

# Audit Report

Grand Traverse County Health Department  
Family Planning and WIC Programs

October 1, 2011 – September 30, 2012



Office of Audit  
Quality Assurance and Review  
July 2013



RICK SNYDER  
GOVERNOR

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

JAMES K. HAVEMAN  
DIRECTOR

July 30, 2013

Wendy Trute, Health Officer  
Grand Traverse County Health Department  
2600 LeFranier Rd. Suite A  
Traverse City, Michigan 49686

Dear Ms. Trute:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Grand Traverse County Health Department Family Planning and WIC Programs for the period October 1, 2011 through September 30, 2012.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statements of MDCH Grant Program Revenues and Expenditures; Corrective Action Plans; and Comments and Recommendations. 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. The Comments and Recommendations section includes areas where we believe there are opportunities for the agency to further strengthen internal controls or to increase operating efficiencies.

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  
Jeanette Lightning, Manager, Reproductive Health Unit  
Pam Myers, Director, Office of Audit  
Keith Rubley, Auditor, Office of Audit  
Mike Gribbin, Auditor, Office of Audit  
Steve Utter, Financial Analyst, Division of Family and Community Health

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## **DESCRIPTION OF AGENCY**

The Grand Traverse County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Grand Traverse County, which is the reporting entity, and the administrative office is located in Traverse City, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of Grand Traverse County. The Health Department provides community health program services to the residents of Grand Traverse County. 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, and Other Local Funds. 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, 2011 to September 30, 2012. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any Family Planning Program or WIC Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the Family Planning Program and WIC Program 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 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 effective in establishing and implementing internal controls over the Family Planning and WIC Programs. No internal control exceptions were noted.

## 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. However, an exception was noted with Salary and Fringe Benefits expense reporting (Finding 1).

### Finding

#### **1. Payment in Lieu of Insurance Misclassified (Repeat)**

The Health Department improperly reported salary and wages expense as fringe benefits expense when employees with other health insurance opt out of the county's plan and are compensated for this option.

Payments to employees that opt out of the county's health insurance plan are recorded as "Payment in Lieu of Insurance" on the general ledger, but are improperly classified as a fringe benefit on the FSR. This misclassification was \$688 for the Family Planning Program, \$1,830 for the WIC Program, and \$467 for the WIC Breastfeeding Program. Generally Accepted Accounting Principles (GAAP) require the classification of taxable payments to employees as salary and wages and not a fringe benefit, and costs must be properly classified on the FSR.

### Recommendation

We recommend that the Health Department adopt policies and procedures to ensure payments to employees opting out of the county's insurance program are properly classified as salary and wages on FSRs in the future.

## MDCH SHARES OF COST 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 WIC Program for fiscal year ended September 30, 2012, is \$397,492, under the WIC Breastfeeding Program is \$65,000, and under the Family Planning Program is \$54,271. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning Program or WIC Program funding.

**Grand Traverse County Health Department  
WIC Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/11 - 9/30/12**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
MDCH Grant	\$397,492	\$397,492 <sup>1</sup>	\$0	\$397,492
Local Funds Other	\$76,806	\$29,171	\$0	\$29,171
<b>TOTAL REVENUES</b>	<b>\$474,298</b>	<b>\$426,663</b>	<b>\$0</b>	<b>\$426,663</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$220,672	\$207,894	\$1,830 <sup>2</sup>	\$209,724
Fringe Benefits	\$96,590	\$84,769	(\$1,830) <sup>2</sup>	\$82,939
Supplies	\$16,501	\$7,146	\$0	\$7,146
Travel	\$900	\$845	\$0	\$845
Communications	\$5,300	\$4,302	\$0	\$4,302
County Central Services	\$29,561	\$23,099	\$0	\$23,099
Space Costs	\$23,500	\$20,701	\$0	\$20,701
Other Expenses	\$5,800	\$7,291	\$0	\$7,291
Admin Overhead	\$44,115	\$40,234	\$0	\$40,234
Nursing Administration	\$31,359	\$30,382	\$0	\$30,382
<b>TOTAL EXPENDITURES</b>	<b>\$474,298</b>	<b>\$426,663</b>	<b>\$0</b>	<b>\$426,663</b>

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

<sup>2</sup> Reclassify Payment in Lieu of Insurance to Salary & Wages from Fringe Benefits (Finding 1).

