

# Audit Report

Macomb County Health Department  
Family Planning and WIC Programs

October 1, 2009 – September 30, 2010



Office of Audit  
Quality Assurance and Review  
December 2011



RICK SNYDER  
GOVERNOR

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

OLGA DAZZO  
DIRECTOR

December 12, 2011

Steven C. Gold, M.P.H.  
Macomb County Health Department  
43525 Elizabeth Road  
Mt. Clemens, Michigan 48043

Dear Mr. Gold:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Macomb County Health Department Family Planning and WIC Programs 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; Statements of MDCH Grant Program Revenues and Expenditures; Cost vs. Amount Billed for Supplies and Services Schedule; 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. 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  
Stan Bien, Director, WIC Division  
Pam Myers, Director, Office of Audit  
Michael Gribbin, Auditor, Office of Audit  
Keith Rubley, Auditor, 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
1. No Certifications to Support Salaries and Wages.....	3
2. Billing Rates Not Sufficient to Recover Cost.....	3
<u>Financial Reporting</u> .....	4
3. Indirect Overhead and County Central Services Not Fully Reported.....	4
<u>MDCH Share of Costs and Balance Due</u> .....	5
Statement of MDCH Grant Program Revenues and Expenditures - WIC Program .....	6
Statement of MDCH Grant Program Revenues and Expenditures - Family Planning .....	7
Cost vs. Amount Billed for Supplies and Services Schedule .....	8
Corrective Action Plans .....	9
Comments and Recommendations.....	12

## **DESCRIPTION OF AGENCY**

The Macomb County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Macomb County, which is the reporting entity, and the administrative office is located in Mount Clemens, Michigan. As of January 1, 2011, the Health Department operates under the supervision and control of the County Executive Office. Prior to that, the Health Department operated under the legal supervision and control of the County's Board of Health. The Health Department provides community health program services to the residents of Macomb County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease Control, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Women Infant and Children Supplemental Food Program (WIC), Emergency Preparedness, CSHCS Outreach, H1N1 Implementation, 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 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.

The WIC Program was funded by MDCH Grant Funds, and Other 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, 2009 to September 30, 2010. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any Family Planning Program or WIC Program concerns.
- Completed an internal control questionnaire.
- Reconciled the Family Planning Program and WIC 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 indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- 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 Family Planning and WIC Programs.

**Conclusion:** The Health Department was effective in establishing and implementing internal controls over the Family Planning and WIC Programs. We noted one exception related to employee certifications (Finding 1). Also, the billing rates for the Family Planning Program were not sufficient to recover costs (Finding 2).

## **Finding**

### **1. No Certifications to Support Salaries and Wages**

The Health Department does not obtain periodic certifications from employees working solely on a single Federal award as required by OMB Circular A-87.

The Health Department employees in the Family Planning and WIC programs are currently charged 100% to their respective programs. Since there are no personnel activity reports to support this, certifications to support the salaries and wages must be prepared at least semi-annually.

The Health Department's contract with MDCH (Part II, Section III, Part A.) requires compliance with OMB Circular A-87 (located at 2 CFR Part 225). OMB Circular A-87, Appendix B, Section 8. h. (3) states:

*Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.*

## **Recommendation**

We recommend that the Health Department implement policies and procedures to ensure certifications are completed as required by OMB Circular A-87.

## **Finding**

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

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.

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 cost of \$894,503 (adjusted per Finding 3) we found the rates used would not recover \$310,303 of the cost (see Cost vs. Amount Billed for Supplies and Services Schedule).

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 cannot recover the total cost of services and supplies, amounts charged to persons from families whose annual income exceeds 250% 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 \$36,875, and billing rates were about 34.69% under cost, we can estimate the effect was approximately \$19,600 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.

## **FINANCIAL REPORTING**

**Objective 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.

**Conclusion:** The Health Department generally reported 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. However, an exception was noted with Indirect Overhead and County Central Services cost reporting (Finding 3).

### **Finding**

#### **3. Indirect Overhead and County Central Services Not Fully Reported**

The Health Department does not fully report Indirect Overhead and County Central Services costs to all applicable programs.

The Health Department properly calculates the Administrative Support Indirect Overhead and the County Central Services costs. However, the Health Department did not report any such expenditures for the Family Planning Program, and only reported an allocation amount for the WIC Program that fell within the MDCH Grant amount.

The MDCH contract (Part II, Section IV, Part D) requires that FSRs report total actual program expenditures regardless of the source of funds.

