

Audit Report

Saginaw County Department of Public Health WIC and Family Planning Programs

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review Section
April 2014



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

April 14, 2014

John D. McKellar, MPA, Health Officer
Saginaw County Department of Public Health
1600 N. Michigan Ave.
Saginaw, MI 48602

Dear Mr. McKellar:

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, 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 Supplies and Services Schedule; and Corrective Action Plans. The conclusions and findings 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.

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: Pam Myers, Director, Office of Audit
Stan Bien, Director, WIC Program
Paulette Dobyne Dunbar, Manager, Division of Family and Community Health
Jeanette Lightning, Manager, Reproductive Health Unit
Mike Gribbin, Senior Auditor, Office of Audit
Steve Utter, Financial Analyst, Division of Family and Community Health

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>	
<u>Internal Controls</u>	2
1. Family Planning Billing Rates Not Sufficient to Recover Cost	2
2. Not Charging Family Planning Clients According to the Sliding Fee Scale.....	3
3. Lack of a Recent Cost Analysis for Establishing Family Planning Fees.....	4
<u>Financial Reporting</u>	4
4. Reporting Budgeted Space Costs.....	5
5. Under Reported Indirect Costs.....	5
6. Internal Service Fund Working Capital Reserves Exceed Allowable Amounts.....	6
<u>MDCH Shares of Cost</u>	7
Statement of MDCH Grant Program Revenues and Expenditures – WIC	8
Statement of MDCH Grant Program Revenues and Expenditures – WIC Breastfeeding	9
Statement of MDCH Grant Program Revenues and Expenditures – Family Planning	10
Cost vs. Amounts Billed for Supplies and Services Schedule.....	11
Corrective Action Plans	12

DESCRIPTION OF AGENCY

The Saginaw County Department of Public Health (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Saginaw County, and the administrative office is located in Saginaw, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Saginaw County. The Health Department provides community health program services to the residents of Saginaw 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, Childhood Lead, Medicaid Outreach, Maternal & Infant Health, Children's Special Health Care Services Outreach, Bioterrorism/Emergency Preparedness/Pandemic Flu, Family Planning, 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. The Michigan Department of Community Health (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.

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 WIC Program and Family Planning Program internal controls and financial reporting, and to determine the MDCH shares of WIC Program and Family Planning 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 WIC and Family Planning Programs.
2. To assess the Health Department's effectiveness in reporting their WIC and Family Planning Programs 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 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, 2012 to September 30, 2013. Our review procedures included the following:

- Reviewed the most recent Saginaw County Single Audit report for any WIC and Family Planning Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the WIC and Family Planning Program Financial Status Reports (FSR) 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.

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 exceptions in the Family Planning Program regarding fees not being set to recover costs (Finding #1), improper application of the sliding fee scale (Finding #2), and a lack of a current cost analysis in establishing fees (Finding #3).

Finding

1. Family Planning 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.

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 \$724,155 we found the rates used would not recover \$238,523 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% of the Poverty Guidelines will not recover the reasonable cost of providing services.

The estimated effect is that a small amount potentially recoverable from clients was paid from local revenues. Because the amount recovered from all clients was \$41,336 and billing rates were about 32.94% under cost, we can estimate the effect was approximately \$20,303 for the year.

Recommendation

We recommend that the Health Department comply with the Title X regulations by increasing its billing rates to an amount that is sufficient to recover the reasonable cost of services.

Finding

2. Not Charging Family Planning Clients According to the Sliding Fee Scale

The Health Department did not always charge their clients according to the sliding fee scale as required by Title X.

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....*

MDCH Title X Family Planning Standards and Guidelines, Section 6.3.1, states, in part:

- C. A schedule of discounts must be developed and implemented...*
- J. Bills to clients must show total charges less any allowable discounts...*

In a sample of 22 encounters, we noted 2 instances where the client was not charged the correct amount according to the sliding fee scale. For 2 encounters, the clients were overcharged for the services they received.

Recommendation

We recommend that the Health Department provide training to employees on charging clients appropriately according to the sliding fee scale, and implement review procedures to ensure compliance.

Finding

3. Lack of a Recent Cost Analysis for Establishing Family Planning Program Fees

The Health Department did not use a recent cost analysis to develop their fee schedule for Family Planning Program Services.

According to the Michigan Department of Community Health Title X Family Planning Standards and Guidelines, Section 6.3.1.B,

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.

It appears that the Health Department conducted a cost analysis in 2007 and has not performed one since.

