

Audit Report

Wayne County Health Department
Family Planning Program

October 1, 2008 – September 30, 2009



Office of Audit
Quality Assurance and Review Section
September 2010



JENNIFER M. GRANHOLM
GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

September 10, 2010

Loretta Davis, M.S.A.
Director/Health Officer
Wayne County Department of Public Health
33030 Van Born Road
Wayne, Michigan 48184

Dear Ms. Davis:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Wayne County Health Department 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; Costs vs. Amounts Billed for Services and Supplies Schedule, and corrective action plans. The conclusions, findings, and recommendations are organized by audit objective. The corrective action plans include 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

The Wayne 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 Wayne County, and the administrative office is located in Wayne, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Wayne County. The Health Department provides community health program services to the residents of Wayne 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, Tobacco Reduction, Dental Health, Bioterrorism/Emergency Preparedness/Pandemic Flu, Children's Special Health Care Services, Childhood Lead Screening, Maternal and Infant Health, Medicaid Outreach, Women Infants and Children (WIC) Supplemental Food Program and Family Planning.

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 Wayne 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 generally effective in establishing and implementing internal controls over the Family Planning Program. However, we noted an exception with controls over Family Planning medical supplies and drugs (Finding 1).

Finding

1. Lack of Controls Over Family Planning Medical Supplies and Drugs

The Health Department lacked internal controls over Family Planning medical supplies and drugs.

Our review of the controls over Family Planning medical supplies and drugs noted the following two deficiencies:

- A. The Family Planning clinic medical supplies and drug inventory are maintained in a cabinet with the key in a small bin on top of the cabinet.
- B. A perpetual inventory log is not maintained and a periodic inventory count is not performed.

Good internal control procedures include safeguarding of assets. Also, for inventory controls, the Health Department should maintain a perpetual inventory log, so that a periodic inventory count can be compared to the perpetual inventory log to detect any variances.

Recommendation

We recommend that the Health Department implement procedures to improve the security of medical supplies and drugs, and establish a perpetual inventory accounting for Family Planning medical supplies and drugs.

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 exceptions with billing rates (Finding 2), and unbilled and misreported revenue (Finding 3).

Finding

2. Billing Rates Not Sufficient to Recover Cost

The Health Department's billing rates used for family planning services and supplies 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.

For our test, we 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 \$735,065 we found the rates used would not recover approximately \$582,586 of the cost (see attached Schedule of Costs vs. Amounts Billed for Services and Supplies on page 7).

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.

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.

Finding

3. Unbilled and Misreported Revenue

The Health Department had unbilled and misreported revenue.

- The Health Department did not bill Family Planning first and third parties due to a staffing vacancy that existed for most of the fiscal period under review. This condition remained as of the end of the audit fieldwork. The potential amount of unbilled and unreported first and third party fees and collections revenue could not be determined.
- In the review of a sample of client files regarding income and number of dependents, one client was not billed according to the sliding fee scale. The client reported income entitling her to a 50% discount for services provided. This client had three visits during which the 50% discount should have been applied. However, the client was given a 100% discount. The amount that should have been billed for the services provided was \$153.64.
- Medicaid cost based reimbursement revenue for fiscal years 05/06 and 06/07 received in fiscal year 08/09 of \$39,215 was not separately reported on the Financial Status Report. Therefore, an adjustment to reclassify it is shown on the attached Statement of MDCH Grant Program Revenues and Expenditures.

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.”

Title X regulations at 42CFR59.5 (8) state in part:

...charges will be made for services to persons other than those from low-income families in accordance with a schedule of discounts based on ability to pay...

Also, per MDCH Financial Status Report instructions, Section I Introduction, all Fees and Collections applicable to a program are to be reported on a cash basis as received.

Recommendation

We recommend that the Health Department make reasonable efforts to bill, collect and report all applicable Family Planning Program revenues.

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 \$195,400. 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.

**Wayne County Health Department
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 Plan.	\$310,000	\$195,400 1	\$0	\$195,400
Fees & Col. – 1st & 2nd party	\$6,700	\$1,361	\$0	\$1,361
Fees & Col. – 3rd party	\$15,000	\$23,223	\$0	\$23,223
Medicaid Cost Based Reimb.	\$87,700	\$0	\$39,215 2	\$39,215
Local and Other Funds	\$617,073	\$515,081	(\$39,215) 2	\$475,866
TOTAL REVENUES	\$1,036,473	\$735,065	\$0	\$735,065
EXPENDITURES:				
Salary and Wages	\$286,432	\$178,563	\$0	\$178,563
Fringe Benefits	\$157,071	\$119,212	\$0	\$119,212
Contractual	\$0	\$0	\$0	\$0
Supplies	\$89,053	\$20,608	\$0	\$20,608
Travel	\$0	\$5,976	\$0	\$5,976
Communications	\$0	\$0	\$0	\$0
Space Cost	\$0	\$0	\$0	\$0
Other Expense	\$97,000	\$115,148	\$0	\$115,148
Indirect Cost	\$148,871	\$124,615	\$0	\$124,615
HPDC Admin.	\$41,621	\$31,178	\$0	\$31,178
Clinic Admin.	216,425	\$139,765	\$0	\$139,765
TOTAL EXPENDITURES	\$1,036,473	\$735,065	\$0	\$735,065