OMB Circular A-87, Appendix A, states:

*D. Composition of Cost*

- 1. Total cost. The total cost of Federal awards is comprised of the allowable direct costs of the program, plus its allocable portion of allowable indirect costs....*

*F. Indirect costs.*

- 1. General. Indirect costs are those: Incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objective specifically benefitted....*

Adjustments to add appropriate Indirect Overhead and County Central Services costs are included on the attached Statements of MDCH Grant Program Revenues and Expenditures.

**Recommendation**

We recommend that the Health Department implement policies and procedures to ensure total actual program expenditures are reported on the FSR in compliance with the contract.

**MDCH SHARE OF COSTS AND BALANCE DUE**

**Objective 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.

**Conclusion:** The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2010, is \$175,108 and under the WIC Program is \$1,300,216. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning Program or WIC Program funding.

**Macomb County Health Department**  
**WIC Supplemental Food Program**  
**Statement of MDCH Grant Program Revenues and Expenditures**  
**10/1/09 - 9/30/10**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$1,300,216	\$1,300,216 <sup>1</sup>	\$0	\$1,300,216
Local and Other Funds	\$0	\$0	\$163,282	\$163,282
<b>TOTAL REVENUES</b>	\$1,300,216	\$1,300,216	\$163,282	\$1,463,498
<b>EXPENDITURES:</b>				
Salary and Wages	\$622,713	\$686,808	\$0	\$686,808
Fringe Benefits	\$300,000	\$314,293	\$0	\$314,293
Contractual	\$14,000	\$12,514	\$0	\$12,514
Supplies	\$30,000	\$37,208	\$0	\$37,208
Travel	\$14,030	\$9,845	\$0	\$9,845
Communications	\$2,514	\$0	\$0	\$0
County Central Services	\$195,000	\$103,030	\$158,550 <sup>2,3</sup>	\$261,580
Space Cost	\$1,000	\$0	\$0	\$0
Other Expense	\$15,959	\$24,682	\$4,732 <sup>3</sup>	\$29,414
Indirect Cost	\$105,000	\$111,836	\$0	\$111,836
<b>TOTAL EXPENDITURES</b>	\$1,300,216	\$1,300,216	\$163,282	\$1,463,498

- <sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.  
<sup>2</sup> Understated County Central Service overhead cost of \$163,282 (Finding 3).  
<sup>3</sup> Reclassify Repair and Maintenance Cost of \$4,732.

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
MDCH Grant	\$175,108	\$175,108 <sup>1</sup>	\$0	\$175,108
Fees 1st & 2nd Party	\$57,000	\$36,875	\$0	\$36,875
Fees & Collections - 3rd Party	\$289,110	\$295,906	\$0	\$295,906
MCH Block Grant	\$189,488	\$189,488	\$0	\$189,488
Local Funds Other	\$0	\$0	\$197,126	\$197,126
<b>TOTAL REVENUES</b>	<b>\$710,706</b>	<b>\$697,377</b>	<b>\$197,126</b>	<b>\$894,503</b>
<b>EXPENDITURES:</b>				
Salary and Wages	\$400,863	\$415,333	\$0	\$415,333
Fringe Benefits	\$159,929	\$152,273	\$0	\$152,273
Contractual	\$2,500	\$1,698	\$0	\$1,698
Supplies	\$107,200	\$94,361	\$0	\$94,361
Travel	\$11,010	\$9,919	\$0	\$9,919
Communications	\$500	\$0	\$0	\$0
Central Services	\$500	\$0	\$133,696 <sup>2</sup>	\$133,696
Space Cost	\$500	\$0	\$0	\$0
Other Expenses	\$26,204	\$23,793	\$0	\$23,793
Admin Overhead	\$1,500	\$0	\$63,430 <sup>2</sup>	\$63,430
<b>TOTAL EXPENDITURES</b>	<b>\$710,706</b>	<b>\$697,377</b>	<b>\$197,126</b>	<b>\$894,503</b>

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

<sup>2</sup> Administrative Overhead and County Service costs not allocated to FP (Finding 3).

