Audit Report

Ottawa County Health Department
Family Planning Program

October 1, 2007 – September 30, 2008

Office of Audit
Quality Assurance and Review Section
October 2009

JENNIFER M. GRANHOLM
GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

October 19, 2009

Lisa Stefanovsky, M.Ed.
Ottawa County Health Department
12251 James Street, Suite 400
Holland, Michigan 49424

Dear Ms. Stefanovsky:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Ottawa County Health Department Family Planning Program for the period October 1, 2007 through September 30, 2008.

The final report contains the following: description of agency; funding methodology; purpose and objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and corrective action plan. The conclusions, findings, and recommendations are organized by audit objective. The corrective action plan includes the agency's paraphrased response to the Preliminary Analysis, and the Office of Audit's response to those comments.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Debra S. Hallenbeck

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

Enclosure

cc: Paulette Dobynes Dunbar, Manager, Division of Family and Community Health
Pam Myers, Director, Office of Audit
David Figg, Audit Manager, Office of Audit

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DESCRIPTION OF AGENCY

The Ottawa 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 Ottawa County, and the administrative office is located in Holland, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Ottawa County. The Health Department provides community health program services to the residents of Ottawa County. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Children's Special Health Care Services, Tobacco Reduction, Maternal and Child Health, Medicaid Outreach, Bioterrorism/Emergency Preparedness/Pandemic Flu, 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, 2007 to September 30, 2008. Our review procedures included the following:

- Reviewed the most recent Ottawa County 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 billing rates (Finding 1).

Finding

1. Billing Rates Not Sufficient to Recover Cost

The Health Department used billing rates for family planning services and supplies that 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 which 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 reported cost of $1,233,755 we found the rates used would not recover approximately $464,000 of the cost.

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 can not 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 clients was paid from local revenues. Because the amount recovered from all clients was $98,090, and billing rates were about 37.6% under cost, we can estimate the effect was approximately $59,106 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, 2008, is $240,554. 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.

Ottawa County Health Department
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/07 - 9/30/08

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant - Family Planning	$240,554	$240,554 *1*	$0	$240,554
Fees & Col. - 1st & 2nd party	$145,000	$98,090	$0	$98,090
Fees & Collections - 3rd party	$238,950	$211,835	$0	$211,835
Cost Based Reimbursement	$0	$55,828	$0	$55,828
Cost Based Reimb. Match	$0	$6,203	$0	$6,203
Local and Other Funds	$760,004	$621,245	$0	$621,245
TOTAL REVENUES	$1,384,508	$1,233,755	$0	$1,233,755
EXPENDITURES:				
Salary and Wages	$508,908	$500,860	$0	$500,860
Fringe Benefits	$247,867	$198,628	$0	$198,628
Contractual	$0	$0	$0	$0
Supplies	$189,784	$150,837	$0	$150,837
Travel	$7,600	$5,232	$0	$5,232
Communications	$21,000	$19,285	$0	$19,285
Space Cost	$101,860	$101,252	$0	$101,252
Other Expense	$35,808	$31,181	$0	$31,181
Indirect Cost	$271,681	$226,480	$0	$226,480
TOTAL EXPENDITURES	$1,384,508	$1,233,755	$0	$1,233,755

1 *Actual MDCH payments provided on a performance reimbursement basis.*

Corrective Action Plan

Finding Number: **1**

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Finding: Billing Rates Not Sufficient to Recover Cost

The Health Department used billing rates for family planning services and supplies that 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 the billing rates to an amount that is sufficient to recover the reasonable cost of services.

Comments: None.

Corrective Action: Prepare a cost analysis using the MDCH methodology and evaluate against the fee scale.

Anticipated Completion Date: January 31, 2010 based on costs for fiscal year ending September 30, 2009.

MDCH Response: No comment.