

Audit Report

Marquette County Health Department WIC & Family Planning Programs

October 1, 2010 – September 30, 2011



Office of Audit
Quality Assurance and Review Section
November 2012



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

November 2, 2012

Fred Benzie, RS, MPH, MPA, Health Officer/Director
Marquette County Health Department
184 U.S. 41 East
Negaunee, MI 49866

Dear Mr. Benzie:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the WIC and Family Planning Programs for the period October 1, 2010 through September 30, 2011.

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; Corrective Action Plan; and Comments and Recommendations. The conclusions, findings, and recommendations are organized by audit objective. The Corrective Action Plan includes the agency's paraphrased response to the Preliminary Analysis. 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 cursive script 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
Michael Gribbin, Auditor, Office of Audit
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TABLE OF CONTENTS

	Page
Description of Agency	1
Funding Methodology.....	1
Purpose and Objectives.....	1
Scope and Methodology	2
<u>Conclusions, Findings, and Recommendations</u>	
Internal Controls	2
1. Billing Rates Not Sufficient to Recover Cost.....	3
Financial Reporting.....	4
MDCH Shares of Cost and Balance Due.....	4
Statement of MDCH Grant Program Revenues and Expenditures – WIC	5
Statement of MDCH Grant Program Revenues and Expenditures – WIC Breastfeeding	6
Statement of MDCH Grant Program Revenues and Expenditures – Family Planning	7
Cost vs. Amounts Billed for Supplies and Services Schedule.....	8
Corrective Action Plan.....	9
Comments and Recommendations.....	10

DESCRIPTION OF AGENCY

The Marquette 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 Marquette County, and the administrative office is located in Negaunee, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Marquette County. The Health Department provides community health program services to the residents of Marquette 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, Breast and Cervical Cancer Control Program, Family Planning, Children's Special Health Care Services, Bioterrorism/Emergency Preparedness/Pandemic Flu, Medicaid Outreach, Maternal and Infant Health, Healthy Communities Program, Tobacco Reduction, and Women Infants and Children (WIC) Supplemental Food 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 and WIC Breastfeeding Programs were funded by MDCH Grant Funds. Grant funding from MDCH for the WIC Programs 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 WIC Program and Family Planning Program internal controls and financial reporting, and to determine the MDCH shares of cost. 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 MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH shares of cost for the WIC, WIC Breastfeeding/Peer Counseling, 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, 2010 to September 30, 2011. Our review procedures included the following:

- Reviewed the most recent Marquette County Single Audit report for any WIC or Family Planning Program concerns.
- Completed the internal control questionnaire.
- Reconciled the WIC Program and Family Planning Program Financial Status Reports (FSRs) to the accounting records.
- Reviewed payroll expenditures.
- 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 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 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 regarding the billing rates for the Family Planning Program (Finding 1).

Finding

1. 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 percent 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 cost of \$167,868 we found the rates used would not recover \$61,285 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 cannot 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 an amount potentially recoverable from clients was paid from local revenues. Because the amount recovered from all clients was \$7,337, and billing rates were about 36.51 percent under cost, we can estimate the effect was approximately \$4,219 for the year.

Recommendation

We recommend that the Health Department comply with the Title X regulations by increasing 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 WIC Program and 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 Health Department reported its WIC Program and Family Planning Program financial activities to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. No financial reporting exceptions were noted during the audit.

MDCH SHARES OF COST

Objective 3: To determine the MDCH shares of cost for the WIC, WIC Breastfeeding/Peer Counseling, 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/Peer Counseling, and Family Planning Programs for fiscal year ended September 30, 2011 are \$246,804, \$49,569, and \$59,464, respectively. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC, WIC Breastfeeding/Peer Counseling, or Family Planning grant program funding.

**Marquette County Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/10 - 9/30/11**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$250,528	\$246,804 ¹	\$0	\$246,804
Local and Other Funds	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$250,528	\$246,804	\$0	\$246,804
EXPENDITURES:				
Salary and Wages	\$108,203	\$102,818	\$0	\$102,818
Fringe Benefits	\$59,622	\$51,820	\$0	\$51,820
Supplies	\$9,739	\$19,386	\$0	\$19,386
Travel	\$350	\$3,152	\$0	\$3,152
Communications	\$2,000	\$825	\$0	\$825
Space Cost	\$2,200	\$1,778	\$0	\$1,778
Other Expense	\$1,284	\$4,065	\$0	\$4,065
Indirect Cost	\$67,130	\$62,960	\$0	\$62,960
TOTAL EXPENDITURES	\$250,528	\$246,804	\$0	\$246,804

