

Audit Report

Public Health Delta and Menominee Counties
Family Planning and WIC Programs

October 1, 2013 – September 30, 2014



Office of Audit
Quality Assurance and Review Section
September 2015



STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

September 10, 2015

Michael Snyder, RS, MPA, Health Officer/Administrator
Public Health Delta and Menominee Counties
2920 College Avenue
Escanaba, Michigan 49829-9597

Dear Mr. Snyder:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Public Health Delta and Menominee WIC, WIC Breastfeeding and Family Planning Programs for the period October 1, 2013 through September 30, 2014.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statements of 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.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

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

Enclosure

cc: Pam Myers, Director, Bureau of Audit, Reimbursement, and Quality Assurance
Stan Bien, Director, WIC Division
Paulette Dobyne Dunbar, Manager, Division of Family and Community Health
Deanna Charest, Manager, Reproductive and Preconception Health Unit
Steve Utter, Financial Analyst, Division of Family and Community Health
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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. Termination Cost Improperly Reported.....	3
<u>MDCH Shares of Cost</u>	3
Statement of Grant Program Revenues and Expenditures-WIC.....	4
Statement of Grant Program Revenues and Expenditures-WIC Breastfeeding.....	5
Statement of Grant Program Revenues and Expenditures-Family Planning	6
Corrective Action Plan.....	7

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 Delta and Menominee counties.

FUNDING METHODOLOGY

The Health Department services were 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 provided 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, Local and Other Revenue. Grant funding from MDCH for the Family Planning Program was federal funding under federal catalog numbers 93.217 and 93.994, and was subject to performance requirements. That is, reimbursement from MDCH was 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.

The WIC and WIC Breastfeeding Programs were funded by MDCH Grant Funds and Other Local Funds. Grant funding from MDCH for WIC Programs is federal funding under federal catalog number 10.557.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Family Planning Program and WIC Program internal controls and financial reporting, and to determine the MDCH shares of Family Planning Program and WIC 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 and WIC Program.
2. To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH shares of cost for the Family Planning Program and WIC 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, 2013 to September 30, 2014. Our review procedures included the following:

- Reviewed the most recent Delta County Single Audit report for any Family Planning Program or WIC Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the Family Planning Program and WIC Program Financial Status Reports (FSRs) 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 indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed building space cost for proper reporting and compliance with Federal requirements.
- 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 Department's effectiveness in establishing and implementing internal controls over the Family Planning Program and WIC Program.

Conclusion: The Health Department was effective in establishing and implementing internal controls over the Family Planning Program and WIC Program. No internal control exceptions were noted.

FINANCIAL REPORTING

Objective 2: To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department generally reported their Family Planning Program and WIC Program financial activity to MDCH in accordance with Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles. One exception was noted regarding the allocation of termination pay (Finding 1).

Finding

1. Termination Costs Improperly Reported

The Health Department improperly reported termination costs as direct expenses on the FSRs.

The Health Department's contract with MDCH (Part II, Section III, Part A) requires compliance with OMB Circular A-87 (located at 2 CFR Part 225). According to OMB Circular A-87, Appendix B, Section 8. d. (3.):

Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.

The Health Department expenses payments for unused sick leave when an employee retires or terminates employment to the programs where the employee worked during the previous quarter. However, these payments should be treated as a general administrative expense and allocated to all activities of the Health Department.

An adjustment will not be made because an accurate calculation could not be easily determined given the multiple programs likely receiving direct charges of termination costs, and the likelihood of no financial impact on MDCH grant funds due to the level of local funding.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure termination costs are allocated as a general administrative expense to all activities of the Health Department.

MDCH SHARES OF COST AND BALANCE DUE

Objective 3: To determine the MDCH shares of cost for the Family Planning Program and WIC 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, 2014 is \$112,632; under the WIC Program is \$248,966; and under the WIC Breastfeeding Program is \$25,790. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs.

Public Health Delta & Menominee Counties
WIC Resident Services
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$248,966	\$248,966 ¹		\$248,966
Local Funds - Other	\$4,539	\$7,232		\$7,232
TOTAL REVENUES	\$253,505	\$256,198	\$0	\$256,198
EXPENDITURES:				
Salary & Wages	\$139,425	\$139,174		\$139,174
Fringe Benefits	\$24,472	\$21,842		\$21,842
Supplies & Materials	\$5,000	\$5,457		\$5,457
Travel	\$3,000	\$3,529		\$3,529
Communication	\$1,800	\$1,730		\$1,730
Other	\$1,000	\$932		\$932
Indirect Costs	\$51,097	\$50,987		\$50,987
Other Cost Distributions	\$27,711	\$32,547		\$32,547
TOTAL EXPENDITURES	\$253,505	\$256,198	\$0	\$256,198

¹ Actual MDCH payments.

Public Health Delta & Menominee Counties
WIC Breastfeeding
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$27,771	\$25,790 ¹		\$25,790
Local Funds - Other	\$76	\$0		\$0
TOTAL REVENUES	\$27,847	\$25,790	\$0	\$25,790
EXPENDITURES:				
Salary & Wages	\$18,267	\$17,317		\$17,317
Fringe Benefits	\$1,397	\$1,348		\$1,348
Supplies & Materials	\$400	\$214		\$214
Travel	\$1,200	\$725		\$725
Communication	\$200	\$215		\$215
Other	\$300	\$60		\$60
Indirect Costs	\$6,083	\$5,911		\$5,911
TOTAL EXPENDITURES	\$27,847	\$25,790	\$0	\$25,790

¹ Actual MDCH payments.

**Public Health Delta & Menominee Counties
Family Planning
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant Federal	\$58,297	\$58,297 ¹		\$58,297
MDCH Grant State	\$15,536	\$15,536 ¹		\$15,536
MCH Funding	\$38,799	\$38,799		\$38,799
Fees & Collections - 1st & 2nd Party	\$15,000	\$15,983		\$15,983
Fees & Collections - 3rd Party	\$50,000	\$52,342		\$52,342
Federal Cost Based Reimbursement	\$28,382	\$28,382		\$28,382
Local Funds - Other	\$71,282	\$57,116		\$57,116
TOTAL REVENUES	\$277,296	\$266,455	\$0	\$266,455
EXPENDITURES:				
Salary & Wages	\$124,834	\$126,859		\$126,859
Fringe Benefits	\$29,195	\$24,264		\$24,264
Supplies & Materials	\$25,000	\$14,533		\$14,533
Pharmaceutical	\$15,536	\$15,536		\$15,536
Travel	\$3,000	\$2,981		\$2,981
Communication	\$800	\$1,033		\$1,033
Other	\$2,500	\$2,847		\$2,847
Indirect Costs	\$47,651	\$47,855		\$47,855
Other Costs Distributions	\$28,780	\$30,547		\$30,547
TOTAL EXPENDITURES	\$277,296	\$266,455	\$0	\$266,455

¹ Actual MDCH payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Termination Costs Improperly Reported

The Health Department improperly reported termination costs as direct expenses on the FSRs.

Recommendation: Implement policies and procedures to ensure termination costs are allocated as a general administrative expense to all activities of the Health Department.

Comments: None

Corrective Action: The Department will allocate termination costs as administrative expenses across department programs.

**Anticipated
Completion Date:** Immediately

MDCH Response: None