

# Audit Report

## Barry-Eaton District Health Department Family Planning Program

October 1, 2007 – September 30, 2008



Office of Audit  
Quality Assurance and Review Section  
February 2010



JENNIFER M. GRANHOLM  
GOVERNOR

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

JANET OLSZEWSKI  
DIRECTOR

February 5, 2010

Stephen R. Tackitt, R.S., M.P.H.  
Barry-Eaton District Health Department  
1033 Health Care Drive  
Charlotte, Michigan 48813

Dear Mr. Tackitt:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Barry-Eaton District Health Department Family Planning Program for the period October 1, 2007 through September 30, 2008.

The final report contains the following: description of agency; funding methodology; purpose and objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and corrective action plan. The conclusions, findings, and recommendations are organized by audit objective. The corrective action plan includes the agency's paraphrased response to the Preliminary Analysis, and the Office of Audit's response to those comments.

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: Paulette Dobyne Dunbar, Manager, Division of Family and Community Health  
Pam Myers, Director, Office of Audit  
David Figg, Audit Manager, Office of Audit

# 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
<u>Financial Reporting</u> .....	3
1. Billing Rates Not Sufficient to Recover Cost.....	3
<u>MDCH Share of Costs</u> .....	4
Statement of MDCH Grant Program Revenues and Expenditures.....	5
Corrective Action Plan.....	6
Cost vs. Amounts Billed for Services and Supplies Schedule.....	7

## **DESCRIPTION OF AGENCY**

The Barry-Eaton District Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Eaton County, and the administrative office is located in Charlotte, 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 Barry and Eaton. 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, Breast and Cervical Cancer Control Program, 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, and 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.

## **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 Health Department's effectiveness in establishing and implementing internal controls over the Family Planning Program.
2. To assess the Health Department's effectiveness in reporting their 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 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 Health Department.

## **SCOPE AND METHODOLOGY**

We examined the Health Department's records and activities for the fiscal period October 1, 2007 to September 30, 2008. Our review procedures included the following:

- Reviewed the most recent Eaton County Single Audit report for any Family Planning Program concerns.
- Completed the internal control questionnaire.
- Reconciled the Family Planning Program Financial Status Report (FSR) to the accounting records.
- 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 payroll expenditures.
- Reviewed Medical Supply inventory controls.
- Reviewed billing and collection of fees and 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.

**Conclusion:** The Health Department was effective in establishing and implementing internal controls over the Family Planning Program. No internal control exceptions were noted.

## FINANCIAL REPORTING

**Objective 2:** To assess the Health Department's effectiveness in reporting their 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 their Family Planning Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we noted an exception with billing rates (Finding 1).

### Finding

#### **1. Billing Rates Not Sufficient to Recover Cost**

The Health Department's billing rates used 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 reported cost of \$537,365 we found the rates used would not recover approximately \$141,153 of the cost (see Schedule of Costs vs. Amounts Billed for Services and Supplies on page 7).

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 can not 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 \$76,093, and billing rates were about 26.3% under cost, we can estimate the effect was approximately \$27,154 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.

**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 Health Department.

**Conclusion:** The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2008, is \$97,767. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning grant program funding.

**Barry-Eaton District Health Department  
Family Planning Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/07 - 9/30/08**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant - Family Planning Cost Based Reimbursement	\$97,767	\$97,767 <sup>1</sup>	\$0	\$97,767
Fees & Col. - 1st & 2nd party	\$150,000	\$284,620	\$0	\$284,620
Fees & Col. - 3rd party	\$20,000	\$76,093	\$0	\$76,093
Local and Other Funds	\$100,000	\$35,314	\$0	\$35,314
	\$123,533	\$43,571	\$0	\$43,571
<b>TOTAL REVENUES</b>	\$491,300	\$537,365	\$0	\$537,365
<b>EXPENDITURES:</b>				
Salary and Wages	\$167,486	\$185,060	\$0	\$185,060
Fringe Benefits	\$75,916	\$72,416	\$0	\$72,416
Contractual	\$0	\$0	\$0	\$0
Supplies	\$57,420	\$49,910	\$0	\$49,910
Travel	\$4,550	\$6,050	\$0	\$6,050
Communications	\$0	\$0	\$0	\$0
Space Cost	\$0	\$0	\$0	\$0
Other Expense	\$18,150	\$60,939	\$0	\$60,939
Indirect Cost	\$167,778	\$162,990	\$0	\$162,990
<b>TOTAL EXPENDITURES</b>	\$491,300	\$537,365	\$0	\$537,365

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Billing Rates Not Sufficient to Recover Cost

The Health Department's billing rates used for Family Planning services and supplies were generally too low to recover cost.

**Recommendation:** Increase the billing rates to an amount that is sufficient to recover the reasonable cost of services.

**Comments:** The Health Department agrees with the finding and recommendation and has implemented an electronic medical records and billing program within the Family Planning program.

**Corrective Action:** The Health Department will review the current fee schedule and adjust the billing rates to an amount where the department will recover the reasonable cost of providing services, per Title X regulations.

**Anticipated  
Completion Date:** Third quarter of Fiscal Year 2010.

**MDCH Response:** No comment.

**Barry - Eaton District Health Department  
Family Planning Program  
Schedule of Costs vs. Amounts Billed for Services and Supplies  
10/1/07 - 9/30/08**

<u>Procedure/Supplies</u>	<u>Total #</u>	<u>Charge</u>	<u>Total \$</u>
Initial Exam (12-39 yrs old)		\$164.00	\$0.00
Initial Exam (40+ yrs of age)	See	\$170.00	\$0.00
Annual Exam (12-39 yrs old)	"Visits at Average	\$126.00	\$0.00
Annual Exam (40+ yrs of age)	Charge"	\$135.00	\$0.00
Revisit Brief	Below	\$38.00	\$0.00
Revisit Focused		\$50.00	\$0.00
Revisit Expanded		\$70.00	\$0.00
New Patient Focused		\$53.00	\$0.00
New Patient Expanded		\$88.00	\$0.00
Diaphragm Fitting	7	\$113.00	\$791.00
Oral Contraceptives	8164	\$20.00	\$163,280.00
Condoms	637	\$4.00	\$2,548.00
ECP	592	\$19.00	\$11,248.00
Nuva Ring	520	\$47.00	\$24,440.00
Ortho Patch	234	\$25.50	\$5,967.00
Hemoglobin		\$6.50	\$0.00
Urine Pregnancy Test	278	\$13.00	\$3,614.00
Urine Chem 10		\$6.50	\$0.00
Pap Smear	475	\$18.00	\$8,550.00
Wet Mount		\$7.00	\$0.00
Fecal Occult Blood		\$6.50	\$0.00
Court Ordered Labs		\$110.00	\$0.00
Flagyl (14 tabs/500 mg)		\$13.00	\$0.00
Flagyl (4 tabs/500 mg)		\$6.50	\$0.00
Diflucan		\$6.50	\$0.00
Metrogel Cream	178	\$19.00	\$3,382.00
Bactrim		\$6.50	\$0.00
Terazol Cream		\$2.00	\$0.00
TCA		\$6.50	\$0.00
Sub-Total			\$223,820.00
Visits at average charge - per Ron Wingate			<u>\$172,392.00</u>
Total Potential Revenue			\$396,212.00
Total Expenses			<u>\$537,365.00</u>
Shortfall			<u><u>-\$141,153.00</u></u>