

Audit Report

Benzie-Leelanau District Health Department
WIC, WIC Breastfeeding, WIC Migrant, and Family Planning Programs

October 1, 2013 September 30, 2014



Office of Audit
Quality Assurance and Review
September 2015



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

September 28, 2015

Dodie Putney, Interim Health Officer / Director of Administrative Services
Benzie-Leelanau District Health Department
6051 Frankfort Highway
Benzonia, Michigan 49617

Dear Ms. Putney:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Benzie-Leelanau District Health Department Family Planning and WIC Programs for the period October 1, 2013 through September 30, 2014.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statements of 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 cursive script that reads 'Debra S. Hallenbeck'.

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

Enclosure

cc: Stan Bien, Director, WIC Division
Paulette Dobyne Dunbar, Manager, Division of Family and Community Health
Deanna Charest, Manager, Reproductive and Preconception Health Unit
Pam Myers, Director, Bureau of Audit, Reimbursement and Quality Assurance
Kaycie Strawn, Auditor, Quality Assurance and Review
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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 from Benzie and Leelanau Counties. The Health Department provides community health program services to the residents of Benzie and Leelanau Counties.

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). MDCH provided 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 WIC Program was funded by MDCH Grant Funds and Other Local Funds. Grant funding from MDCH for the WIC Program is federal funding under federal catalog number 10.557.

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 was based upon the understanding that a certain level of performance (measured in caseload established by MDCH) had to 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.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the WIC and Family Planning Programs internal controls and financial reporting, and to determine the MDCH shares of WIC Program and Family Planning 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 WIC and Family Planning Programs.
2. To assess the Health Department's effectiveness in reporting their WIC Program and Family Planning 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 WIC and Family Planning 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, 2013 to September 30, 2014. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any WIC Program or Family Planning Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the WIC and Family Planning 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 indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed WIC equipment inventory and general Health Department equipment 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 WIC and Family Planning Programs.

Conclusion: The Health Department was generally effective in establishing and implementing internal controls over the WIC and Family Planning Programs. We noted one exception related to the establishment of the fee schedule for the Family Planning Program (Finding 1).

Finding

1. Fee Schedule Not Based on Cost Analysis (Repeat)

The Health Department could not show that a recent cost analysis was used to develop their fee schedule.

The MDCH Title X Family Planning Program Standards & Guidelines Manual (2013), Section 6.3.1 Charges, Billings, and Collections states:

Delegate agencies must to develop a process which utilizes a recent cost analysis of all services provided by the project to develop a fee schedule designed to recover the reasonable costs of providing services. To be recent, a cost analysis should be conducted within three years, or within one year following major changes to the program.

The fee schedule was not based on a recent cost analysis. This was also noted in the prior MDCH audit (FYE 2012), and the Health Department responded that an in depth analysis was to be completed in the fall of 2013. However, the Health Department could not show that a recent cost analysis was used to develop their fee schedule.

Recommendation

We recommend that the Health Department perform a cost analysis, and ensure the fee schedule is designed to recover the reasonable costs of providing services as required by 42 CFR 59.5(a)(8). We also recommend the Health Department document their process for determining how the schedule of fees is designed to recover the reasonable cost of providing services as required by the MDCH Title X Family Planning Program Standards & Guidelines Manual (2014).

FINANCIAL REPORTING

Objective 2: To assess the Health Department's effectiveness in reporting their WIC and Family Planning Programs 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 WIC and Family Planning Programs 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 related to the reporting of fees and collections for the Family Planning Program (Finding 2).

Finding

2. Fees And Collections Improperly Reported on the Accrual Basis

The Health Department did not properly report fees and collections on the cash basis on their Family Planning Program FSR.

The Health Department's contract with MDCH (Part II, Section IV, Part D) requires all FSRs to be prepared in accordance with the Department's FSR Instructions. The FSR Form Preparation Instructions states:

The Financial Status Report is to be prepared reporting expenditures on a cash or accrued basis and revenue on an accrued basis, with the exception of fees which should be reported on the cash basis as received.

The Health Department reported fees and collections from 1st and 3rd parties and Medicaid Cost-Based Reimbursements for the Family Planning Program on the FSR on the accrual basis.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that fees and collections are reported on the FSR on the cash basis.

MDCH SHARES OF COST AND BALANCE DUE

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

Conclusion: The MDCH obligations under the WIC, WIC Breastfeeding, WIC Migrant and Family Planning Programs for fiscal year ended September 30, 2014 were \$109,917; \$21,434; \$19,319; and \$27,705; respectively. The attached Statements of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC, WIC Breastfeeding, WIC Migrant, or Family Planning grant program funding.