Recommendation

We recommend that the Health Department conduct a cost analysis at least once every three years, and use the analysis to establish fees to ensure recovery of the reasonable costs of providing 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 generally reported its 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. We noted three exceptions regarding the reporting of budgeted space cost as actual (Finding 4), understated indirect costs (Finding 5), and excess balances for the employee benefit and risk management internal service funds (Finding 6).

Finding

4. Reporting Budgeted Space Costs

The Health Department reported their budgeted facilities costs on the FSR.

Per the MDCH Grant Agreement, Part II, Section IV, D. Financial Status Report Submission, “FSR’s must report total actual program expenditures regardless of the source of funds.”

Per OMB Circular A-87, Appendix A, General Principles for Determining Allowable Costs, Section C. 1. b., all costs must “*be allocable to Federal awards under the provisions of 2 CFR Part 225*” to be allowable. Per OMB Circular A-87, Appendix A, Section C. 3. Allocable Costs, “*A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.*”

The Health Department had \$550,040 in total actual space costs for the year. Before the start of the fiscal year, the Health Department budgeted space costs to be \$552,866. Instead of allocating the actual costs, the Health Department allocated the budgeted amount. We recalculated the space allocation to WIC and Family Planning using the actual costs. The variances were \$186 for WIC and \$135 for Family Planning. Adjustments are shown on the attached Statements of MDCH Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that only actual space costs are allocated to WIC and Family Planning.

Finding

5. Under Reported Indirect Costs

The Health Department under-reported their indirect costs for WIC, WIC Breastfeeding, and Family Planning from understating County Central Service (CCS) expense and overstating the Information System and Services (ISS) costs from the county central office by using budgeted figures rather than actual.

Per the MDCH Grant Agreement, Part II, Section IV, D. Financial Status Report Submission, “FSR’s must report total actual program expenditures regardless of the source of funds.”

Per OMB Circular A-87, Appendix A, General Principles for Determining Allowable Costs, Section C. 1. b., all costs must “*be allocable to Federal awards under the provisions of 2 CFR Part 225*” in order to be allowable. Per OMB Circular A-87, Appendix A, Section C. 3. Allocable Costs, “*A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.*”

With regards to the CCS expense, the Health Department only expensed the amount they were budgeted for. According to the report issued by MGT of America, the Health

Department should have expensed \$334,011 in CCS expenses. The Health Department only expensed \$234,753 in their general ledger, a variance of \$99,258.

Also, the Health Department overstated their ISS costs in the Agency Support cost center. In the MGT Report, the amount to be expensed for ISS services should have been \$274,904. However, the Health Department expensed \$299,255 for ISS costs, a \$24,351 overstatement. The County Central Office charged the Health Department a portion of the total budgeted ISS Costs (\$1,637,846) instead of a percentage of total actual ISS costs (\$1,625,108).

Both variances were factored into our recalculation of the indirect expense to WIC, WIC Breastfeeding, and Family Planning. We noted understatements of indirect for WIC (\$20,961), WIC Breastfeeding (\$1,002), and Family Planning (\$5,092). None of these variances will affect funding since the Health Department has already used all of their grant funds.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that the actual costs originating from the county (i.e. CCS & ISS expenses) are expensed properly in the agency support cost center.

Finding

6. Internal Service Fund Working Capital Reserves Exceed Allowable Amounts

Saginaw County's Risk Management (Fund 677) and Employee Benefit (Fund 698) Internal Service Funds had working capital reserves that exceeded the allowable amounts as of September 30, 2012 according to OMB Circular A-87.

Saginaw County charges most Saginaw County Departments (including the Health Department) for employee benefits and liability insurance. The County places the funds received from the County Departments in 2 funds: Risk Management (Fund 677) and Employee Benefits (Fund 698). The funds are used to finance the cost of providing insurance and various employee benefits. Based on the September 30, 2012 financial statements and the report issued by MGT of America, the County had accumulated excess balances.

OMB Circular A-87 (located at 2 CFR Part 225), Appendix C, Sections G. 3. and G. 4. require comparisons of the charges to the actual allowable costs, and adjustments by one of several methods. Additionally, OMB Circular A-87, Appendix C, Section G. 2., allows for the establishment and maintenance of a reasonable level of working capital reserve for internal service funds. According to OMB Circular A-87, a working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable.

According to Saginaw County's Combining Statement of Revenues, Expenses and Changes in Fund Net Assets for the Year Ended September 30, 2012, cash expenses were \$901,375 for Fund 677 and \$6,661,251 for Fund 698, which equates to a 60-day requirement of \$150,229 and \$1,110,209, respectively. However, as of September 30, 2012, Saginaw County's Fund 677 and Fund 698 had working capital reserves of \$1,244,820 and \$2,755,673, respectively. Accordingly, the working capital reserves exceeded the allowable amounts by \$1,094,591 for Fund 677 and \$1,645,465 for Fund 698, and reductions are needed to achieve compliance with OMB Circular A-87.

