
Bay County Health Department

Family Planning Program
Women, Infants, and Children Program

For the Period October 1, 2017 – September 30, 2018

Audit Report – Issued March 2020

State of Michigan
Department of Health and Human Services
Bureau of Audit
Audit Division





STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

March 19, 2020

Mr. Joel Strasz, Health Officer
Bay County Health Department
1200 Washington Avenue
Bay City, Michigan 48708

Dear Mr. Strasz:

This is our audit report of the Family Planning and Women, Infants, and Children (WIC) Programs administered by the Bay County Health Department for the period October 1, 2017 through September 30, 2018.

The Michigan Department of Health and Human Services (MDHHS) is committed to ensuring high standards of integrity and accountability for public funds. To that end, we periodically perform audits to assess the agency's compliance with fiscal reporting and other requirements contained in MDHHS agreements, and policies and procedures; and Federal regulations.

The report includes the Executive Summary, Exceptions, Recommendations, Corrective Actions, Statements of Audited Grant Revenues and Expenses, Federal and State Grant Award Information, and Scope and Methodology.

Final reports are posted for public viewing on the MDHHS website.

Thank you for the cooperation extended throughout the audit process.

Sincerely,

A handwritten signature in black ink that reads "Shannah M. Havens".

Shannah M. Havens, CPA, MBA
Audit Section Manager
Public Health and Community Services Programs Audit Section
Audit Division

c: Debra Hallenbeck, MDHHS, Audit
Matthew Tompkins, MDHHS, Audit
Christina Herring, MDHHS, WIC
Cecilia Hutson, MDHHS, WIC
Dawn Shanafelt, MDHHS, Maternal and Infant Health
Deanna Charest, MDHHS, Maternal and Infant Health
Steve Utter, MDHHS, Maternal and Infant Health
Mark Pickell, Bay County Health Department

TABLE OF CONTENTS

Executive Summary	1
Exceptions, Recommendations, and Corrective Actions	
1. Payroll Distribution Inappropriately Based on a Predetermined Percentage	2
2. Termination Payment Improperly Recorded as a Direct Expense (Repeat)	3
3. Record Retention Requirements Not Met.....	4
Statements of Audited Grant Revenues and Expenses	
Family Planning Services.....	6
WIC Resident Services	7
WIC Breastfeeding.....	8
Federal and State Grant Award Information.....	9
Scope and Methodology.....	11
Glossary of Abbreviations and Terms	12

EXECUTIVE SUMMARY

Below is a summary of exceptions and the Health Department's corrective action plan.

Exception 1 Page 2	Payroll Distribution Inappropriately Based on a Predetermined Percentage
Criteria	Title 2 CFR 200.430(i)
Amount to be Returned	\$-0-
Corrective Action	New timesheets
Completion Date	09/15/2018
Person Responsible	Becky Smutek, Payroll Department Joel Strasz, Health Officer Mark Pickell, Business Services Manager

Exception 2 Page 3	Termination Payment Improperly Recorded as a Direct Expense Repeat Exception [Audit Report Issued March 2018, Exception 2] [Audit Report Issued August 2014, Exception 4]
Criteria	Title 2 CFR 200.431(b)(3)(i)
Amount to be Returned	\$-0-
Corrective Action	New processes to allocate unpaid leave banks.
Completion Date	01/02/2019
Person Responsible	Jan Histed, Finance Manager Becky Smutek, Payroll Department Mark Pickell, Business Services Manager Joel Strasz, Health Officer

Exception 3 Page 4	Record Retention Requirements Not Met
Criteria	Title 2 CFR 200.333
Amount to be Returned	\$-0-
Corrective Action	Retain required supporting documentation.
Completion Date	01/02/2019
Person Responsible	Alison Tribfelner, Family Planning Coordinator Fern Liversedge, Clerk Mark Pickell, Business Services Manager Joel Strasz, Health Officer

Exception 1

Payroll Distribution Inappropriately Based on a Predetermined Percentage

Condition

The Health Department inappropriately used a predetermined percentage to distribute payroll costs for the Family Planning Program which did not reflect the actual work performed.

Criteria

Title 2 CFR 200.430(i)(1) for Compensation states, "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed... (v.iii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that...The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated."

