

Audit Report

Family Planning Association of Allegan County
Family Planning Program

October 1, 2007 – September 30, 2008



Office of Audit
Quality Assurance and Review Section
September 2009



JENNIFER M. GRANHOLM
GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

September 16, 2009

Sharon Bradley, Executive Director
Family Planning Association of Allegan County
3255 122nd Avenue
Allegan, Michigan 49010

Dear Ms. Bradley:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Family Planning Association of Allegan County Family Planning Program for the period October 1, 2007 through September 30, 2008.

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

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in cursive script that reads 'David W. Figg, for'.

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

Enclosure

cc: Paulette Dobyne Dunbar, Manager, Division of Family and Community Health
Pam Myers, Director, Office of Audit
David Figg, Audit Manager, Office of Audit

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DESCRIPTION OF AGENCY

The Family Planning Association of Allegan County (“Association”) is organized as a not-for-profit agency, under the provisions of 501(c)(3) of the Internal Revenue Code. The Association’s administrative office is located in Allegan, Michigan. The Association operates under the legal supervision and control of its Board of Directors. The Association provides family planning and women’s health services to residents of Allegan County.

FUNDING METHODOLOGY

The Association services are funded from local sources, 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 Association with grant funding monthly, based on Financial Status Reports, in accordance with the terms and conditions of the grant agreement and budget.

The Family Planning Program was funded by MDCH Grant Funds, First and Third Party Fees and Collections, and 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.

PURPOSE AND OBJECTIVES

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

1. To assess the Association’s effectiveness in establishing and implementing internal controls over the Family Planning Program.
2. To assess the Association’s effectiveness in reporting their Family Planning Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH share of costs for the Family Planning Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Association.

SCOPE AND METHODOLOGY

We examined the Association's records and activities for the fiscal period October 1, 2007 to September 30, 2008. Our review procedures included the following:

- Reviewed the most recent Association Financial Statement Audit report for any Family Planning Program concerns.
- Completed the internal control questionnaire.
- Reconciled the Family Planning Program Financial Status Report (FSR) to the accounting records.
- Tested a sample of expenditures for program compliance, and policy and approval procedures.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed payroll expenditures.
- Reviewed Medical Supply inventory controls.
- Reviewed 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 Association's effectiveness in establishing and implementing internal controls over the Family Planning Program.

Conclusion: The Association was generally effective in establishing and implementing internal controls over the Family Planning Program. However, we noted exceptions with controls over travel (Finding 1) and contractual agreements (Finding 2).

Finding

1. Lack of Complete Travel Policy and Adequate Travel Documentation

The Association does not have a complete travel policy or a travel voucher that is aligned with the policy.

The Association travel policy consists of one paragraph in the employee handbook regarding mileage reimbursement only, and the travel vouchers provide very limited information. The current vouchers lack the departing location, and lack employee and approval signatures.

The travel policy should address potential meal and hotel reimbursements if there are needs for out of county travel. The vouchers should include detailed point to point information, and should always be signed by the employee and the approving party evidencing approval before payment is made.

Recommendation

We recommend that the Association implement a complete travel policy and travel voucher that is aligned with the policy.

Finding

2. Expired Contracts

The Association does not maintain current contract agreements.

The Association does not have an agreement with Allegan County for space usage and office support, and clinician contracts are not updated annually.

The Association occupies space and receives office support from the Allegan County Health Department for \$798.92 and \$167.83 per month respectively. Also, the Association currently has a contractual part-time physician and several contractual part-time clinicians with outdated contracts.

Annual contracts for services and space usage will reduce the potential for disputes over responsibilities and reimbursement rates.

Recommendation

We recommend that the Association implement and maintain annual contracts for space and office support as well as physician and clinician services.

FINANCIAL REPORTING

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

Conclusion: The Association generally reported their Family Planning Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we noted an exception with the general ledger reconciliation (Finding 3).