Recommendation

We recommend that Saginaw County devise a plan to ensure the Risk Management (Fund 677) and Employee Benefits (Fund 698) Internal Service Funds working capital reserves are reduced to the allowable limit (60 days cash expenses) by FYE 2015 by either cash refunds or adjustments to future billing rates/allocations.

MDCH SHARES OF COST

Objective 3: To determine the MDCH shares of cost for the WIC, WIC Breastfeeding, 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 Program, WIC Breastfeeding Program, and Family Planning Program for fiscal year ended September 30, 2013, are \$825,217, \$38,826, and \$363,474, 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, and Family Planning grant program funding.

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$825,217	\$825,217 ¹	\$0	\$825,217
Local and Other Funds	\$0	\$0	\$20,775	\$20,775
TOTAL REVENUES	\$825,217	\$825,217	\$20,775	\$845,992
EXPENDITURES:				
Salary and Wages	\$311,406	\$310,963	\$0	\$310,963
Fringe Benefits	\$299,831	\$294,685	\$0	\$294,685
Supplies	\$8,300	\$11,971	\$0	\$11,971
Travel	\$800	\$571	\$0	\$571
Communications	\$1,600	\$479	\$0	\$479
Space Cost	\$39,915	\$40,440	(\$186) ²	\$40,254
Other Expense	\$7,500	\$12,373	\$0	\$12,373
Indirect Cost	\$155,865	\$153,735	\$20,961 ³	\$174,696
TOTAL EXPENDITURES	\$825,217	\$825,217	\$20,775	\$845,992

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Over reported Space Costs (Finding #4).

³ Under reported indirect costs (Finding #5).

**Saginaw County Department of Public Health
WIC Breastfeeding/Peer Counselor Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$38,826	\$38,826 ¹	\$0	\$38,826
Local and Other Funds	\$0	\$0	\$1,002	\$1,002
TOTAL REVENUES	\$38,826	\$38,826	\$1,002	\$39,828
EXPENDITURES:				
Salary and Wages	\$26,202	\$25,727	\$0	\$25,727
Fringe Benefits	\$3,275	\$3,216	\$0	\$3,216
Supplies	\$312	\$312	\$0	\$312
Travel	\$1,320	\$253	\$0	\$253
Communications	\$0	\$0	\$0	\$0
Space Cost	\$0	\$0	\$0	\$0
Other Expense	\$200	\$200	\$0	\$200
Indirect Cost	\$7,517	\$9,118	\$1,002 ²	\$10,200
TOTAL EXPENDITURES	\$38,826	\$38,826	\$1,002	\$39,828

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Under reported indirect costs (Finding #5).

**Saginaw County Department of Public Health
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	\$166,150	\$166,150 ¹	\$0	\$166,150
Fees – 1 st & 2 nd Party	\$48,150	\$41,336	\$0	\$41,336
Fees – 3 rd Party	\$280,000	\$191,367	\$0	\$191,367
Federal Cost Based Reimbursement	\$167,649	\$123,021	\$0	\$123,021
MCH Funding	\$197,324	\$197,324	\$0	\$197,324
Local and Other Funds	\$0	\$0	\$4,957	\$4,957
TOTAL REVENUES	\$859,273	\$719,198	\$4,957	\$724,155
EXPENDITURES:				
Salary and Wages	\$313,662	\$252,017	\$0	\$252,017
Fringe Benefits	\$181,171	\$144,647	\$0	\$144,647
Supplies	\$168,400	\$123,618	\$0	\$123,618
Travel	\$2,800	\$756	\$0	\$756
Communications	\$100	\$0	\$0	\$0
Space Cost	\$29,512	\$29,512	(\$135) ²	\$29,377
Other Expense	\$37,446	\$58,217	\$0	\$58,217
Indirect Cost	\$126,182	\$110,431	\$5,092 ³	\$115,523
TOTAL EXPENDITURES	\$859,273	\$719,198	\$4,957	\$724,155

- ¹ Actual MDCH payments provided on a performance reimbursement basis.
- ² Over reported space costs (Finding #4).
- ³ Under reported indirect costs (Finding #5).

