

Audit Report

Family Planning Association of Allegan County
Family Planning Program

October 1, 2013 September 30, 2014



Office of Audit
Quality Assurance and Review
December 2015



STATE OF MICHIGAN

RICK SNYDER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

NICK LYON
DIRECTOR

December 22, 2015

Julia Diaz, Acting Executive Director
Family Planning Association of Allegan County
3255 122nd Ave.
Allegan, Michigan 49010

Dear Ms. Diaz:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Family Planning Association of Allegan County Family Planning Program for the period October 1, 2013 through September 30, 2014.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statement of Grant Program Revenues and Expenditures; and Corrective Action Plans. 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.

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
Bureau of Audit, Reimbursement and Quality Assurance

Enclosure

cc: Paulette Dobyne Dunbar, Manager, Division of Family and Community Health
Deanna Charest, Manager, Reproductive and Preconception Health Unit
Pam Myers, Director, Bureau of Audit, Reimbursement and Quality Assurance
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

Conclusions, Findings, and Recommendations

<u>Internal Controls</u>	2
1. Client Income Not Re-Evaluated Annually and Incorrect Proportional Discount Applied....	2
2. Expired Service Agreement with Allegan County.....	3
<u>Financial Reporting</u>	3
<u>MDCH Share of Costs and Balance Due</u>	4
Statement of Grant Program Revenues and Expenditures.....	5
Corrective Action Plans	6

DESCRIPTION OF AGENCY

The Family Planning Association of Allegan County (Association) is organized as a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Association's administrative office is located in Allegan, Michigan. The Association operates under the legal supervision and control of its Board of Directors. The Association provides family planning and women health services to the residents of Allegan County

FUNDING METHODOLOGY

The Association services are funded from local sources, fees and collections, and grant programs administrated through the Michigan Department of Community Health (MDCH), which consist of federal and state grants. The Michigan Department of Community Health provided the Association with grant funding monthly, based on Financial Status Reports, in accordance with the terms and conditions of the 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 was based upon the understanding that certain level of performance (measured in caseload provided by MDCH) had to 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.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Family Planning Program internal controls and financial reporting, and to determine the MDCH share of Family Planning Program costs. The following were the specific objectives of the audit:

1. To assess the Association's effectiveness in establishing and implementing internal controls over the Family Planning Program.
2. To assess the Association's effectiveness in reporting their Family 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 share of costs for the Family Planning Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Association

SCOPE AND METHODOLOGY

We examined the Association's records and activities for the fiscal period October 1, 2013 to September 30, 2014. Our review procedures included the following:

- Reviewed the completed internal control questionnaire.
- Reconciled the Family Planning Program Financial Status Report (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 building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed Family Planning billing and collections 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 Association's effectiveness in establishing and implementing internal controls over the Family Planning Program.

Conclusion: The Association was generally effective in establishing and implementing internal controls over the Family Planning Program. However, we noted exceptions related to a client income assessment and the application of the proportional discount (Finding 1), and an expired-service agreement (Finding 2).

Finding

1. Client Income Not Re-Evaluated Annually and Incorrect Proportional Discount Applied

The Association did not re-evaluate a client's income as required, and applied the incorrect proportional discount to the client.

The 2013 Michigan Title X Family Planning Program Standards and Guidelines Manual, Section 6.3.1 Charges, Billing, and Collection, paragraphs C. and F. require the following:

C. A schedule of discounts must be developed and implemented...

F. Individual eligibility for a discount must be documented in the client's record/file. Client income should be re-evaluated at least annually.

In the sample of twenty services provided to clients, we identified one issue whereby the client's income had not been re-evaluated at least annually, and the incorrect proportional discount had been applied. The latest documented income and dependent level was dated August 2013 for services and supplies provided in September 2014. Using the outdated information, a 100% discount should have been applied rather than the 75% discount that was applied.

Recommendation

We recommend that the Association adopt policies and procedures to ensure clients' incomes are re-evaluated at least annually, and the correct proportional discount is applied to clients.

Finding

2. Expired Service Agreement with Allegan County

The Association's service agreement with Allegan County for the provision of space and various services expired December 31, 2012.

The service agreement with Allegan County for the provision of space; and printing/copies, telephone and postage services had a specified term of January 1, 2012 through December 31, 2012 for a monthly rent amount of \$549.99 plus billed amounts for services. After the agreement term ended, the Association continued paying the rent amount of \$549.99 plus billed amounts for services. The Association was recently informed by the County Health Department that they had not been charging enough and an adjustment would have to be made. To ensure all terms, including payment terms, are clearly understood and agreed upon by the parties, an agreement should be in place that is signed by all parties.

Recommendation

We recommend that the Association adopt policies and procedures to ensure current agreements are in place for space and services provided by others, and monitoring procedures are in place to ensure payments correspond with agreement terms.

FINANCIAL REPORTING

Objective 2: To assess the Association's effectiveness in reporting their Family Planning 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 Association reported their Family Planning Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.

MDCH SHARE OF COSTS AND BALANCE DUE

Objective 3: To determine the MDCH share of costs for the Family Planning Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Association.

Conclusion: The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2014 is \$71,522. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning Program grant funding.

Family Planning Association of Allegan County
Family Planning Program
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
Fees and Collections	\$44,500	\$36,354		\$36,354
MDCH Federal	\$65,695	\$60,425 ¹		\$60,425
MDCH State	\$11,097	\$11,097 ¹		\$11,097
Other Revenue	\$65,464	\$18,173		\$18,173
Local Funds - Other	\$8,779	\$17,767		\$17,767
TOTAL REVENUES	\$195,535	\$143,816	\$0	\$143,816
EXPENDITURES:				
Salary & Wages	\$111,223	\$88,995		\$88,995
Fringe Benefits	\$18,612	\$7,986		\$7,986
Travel	\$400	\$468		\$468
Supplies & Materials	\$28,500	\$15,928		\$15,928
Other Expenses	\$36,800	\$30,438		\$30,438
TOTAL EXPENDITURES	\$195,535	\$143,816	\$0	\$143,816

¹ Actual MDCH payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: Client Income Not Re-Evaluated Annually and Incorrect Proportional Discount Applied

The Association did not re-evaluate a client's income as required, and applied the incorrect proportional discount to the client.

Recommendation: Adopt policies and procedures to ensure clients' incomes are re-evaluated at least annually, and the correct proportional discount is applied to clients.

Association's Comments: Policies and procedures are currently in place and state that individual eligibility for a discount must be documented in the client's record/file, and client income will be re-evaluated at least annually.

Corrective Action: Training is scheduled for December 28, 2015 for all staff on current policies and procedures.

Anticipated Completion Date: January 1, 2016

MDHHS Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: Expired Service Agreement with Allegan County

The Association's service agreement with Allegan County for the provision of space and various services expired December 31, 2012.

Recommendation: Adopt policies and procedures to ensure current agreements are in place for space and services provided by others, and monitoring procedures are in place to ensure payments correspond with agreement terms.

Association's Comments: The Association is currently working with Allegan County to obtain a contract for 2016. Allegan County is still reviewing their budget and the needs of the community at this time.

Corrective Action: The Association will retain a contract with Allegan County in regards to rent/space, communication, postage, and copies. The Association will develop a policy and procedure to ensure payments correspond with agreement terms.

Anticipated Completion Date: February 1, 2016

MDHHS Response: None