

Final Report

Family Planning Association of Allegan County
Family Planning Program

October 1, 2009 – September 30, 2010



Office of Audit
Quality Assurance and Review
January 2012



RICK SNYDER
GOVERNOR

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

OLGA DAZZO
DIRECTOR

January 23, 2012

Ms. Erin Radke, Director
Family Planning Association of Allegan County
3255 122nd Avenue
Allegan, Michigan 49010

Dear Ms Radke,

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Family Planning Association of Allegan County Family Planning Program for the period October 1, 2009 through September 30, 2010.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; Corrective Action Plans; and Comments and Recommendations. 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. 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: Paulette Dobyne Dunbar, Manager, Division of Family and Community Health
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 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's health services to 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 funds. MDCH provides 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 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 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 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.
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, 2009 to September 30, 2010. We performed our review procedures in November 2011. Our review procedures included the following:

- Reviewed the completed the 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 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 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 three findings related to the Family Planning Program. Documents supporting disbursements were missing (Finding 1); and Medicaid was not billed at the 340B program price (Finding 2). Additionally, a financial status report exception was noted, which will be addressed under the Financial Reporting objective (Finding 3).

Finding

1. Missing Payment Documentation

The Association was unable to provide supporting documentation for five of forty disbursements tested.

The contract between the Association and MDCH requires that the Association comply with the OMB Circular covering cost principles.

OMB Circular A-122, Appendix A (located at 2 CFR Part 230), states:

A. *Basic Considerations...*

2. *Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:...*
 - g. *Be adequately documented.*

During our review of disbursements, forty items were selected and the Association was unable to find supporting documentation for five items. The five payments were for their outside auditors (two payments), a medical supply company, an insurance payment and a travel reimbursement. There was nothing to suggest that these payments were not allowable.

Recommendation

We recommend that the Association adopt policies and procedures to ensure supporting documentation for expenditures is retained and properly filed.

Finding

2. Medicaid Not Billed at 340B Program Price

The Association is billing Medicaid and Plan First! at the fee schedule price even though they buy contraceptives at the 340B price.

Per Medicaid Policy Bulletin Update MSA 08-46:

...pharmaceuticals or contraceptives purchased at the 340B price (actual acquisition costs) must be billed to Medicaid at the 340B price. This includes pharmaceuticals and contraceptives billed to Plan First!.

Recommendation

We recommend the Association adopt policies and procedures to ensure billing Medicaid and Plan First! the 340B price.

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 did not report their Family Planning Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. The financial status report (FSR) did not agree with the Association’s accounting records (Finding 3).

Finding

3. Financial Status Report Not in Agreement with Accounting Records

The Association's filed Financial Status Report (FSR) did not agree with the final general ledger and trial balance amounts.

The contract between the Association and MDCH requires that the Association report total actual program expenditures regardless of the source of funds on the FSR, and that the Association comply with OMB Circular A-122 (located at 2 CFR Part 230) in reporting total actual program expenditures.

OMB Circular A-122, Appendix A (located at 2 CFR Part 230), states:

A. Basic Considerations

- 1. Composition of total costs. The total cost of an award is the sum of the allowable direct and allocable indirect costs less any applicable credits.*
- 2. Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:.....*
 - e. Be determined in accordance with generally accepted accounting principles (GAAP).*

The Association's final FSR was submitted to MDCH four days after the end of the fiscal year (10/04/10). Reconciling items consisting of accruals and audit adjustments by the independent auditor to present the financial statements in conformity with generally accepted accounting principles were not posted to the accounting records at the time of the FSR filing.

Adjustment to most every line of the FSR to properly report actual program expenditures in accordance with contract and Federal regulation requirements are included on the attached Statement of MDCH Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Association adopt policies and procedures to ensure the final FSR is prepared after all accruals and audit adjustments have been recorded and the final FSR is reviewed for accuracy prior to submission to MDCH.

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, 2010 is \$89,485. 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.

Family Planning Association of Allegan County
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/09 - 9/30/10

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$89,485	\$89,485 ¹	\$0	\$89,485
Fees & Collections	\$86,639	\$70,279	(\$24,323) ²	\$45,956
Plan 1 st /Medicaid	\$89,000	\$86,896	\$22,915 ²	\$109,811
Private Foundations	\$22,000	\$24,004	(\$3,603) ²	\$20,401
Contributions	\$0	\$0	\$11,516 ²	\$11,516
Interest	\$0	\$370	\$68 ²	\$438
Local Funds Other	\$32,000	\$36,793	\$27,043 ²	\$63,836
TOTAL REVENUES	\$319,124	\$307,826	\$33,616	\$341,442
EXPENDITURES:				
Salary & Wages	\$179,396	\$189,451	\$5,530 ²	\$194,981
Fringe Benefits	\$30,498	\$37,442	(\$2,181) ²	\$35,261
Contractual	\$7,710	\$6,955	\$25 ²	\$6,980
Supplies	\$60,220	\$38,369	\$23,201 ²	\$61,570
Travel	\$750	\$814	(\$8) ²	\$805
Space Cost	\$13,000	\$13,527	\$985 ²	\$14,512
Other Expenses	\$27,550	\$21,269	\$6,064 ²	\$27,333
TOTAL EXPENDITURES	\$319,124	\$307,826	\$33,616	\$341,442

- ¹ Actual MDCH payments provided on a performance reimbursement basis.
² Reconciliation to General Ledger (Finding 3).

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: Missing Payment Documentation

The Association was unable to provide supporting documentation for five of forty disbursements tested.

Recommendation: Adopt policies and procedures to ensure supporting documentation for expenditures is retained and properly filed.

Comments: There was a policy in place; however, it is believed that the missing invoices were misfiled during the transition period of one employee's retirement and a new employee beginning.

Corrective Action: More detail will be added to the Accounting Policies and Procedures related to properly retaining documentation for expenditures to ensure this does not recur.

**Anticipated
Completion Date:** February 2012

MDCH Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: Medicaid Not Billed at 340B Program Price

The Association is billing Medicaid and Plan First! at the fee schedule price even though they buy contraceptives at the 340B price.

Recommendation: Adopt policies and procedures to ensure billing Medicaid and Plan First! at the required 340B price.

Comment: Agree with the finding. Unfortunately, we were not aware at the time of the audit that we had been billing Medicaid and Plan First! incorrectly.

Corrective Action: We have contacted MDCH staff for guidance and have been advised to contact other Michigan Family Planning agencies with a similar caseload to inquire about billing and look for suggestions in billing all parties correctly.

**Anticipated
Completion Date:** April 2012

MDCH Response: None

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: Financial Status Report Not in Agreement with Accounting Records

The Association's filed FSR did not agree with the final general ledger and trial balance amounts.

Recommendation: Adopt policies and procedures to ensure the final FSR is prepared after all accruals and audit adjustments have been recorded, and the final FSR is reviewed for accuracy prior to submission to MDCH.

Comments: Currently, an outside CPA conducts a financial audit, and completes accruals and audit adjustments in the month of December.

Corrective Action: Revise policies and procedures and contact CPA to reflect timeline given by MDCH to incorporate all of the year-end adjustments in the final FSR.

Anticipated Completion Date: Fiscal Year End 2012

MDCH Response: None

Comments and Recommendations

1. No Fidelity Bond Insurance for Family Planning Employees

The Association does not carry fidelity bond insurance coverage for their employees. We recommend that the Association consider obtaining this fidelity bond coverage to protect the Association from employee-dishonesty losses.

Association Response: The Association is in the process of considering this. A quote on the cost was requested on January 12, 2012.