

Audit Report

Western Upper Peninsula District Health Department
Family Planning Program

October 1, 2009 – September 30, 2010



Office of Audit
Quality Assurance and Review
October 2011



RICK SNYDER
GOVERNOR

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

OLGA DAZZO
DIRECTOR

October 31, 2011

Guy St. Germain, M.P.A.
Western Upper Peninsula District Health Department
540 Depot
Hancock, Michigan 49930

Dear Mr. St. Germain:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Western Upper Peninsula District Health Department Family Planning Program for the period October 1, 2009 through September 30, 2010.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; Cost vs. Amounts Billed for Supplies and Services Schedule; and the 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,

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
Keith Rubley, Auditor, Office of Audit

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
1. Billing Rates Not Sufficient to Recover Cost.....	3
<u>Financial Reporting</u>	4
<u>MDCH Share of Costs and Balance Due</u>	4
Statement of MDCH Grant Program Revenues and Expenditures - Family Planning	5
Cost vs. Amounts Billed for Supplies and Services Schedule.....	6
Corrective Action Plan.....	7

DESCRIPTION OF AGENCY

The Western Upper Peninsula District Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Houghton County, which is the reporting entity, and the administrative office is located in Hancock, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of Houghton, Baraga, Ontonagon, Keweenaw and Gogebic Counties. The Health Department provides community health program services to the residents of Houghton, Baraga, Ontonagon, Keweenaw and Gogebic Counties. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, Breast and Cervical Cancer Control Program, Women Infant and Children Supplemental Food Program, Bioterrorism Preparedness, Tobacco Reduction, Sexually Transmitted Disease Control, Communicable Disease Control, 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, 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 Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH share of cost for the Family Planning 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, 2009 to September 30, 2010. Our review procedures included the following:

- Reviewed the most recent Health Department 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.
- 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 costs for proper reporting and compliance with Federal requirements.
- Reviewed Family Planning Medical Supply inventory records.
- 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.

Conclusion: The Health Department was generally effective in establishing and implementing internal controls over the Family Planning Program. We noted one exception related to the Family Planning Program. We noted that billing rates were not sufficient to recover cost (Finding 1).

Finding

1. 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. 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 \$244,339 we found the rates used would not recover \$26,898 of the cost (see Cost vs. Amounts Billed for Supplies and Services Schedule).

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. Since the amount recovered from all clients was \$16,394, and billing rates were 11.01% under cost, we can estimate the effect was \$2,028 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.

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 Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department reported their Family Planning Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.

MDCH SHARE OF COSTS AND BALANCE DUE

Objective 3: To determine the MDCH share of cost 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, 2010, is \$81,693. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting the Family Planning Program.

**Western UP Health Department
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/09 - 9/30/10**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$81,693	\$81,693 ¹	\$0	\$81,693
Fees 1 st & 2 nd Party	\$10,000	\$16,394	\$0	\$16,394
Fees & Collections - 3 rd Party	\$62,000	\$61,612	\$0	\$61,612
Cost Base Reimbursement	\$20,000	\$20,094	\$0	\$20,094
Local MCH	\$43,714	\$43,714	\$0	\$43,714
Local Funds Other	\$53,536	\$20,832	\$0	\$20,832
TOTAL REVENUES	\$270,943	\$244,339	\$0	\$244,339
EXPENDITURES:				
Salary and Wages	\$106,035	\$105,002	\$0	\$105,002
Fringe Benefits	\$39,233	\$33,806	\$0	\$33,806
Supplies	\$42,535	\$41,801	\$0	\$41,801
Travel	\$3,000	\$2,426	\$0	\$2,426
Communications	\$3,395	\$1,249	\$0	\$1,249
Other Expenses	\$10,800	\$13,779	\$0	\$13,779
Space Cost	\$12,250	\$12,556	\$0	\$12,556
Admin Overhead	\$43,580	\$33,720	\$0	\$33,720
Nursing Administration	\$10,115	\$0	\$0	\$0
TOTAL EXPENDITURES	\$270,943	\$244,339	\$0	\$244,339

¹ Actual MDCH payments provided on a performance reimbursement basis.

Western UP Health Department
Family Planning
Cost vs Amounts Billed for Supplies and Services Schedule
10/1/09 – 9/30/10

<u>Procedure</u>	<u>Total Quantity</u>	<u>Price</u>	<u>Total</u>
Medical Repap Visit	16	\$50.00	\$800.00
Medical Revisit Problem	54	\$50.00	\$2,700.00
Initial – 18-39 w/pap	62	\$130.00	\$8,060.00
Initial Visit wo/pap	146	\$60.00	\$8,760.00
Annual Visit 12-17 w/pap	4	\$110.00	\$440.00
Annual Visit 18-39 w/pap	199	\$110.00	\$21,890.00
Annual Visit wo/pap	237	\$60.00	\$14,220.00
Counseling Visit	58	\$15.00	\$870.00
Injection Visit	437	\$15.00	\$6,555.00
Emergency Contraceptive	57	\$25.00	\$1,425.00
HPV TX Visit	4	\$50.00	\$200.00
STD Visit	90	\$50.00	\$4,500.00
VF Check Visit	6	\$50.00	\$300.00
Chlamydia	118	\$32.00	\$3,776.00
Gonorrhea	4	\$15.00	\$60.00
Vaginal Smear	65	\$10.00	\$650.00
Pregnancy Test	55	\$10.00	\$550.00
Hemoglobin	56	\$5.00	\$280.00
Urinalysis Dipstick	23	\$10.00	\$230.00
Venipuncture	7	\$25.00	\$175.00
Diaphragm	1	\$25.00	\$25.00
Depo	526	\$35.00	\$18,410.00
Patch	171	\$15.00	\$2,565.00
Jelly, Cream, Foam	1	\$10.00	\$10.00
Oral Contraceptives	5365	\$20.00	\$107,300.00
Nuva Ring	309	\$40.00	\$12,360.00
Bactrim	1	\$15.00	\$15.00
Fluconazole	21	\$15.00	\$315.00
			\$217,441.00
Total Expenses			\$244,339.00
(Shortfall)/Excess			(\$26,898.00)

Corrective Action Plan

Finding Number: 1

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

Comments: The Health Department agrees with this finding.

Corrective Action: The Health Department has approved an incremental fee increase for the fiscal year beginning 10/01/2011. The Health Department is in the process of installing new accounting and electronic medical record software, which will allow more accurate tracking of program services and related costs. Upon completion of these projects, the cost structure will be reviewed against the fee schedule to determine reasonable fees. Services provided will also be reviewed to determine if all billable services are being captured.

Anticipated Completion Date: 10/01/2011 for incremental increase, 10/01/12 for additional service fees and accurate cost based fee structure.

MDCH Response: None.