

Audit Report

Monroe County Health Department WIC & Family Planning Programs

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review Section
May 2014



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

May 14, 2014

Kim Comerzan, RN, BSN, Health Officer/Director
Monroe County Health Department
2353 S. Custer Road
Monroe, Michigan 48161

Dear Ms. Comerzan:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Monroe County Health Department WIC and Family Planning Programs for the period October 1, 2012 through September 30, 2013.

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; Cost vs. Amounts Billed for Services and Supplies Schedule; 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
Keith Rubley, Auditor, Office of Audit
Steve Utter, Financial Analyst, Division of Family and Community Health

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DESCRIPTION OF AGENCY

The Monroe 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 Monroe County, and the administrative office is located in Monroe, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Monroe County. The Health Department provides community health program services to the residents of Monroe County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Substance Abuse, AIDS/HIV Prevention, Children's Special Health Care Services, Family Planning, Maternal and Child Health, Medicaid Outreach, Bioterrorism/Emergency Preparedness/Pandemic Flu, 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 numbers 93.217 and 93.994, 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, 2012 to September 30, 2013, including SEMHA activities. 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 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, we noted an exception with Family Planning Program billing rates and an outdated cost analysis (Finding1).

Finding

1. Billing Rates Not Sufficient to Recover Cost and Based on Outdated Cost Analysis

The Health Department used billing rates for family planning services and supplies that 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. In addition, the FYE 2013 fees were based on an outdated 2007 cost analysis.

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....

The MDCH Title X Family Planning Standards and Guidelines, Section 6.3.1 Charges, Billing, and Collections states the following with respect to the development of a fee schedule:

Delegate agencies must 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 FYE 2013 fees were based on a 2007 cost analysis. Also, the Health Department charged all clients and other insurance companies for contraceptives at the lower 340B rates, which is only a requirement for Medicaid and Plan 1st clients. Charges should be made at rates designed to recover the reasonable cost of providing services.

For our test to determine if rates could recover the cost of providing services, 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 \$347,011 we found the rates used would not recover \$146,601 of the cost (see Schedule of Costs vs. Amounts Billed for Services and Supplies).

The estimated effect is that an amount potentially recoverable from clients was paid from local revenues. Because the amount recoverable from all clients was \$5,109 and billing rates were 42.25% below cost, we can estimate the effect was approximately \$3,737 for the year.

Recommendation

We recommend that the Health Department complete a cost analysis and comply with the Title X regulations by increasing its billing rates to an amount that is sufficient to recover the reasonable cost of services based on the cost analysis. If, however, the Health Department chooses to set fees lower than what is required to recover actual costs, the Health Department must adopt a policy designating the percentage of the cost the fee is to represent in accordance with Section 6.3.1 of the MDCH Title X Family Planning Standards and Guidelines.

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 MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department reported its Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. No exceptions were noted.

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 Family Planning Program for fiscal year ended September 30, 2013 is \$119,965 and under the WIC Program is \$555,958. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs.

**Monroe County Health Department
WIC Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$555,958	\$555,958 ¹	\$0	\$555,958
Fees 1 st & 2 nd Party	\$200	\$1,103	\$0	\$1,103
Other Revenue	\$2,350	\$4,932	\$0	\$4,932
Local Funds Other	\$226,573	\$114,499	\$0	\$114,499
TOTAL REVENUES	\$785,081	\$676,492	\$0	\$676,492
EXPENDITURES:				
Salary & Wages	\$318,422	\$315,975	\$0	\$315,975
Fringe Benefits	\$179,527	\$161,344	\$0	\$161,344
Contractual	\$13,850	\$8,905	\$0	\$8,905
Supplies	\$15,000	\$8,935	\$0	\$8,935
Travel	\$3,000	\$3,975	\$0	\$3,975
Communications	\$1,835	\$573	\$0	\$573
Other Costs	\$12,352	\$9,261	\$0	\$9,261
Admin Overhead	\$182,363	\$167,524	\$0	\$167,524
Other Cost Distribution	\$58,732	\$0	\$0	\$0
TOTAL EXPENDITURES	\$785,081	\$676,492	\$0	\$676,492

¹ Actual MDCH payments provided on a performance reimbursement basis.

