges for Minor's Confidential Services**

The Health Department requested and received payment from a minor for Family Planning Services even though the minor was eligible for a 100% discount based on income of the minor in violation of Family Planning Program requirements.

Recommendation: Adopt policies and procedures to ensure adherence to the Health Department's Financial Management Policy and the Program Guidelines regarding the charging of confidential services to minors based solely on the minor's income. Also, make every reasonable effort to reimburse the minor for the payments improperly collected.

Comments: The current Health Department Family Planning Financial Policies state, *"If the client is a minor requesting confidential services, then the charges for that minor are based on the resources of the minor. If confidentiality is not a concern, charges are based on family income."* Additionally, the Health Department attempted to reimburse the client, but she insisted on not accepting reimbursement.

Corrective Action: Health Department staff members have been reminded of the policy for a minor requesting confidential services. Health Department staff will follow the policy.

Anticipated Completion Date: Completed.

MDCH Response: Monitoring procedures should be implemented to ensure charges comply with Family Planning Program requirements.

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: **Billing Rates Not Sufficient to Recover Cost**

The Health Department's billing rates for family planning services and supplies were generally too low to recover cost. Therefore, clients from households with an annual income that exceeded 250 % of the poverty guideline were not charged for the reasonable cost of providing services as required by Title X regulations.

Recommendation: Comply with the Title X regulations by increasing billing rates to an amount that is sufficient to recover the reasonable cost of services.

Comments: Each year, the Health Department increases their fees to ultimately get to the point where the billing rates for services and supplies recover program costs. This incremental increase is fair to the clients and will eventually lead us to meeting this goal. If fees are increased in a way that is not incremental, clients will be surprised by the cost increase, will not be able to pay the fee requested, and the "bad debt" for the health department will increase.

Corrective Action: Continue to incrementally increase fees each year to ultimately get to the point where the billing rates for services and supplies recover program cost.

Anticipated Completion Date: Ongoing and currently in progress.

MDCH Response: None.

Corrective Action Plan

Finding Number: 4

Page Reference: 5

Finding: WIC Salary and Wages Understated

The Health Department did not report all applicable WIC Program wages for an employee who reported working on WIC related activities in violation of contract and Federal regulation requirements.

Recommendation: Implement policies and procedures to ensure wages are reported properly to the appropriate programs as they occur.

Comments: This error was recognized after the end of the previous fiscal year. Employee distribution tables are adjusted quarterly. Future adjustments will be made within the current fiscal year.

Corrective Action: Employee time reports will be done on a quarterly basis and employee distribution tables adjusted accordingly.

**Anticipated
Completion Date:** Completed.

MDCH Response: None.