Exception

During our review, we noted that the Health Department allocated salaries and wages based on the predetermined rate included in the budget for one (17%) of six employees reviewed.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that all payroll expenses are based on records that accurately reflect the work performed as required by Federal regulation.

Agency Response and Corrective Action Plan

The Bay County Health Department along with the County's Payroll Department will implement a new timesheet that breaks down the vacation, sick, family sick, personal, add personal, comp, holiday, and funeral by the percent of actual hours worked per employee/per budget(s).

Completion Date

PAY PERIOD effective 9/15/2018

Responsible Individuals

Becky Smutek, Payroll Dept.
Joel Strasz, Health Officer
Mark Pickell, Business Services Mgr.

Exception 2**Termination Payment Improperly Recorded as a Direct Expense**

Repeat Exception

[Audit Report Issued March 2018, Exception 2]

[Audit Report Issued August 2014, Exception 4]

Condition

The Health Department improperly recorded its termination expenditures as a direct expense.

Criteria

The Office of Management and Budget's Frequently Asked Questions for Title 2 CFR 200 provides clarification for Title 2 CFR 200.431(b)(3)(i) stating that "Charging all unused leave costs for separating employees in the same manner as it had charged the employees' salary costs (i.e., directly to the activities on which the employees were working at the time of their separation) would result in inequitable distribution of the unused leave costs, because the leave costs were accumulated over the entire period of employment while working on various programs. In addition, having the last program bear the burden of these unbudgeted costs creates an unfair distribution of costs to this program. Therefore, any state, Local or Tribal government using the cash basis of accounting should allocate payments for unused leave, when an employee retires or terminates employment, in the year of payment as a general administrative expense to all activities of the governmental unit."

Exception

During our review, we noted that the Health Department included termination vacation pay in the amount of \$1,273 as part of salaries and wages charged to the WIC program instead of properly allocating this expense as an indirect cost.

We noted that this is a repeat finding from the FYE 2013 and the FYE 2016 MDHHS Audit Reports. The Health Department's corrective action plan stated it would implement a policy/procedure that ensures correct distribution of termination payouts in compliance with Federal regulations at the time of termination by June 1, 2018. The Health Department did not implement corrective action during our audit period.

Adjustments reflecting the change in salaries and wages for the WIC Program are shown on the attached Statement of Audited Grant Program Revenues and Expenditures.

Recommendation

We again recommend that the Health Department implement policies and procedures to ensure that all termination payouts comply with Federal regulation.

Agency Response and Corrective Action Plan

The Bay County Health Department along with the County's Finance and Payroll Departments will fill out a form in addition to the employees last timesheet that correctly distributes any unpaid leave (when the employee retires or terminates employment) to Administrative expenses.

Completion Date

1/02/2019

Responsible Individuals

Jan Histed, Finance Mgr.
Becky Smutek, Payroll Dept.
Joel Strasz, Health Officer
Mark Pickell, Business Services Mgr.

Exception 3 Record Retention Requirements Not Met

Condition

The Health Department did not retain records for patients' reported incomes to support the amounts charged to Family Planning Program clients were in accordance with Federal regulations.

Criteria

Title 2 CFR 200.333 states, "Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient."

Exception

During our review, we noted that two (11%) of 18 patients' records were not retained in the Health Department's electronic health record system so we could not verify that the patients were charged the correct amount per the Health Department's Sliding fee of discounts. The Health Department stated that its electronic health record system only retains the most current income level and overrides any income from a prior visit.

Recommendation

We recommend that the Health Department adopt procedures to ensure that supporting documentation is retained in accordance with Federal regulations.

Agency Response and Corrective Action Plan

The Family Planning Program will retain all supporting documentation (sliding fee schedule) per Federal regulations.

Completion Date

1/02/2019

Responsible Individuals

Allison Tribfelner, Family Planning Coordinator

Fern Liversedge, Clerk

Joel Strasz, Health Officer

Mark Pickell, Business Services Mgr.

