

Audit Report

Health Department of Northwest Michigan
WIC and Family Planning Programs

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review
January 2014



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

January 10, 2014

Linda Yaroch, RN, MPH, Health Officer
Health Department of Northwest Michigan
220 W. Garfield St.
Charlevoix, Michigan 49720

Dear Ms. Yaroch:

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; the Corrective Action Plan; and a Comment and Recommendation. The conclusions and findings are organized by audit objective. The Corrective Action Plan, and Comment and Recommendation 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: 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
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DESCRIPTION OF AGENCY

The Health Department of Northwest Michigan (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a component unit of Charlevoix County, which is the reporting entity, and the administrative office is located in Charlevoix, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners from Antrim, Charlevoix, Emmet and Otsego Counties. The Health Department provides community health program services to the residents of these four counties. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Breast and Cervical Cancer Control Prevention, Immunizations, General Communicable Disease Control, Sexually Transmitted Disease Control, Women Infant and Children Supplemental Food Program (WIC), Bioterrorism Preparedness, Medicaid Outreach, 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, 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 Family Planning Program and WIC Program internal controls and financial reporting, and to determine the MDCH shares of Family Planning Program and WIC 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 and WIC Programs.
2. To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC 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 shares of cost for the Family Planning and WIC 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 Health Department Single Audit report for any Family Planning Program or WIC Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the Family Planning Program and WIC Program Financial Status Reports (FSRs) 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 indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed building space 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 Health Department's effectiveness in establishing and implementing internal controls over the WIC and Family Planning Programs.

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

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 Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department generally reported their WIC Program and 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. However, a repeat exception was noted with reporting fees and collections on the accrual basis related to the Family Planning Program (Finding 1).

Finding

1. Fees and Collections Reported on Accrual Basis (Repeat)

The Health Department reported their fees and collections on the accrual basis rather than the cash basis as required by the FSR Instructions.

Per the MDCH grant agreement, Part II General Provisions, Section 1 Responsibilities – Contractor, B – Fees, *“Make reasonable efforts to collect 1st and 3rd party fees, where applicable, and report these as outlined by the Department’s fiscal procedures.”*

Per the MDCH Financial Status Report Instructions, Section I, *“The Financial Status Report is to be prepared reporting...revenue on an accrual basis, with the exception of fees which should be reported on a cash basis as received.”*

The actual cash received from clients in FYE 2013 totaled \$88,215. This amount represents fees for services performed during the current and prior fiscal years. The Health Department booked \$84,179 in fees in FYE 2013 on an accrual basis and reported this amount on the FSR. Therefore, the fees were understated \$4,036 on the FSR. The under reported fees will have no effect on MDCH funding due to the level of local funding.

Recommendation

We again recommend that the Health Department report actual fees and collections received on a cash basis.

MDCH SHARES OF COST AND BALANCE DUE

Objective 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.

Conclusion: The MDCH obligation under the WIC Program for fiscal year ended September 30, 2013 is \$521,603 and under the Family Planning Program is \$99,312. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC Program or Family Planning Program funding.

Health Department of Northwest Michigan
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	\$521,603	\$521,603 ¹	\$0	\$521,603
Local and Other Funds	\$17,815	\$41,961	\$0	\$41,961
TOTAL REVENUES	\$539,418	\$563,564	\$0	\$563,564
EXPENDITURES:				
Salary and Wages	\$252,690	\$280,190	\$0	\$280,190
Fringe Benefits	\$98,549	\$123,743	\$0	\$123,743
Contractual	\$2,000	\$63	\$0	\$63
Supplies	\$10,000	\$10,927	\$0	\$10,927
Travel	\$12,000	\$7,860	\$0	\$7,860
Communications	\$4,600	\$5,528	\$0	\$5,528
Space Cost	\$44,000	\$27,151	\$0	\$27,151
Other Expense	\$1,999	\$1,489	\$0	\$1,489
Indirect Cost	\$56,198	\$59,765	\$0	\$59,765
Nursing Administration	\$57,382	\$46,848	\$0	\$46,848
TOTAL EXPENDITURES	\$539,148	\$563,564	\$0	\$563,564

¹ Actual MDCH payments provided on a performance reimbursement basis.

**Health Department of Northwest Michigan
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	\$54,312	\$54,312 ¹	\$0	\$54,312
Fees 1 st & 2 nd Party	\$10,000	\$3,685	\$0	\$3,685
Fees & Collections - 3 rd Party	\$80,000	\$89,588	\$4,036 ²	\$93,624
Fed/State Funding (Non-MDCH)	\$39,302	\$36,911	\$0	\$36,911
Local Funds	\$35,632	\$33,834	(\$4,036) ²	\$29,798
MCH Funding	\$45,000	\$45,000	\$0	\$45,000
TOTAL REVENUES	\$264,246	\$263,330	\$0	\$263,330
EXPENDITURES:				
Salary & Wages	\$109,055	\$122,995	\$0	\$122,995
Fringe Benefits	\$42,531	\$51,620	\$0	\$51,620
Contractual	\$0	\$63	\$0	\$63
Supplies	\$35,000	\$35,561	\$0	\$35,561
Travel	\$4,000	\$5,277	\$0	\$5,277
Communications	\$2,000	\$2,075	\$0	\$2,075
Space Cost	\$22,000	\$7,095	\$0	\$7,095
Other Expense	\$3,000	\$2,507	\$0	\$2,507
Admin Overhead	\$24,254	\$25,877	\$0	\$25,877
Family Health Supervision	\$22,406	\$10,260	\$0	\$10,260
TOTAL EXPENDITURES	\$264,246	\$263,330	\$0	\$263,330

¹ Actual MDCH payments provided on a performance reimbursement basis

² Adjust Fees and Collections to Cash Basis (Finding 1)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Fees and Collections Reported on Accrual Basis (Repeat)**

The Health Department reported their fees and collections on the accrual basis rather than the cash basis as required by the FSR Instructions.

Recommendation: We again recommend that the Health Department report actual fees and collections received on a cash basis.

Comment: The Health Department agrees with this finding.

Corrective Action: The Health Department will make an adjusting journal entry on September 30 for fees to be reflected on a cash basis.

Anticipated

Completion Date: September 30, 2014

MDCH Response: None

Comment and Recommendation

1. Billings to Clients with Health Insurance

When charging clients who have health insurance, the Health Department charges clients the lesser amount of the client's obligation per the sliding fee scale or the balance after insurance pays for their portion of the charge. However, this method does not agree with guidance provided by the Region V, Office of Population Affairs (OPA). OPA advises grantees to apply the sliding fee scale discount to the full charge. The insurance payment must be applied to the client's owed amount, and then any remaining balance can be billed. We recommend that the Health Department amend their billing procedures to follow the guidance provided by the Region V, Office of Population Affairs.

Management Response: The Health Department of Northwest Michigan has made this change. The Health Department applies the sliding fee credit to the full charge and then the insurance payment is applied to the client's owed amount. The Health Department bills the remaining balance to the client.