

Audit Report

Public Health Delta and Menominee Counties Family Planning Program

October 1, 2008 – September 30, 2009



Office of Audit
Quality Assurance and Review Section
November 2010



JENNIFER M. GRANHOLM
GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

November 29, 2010

Barbara Chenier, M.A.
Health Officer/Administrator
Public Health Delta & Menominee Counties
2920 College Road
Escanaba, Michigan 49829-9597

Dear Ms. Chenier:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Public Health Delta & Menominee Counties 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 conclusions, findings, and recommendations are organized by audit objective. The corrective action plan includes the agency's 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

Enclosure

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

The Public Health Delta and Menominee Counties (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Delta County, and the administrative office is located in Escanaba, 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 Delta and Menominee. The Health Department provides community health program services to the residents of these two counties. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Sexually Transmitted Disease Control, 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 Delta 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 reporting of fees and collections (Finding 1).

Finding

1. Under-Reported Fees and Collections

The Health Department under-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 under-reported by \$15,319.

Per the MDCH grant agreement, Part II General Provisions, Section I Responsibilities – Contractor, B – Fees, “The contractor...will make reasonable efforts to collect 1st and 3rd 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 under-reported fees are offset by a reduction 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 \$121,670. 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.

**Public Health Delta and Menominee Counties
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/08 - 9/30/09**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant - Family Planning	\$121,670	\$121,670 ¹	\$0	\$121,670
MDCH Grant - M&CH Fees & Col. - 1st & 2nd party	\$24,653	\$24,653	\$0	\$24,653
Fees & Col. - 3rd party	\$15,000	\$10,893	\$15,319 ²	\$26,212
Cost Based Reimbursement	\$155,000	\$75,042	\$0	\$75,042
Local and Other Funds	\$25,000	\$18,210	\$0	\$18,210
	\$33,457	\$106,839	(\$15,319)	\$91,520
TOTAL REVENUES	\$374,780	\$357,307	\$0	\$357,307
EXPENDITURES:				
Salary and Wages	\$156,255	\$151,615	\$0	\$151,615
Fringe Benefits	\$32,581	\$28,467	\$0	\$28,467
Supplies	\$61,270	\$47,006	\$0	\$47,006
Travel	\$8,000	\$5,441	\$0	\$5,441
Communications	\$700	\$770	\$0	\$770
Space Cost	\$17,995	\$18,210	\$0	\$18,210
Other Expense	\$3,150	\$7,824	\$0	\$7,824
Indirect Cost	\$59,051	\$59,608	\$0	\$59,608
Nursing Administration	\$35,778	\$38,366	\$0	\$38,366
TOTAL EXPENDITURES	\$374,780	\$357,307	\$0	\$357,307

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Under-reported Fees and Collections - Finding 1.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Under-Reported Fees and Collections

The Health Department under-reported fees and collections.

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

Corrective Action: The Health Department immediately changed how the amounts are reported to a cash basis, as this information was readily available.

Anticipated

Completion Date: As of the 3rd quarter FSR for FY 09/10.

MDCH Response: No comment.