**Grand Traverse County Health Department  
WIC Breastfeeding Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/11 - 9/30/12**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
MDCH Grant	\$65,000	\$65,000 <sup>1</sup>	\$0	\$65,000
Local Funds Other	\$1,932	\$4,597	\$0	\$4,597
<b>TOTAL REVENUES</b>	<b>\$66,932</b>	<b>\$69,597</b>	<b>\$0</b>	<b>\$69,597</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$34,601	\$37,125	\$467 <sup>2</sup>	\$37,592
Fringe Benefits	\$10,500	\$11,453	(\$467) <sup>2</sup>	\$10,986
Supplies	\$650	\$168	\$0	\$168
Travel	\$1,150	\$526	\$0	\$526
Communications	\$1,115	\$756	\$0	\$756
County Central Services	\$4,047	\$3,834	\$0	\$3,834
Space Costs	\$2,400	\$2,399	\$0	\$2,399
Other Expenses	\$1,200	\$1,183	\$0	\$1,183
Admin Overhead	\$6,269	\$6,987	\$0	\$6,987
Nursing Administration	\$5,000	\$5,166	\$0	\$5,166
<b>TOTAL EXPENDITURES</b>	<b>\$66,932</b>	<b>\$69,597</b>	<b>\$0</b>	<b>\$69,597</b>

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

<sup>2</sup> Reclassify Payment in Lieu of Insurance to Salary & Wages from Fringe Benefits (Finding 1).

**Grand Traverse County Health Department  
Family Planning Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/11 - 9/30/12**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
MDCH Grant	\$54,271	\$54,271 <sup>1</sup>	\$0	\$54,271
Fees 1 <sup>st</sup> & 2 <sup>nd</sup> Party	\$12,500	\$9,161	\$0	\$9,161
Fees & Collections – 3 <sup>rd</sup> Party	\$54,000	\$60,053	\$0	\$60,053
Federal/State Funding (Non-MDCH)	\$35,000	\$35,721	\$0	\$35,721
Local Match	\$0	\$0	\$0	\$0
Local Funds Other	\$175,718	\$182,853	\$0	\$182,853
Miscellaneous Income	\$0	\$0	\$0	\$0
<b>TOTAL REVENUES</b>	<b>\$331,489</b>	<b>\$342,059</b>	<b>\$0</b>	<b>\$342,059</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$137,029	\$138,575	\$688 <sup>2</sup>	\$138,575
Fringe Benefits	\$52,059	\$51,053	(\$688) <sup>2</sup>	\$51,053
Supplies	\$29,750	\$33,316	\$0	\$33,316
Travel	\$350	\$1,767	\$0	\$1,767
Communications	\$4,100	\$4,093	\$0	\$4,093
Contractual	\$10,533	\$9,959	\$0	\$9,959
County-City Central Services	\$13,415	\$14,798	\$0	\$14,798
Other Expenses	\$14,447	\$14,376	\$0	\$14,376
Space Cost	\$27,900	\$27,900	\$0	\$27,900
Admin Overhead	\$24,496	\$26,467	\$0	\$26,467
Nursing Administration	\$17,410	\$19,755	\$0	\$19,755
<b>TOTAL EXPENDITURES</b>	<b>\$331,489</b>	<b>\$342,059</b>	<b>\$0</b>	<b>\$342,059</b>

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

<sup>2</sup> Reclassify Payment in Lieu of Insurance to Salary & Wages from Fringe Benefits. (Finding 1)

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Payment in Lieu of Insurance Misclassified (Repeat)

The Health Department improperly reported salary and wages expense as fringe benefits expense when employees with other health insurance opt out of the county's plan and are compensated for this option.

**Recommendation:** Adopt policies and procedures to ensure payments to employees opting out of the county's insurance program are properly classified as salary and wages on FSRs in the future.

**Comments:** The Health Department continued to classify the payments to employees opting out of health insurance as fringe benefits in preparing the FSRs for the year under examination. As the base for making allocations of overhead costs in this same period was the total of wages and fringe benefits, this error did not impact cost allocations made for the same period nor did it lead to an incorrect reporting of total expenditures under the grant.

**Corrective Action:** Beginning with the Financial Status Reports submitted for the period ending 3/31/2013, the Health Department has made certain that these payments are appropriately reported as salary and wages expense on the FSRs.

**Anticipated**

**Completion Date:** Completed as of April 30, 2013.

**MDCH Response:** None

## **Comments and Recommendations**

### **Comment**

During the review of travel vouchers, it was noted that the travel vouchers do not indicate departure and arrival times. While this is not an issue regarding reimbursement for mileage only, it becomes important when employees are being reimbursed for meals. Currently, there is no way to tell if the employee time away justifies the meal being reimbursed.

### **Recommendation**

We recommend that the Health Department include departure and arrival times on the travel vouchers to adequately support meal reimbursements in compliance with established timeframes in the Travel Policy.

