

# Audit Report

Planned Parenthood of West and Northern MI, Inc.  
Family Planning Program

October 1, 2008 – September 30, 2009



Office of Audit  
Quality Assurance and Review Section  
December 2010



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH  
OFFICE OF AUDIT  
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JANET OLSZEWSKI  
DIRECTOR

December 13, 2010

Katherine Humphrey, President/CEO  
Planned Parenthood of West and Northern Michigan, Inc.  
425 Cherry St. SE  
Grand Rapids, Michigan 49503

Dear Ms. Humphrey:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Planned Parenthood of West and Northern Michigan, Inc. 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 and objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and Corrective Action Plan. The Corrective Action Plan includes 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

cc: Paulette Dobyne 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**

Planned Parenthood of West and Northern MI, Inc. (Agency) is organized as a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Agency's administrative office is located in Grand Rapids, Michigan. The Agency operates under the legal supervision and control of its Board of Directors. The Agency provides Family Planning Program services at eight clinics in Grand Rapids, Wyoming, Big Rapids, Ionia, Petoskey, Traverse City, Marquette and Muskegon. The clinics serve Title X as well as non-Title X clients.

## **FUNDING METHODOLOGY**

The Family Planning Program 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 Agency with grant funding monthly, based on Financial Status Reports, in accordance with the terms and conditions of the grant agreement and budget. 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 Agency's effectiveness in establishing and implementing internal controls over the Family Planning Program.
2. To assess the Agency'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 Agency.

## SCOPE AND METHODOLOGY

We examined the Agency's Family Planning records and activities for the fiscal period October 1, 2008 to September 30, 2009. Our review procedures included the following:

- Reviewed the most recent Agency Single Audit report for any Family Planning Program concerns.
- Completed an 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 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 Agency's effectiveness in establishing and implementing internal controls over the Family Planning Program.

**Conclusion:** The Agency 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 Agency'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 Agency 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 under reported cost (Finding 1).

**Finding**

**1. Under Reported Expenditures**

The Agency under reported expenditures for the Family Planning Program.

Total reported expenditures were limited to the amount of total reported revenues from fees and collections, and grant funds. The accounting records showed additional unreported expenditures of \$10,389.

Per 2 CFR Part 230 (Office of Management and Budget Circular A-122), Appendix A, General Principles, Section A.4.a. – Allocable Costs, “A cost is allocable to a particular cost objective...in accordance with relative benefits received.”

Also, per the MDCH Grant Agreement, Part II, Section IV. C. Financial Status Report Submission, “The monthly FSR’s must reflect total actual program expenditures, regardless of the source of funds.”

Expenditures were adjusted on the attached Statement of MDCH Grant Program Revenues and Expenditures, but this had no effect on grant funds since the grant funds were fully used and the additional expenditures were paid from other resources.

**Recommendation**

We recommend that the Agency report actual total expenditures for the Family Planning Program, and all revenue sources used to support the entire Family Planning Program.

**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 Agency.

**Conclusion:** The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2009 is \$1,188,854. 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 Program grant funding.

**Planned Parenthood of West and Northern Michigan, Inc.**  
**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	\$1,188,854	\$1,188,854 <sup>1</sup>	\$0	\$1,188,854
Fees & Col. - 1st party		\$254,281	\$0	\$254,281
Fees & Col. - 3rd party		\$923,854	\$0	\$923,854
Fees & Col. - 1st & 3rd party	\$1,190,724			
Local / Other	\$0	\$0	\$10,389 <sup>2</sup>	\$10,389
<b>TOTAL REVENUES</b>	<b>\$2,379,578</b>	<b>\$2,366,989</b>	<b>\$10,389</b>	<b>\$2,377,378</b>
<b>EXPENDITURES:</b>				
Salary and Wages	\$1,216,439	\$1,314,612	\$3,924 <sup>2</sup>	\$1,318,536
Fringe Benefits	\$233,731	\$241,185	\$0	\$241,185
Supplies	\$399,917	\$346,833	\$0	\$346,833
Travel	\$19,730	\$19,730	\$6,270 <sup>2</sup>	\$26,000
Other Expense	\$509,761	\$444,629	\$195 <sup>2</sup>	\$444,824
<b>TOTAL EXPENDITURES</b>	<b>\$2,379,578</b>	<b>\$2,366,989</b>	<b>\$10,389</b>	<b>\$2,377,378</b>

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

<sup>2</sup> Additional unreported cost that was funded by other sources.

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Under Reported Cost

The Agency under reported expenditures for the Family Planning Program.

**Recommendation:** Report actual total expenditures for the Family Planning Program, and all revenue sources used to support the entire Family Planning Program.

**Comments:** At the end of the fiscal year, the Agency's goal is to submit an FSR as quickly as possible to ensure timely payment by MDCH. The payment normally reflects the balance of the grant funds. The FSR submitted reflects total actual expenses up to that time, but there may be subsequent invoices received and expensed as required to the Family Planning Program. If the submitted FSR had been marked "preliminary" and then a final FSR submitted after all expenses are final, there would be no further grant funding to be reimbursed by MDCH.

**Corrective Action:** Agency asks direction on how to resolve the issue.

**MDCH Response:** Expenditures for September 1 through September 10 can be reported by September 10, which is the payment cutoff date prior to the year end closeout process. The final FSR should be submitted by November 30 and payment (if any is due) will be processed as normal.