**Monroe County Health Department
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$89,964	\$89,964 ¹	\$0	\$89,964
Fees 1 st & 2 nd Party	\$5,750	\$5,109	\$0	\$5,109
Fees 3 rd Party	\$78,750	\$71,909	\$0	\$71,909
Federal Cost Based Reimbursement	\$50,000	\$0	\$0	\$0
MCH Funding	\$30,001	\$30,001	\$0	\$30,001
Other Revenue	\$0	\$0	\$0	\$0
Local Funds Other	\$293,567	\$150,028	\$0	\$150,028
TOTAL REVENUES	\$548,032	\$347,011	\$0	\$347,011
EXPENDITURES:				
Salary & Wages	\$201,962	\$140,083	\$0	\$140,083
Fringe Benefits	\$93,823	\$58,911	\$0	\$58,911
Contractual	\$1,500	\$407	\$0	\$407
Supplies	\$75,020	\$34,423	\$0	\$34,423
Travel	\$2,800	\$1,796	\$0	\$1,796
Communications	\$1,250	\$928	\$0	\$928
Other Costs	\$22,325	\$15,091	\$0	\$15,091
Admin Overhead	\$108,325	\$69,839	\$0	\$69,839
Other Cost Distribution	\$41,027	\$25,533	\$0	\$25,533
TOTAL EXPENDITURES	\$548,032	\$347,011	\$0	\$347,011

¹ Actual MDCH payments provided on a performance reimbursement basis.

**Monroe County Health Department
Family Planning
Costs vs Amounts Billed for Services and Supplies Schedule**

<u>Procedure</u>	<u>Total Quantity</u>	<u>Price</u>	<u>Total</u>
Annual Exam	566	\$90.00	\$50,940.00
Initial Exam	313	\$120.00	\$37,560.00
Medical Revisit/Supply Visit	335	\$65.00	\$21,775.00
Supply Visit	1,039	\$20.00	\$20,780.00
Diaphragm Fit	1	\$60.00	\$60.00
IUD Insertion/Removal	22	\$65.00	\$1,430.00
Preconceptional	16	\$15.00	\$240.00
Pregnancy Test	238	\$15.00	\$3,570.00
Chlamydia	308	\$38.54	\$11,870.32
GC/CT Combo	3	\$77.08	\$231.24
Herpes	10	\$30.00	\$300.00
Urinalysis Dip	30	\$5.00	\$150.00
Wart Treatment	9	\$25.00	\$225.00
Pap Smear	369	\$20.00	\$7,380.00
Vaginal Smear	158	\$10.00	\$1,580.00
Diflucan	92	\$7.66	\$704.72
Tri Cyclen	3,478	\$4.54	\$15,790.12
Depo-Provera	872	\$18.65	\$15,703.30
Condoms per dozen	503	\$10.00	\$5,030.00
Jelly, Gel, Foam Cream	3	\$10.00	\$30.00
Ortho Evra Patch	10	\$14.80	\$148.00
Plan B	202	\$5.15	\$1,040.30
IUD Paragard	2	\$157.11	\$314.22
IUD Mirena	11	\$319.75	\$3,511.75
Nuva Ring	3	\$15.45	\$46.35
			\$200,410.32
Total Expenses			\$347,011.00
(Shortfall)/Excess			(\$146,600.68)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Billing Rates Not Sufficient to Recover Cost and Based on Outdated Cost Analysis**

The Health Department used billing rates for family planning services and supplies that 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. In addition, the FYE 2013 fees were based on an outdated 2007 cost analysis.

Recommendation: Complete a cost analysis and comply with the Title X regulations by increasing billing rates to an amount that is sufficient to recover the reasonable cost of services based on the cost analysis. If, however, the Health Department chooses to set fees lower than what is required to recover actual costs, adopt a policy designating the percentage of the cost the fee is to represent in accordance with Section 6.3.1 of the MDCH Title X Family Planning Standards and Guidelines.

Comments: The Health Department was under the understanding that they could not charge more than 340B pricing and Medicaid reimbursement rates.

Corrective Action: The Health Department has begun a detailed cost analysis to update billing rates for Family Planning services and supplies.

Anticipated Completion Date: 6/15/2014

MDCH Response: None

Comments and Recommendations

1. Travel Vouchers

The Health Department's travel vouchers do not indicate departure, arrival and return 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 determine if the time away justifies the meal being reimbursed according to the Travel Policy. We recommend that the Health Department include departure, arrival and return times on the travel vouchers.

Management's Response:

The County travel policy does address departure and return times in Section 2.2. The documentation collected under section 2.6 allows for determination of departure and arrival times in addition to the detailed receipts and information recorded on the travel voucher.

MDCH Response:

By including departure, arrival and return times on the travel vouchers, it creates a more efficient control over the reimbursement of meals. We recommend that the Health Department reconsider the recommendation.

2. Fringe Benefit Allocation Percents Require More Frequent Updating (Repeat)

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 to each department based on budgeted percentages for each program that are updated annually based on work performed. We recommended in our FYE 2011 Audit Report that the Health Department implement policies and procedures to ensure the fringe benefit allocation percentages are updated at least every three months to ensure equitable allocations. Management agreed to update the fringe rates on a quarterly basis based on actual time worked beginning in 2012. However, the annual budgeted percentage was used through FYE 2013. We were informed that beginning in October 2013, the Health Department fringes were allocated based on the previous month's wages.

Management's Response:

Health Department fringe rates are allocated based upon the previous month actual wages as of October 2013.