¹ Actual MDCH payments provided on a performance reimbursement basis

**Marquette County Health Department
WIC Breastfeeding/Peer Counseling Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/10 - 9/30/11**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$68,250	\$49,569 ¹	\$0	\$49,569
Local and Other Funds	\$723	\$0	\$0	\$0
TOTAL REVENUES	\$68,973	\$49,569	\$0	\$49,569
EXPENDITURES:				
Salary and Wages	\$35,649	\$28,620	\$0	\$28,620
Fringe Benefits	\$6,939	\$3,019	\$0	\$3,019
Supplies	\$700	\$1,565	\$0	\$1,565
Travel	\$7,522	\$2,944	\$0	\$2,944
Communications	\$509	\$0	\$0	\$0
Space Cost	\$608	\$437	\$0	\$437
Other Expense	\$0	\$0	\$0	\$0
Indirect Cost	\$17,046	\$12,984	\$0	\$12,984
TOTAL EXPENDITURES	\$68,973	\$49,569	\$0	\$49,569

¹ Actual MDCH payments provided on a performance reimbursement basis

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$59,464	\$59,464 ¹	\$0	\$59,464
Fees & Col. - 1st & 2nd party	\$5,500	\$7,337	\$0	\$7,337
Fees & Col. - 3rd party	\$70,000	\$61,134	\$0	\$61,134
Cost Based Reimbursement	\$9,736	\$0	\$0	\$0
Local and Other Funds	\$41,926	\$39,933	\$0	\$39,933
TOTAL REVENUES	\$186,626	\$167,868	\$0	\$167,868
EXPENDITURES:				
Salary and Wages	\$68,460	\$72,563	\$0	\$72,563
Fringe Benefits	\$30,613	\$29,205	\$0	\$29,205
Supplies	\$37,592	\$18,337	\$0	\$18,337
Travel	\$800	\$149	\$0	\$149
Communications	\$0	\$0	\$0	\$0
Space Cost	\$1,414	\$1,097	\$0	\$1,097
Other Expense	\$8,093	\$4,635	\$0	\$4,635
Indirect Cost - Admin	\$39,654	\$41,882	\$0	\$41,882
TOTAL EXPENDITURES	\$186,626	\$167,868	\$0	\$167,868

¹ Actual MDCH payments provided on a performance reimbursement basis.

**Marquette County Health Department
Family Planning
Cost vs. Amounts Billed for Supplies and Services Schedule
10/1/10 - 9/30/11**

Procedure Code	Description	Quantity	Standard Fee	Total
Office Visits				
17110	Wart Treatment	1	50.00	50.00
57170	Diaphragm Fitting	2	55.00	110.00
99211	Medical Visit Level I	485	30.00	14,550.00
99212	Medical Visit Level 2	140	30.00	4,200.00
99213	Medical Visit Level 3	140	31.00	4,340.00
99384	Initial Exam 12-17	22	110.00	2,420.00
99385	Initial Exam 18-39	143	110.00	15,730.00
99386	Initial Exam 40-64	4	100.00	400.00
99394	Annual Exam 12-17	9	95.00	855.00
99395	Annual Exam 18-39	305	95.00	28,975.00
99396	Annual Exam 40-64	5	100.00	500.00
99401	Pregnancy Counseling	3	16.00	48.00
Laboratory				
81002	Urinalysis	34	10.00	340.00
81025	Pregnancy Test	50	13.00	650.00
84443	Thyroid STM	1	11.50	11.50
85018	Hemoglobin	5	5.00	25.00
87210	Vaginal Smear	41	10.00	410.00
99000	Pap Test	687	13.50	9,274.50
Contraceptive Supplies				
A4266	Diaphragm	2	19.00	38.00
A4267	Condoms	109	4.56	497.04
J1055	Depo Provera	105	38.00	3,990.00
J7303	Nuvaring	73	48.00	3,504.00
J7304	Ortho Erva Patch	25	25.00	625.00
S4993	Oral Cycles	752	20.00	<u>15,040.00</u>
Total Revenue				106,583.04
Total Expenses				<u>167,868.00</u>
Excess/ (Shortfall)				<u>(61,284.96)</u>
Percent Excess/(Shortfall)				(36.51%)

Corrective Action Plan

Finding Number: 1

Page Reference: 2

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: The Health Department agrees with this finding.

Corrective Action: Family Planning fees were increased and presented to the Board of Health for approval in September. They were accepted and are scheduled to be presented to the County Commission for review in November.

Anticipated Completion Date: November 30, 2012

MDCH Response: None

Comments and Recommendations

1. **Fringe Benefit Allocation Percents Require More Frequent Updating**

The Health Department is required to comply with OMB Circular A-87. According to OMB Circular A-87, fringe benefits must be equitably allocated to all related activities. The Health Department expenses fringe benefits (insurances and leave time) to each program based on budgeted percentages for each employee that are updated on an as needed basis. We recommend the Health Department implement policies and procedures to ensure the fringe benefit allocation percentages are updated every 3 months to ensure equitable allocations based on actual time worked rather than budgeted estimates.

Management's Response: The Division Director will receive reports on actual time worked and update fringe benefit allocation percentages every 3 months.