

Audit Report

Public Health Delta and Menominee Counties Family Planning and WIC Programs

October 1, 2011 – September 30, 2012



Office of Audit
Quality Assurance and Review Section
September 2013



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

September 17, 2013

Michael Synder, Health Officer
Public Health, Delta and Menominee Counties
2920 College Avenue
Escanaba, Michigan 49829-9597

Dear Mr. Synder:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Public Health, Delta and Menominee Counties 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; Statements of MDCH Grant Program Revenues and Expenditures; and Comments and Recommendations. 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 along with Management's response.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

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
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DESCRIPTION OF AGENCY

The Public Health Delta and Menominee Counties (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Delta County, and the administrative office is located in Escanaba, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of the counties of Delta and Menominee. The Health Department provides community health program services to the residents of these two counties. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Sexually Transmitted Disease Control, Tobacco Control, Breast and Cervical Cancer Control, Children's Special Health Care Services, Bioterrorism/Emergency Preparedness/Pandemic Flu, Medicaid Outreach, Women Infants and Children (WIC) Supplemental Food Program, 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 and WIC Breastfeeding Programs were funded by MDCH Grant Funds and Other Local Funds. Grant funding from MDCH for WIC Programs is federal funding under federal catalog number 10.557, and is 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 Program and WIC Program.
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 Program and WIC Program 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 Delta County 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 (FSR) 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 cost for proper reporting and compliance with Federal requirements.
- Reviewed Family Planning Medical Supply inventory controls.
- 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 Program and WIC Program.

Conclusion: The Health Department was effective in establishing and implementing internal controls over the Family Planning Program and WIC Program. 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 reported their Family Planning Program and WIC Program financial activity to MDCH in accordance with Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.

MDCH SHARES OF COST AND BALANCE DUE

Objective 3: To determine the MDCH shares of cost for the Family Planning Program and WIC Program 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, 2012 is \$82,167, under the WIC Program is \$248,966, and under the WIC Breastfeeding Program is \$34,162. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs.

Public Health Delta & Menominee Counties
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/11 - 9/30/12

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$82,167	\$82,167 ¹	\$0	\$82,167
Fees 1 st & 2 nd Party	\$5,000	\$24,583	\$0	\$24,583
Fees & Collections – 3 rd Party	\$67,007	\$55,770	\$0	\$55,770
MCH Block Grant	\$31,799	\$31,799	\$0	\$31,799
Cost Based Reimbursement	\$0	\$0	\$0	\$0
Local Funds	\$98,949	\$98,949	\$0	\$98,949
TOTAL REVENUES	\$284,922	\$277,783	\$0	\$277,783
EXPENDITURES:				
Salary & Wages	\$122,609	\$117,899	\$0	\$117,899
Fringe Benefits	\$23,631	\$19,852	\$0	\$19,852
Supplies	\$22,800	\$37,603	\$0	\$37,603
Travel	\$4,500	\$5,277	\$0	\$5,277
Communications	\$800	\$776	\$0	\$776
Admin Overhead	\$50,746	\$43,821	\$0	\$43,821
Other Expense	\$2,372	\$2,522	\$0	\$2,522
Nursing Admin	\$31,314	\$23,885	\$0	\$23,885
Space Cost	\$26,150	\$26,148	\$0	\$26,148
TOTAL EXPENDITURES	\$284,922	\$277,783	\$0	\$277,783

¹ Actual MDCH payments provided on a performance reimbursement basis.

Public Health Delta & Menominee Counties
WIC Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/11 - 9/30/12

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$248,966	\$248,966 ¹	\$0	\$248,966
Local Funds	\$25,116	\$24,851	\$0	\$24,851
TOTAL REVENUES	\$274,082	\$273,817	\$0	\$273,817
EXPENDITURES:				
Salary & Wages	\$132,006	\$128,382	\$0	\$128,382
Fringe Benefits	\$16,538	\$19,684	\$0	\$19,684
Supplies	\$5,000	\$22,051	\$0	\$22,051
Travel	\$6,000	\$3,794	\$0	\$3,794
Communications	\$4,000	\$1,788	\$0	\$1,788
Admin Overhead	\$51,545	\$47,103	\$0	\$47,103
Other Expenses	\$2,500	\$657	\$0	\$657
Nursing Admin	\$31,808	\$25,674	\$0	\$25,674
Space Cost	\$24,685	\$24,684	\$0	\$24,684
TOTAL EXPENDITURES	\$274,082	\$273,817	\$0	\$273,817

¹ Actual MDCH payments provided on a performance reimbursement basis.