**Saginaw County Health Department
Family Planning
Cost vs. Amounts Billed for Supplies and Services Schedule
10/1/12 – 9/30/13**

<u>Procedure</u>	<u>Total Quantity</u>	<u>Price</u>	<u>Total</u>	
11976	Removal Contraceptive Capsule	11	\$85.00	\$935.00
11981	Insert Drug Implant Device	15	\$70.00	\$1,050.00
58300	IUD Insertion	8	\$70.00	\$560.00
58301	IUD Removal	19	\$75.00	\$1,425.00
81025	Pregnancy Test	673	\$10.00	\$6,730.00
85018	Hemoglobin	32	\$8.00	\$256.00
87070	GC Culture	1	\$10.00	\$10.00
87210	Wet Mount	121	\$8.00	\$968.00
87252	Herpes Culture	5	\$10.00	\$50.00
87491	Chlamydia	13	\$40.00	\$520.00
87591	GC-RNA Amplification	9	\$40.00	\$360.00
96372	Injection Admin	2,174	\$15.00	\$32,610.00
99201	New Pt Office Visit (Simple)	69	\$30.00	\$2,070.00
99202	New Pt Office Visit (Moderate)	74	\$50.00	\$3,700.00
99203	New Pt Office Visit (Complex)	2	\$70.00	\$140.00
99211	Est Pt Office Visit (Simple)	559	\$20.00	\$11,180.00
99212	Est Pt Office Visit (Moderate)	1,056	\$30.00	\$31,680.00
99213	Est Pt Office Visit (Complex)	2	\$70.00	\$140.00
99384	Initial Visit (ages 12-17)	56	\$100.00	\$5,600.00
99385	Initial Visit (ages 18-39)	167	\$100.00	\$16,700.00
99386	Initial Visit (ages 40-64)	8	\$120.00	\$960.00
99394	Annual Visit (ages 12-17)	194	\$85.00	\$16,490.00
99395	Annual Visit (ages 18-39)	1,544	\$85.00	\$131,240.00
99396	Annual Visit (Ages 40-64)	132	\$90.00	\$11,880.00
A4267	Male Condoms	336	\$0.10	\$33.60
A4268	Female Condoms	15	\$5.00	\$75.00
A4269FI	Film NDC	563	\$10.00	\$5,630.00
A4269FO	Foam NDC	283	\$10.00	\$2,830.00
FERSUL	Ferrous Sulphate	6	\$8.00	\$48.00
J1050	Depo Provera 1 mg NDC	304,041	\$0.14	\$43,839.00
J1055	Depo Provera NDC	774	\$15.00	\$11,610.00
J7300	IUD Paraguard Copper T NDC	7	\$250.00	\$1,750.00
J7303	Nuva Ring NDC	891	\$17.00	\$15,147.00
J7304	Ortho Erva Patch NDC	466	\$20.00	\$9,320.00
J7307	Nexplanon Implant System	18	\$450.00	\$8,100.00
S4993C	OrthoTricyclen NDC	4,331	\$15.00	\$64,965.00
S4993F	Lo Ovral NDC	1	\$15.00	\$15.00
S4993J	Ortho Cyclen NDC	1,834	\$15.00	\$27,510.00
S4993K	Micronor NDC	618	\$15.00	\$9,270.00
S4933L	Levora NDC	447	\$15.00	\$6,705.00
Z8060	Diflucan	14	\$10.00	\$140.00
Z8090	Flagyl 4 or 8 Tabs	6	\$10.00	\$60.00
Z8091	Flagyl 14 Tabs	3	\$10.00	\$30.00
Z8506	Emergency Cont Plan B	150	\$8.00	\$1,200.00
				\$485,631.60
	Total Expenses			\$724,155.00
	(Shortfall)/Excess			(\$238,523.40)

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: Family Planning 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.

Health Department

Comments: The Health Department agrees with this finding.

Corrective Action: The Health Department will recommend an increase in Family Planning Program fees during the annual budget preparation process in April/May. If approved, the fee increase will be effective at the beginning of the new fiscal year.

Anticipated

Completion Date: October 1, 2014

MDCH Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: Not Charging Family Planning Clients According to the Sliding Fee Scale

The Health Department did not always charge their clients according to the sliding fee scale as required by Title X.

Recommendation: Provide training to employees on charging clients appropriately according to the sliding fee scale, and implement review procedures to ensure compliance.

Health Department

Comments: The Health Department agrees with this finding. Within the last year, the Health Department has had significant vacancies and turnover in Family Planning staff explaining the errors.

Corrective Action: The Health Department will continue to provide training to all permanent, temporary, and replacement reception staff assigned to the Family Planning clinic. The Health Department will include a process review at monthly Family Planning staff meetings.

