

# Audit Report

Genesee County Health Department  
Family Planning Program

October 1, 2008 – September 30, 2009



Office of Audit  
Quality Assurance and Review Section  
March 2011



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH  
OFFICE OF AUDIT  
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March 4, 2011

Mark Valacak, MPH, Health Officer  
Genesee County Health Department  
Floyd J. McCree Courts and Human Services Building  
630 S. Saginaw Street, Suite 4  
Flint, Michigan 48502-1540

Dear Mr. Valacak:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Genesee County Health Department Family Planning Program for the period October 1, 2008 through September 30, 2009.

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; 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.

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

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## **DESCRIPTION OF AGENCY**

The Genesee County Health Department is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Genesee County and the administrative office is located in Flint in the Genesee County Health Department building. The Health Department operates under the legal supervision and control of the Board of Commissioners of Genesee County. The Health Department provides community health programs to residents of Genesee County. These services include: Food Protection, Family Planning, Women Infants and Children (WIC) Supplemental Food Program, Hearing Screening, Vision Screening, HIV/AIDS Prevention, Tobacco Reduction, Immunization, Communicable Disease Control, BCCCP, Medicaid Outreach, Drinking Water, Infant Initiative, STD Control, Environmental Health, Lead Reduction, Bio-Terrorism, and On-Site Sewage.

## **FUNDING METHODOLOGY**

The Family Planning 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 Funds, 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 Family Planning records and activities for the fiscal period October 1, 2008 to September 30, 2009. Our review procedures included the following:

- Reviewed the most recent Genesee County Health Department Single Audit report for any Family Planning Program concerns.
- Completed an 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 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 effectiveness of the Health Department in establishing and implementing internal controls over the Family Planning Program.

**Conclusion:** The Health Department was generally effective in establishing and implementing internal controls over the Family Planning Program. However, exceptions were noted in reporting revenue and billing rates as disclosed in the Financial Reporting section of this report (Findings 1 and 2).

### **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, exceptions were noted in reporting revenue (Finding 1), and billing rates (Finding 2).

## **Finding**

### **1. Revenue Items Not Reported or Misclassified on Financial Status Report**

The Health Department did not report Federal funding or commercial insurance payments, and misclassified one revenue item on the Financial Status Report.

The Health Department improperly reported Medicaid revenue of \$1,611 in 1<sup>st</sup> and 2<sup>nd</sup> Party Fees and Collections, but it should be in 3<sup>rd</sup> Party Fees and Collections. Additionally, the Health Department did not report \$223,288 in Federal funding or \$6,734 in commercial insurance payments. The lack of revenue reporting and misclassification had no impact on MDCH grant funds. However, proper reporting is necessary to allow for effective monitoring and compliance with agreement requirements.

According to the MDCH grant agreement, Part II General Provisions, Section IV. Payment and Reporting Procedures, D – Financial Status Report Submission, “*A Financial Status Report...must be submitted for all programs...All FSRs must be prepared in accordance with the Department’s FSR instructions...*” All revenue must be reported and on the appropriate lines on the standard FSR.

## **Recommendation**

We recommend that the Health Department implement policies and procedures to ensure all revenue items are reported and properly classified on FSRs submitted to MDCH.

## **Finding**

### **2. Billing Rates Not Sufficient to Recover Costs**

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.

The Health Department provided an analysis of each service and supply provided in the audit period, which was multiplied by the rates in effect during that time. 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 \$1,440,965 we found the rates used would not recover \$641,668 of the cost.

Title X regulations at 42 CRF 59.5 (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 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 percent of the Poverty Guidelines will not recover the reasonable cost of providing services.

The estimated effect is that an amount potentially recoverable from 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> parties was paid from local revenues. Because the amount recovered from 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> parties was \$116,919, and billing rates were about 44.5% under cost, we can estimate the effect was approximately \$93,746 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, 2009 is \$438,295. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported and allowable costs. The audit made no adjustment affecting Family Planning grant program funding.

**Genesee County Health Department  
Family Planning Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/08 - 9/30/09**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
MDCH Grant	\$438,295	\$438,295 <sup>1</sup>	\$0	\$438,295
Fees 1st & 2nd Party	\$360,919	\$17,818	(\$1,611) <sup>2</sup>	\$16,207
Fees & Collections - 3rd Party	\$79,008	\$92,367	\$8,345 <sup>2</sup>	\$100,712
Fed/State Funding (Non-MDCH)	\$200,000	\$0	\$223,288 <sup>2</sup>	\$223,288
Local Non-LPHO	\$0	\$0	\$0	\$0
Local Funds - Other	\$699,495	\$892,470	(\$230,022) <sup>2</sup>	\$662,448
Miscellaneous Income	\$0	\$15	\$0	\$15
<b>TOTAL REVENUES</b>	<b>\$1,777,717</b>	<b>\$1,440,965</b>	<b>\$0</b>	<b>\$1,440,965</b>
<b>EXPENDITURES:</b>				
Salary and Wages	\$679,035	\$562,461	\$0	\$562,461
Fringe Benefits	\$489,569	\$413,826	\$0	\$413,826
Supplies	\$116,057	\$59,410	\$0	\$59,410
Travel	\$2,200	\$1,227	\$0	\$1,227
Communications	\$0	\$0	\$0	\$0
Admin Overhead	\$326,083	\$253,913	\$0	\$253,913
Other Expense	\$48,389	\$53,503	\$0	\$53,503
Laboratory	\$52,931	\$48,877	\$0	\$48,877
Community Health Services	\$63,453	\$47,748	\$0	\$47,748
<b>TOTAL EXPENDITURES</b>	<b>\$1,777,717</b>	<b>\$1,440,965</b>	<b>\$0</b>	<b>\$1,440,965</b>