1 Actual MDCH payments provided on a performance reimbursement basis.

2 Reclassify Medicaid Cost Based Reimbursement.

**Wayne County Health Department
Family Planning
Cost vs. Amounts Billed for Supplies and Services
10/1/08 - 9/30/09**

<u>Medication</u>	<u>Quantity</u>	<u>Price</u>	<u>Total</u>
Female Condoms	1613	\$0.80	\$1,290.40
Condoms	34	\$0.10	\$3.40
Vaginal Film	78	\$0.50	\$39.00
Diaphragm	12	\$18.50	\$222.00
Spermicide	6	\$6.00	\$36.00
Terazol 3	612	\$0.50	\$306.00
Depo IM	99	\$9.60	\$950.40
Depo SQ		\$9.60	\$0.00
Patch	14	\$21.00	\$294.00
Ring	96	\$15.75	\$1,512.00
ECP Plan B	56	\$7.85	\$439.60
Contraceptives	2954	\$4.60	\$13,588.40
HGB	22	\$3.00	\$66.00
Urinalysis Dip	49	\$3.00	\$147.00
Wet Mount	102	\$3.00	\$306.00
Pregnancy Test	106	\$5.00	\$530.00
 <u>Services</u>			
New OV 20 Min	36	\$99.00	\$3,564.00
Initial (12-17)	76	\$149.50	\$11,362.00
Initial (18 - 39)	402	\$149.50	\$60,099.00
Initial > 40	11	\$174.50	\$1,919.50
Est PT Prob 15 min	295	\$96.00	\$28,320.00
Annual (12-17)	15	\$131.50	\$1,972.50
Annual (18-39)	103	\$132.00	\$13,596.00
Annual >40	4	\$144.50	\$578.00
Supply Visit	264	\$27.60	\$7,286.40
Depo Injection	142	\$26.50	\$3,763.00
IUD Removal		\$59.00	\$0.00
Out PT new		\$143.00	\$0.00
Out PT Est	2	\$144.00	\$288.00
 Total Potential Revenue			 \$152,478.60
 Total Cost			 \$735,065.00
 Shortfall			 -\$582,586.40

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: Lack of Controls over Family Planning Medical Supplies and Drugs

The Health Department lacked internal controls over Family Planning medical supplies and drugs.

Recommendation: Implement procedures to improve the security of medical supplies and drugs, and establish a perpetual inventory accounting for Family Planning medical supplies and drugs.

Comments: None.

Corrective Action: A monthly inventory of medical supplies will be performed by the nursing clinic staff and the Family Planning Coordinator, along with a periodic audit of the inventory procedures performed by financial services staff to ensure proper accounting for all items. Access to the medical supplies will be monitored and controlled by the Nurse Supervisor, nursing staff and Family Planning Coordinator.

**Anticipated
Completion Date:** September 1, 2010

MDCH Response: No comment.

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: **Billing Rates Not Sufficient to Recover Cost**

The Health Department's billing rates for Family Planning services and supplies were generally too low to recover cost.

Recommendation: Increase the billing rates to an amount that is sufficient to recover the reasonable cost of services.

Comments: All fees are mandated and controlled by Ordinance. Only the Wayne County Commission has the authority to set fees.

Corrective Action: The Health Department will do a comparative analysis in the local surrounding areas of fees to determine the proper fee rates and limits to recommend an increase in fees to the Commission.

Anticipated

Completion Date: Comparative analysis to be completed by October 1, 2010.

MDCH Response: Simply setting billing rates at levels charged in surrounding areas may not necessarily result in rates that are sufficient to recover the Health Department's cost of services. Accordingly, a cost analysis and further adjustments may also be necessary.

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: Unbilled and Misreported Revenue

The Health Department had unbilled and misreported Family Planning revenue.

Recommendation: Make reasonable efforts to bill, collect and report all applicable Family Planning Program revenues.

Comments: None.

Corrective Action: With regard to unbilled first and third party fees, the Health Department will establish financial policies and procedures to mitigate the risk of misrepresentation in the reports. This includes additional billing staff who may initially be both County and contractual employees. This staff will be trained in the State Medicaid billing process by employees with prior knowledge. With regard to ensuring clients were billed according to the sliding fee scale, the Health Department will do a periodic audit (sampling) of financial records to ensure accuracy. With regard to properly classifying and reporting Medicaid cost based reimbursement revenue, the Health Department will perform a regular reconciliation of revenue and expenditure accounts.

Anticipated

Completion Date: October 1, 2010

MDCH Response: No comment.