**Bay County Health Department
Family Planning Services
Statement of Audited Grant Revenues and Expenses
10/01/2017 - 09/30/2018**

	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
REVENUES					
MDHHS Grant	\$ 114,886	\$ 114,886	\$ 114,886	\$ -	
Fees and Collections - 1st and 2nd Party	\$ 10,000	\$ 6,298	\$ 6,298	\$ -	
Fees and Collections - 3rd Party	\$ 44,000	\$ 27,175	\$ 27,175	\$ -	
Federal Cost Based Reimbursement	\$ 20,500	\$ 158,496	\$ 158,496	\$ -	
Required Match - Local	\$ -	\$ -	\$ -	\$ -	
Other Non-ELPHS	\$ -	\$ -	\$ -	\$ -	
Local Funds - Other	\$ 75,100	\$ -	\$ -	\$ -	
Total Revenues	\$ 264,486	\$ 306,855	\$ 306,855	\$ -	
EXPENSES					
Salaries and Wages	\$ 74,300	\$ 105,268	\$ 105,268	\$ -	
Fringe Benefits	\$ 33,435	\$ 34,265	\$ 34,265	\$ -	
Contractual Services	\$ -	\$ -	\$ -	\$ -	
Supplies and Materials	\$ 40,000	\$ 38,456	\$ 38,456	\$ -	
Travel	\$ 2,500	\$ 2,876	\$ 2,876	\$ -	
Communication	\$ 2,300	\$ 313	\$ 313	\$ -	
Space Costs	\$ -	\$ -	\$ -	\$ -	
Other	\$ 51,500	\$ 51,153	\$ 51,153	\$ -	
Indirect Costs	\$ -	\$ -	\$ -	\$ -	
Other Costs Distributions	\$ 60,451	\$ 74,524	\$ 74,524	\$ -	
Total Expenses	\$ 264,486	\$ 306,855	\$ 306,855	\$ -	

**Bay County Health Department
WIC Resident Services Program
Statement of Audited Grant Revenues and Expenses
10/01/2017 - 09/30/2018**

	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
REVENUES					
MDHHS Grant	\$ 477,271	\$ 477,271	\$ 477,271	\$ -	
Fees and Collections - 1st and 2nd Party	\$ -	\$ -	\$ -	\$ -	
Fees and Collections - 3rd Party	\$ -	\$ -	\$ -	\$ -	
Federal Cost Based Reimbursement	\$ -	\$ -	\$ -	\$ -	
Local Non-ELPHS	\$ -	\$ 75	\$ 75	\$ -	
Local Funds - Other	\$ 220,415	\$ 191,184	\$ 189,911	\$ (1,273)	2
Total Revenues	\$ 697,686	\$ 668,530	\$ 667,257	\$ (1,273)	
EXPENSES					
Salaries and Wages	\$ 280,000	\$ 278,743	\$ 277,470	\$ (1,273)	2
Fringe Benefits	\$ 140,560	\$ 138,682	\$ 138,682	\$ -	
Contractual Services	\$ -	\$ -	\$ -	\$ -	
Supplies and Materials	\$ 14,207	\$ 7,293	\$ 7,293	\$ -	
Travel	\$ 4,600	\$ 2,810	\$ 2,810	\$ -	
Communication	\$ 2,340	\$ 2,090	\$ 2,090	\$ -	
Space Costs	\$ -	\$ -	\$ -	\$ -	
Other	\$ 20,000	\$ 15,968	\$ 15,968	\$ -	
Indirect Costs	\$ -	\$ -	\$ -	\$ -	
Other Costs Distributions	\$ 235,979	\$ 222,944	\$ 222,944	\$ -	
Total Expenses	\$ 697,686	\$ 668,530	\$ 667,257	\$ (1,273)	

Exception 2: Termination Payment Improperly Recorded as a Direct Expense (Repeat)

Bay County Health Department WIC Breastfeeding Program Statement of Audited Grant Revenues and Expenses 10/01/2017 - 09/30/2018					
	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
REVENUES					
MDHHS Grant	\$ 23,950	\$ 23,950	\$ 23,950	\$ -	
Fees and Collections - 1st and 2nd Party	\$ -	\$ -	\$ -	\$ -	
Fees and Collections - 3rd Party	\$ -	\$ -	\$ -	\$ -	
Federal Cost Based Reimbursement	\$ -	\$ -	\$ -	\$ -	
Required Match - Local	\$ -	\$ -	\$ -	\$ -	
Local Funds - Other	\$ -	\$ 6,955	\$ 6,955	\$ -	
Total Revenues	\$ 23,950	\$ 30,905	\$ 30,905	\$ -	
EXPENSES					
Salaries and Wages	\$ 17,051	\$ 13,647	\$ 13,647	\$ -	
Fringe Benefits	\$ 3,086	\$ 4,921	\$ 4,921	\$ -	
Contractual Services	\$ -	\$ -	\$ -	\$ -	
Supplies and Materials	\$ 928	\$ 7	\$ 7	\$ -	
Travel	\$ 50	\$ 381	\$ 381	\$ -	
Communication	\$ 250	\$ 271	\$ 271	\$ -	
Space Costs	\$ -	\$ -	\$ -	\$ -	
Other	\$ 1,835	\$ 1,761	\$ 1,761	\$ -	
Indirect Costs	\$ -	\$ -	\$ -	\$ -	
Other Costs Distributions	\$ 750	\$ 9,917	\$ 9,917	\$ -	
Total Expenses	\$ 23,950	\$ 30,905	\$ 30,905	\$ -	