### **Health Department Response**

Grand Traverse County has a very specific travel policy. All travel and expense vouchers are reviewed and approved by the employee's supervisor to ensure compliance with policy guidelines which include specific guidance regarding reimbursement for meals. Supervisors are aware of and approve staff travel, and traveling arrangements necessary to attend all conferences. A review of supporting documents for meals charged to these grants (approximately \$150) during the period clearly indicate meals which were reimbursed while attending out-of-town, overnight conferences. The Health Department does not feel that any additional documentation is warranted under the circumstances.

### **MDCH Response**

Whether an out-of-town overnight trip or a day trip, adding the time of departure and return provides support for meal reimbursements, and documents compliance with the established Travel Policy. We encourage the Health Department to reconsider this documentation recommendation.

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### Finding

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### Recommendation

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## MDCH SHARES OF COST 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 WIC Program for fiscal year ended September 30, 2012, is \$397,492, under the WIC Breastfeeding Program is \$65,000, and under the Family Planning Program is \$54,271. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning Program or WIC Program funding.

**Grand Traverse County Health Department  
WIC Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/11 - 9/30/12**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
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<b>TOTAL EXPENDITURES</b>	<b>\$474,298</b>	<b>\$426,663</b>	<b>\$0</b>	<b>\$426,663</b>

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

<sup>2</sup> Reclassify Payment in Lieu of Insurance to Salary & Wages from Fringe Benefits (Finding 1).

**Grand Traverse County Health Department  
WIC Breastfeeding Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/11 - 9/30/12**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$65,000	\$65,000 <sup>1</sup>	\$0	\$65,000
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<b>TOTAL REVENUES</b>	\$66,932	\$69,597	\$0	\$69,597
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**Grand Traverse County Health Department  
Family Planning Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/11 - 9/30/12**

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<b>REVENUES:</b>				
MDCH Grant	\$54,271	\$54,271 <sup>1</sup>	\$0	\$54,271
Fees 1 <sup>st</sup> & 2 <sup>nd</sup> Party	\$12,500	\$9,161	\$0	\$9,161
Fees & Collections – 3 <sup>rd</sup> Party	\$54,000	\$60,053	\$0	\$60,053
Federal/State Funding (Non-MDCH)	\$35,000	\$35,721	\$0	\$35,721
Local Match	\$0	\$0	\$0	\$0
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<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

<sup>2</sup> Reclassify Payment in Lieu of Insurance to Salary & Wages from Fringe Benefits. (Finding 1)

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Payment in Lieu of Insurance Misclassified (Repeat)

The Health Department improperly reported salary and wages expense as fringe benefits expense when employees with other health insurance opt out of the county's plan and are compensated for this option.

**Recommendation:** Adopt policies and procedures to ensure payments to employees opting out of the county's insurance program are properly classified as salary and wages on FSRs in the future.

**Comments:** The Health Department continued to classify the payments to employees opting out of health insurance as fringe benefits in preparing the FSRs for the year under examination. As the base for making allocations of overhead costs in this same period was the total of wages and fringe benefits, this error did not impact cost allocations made for the same period nor did it lead to an incorrect reporting of total expenditures under the grant.

**Corrective Action:** Beginning with the Financial Status Reports submitted for the period ending 3/31/2013, the Health Department has made certain that these payments are appropriately reported as salary and wages expense on the FSRs.

**Anticipated Completion Date:** Completed as of April 30, 2013.

**MDCH Response:** None

## **Comments and Recommendations**

### **Comment**

During the review of travel vouchers, it was noted that the travel vouchers do not indicate departure and arrival times. While this is not an issue regarding reimbursement for mileage only, it becomes important when employees are being reimbursed for meals. Currently, there is no way to tell if the employee time away justifies the meal being reimbursed.

### **Recommendation**

We recommend that the Health Department include departure and arrival times on the travel vouchers to adequately support meal reimbursements in compliance with established timeframes in the Travel Policy.

### **Health Department Response**

Grand Traverse County has a very specific travel policy. All travel and expense vouchers are reviewed and approved by the employee's supervisor to ensure compliance with policy guidelines which include specific guidance regarding reimbursement for meals. Supervisors are aware of and approve staff travel, and traveling arrangements necessary to attend all conferences. A review of supporting documents for meals charged to these grants (approximately \$150) during the period clearly indicate meals which were reimbursed while attending out-of-town, overnight conferences. The Health Department does not feel that any additional documentation is warranted under the circumstances.

### **MDCH Response**

Whether an out-of-town overnight trip or a day trip, adding the time of departure and return provides support for meal reimbursements, and documents compliance with the established Travel Policy. We encourage the Health Department to reconsider this documentation recommendation.