Benzie-Leelanau District Health Department
WIC Resident Services
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$109,917	\$109,917 ¹		\$109,917
Fees & Collections - 3rd Party	\$650	\$768		\$768
Local Funds - Other	\$44,010	\$71,284		\$71,284
TOTAL REVENUES	\$154,577	\$181,969	\$0	\$181,969
EXPENDITURES:				
Salary & Wages	\$52,849	\$70,656		\$70,656
Fringe Benefits	\$25,352	\$30,482		\$30,482
Supplies & Materials	\$4,052	\$3,282		\$3,282
Travel	\$2,522	\$3,025		\$3,025
Communication	\$703	\$824		\$824
Space Costs	\$16,560	\$15,560		\$15,560
Other	\$1,353	\$1,005		\$1,005
Indirect Costs	\$17,061	\$19,675		\$19,675
Other Costs Distributions	\$34,125	\$37,460		\$37,460
TOTAL EXPENDITURES	\$154,577	\$181,969	\$0	\$181,969

¹ Actual MDCH payments.

Benzie-Leelanau District Health Department
WIC Breastfeeding
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$23,000	\$21,434 ¹		\$21,434
Local Funds - Other		\$1,000		\$1,000
TOTAL REVENUES	\$23,000	\$22,434	\$0	\$22,434
EXPENDITURES:				
Salary & Wages	\$831	\$783		\$783
Fringe Benefits	\$515	\$660		\$660
Contractual	\$0	\$9,823		\$9,823
Supplies & Materials	\$656	\$1,059		\$1,059
Travel	\$1,531	\$1,178		\$1,178
Communication	\$127	\$231		\$231
Space Costs	\$3,225	\$3,150		\$3,150
Other	\$15,233	\$4,728		\$4,728
Indirect Costs	\$882	\$283		\$283
Other Costs Distributions	\$0	\$538		\$538
TOTAL EXPENDITURES	\$23,000	\$22,434	\$0	\$22,434

¹ Actual MDCH payments.

Benzie-Leelanau District Health Department
WIC Migrant
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$24,171	\$19,319 ¹		\$19,319
Local Funds - Other	\$2,710	\$0		\$0
TOTAL REVENUES	\$26,881	\$19,319	\$0	\$19,319
EXPENDITURES:				
Salary & Wages	\$9,748	\$6,995		\$6,995
Fringe Benefits	\$4,687	\$3,049		\$3,049
Contractual	\$0	\$0		\$0
Supplies & Materials	\$800	\$865		\$865
Travel	\$701	\$593		\$593
Communication	\$777	\$448		\$448
Space Costs	\$0	\$1,258		\$1,258
Other	\$720	\$398		\$398
Indirect Costs	\$3,149	\$1,970		\$1,970
Other Costs Distributions	\$6,299	\$3,742		\$3,742
TOTAL EXPENDITURES	\$26,881	\$19,319	\$0	\$19,319

¹ Actual MDCH payments.

Benzie-Leelanau District Health Department
Family Planning
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$17,262	\$17,262 ¹		\$17,262
MDCH Grant	\$10,443	\$10,443 ¹		\$10,443
Fees & Collections - 1st & 2nd Party	\$2,000	\$4,692		\$4,692
Fees & Collections - 3rd Party	\$15,000	\$18,286		\$18,286
Federal Cost Based Reimbursement	\$14,821	\$15,643		\$15,643
Local Funds - Other	\$24,024	\$17,585		\$17,585
Local Funds - Other - Pharmaceutical	\$5,557	\$714		\$714
TOTAL REVENUES	\$89,107	\$84,625	\$0	\$84,625
EXPENDITURES:				
Salary & Wages	\$17,358	\$20,159		\$20,159
Fringe Benefits	\$8,404	\$8,809		\$8,809
Supplies & Materials	\$3,289	\$762		\$762
Supplies & Materials - Pharmaceutical	\$16,000	\$11,157		\$11,157
Travel	\$2,208	\$2,301		\$2,301
Communication	\$572	\$236		\$236
Space Costs	\$9,968	\$9,719		\$9,719
Other	\$14,445	\$15,065		\$15,065
Indirect Costs	\$5,621	\$5,657		\$5,657
Other Costs Distributions	\$11,242	\$10,759		\$10,759
TOTAL EXPENDITURES	\$89,107	\$84,625	\$0	\$84,625

¹ Actual MDCH payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: Fee Schedule Not Based on Cost Analysis (Repeat)

The Health Department could not show that a recent cost analysis was used to develop their fee schedule.

Recommendation: Perform a cost analysis, and ensure the fee schedule is designed to recover the reasonable costs of providing services as required by 42 CFR 59.5(a)(8). Document the process for determining how the schedule of fees is designed to recover the reasonable cost of providing services as required by the MDCH Title X Family Planning Program Standards & Guidelines Manual (2014).

Comments: The Health Department had confusion that the Family Planning Program cost study report was the same as a cost analysis.

Corrective Action: The Health Department now has the tools in place to perform a cost analysis to update their fee schedule. The Health Department will continue to perform a cost analysis every three years.

Anticipated

Completion Date: December 31, 2015

MDHHS Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: Fees and Collections Improperly Reported on Accrual Basis

The Health Department did not properly report fees and collections on the cash basis on their Family Planning Program FSR.

Recommendation: Implement policies and procedures to ensure that fees and collections are reported on the FSR on the cash basis.

Comments: None

Corrective Action: Revenue accounts will reflect money collected. Family Planning FSR will reflect cash basis on fees and collections.

**Anticipated
Completion Date:** July 2015

MDHHS Response: None