

# Audit Report

## Northwest Michigan Community Health Agency Family Planning Program

October 1, 2008 – September 30, 2009



Office of Audit  
Quality Assurance and Review Section  
January 2011



RICK SNYDER  
GOVERNOR

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

OLGA DAZZO  
DIRECTOR

January 3, 2011

Gerald Chase, Health Officer  
Northwest Michigan Community Health Agency  
220 W. Garfield  
Charlevoix, Michigan 49720

Dear Mr. Chase:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) fiscal review of the Northwest Michigan Community Health Agency 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 Plan. The Corrective Action Plan contains the agency's paraphrased response to each finding contained in the Preliminary Analysis.

Thank you for the cooperation extended our auditors.

Sincerely,

A handwritten signature in cursive script that reads "Debra S. Hallenbeck".

Debra S. Hallenbeck, Manager  
Quality Assurance and Review  
Office of Audit

cc: Paulette Dobyne Dunbar, Manager, Division of Family and Community Health  
Pam Myers, Director, 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
<u>Financial Reporting</u> .....	2
1. Over Reported Fees and Collections.....	3
<u>MDCH Share of Costs</u> .....	3
Statement of MDCH Grant Program Revenues and Expenditures.....	4
Corrective Action Plan.....	5

## **DESCRIPTION OF AGENCY**

The Northwest Michigan Community Health Agency (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Charlevoix County, 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 of the counties of Antrim, Charlevoix, Emmet and Otsego. The Health Department provides community health program services to the residents of these four counties. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Tobacco Control, Breast and Cervical Cancer Control, 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, 2008 to September 30, 2009. Our review procedures included the following:

- Reviewed the most recent Northwest Michigan Community Health Agency 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 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 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 over reported Fees and Collections (Finding 1).

### **Finding**

#### **1. Over Reported Fees and Collections**

The Health Department over reported fees and collections.

Reported fees and collections represented actual donations plus client billings less discounts and write-offs; however, fees and collections are required to be reported on a cash basis. The actual fees and collections were over reported by \$8,075.

Per the MDCH grant agreement, Part II General Provisions, Section I Responsibilities – Contractor, B – Fees, “The contractor...will make reasonable efforts to collect 1<sup>st</sup> and 3<sup>rd</sup> 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 accrued basis, with the exception of fees which should be reported on a cash basis as received.”

The over reported fees are offset by an increase in local funds used in the program as shown on the attached Statement of Grant Program Revenues and Expenditures.

### **Recommendation**

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

## **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 \$74,492. 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.

**Northwest Michigan Community Health Agency  
Family Planning Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/08 - 9/30/09**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant - Family Planning	\$74,492	\$74,492 <sup>1</sup>	\$0	\$74,492
Fees & Col. - 1st & 2nd party	\$30,000	\$12,851	(\$8,075)	\$4,776
Fees & Col. - 3rd party	\$60,000	\$111,205	\$0	\$111,205
Cost Based Reimbursement	\$75,000	\$23,035	\$0	\$23,035
CBR Match	\$0	\$2,303	\$0	\$2,303
Local and Other Funds	\$50,981	\$43,646	\$8,075	\$51,721
<b>TOTAL REVENUES</b>	<b>\$290,473</b>	<b>\$267,532</b>	<b>\$0</b>	<b>\$267,532</b>
<b>EXPENDITURES:</b>				
Salary and Wages	\$122,541	\$110,409	\$0	\$110,409
Fringe Benefits	\$41,664	\$35,515	\$0	\$35,515
Supplies	\$40,000	\$47,710	\$0	\$47,710
Travel	\$4,000	\$4,750	\$0	\$4,750
Communications	\$2,000	\$2,168	\$0	\$2,168
Space Cost	\$17,000	\$11,573	\$0	\$11,573
Other Expense	\$14,000	\$8,608	\$0	\$8,608
Indirect Cost	\$24,631	\$24,998	\$0	\$24,998
Nursing Administration	\$24,637	\$21,801	\$0	\$21,801
<b>TOTAL EXPENDITURES</b>	<b>\$290,473</b>	<b>\$267,532</b>	<b>\$0</b>	<b>\$267,532</b>

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

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Over Reported Fees and Collections

The Health Department over reported fees and collections.

**Recommendation:** Report actual fees and collections received on a cash basis.

**Corrective Action:** The Health Department will report fees and collections on a cash basis.

**Anticipated**

**Completion Date:** January, 2011

**MDCH Response:** No comment.