FEDERAL AND STATE GRANT AWARD INFORMATION

Program Title	Family Planning
Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Office of Population Affairs
Federal Program Title	Family Planning Services
CFDA Number	93.217
MDHHS Agreement No.	E20181158
MDHHS Agreement Period	10/01/2017 – 09/30/2018
Exception(s) Related to Program	1, 3
Amount to be Returned	\$-0-
Exception(s) for Return Amount	Not Applicable
See the Statement of Audited Grant Revenues and Expenditures for line item adjustment details for exceptions.	

Program Title	Family Planning
Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Health Resources and Services Administration
Federal Program Title	Maternal and Child Health Services Block Grant
CFDA Number	93.994
MDHHS Agreement No.	E20181158
MDHHS Agreement Period	10/01/2017 – 09/30/2018
Exception(s) Related to Program	1, 3
Amount to be Returned	\$-0-
Exception(s) for Return Amount	Not Applicable
See the Statement of Audited Grant Revenues and Expenditures for line item adjustment details for exceptions.	

Program Title	WIC Resident Services
Federal Agency	U.S. Department of Agriculture
Federal Sub-Tier	Food and Nutrition Service
Federal Program Title	Women, Infants, and Children (WIC) Supplemental Nutrition Program
CFDA Number	10.557
MDHHS Agreement No.	E20181170
MDHHS Agreement Period	10/01/2017 – 09/30/2018
Exception(s) Related to Program	2
Amount to be Returned	\$-0-
Exception(s) for Return Amount	Not Applicable
See the Statement of Audited Grant Revenues and Expenditures for line item adjustment details for exceptions.	

Program Title	WIC Breastfeeding
Federal Agency	U.S. Department of Agriculture
Federal Sub-Tier	Food and Nutrition Service
Federal Program Title	Women, Infants, and Children (WIC) Supplemental Nutrition Program
CFDA Number	10.557
MDHHS Agreement No.	E20181169
MDHHS Agreement Period	10/01/2017 – 09/30/2018
Exception(s) Related to Program	None
Amount to be Returned	\$-0-
Exception(s) for Return Amount	Not Applicable
See the Statement of Audited Grant Revenues and Expenditures for line item adjustment details for exceptions.	

SCOPE AND METHODOLOGY

We examined the Health Department's records and activities for the fiscal year October 1, 2017 through September 30, 2018.

Our audit procedures included the following:

- Reviewed the most recent Single Audit and Financial Statement Audit Reports for any Family Planning Program or WIC Program related concerns.
- Reviewed the most recent Family Planning Program site visit report from the Program staff.
- Reviewed the Grant Agreement, Budgets, and Program Specific Assurances and Requirements.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Fiscal Questionnaire.
- Reconciled the Family Planning Program and WIC Program Financial Status Reports (FSRs) and MDHHS payment schedules to the accounting records.
- Tested a selection of payroll and non-payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines, and approval procedures.
- Reviewed building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed any equipment purchases over \$5,000 for the Family Planning Program and \$2,500 for the WIC Program.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed Family Planning Program billings and collection of fees, and collection of donations.

Our audit did not include a review of program content or quality of services provided.

GLOSSARY OF ABBREVIATIONS AND TERMS

CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
FP	Family Planning
FSR	Financial Status Report
MCH	Maternal and Child Health
MDHHS	Michigan Department of Health and Human Services
WIC	Women, Infants, and Children
WICBF	Women, Infants, and Children Breastfeeding