**Macomb County Health Department  
Family Planning  
Cost vs. Amount Billed for Supplies and Services Schedule  
10/1/09 - 9/30/10**

	<u>Procedure</u>	<u>Total Quantity</u>	<u>Price</u>	<u>Total</u>
99393	Office Visit Est 5-11	0	\$80.00	\$0.00
99394	Office Visit Est 12-17	39	\$90.00	\$3,510.00
99395	Office Visit Est 18-39	992	\$90.00	\$89,280.00
99396	Office Visit Est 40-64	39	\$100.00	\$3,900.00
99383	Office Visit New 5-11	0	\$100.00	\$0.00
99384	Office Visit New 12-17	107	\$110.00	\$11,770.00
99385	Office Visit New 18-39	843	\$110.00	\$92,730.00
99386	Office Visit New 40-64	36	\$130.00	\$4,680.00
99211	Supply Visit/Counseling	2,840	\$25.00	\$71,000.00
99211	Pregnancy Test Visit	0	\$25.00	\$0.00
99213	Medical Revisit	1,032	\$35.00	\$36,120.00
57170	Diaphragm Fit	0	\$60.00	\$0.00
58300	IUD Insertion	18	\$60.00	\$1,080.00
58301	IUD Removal	12	\$65.00	\$780.00
81025	Urine Preg Test	1,390	\$10.00	\$13,900.00
85018	Hemoglobin	119	\$5.00	\$595.00
82270	Hemocult	0	\$5.00	\$0.00
87205	Pap Smear	1,886	\$15.00	\$28,290.00
87210	Wet Mount	366	\$15.00	\$5,490.00
Z8060	Fluconazole	7	\$10.00	\$70.00
89820	Metro Gel	24	\$15.00	\$360.00
89999A	Aldara Cream	16	\$25.00	\$400.00
9998	Clindamycin Cream	8	\$10.00	\$80.00
Z8090	Flagyl	0	\$5.00	\$0.00
Z8080	Terazol	9	\$10.00	\$90.00
S4993	Oral Contraceptives	10,938	\$15.00	\$164,070.00
J7304	Diaphragm	2	\$25.00	\$50.00
J1055	Depo-Provera	699	\$30.00	\$20,970.00
A4269	Jelly, Gel, Foam Cream	4	\$10.00	\$40.00
A4268	Female Condom	12	\$5.00	\$60.00
J7304	Ortho Evra Patch	481	\$25.00	\$12,025.00
J7300	IUD Paragard	12	\$230.00	\$2,760.00
J7302	IUD Mirena	6	\$365.00	\$2,190.00
J7303	Nuva Ring	597	\$30.00	\$17,910.00
				\$584,200.00
	Total Expenses			\$894,503.00
	(Shortfall)/Excess			(\$310,303.00)

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** No Certifications to Support Salaries and Wages

The Health Department does not obtain periodic certifications from employees working solely on a single Federal award as required by OMB Circular A-87.

**Recommendation:** Implement policies and procedures to ensure certifications are completed as required by OMB Circular A-87.

**Comments:** None.

**Corrective Action:** The Macomb County Health Department will assess each federally-awarded grant and each employee's work load supported by those funds and prepare all necessary certification documents.

**Anticipated  
Completion Date:** March 1, 2012

**MDCH Response:** None.

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 3

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

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.

**Comments:** None.

**Corrective Action:** The Macomb County Health Department will evaluate and analyze the cost of family planning services in conjunction with the market values and make any acceptable adjustments.

**Anticipated**

**Completion Date:** June 1, 2012

**MDCH Response:** None.

## Corrective Action Plan

**Finding Number:** 3

**Page Reference:** 4

**Finding:** **Indirect Overhead and County Central Services Not Fully Reported**

The Health Department does not fully report Indirect Overhead and County Central Services costs to all applicable programs.

**Recommendation:** Implement policies and procedures to ensure total actual program expenditures are reported on the FSR in compliance with the contract.

**Comments:** None.

**Corrective Action:** The Macomb County Health Department will assess its policies and procedures regarding the charging of full internal expenses to the WIC and Family Planning programs and implement any changes they find necessary.

**Anticipated  
Completion Date:** June 1, 2012

**MDCH Response:** None.

## **Comments and Recommendations**

### 1. Donations Not Combined with Client Fees on FSR

The Health Department reports donations on a separate line on their FSRs. We recommend that they follow the FSR preparation instructions and combine the donations with client fees and report this total as 1<sup>st</sup> & 2<sup>nd</sup> Party Collections.

Health Department Response: The Macomb County Health Department will combine the family planning donations with client fees and report them as 1<sup>st</sup> and 2<sup>nd</sup> party collections on the FSR starting with the 1<sup>st</sup> quarter fiscal year 2011/2012 report.