

# Audit Report

Oakwood Taylor Teen Health Center  
Family Planning Program

October 1, 2010 – September 30, 2011



Office of Audit  
Quality Assurance and Review  
July 2012



RICK SNYDER  
GOVERNOR

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

OLGA DAZZO  
DIRECTOR

July 24, 2012

Mr. Jeff Cook, Director  
Oakwood Taylor Teen Health Center  
19275 Northline Road  
Southgate, Michigan 48195

Dear Mr. Cook,

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Oakwood Taylor Teen Health Center Family Planning Program for the period October 1, 2010 through September 30, 2011.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions; Statement of MDCH Grant Program Revenues and Expenditures; and Comments and Recommendations. 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

# 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    |
| <u>MDCH Share of Costs and Balance Due</u> .....               | 3    |
| Statement of MDCH Grant Program Revenues and Expenditures..... | 4    |
| Comments and Recommendations.....                              | 5    |

## **DESCRIPTION OF AGENCY**

The Oakwood Healthcare, Inc. / Taylor Teen Health Center (The Health Center) is organized as a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Health Center's administrative office is located in Dearborn, Michigan. The Taylor Teen Health Center is located in Taylor, Michigan and is a subsidiary of Oakwood Healthcare, Inc. The Health Center provides health program services including Family Planning services to residents of Southern Wayne County.

## **FUNDING METHODOLOGY**

The Family Planning services are funded from local sources, 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 Center 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 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 Center's effectiveness in establishing and implementing internal controls over the Family Planning Program.
2. To assess the Health Center'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 Center.

## SCOPE AND METHODOLOGY

We examined the Health Center's Family Planning records and activities for the fiscal period October 1, 2010 to September 30, 2011. We performed our review procedures in May 2012. Our review procedures included the following:

- Completed an 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 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 Center's effectiveness in establishing and implementing internal controls over the Family Planning Program.

**Conclusion:** The Health Center 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 Center'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 Center 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.

## **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 Center.

**Conclusion:** The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2011 is \$67,419. 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.

**Oakwood Taylor Teen Health Center**  
**Family Planning Program**  
**Statement of MDCH Grant Program Revenues and Expenditures**  
**10/1/10 - 9/30/11**

|  | <b>BUDGETED</b>  | <b>REPORTED</b>       | <b>AUDIT<br/>ADJUSTMENT</b> | <b>ALLOWABLE</b> |
|--|------------------|-----------------------|-----------------------------|------------------|
| <b>REVENUES:</b>                             |                  |                       |                             |                  |
| MDCH Grant                                   | \$67,419         | \$67,419 <sup>1</sup> | \$0                         | \$67,419         |
| Fees 1 <sup>st</sup> & 2 <sup>nd</sup> Party | \$0              | \$0                   | \$0                         | \$0              |
| Fees & Collections – 3 <sup>rd</sup> Party   | \$56,084         | \$62,672              | \$0                         | \$62,672         |
| Local Funding                                | \$0              | \$86                  | \$0                         | \$86             |
| <b>TOTAL REVENUES</b>                        | <b>\$123,503</b> | <b>\$130,177</b>      | <b>\$0</b>                  | <b>\$130,177</b> |
| <b>EXPENDITURES:</b>                         |                  |                       |                             |                  |
| Salary & Wages                               | \$73,731         | \$84,867              | \$0                         | \$84,867         |
| Fringe Benefits                              | \$13,272         | \$16,883              | \$0                         | \$16,883         |
| Supplies                                     | \$25,000         | \$17,735              | \$0                         | \$17,735         |
| Travel                                       | \$1,500          | \$738                 | \$0                         | \$738            |
| Contractual                                  | \$0              | \$0                   | \$0                         | \$0              |
| Communications                               | \$0              | \$0                   | \$0                         | \$0              |
| Admin Overhead                               | \$0              | \$0                   | \$0                         | \$0              |
| Other Expense                                | \$10,000         | \$9,954               | \$0                         | \$9,954          |
| <b>TOTAL EXPENDITURES</b>                    | <b>\$123,503</b> | <b>\$130,177</b>      | <b>\$0</b>                  | <b>\$130,177</b> |

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

## Comments and Recommendations

### 1. Leave Time Not Allocated Equitably

The Health Center did not allocate leave time to all related activities. OMB Circular A-122 (located at 2 CFR Part 230), Appendix B, Section 8.g. requires that “Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are...absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.” The Health Center assigns each employee to a home program. When leave is taken, it is charged to the home program rather than the programs where the employee might have worked. We recommend that the Health Center implement policies and procedures that would ensure leave time is proportionately charged to the programs worked in the pay period involved.

#### **Management’s Response:**

The Oakwood Time and Attendance system does not allow for an automatic change in the allocated cost center/home program when combined time off (sick, vacation, and personal) is taken. If an employee is scheduled to take a vacation day or uses sick time, a manual re-class of the employee’s hours will be allocated to the program on the day he/she was scheduled to work. The Health Center agrees with this recommendation, which will take place on October 1, 2012. Policies will be implemented.

### 2. Neither Space Cost Nor Indirect Overhead Allocated to Family Planning Program

The Health Center did not report any space cost or indirect overhead cost for the Family Planning Program. The Health Center’s contract with MDCH requires reporting of “total actual program expenditures, regardless of the source of funds.” OMB Circular A-122 states that the total cost of an award is the sum of the allowable direct and allocable indirect costs. Space and indirect overhead costs are allowable. We recommend that the Health Center implement policies and procedures that would ensure all allowable costs are appropriately reported on FSRs to MDCH.

#### **Management Response:**

Effective October 1, 2012, space cost at the Oakwood Taylor Teen Center will be listed in the 2012-2013 Family Planning budget. The Health Center agrees with this recommendation. Policies will be implemented.

### **3. Contractual Nurse Practitioner Costs Improperly Classified**

The Health Center reported contractual nurse practitioner costs as Salary & Wages. The Health Center had budgeted these costs as Salary & Wages. Based on generally accepted accounting principles, Salary & Wages consist of compensation paid to employees for their services to the Health Center. We recommend that the Health Center implement policies and procedures to ensure that expenditures are properly classified during the budgeting and financial reporting process.

#### **Management Response:**

As of October 1, 2012, the Oakwood Taylor Teen Center will ensure all expenditures, including the contractual Nurse Practitioner, will be properly classified. All contractual staff will be listed under the contractual section of the budget. The Health Center agrees with this recommendation. Policies will be implemented.