Public Health Delta & Menominee Counties
WIC Breastfeeding
Statement of MDCH Grant Program Revenues and Expenditures
10/1/11 - 9/30/12

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$44,477	\$34,162 ¹	\$0	\$34,162
Local Funds	\$1	\$0	\$0	\$0
TOTAL REVENUES	\$44,478	\$34,162	\$0	\$34,162
EXPENDITURES:				
Salary & Wages	\$27,568	\$21,455	\$0	\$21,455
Fringe Benefits	\$2,452	\$1,988	\$0	\$1,988
Supplies	\$200	\$624	\$0	\$624
Travel	\$3,500	\$2,482	\$0	\$2,482
Communications	\$150	\$97	\$0	\$97
Admin Overhead	\$10,507	\$7,458	\$0	\$7,458
Other Expenses	\$101	\$58	\$0	\$58
TOTAL EXPENDITURES	\$44,478	\$34,162	\$0	\$34,162

¹ Actual MDCH payments provided on a performance reimbursement basis.

Comments and Recommendations

Enhanced Control Over Meal Reimbursements

The Health Department Travel Expense Reimbursement Policy requires receipts for all meals and does not allow reimbursement for any meal within Delta or Menominee counties, but does not provide timeframes for meal reimbursements. Additionally, the Travel Expense Vouchers do not provide for departure and arrival times. Therefore, it cannot be determined if various meal reimbursements are appropriate and reasonable.

Recommendation

We recommend the Health Department revise the Travel Expense Reimbursement Policy to include timeframes for meal reimbursements, revise the Travel Expense Vouchers to provide for departure and arrival times, and implement a review procedure to ensure meal reimbursements comply with established timeframes.

Management Response

The Health Department reviewed the current Travel Expense Reimbursement Policy. Due to the policy being referenced and incorporated in the current Union contract, any action will not take place until the next contract negotiations. The current contract expires 12/31/14. During negotiations, the Health Department plans to review the recommendation and incorporate changes that are feasible, in regards to meal times. The Health Department intends to add the departure and return times on the travel voucher with the next order of vouchers, and this should be in place by the end of the calendar year. Currently, meal receipts are reviewed for times and issues are discussed with staff, as deemed necessary. The need for discussion happens very infrequently.

Improved Documentation Needed on Allowable/Unallowable Space Cost

The Health Department includes only a portion of administration space cost (\$1,344 per month) that is assigned by Delta County in the calculation of their administration overhead allocation and excludes the remaining portion (\$64,753 for FYE 2012), but has no documentation to support the calculation of the allowable and unallowable amounts. It appears that the calculation was determined by a CPA firm several years ago and it represents allowable space cost under the provisions of Federal Office of Management and Budget (OMB) Circular A-87. No adjustments, however, are being made to exclude any other portion of space cost that is assigned by Delta County for Management Information Systems or directly to programs. Since it appears that some of the space cost assigned by Delta County may be unallowable under the provisions of OMB Circular A-87, an analysis should be completed and adjustments made accordingly for *all* space cost assignments.

Recommendation

We recommend the Health Department adopt procedures to annually determine the portions of rent charged by Delta County and paid to Delta County that represent allowable costs (actual underlying costs) and unallowable costs under the provisions of OMB Circular A-87, retain documentation to support the calculation, and report only the allowable portion of space cost on the FSR.

Management Response

There is a county cost allocation plan that assigns space cost based on square foot. Within the “rental cost” are utilities, maintenance, housekeeping, etc. that are allowable costs. While other “non-county” renters actually pay rent, the Health Department does not directly or indirectly pay rent. Since rent is not directly or indirectly paid, and it cannot be determined what portion of the allocation is allowable and what portion is unallowable, the Health Department will exclude space costs from FSR reporting effective 10/1/13. The reported costs have been fully covered by local funds so there is no impact on MDCH funds.