Finding

3. Lack of General Ledger Reconciliation Documentation

The accounting records did not include a schedule to reconcile the General Ledger to the Family Planning Financial Status Report (FSR).

The FSR was prepared from a spreadsheet which isolated the actual Family Planning revenue and expense; however, there was not a clear trail to reconcile the spreadsheet to the General Ledger. The reconciling items consisted of audit adjustments by the independent auditor to present the financial statements in conformity with Generally Accepted Accounting Principles as well as some earmarked revenue and expense for breast cancer screening.

Recommendation

We recommend that the Association maintain a schedule to reconcile the General Ledger to the FSR.

MDCH SHARE OF COSTS AND BALANCE DUE

Objective 3: To determine the MDCH share of costs for the Family Planning Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Association.

Conclusion: The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2008, is \$116,142. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning grant program funding.

**Family Planning Association of Allegan County
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/07 - 9/30/08**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$116,142	\$116,142 ¹	\$0	\$116,142
Fees & Collections	\$98,000	\$100,914	\$0	\$100,914
Plan 1st	\$70,448	\$70,273	\$0	\$70,273
Private Foundations and Interest	\$45,197	\$38,888	\$0	\$38,888
Local	\$23,000	\$23,067	\$0	\$23,067
TOTAL REVENUES	\$352,787	\$349,284	\$0	\$349,284
EXPENDITURES:				
Salary and Wages	\$208,000	\$204,686	\$0	\$204,686
Fringe Benefits	\$37,440	\$40,140	\$0	\$40,140
Supplies	\$56,667	\$57,896	\$0	\$57,896
Travel	\$1,500	\$1,018	\$0	\$1,018
Contractual	\$6,680	\$6,855	\$0	\$6,855
Communications - Outreach	\$2,000	\$2,527	\$0	\$2,527
Space Cost	\$17,000	\$14,438	\$0	\$14,438
Lab	\$6,500	\$6,840	\$0	\$6,840
Insurance	\$3,500	\$1,700	\$0	\$1,700
Clinicians	\$13,500	\$13,184	\$0	\$13,184
TOTAL EXPENDITURES	\$352,787	\$349,284	\$0	\$349,284

¹ Actual MDCH payments provided on a performance reimbursement basis.

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: **Lack of Complete Travel Policy and Adequate Travel Documentation**

The Association does not have a complete travel policy or a travel voucher that is aligned with the policy.

Recommendation: Implement a complete travel policy and travel voucher that is aligned with the policy.

Comments: There was a policy in place, however it was lacking in detail.

Corrective Action: The Policies and Procedures and Employee Handbook have been revised. Also a revised Staff Expense Voucher has been created.

**Anticipated
Completion Date:** Completed

MDCH Response: No comment

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: Expired Contracts

The Association does not maintain current contract agreements.

Recommendation: Implement and maintain annual contracts for space and office support as well as physician and clinician services.

Comments: Agency agrees

Corrective Action: All Physician and Clinician agreements have been updated, signed and filed. The annual contract with the County for space and office support will be updated for 2010.

Anticipated Completion Date: Physician and Clinician agreements are completed and the County contract will be effective for the new agreement year starting 1/10/09.

MDCH Response: No comment

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: **Lack of General Ledger Reconciliation Documentation**

The accounting records did not include a reconciling schedule between the General Ledger and the Family Planning Financial Status Report (FSR).

Recommendation: Maintain a schedule to reconcile the General Ledger to the FSR.

Comments: Agency agrees.

Corrective Action: A Month End Closing policy has been created which lists the financial reports that must be printed and are required prior to closing out the month and submitting the FSR to MDCH. Included in this list is the General Ledger report, and any variances between the General Ledger and the FSR must be identified and errors corrected. For justifiable variances, a detailed documentation must be attached to the General Ledger report.

**Anticipated
Completion Date:** Completed

MDCH Response: No comment