- <sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.  
<sup>2</sup> Revenue not reported or misclassified (Finding 1).

**Genesee County Health Department  
Family Planning  
Costs vs. Amounts Billed for Supplies and Services Schedule  
10/1/08 - 9/30/09**

	<u>Procedure</u>	<u>Total Quantity</u>	<u>Price</u>	<u>Total</u>
99201	New Client < 15 min	18	\$39.20	\$705.60
99202	New Client 16-25 min	73	\$39.20	\$2,861.60
99203	New Client 26-37 min	0	\$101.98	\$0.00
99384	Initial - 12-17	119	\$123.82	\$14,734.58
99385	Initial - 18-39	329	\$123.82	\$40,736.78
99386	Initial - 40-64	15	\$145.17	\$2,177.55
99211	Brief < 7 min	3,350	\$21.73	\$72,795.50
99212	Focus 8-12 min	238	\$21.96	\$5,226.48
99213	Expanded 13-20 min	98	\$64.10	\$6,281.80
99394	Annual Visit 12-17	65	\$104.18	\$6,771.70
99395	Annual Visit 18-39	865	\$105.03	\$90,850.95
99396	Annual Visit 40-64	46	\$115.28	\$5,302.88
11975	Insertion Implanon	15	\$133.64	\$2,004.60
11976	Removal Implanon	2	\$158.40	\$316.80
11977	Removal/Reinsert Implanon	0	\$247.64	\$0.00
58300	Insert IUD	2	\$86.78	\$173.56
58301	Remove IUD	1	\$111.01	\$111.01
81025	Urine Preg Test	2,302	\$10.00	\$23,020.00
81002	Urine Dipstick	14	\$10.00	\$140.00
85018	Hemoglobin	16	\$5.00	\$80.00
87210	Wet Prep	991	\$8.00	\$7,928.00
87081	Gonorrhea	629	\$15.00	\$9,435.00
87270	Chlamydia	631	\$15.00	\$9,465.00
87591	Gonorrhea Amplified	533	\$50.00	\$26,650.00
87491	Chlamydia Amplified	535	\$50.00	\$26,750.00
S4993	Oral Contraceptives	13,141	\$20.00	\$262,820.00
J1055	Depo	4,191	\$32.00	\$134,112.00
J7302	Mirena	2	\$359.17	\$718.34
J7303	Nuva Ring	279	\$35.00	\$9,765.00
	Plan B	461	\$10.00	\$4,610.00
	Sponge	51	\$3.00	\$153.00
J7304	Ortho Evra	60	\$21.00	\$1,260.00
J7307	Implanon	15	\$735.15	\$11,027.25
A4268	Female Condom	33	\$2.00	\$66.00
A4269	Foam	59	\$10.00	\$590.00
A4266	Diaphragm	0	\$40.00	\$0.00
A4267	Condoms	3,276	\$6.00	\$19,656.00
				<u>\$799,296.98</u>
	Total Expenses			<u>\$1,440,966.00</u>
	(Shortfall)/Excess			<u>(\$641,669.02)</u>

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Revenue Items Not Reported or Misclassified on Financial Status Report

The Health Department did not report Federal funding or commercial insurance payments, and misclassified one revenue item on the Financial Status Report.

**Recommendation:** Implement policies and procedures to ensure all revenue items are reported and properly classified on FSRs submitted to MDCH.

**Health Department Comments:**

All revenues collected for the fiscal year ending 2009 were reported on Health Department Financials, Genesee County CAFR & recorded within the General Ledger. There was a formula error on the FSR Reporting document that did not reflect the general ledger revenues completely. The Federal revenues of \$223,288 were *PlanFirst!* Insurance payments and the \$6,734 were private insurance payments.

**Corrective Action:** MDCH switched to EGRAMS Reporting; funds will be reported in a different format. Genesee County Health Department is in compliance with the transition to the new system.

**Anticipated Completion Date:** Completed

**MDCH Response:** None

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 3

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

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:** None provided

**Corrective Action:** Reviews of other Title X Programs and insurance reimbursement rates have been completed. A new proposed fee schedule has been developed and is awaiting board approval.

**Anticipated  
Completion Date:** March 2011

**MDCH Response:** None