Anticipated

Completion Date: Ongoing

MDCH Response: In addition to a process review at monthly staff meetings, MDCH recommends a periodic review procedure of a sample of charges to ensure compliance.

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: Lack of a Recent Cost Analysis for Establishing Family Planning Fees

The Health Department did not use a recent cost analysis to develop their fee schedule for Family Planning Program services.

Recommendation: Conduct a cost analysis at least once every three years, and use the analysis to establish fees to ensure the recovery of the reasonable costs of providing services.

**Health Department
Comments:**

The Health Department previously used a cost analysis method that was lengthy and burdensome. The Health Department chose instead to yearly revise fees based on the consumer price index inflation percentages taking into consideration the insurance reimbursement rates for procedures performed in the Family Planning clinic.

Corrective Action: The Health Department will apply a cost analysis based on the auditor's recommendation annually.

**Anticipated
Completion Date:** May 2014

MDCH Response: The Cost vs. Amounts Billed for Supplies and Services Schedule included in the Audit Report is a test to determine if rates charged could recover *total* costs. Efforts are also needed to ensure charges for individual services and supplies are reflective of actual costs of providing the individual services and supplies.

Corrective Action Plan

Finding Number: 4

Page Reference: 5

Finding: Reporting Budgeted Space Costs

The Health Department reported their budgeted facilities costs on the FSR.

Recommendation: Implement policies and procedures to ensure that only actual space costs are allocated to WIC and Family Planning.

Health Department

Comments: Facility costs were not fully recovered in FY 2013. The expenses totaled \$550,040 and the revenue totaled \$540,441. This is due to areas being vacated and allocating costs on budget and not making adjustments for unoccupied space.

Corrective Action: The Health Department will alter the end of the year closing process to include a review of space allocations and make the necessary adjustments to allocated percentages based on used/occupied space.

**Anticipated
Completion Date:** September 30, 2014

MDCH Response: None

Corrective Action Plan

Finding Number: 5

Page Reference: 5

Finding: Under Reported Indirect Costs

The Health Department under-reported their indirect costs for WIC, WIC Breastfeeding, and Family Planning from understating County Central Service (CCS) expense and an overstating Information System and Services (ISS) costs from the county central office by using budgeted figures rather than actual.

Recommendation: Implement policies and procedures to ensure that the actual costs originating from the county (i.e. CCS & ISS expenses) are expensed properly in the agency support cost center.

Health Department Comments:

The County elected not to charge the full amount of the indirect costs that were identified in the cost allocation plan as it was determined that their budget could not absorb an increase of 80.70% in this line item without drastic reductions in services taking place. The County also calculated an imputed rate in determining the ISS allocation based upon budgeted figures for FY 2013 which was thought to be allowable.

Corrective Action: Saginaw County has allocated a charge to the Health Department in FY 2014 in an amount equal to the indirect costs identified with the 2012 Cost Allocation Plan and fully intends in subsequent fiscal years to continue charging actual costs as identified in the Cost Allocation Plans. As FY 2014 allocations for ISS have already been determined, Saginaw County will work with the consulting firm in preparation of the 2013 Cost Allocation Plan and supplemental ISS plan in determining an appropriate method of ensuring that actual costs are charged to departments for ISS services in future fiscal years.

Anticipated

Completion Date: FYE 2014 and FYE 2015

MDCH Response: None

Corrective Action Plan

Finding Number: 6

Page Reference: 6

Finding: Internal Service Fund Working Capital Reserves Exceed Allowable Amounts
Saginaw County's Risk Management Fund (Fund 676) and Employee Benefits Fund (Fund 698) had working capital reserves that exceeded the allowable amounts at September 30, 2012 according to OMB Circular A-87.

Recommendation: Devise a plan to ensure the Risk Management (Fund 677) and Employee Benefits (Fund 698) internal service funds working capital reserves are reduced to the allowable limit (60 days cash expenses) by FYE 2015 by either cash refunds or adjustments to future billing rates/allocations.

**Health Department
Comments:**

The 2012 Cost Allocation plan indicated that the Risk Management fund (Fund 677) and the Employee Benefits fund (Fund 698) had a balance in excess of what is allowed by OMB Circular A-87.

Corrective Action: Saginaw County is working with the consulting firm in preparing the 2013 Cost Allocation Plan to be used in the FY 2015 budget process. During the FY 2015 budget process, Saginaw County will look at ways in reducing the working capital reserve in these two internal service funds to the amount allowable according to OMB Circular A-87.

Anticipated

Completion Date: FYE 2015

MDCH Response: None