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# Saginaw County Health Department

Family Planning Program  
Women, Infants, and Children Program

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

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Audit Report – Issued November 2019

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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

November 19, 2019

Christina Harrington, Health Officer  
Saginaw County Health Department  
1600 N. Michigan Avenue  
Saginaw, Michigan 48602

Dear Ms. Harrington:

This is our audit report of the Family Planning and Women, Infants, and Children (WIC) programs administered by Saginaw County Health Department for the audit 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.

As noted in Exception 1, a total of \$2,439 is due back to MDHHS. Please remit a check, payable to the State of Michigan, to the following address within **30 DAYS** from the date of this letter:

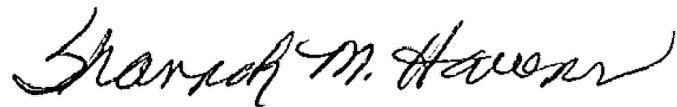
Michigan Department of Health and Human Services  
Cash Receipting  
PO Box 30437  
Lansing, Michigan 48933

Ms. Harrington, Health Officer  
Saginaw County Health Department  
Page 2  
November 9, 2019

Final reports are posted for public viewing on the [MDHHS website](#).

I would like to extend my appreciation for the cooperation extended throughout the audit process.

Sincerely,



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

- c: Debra Hallenbeck, MDHHS, Audit
- Matthew Tompkins, MDHHS, Audit
- Christina Herring, MDHHS, WIC
- Kelly Voegeding, MDHHS, WIC
- Dawn Shanafelt, MDHHS, Maternal and Infant Health
- Deanna Charest, MDHHS, Maternal and Infant Health
- Steve Utter, MDHHS, Maternal and Infant Health
- Mary McGrath, MDHHS, Accounting
- Kidada Smith, MDHHS, Accounting
- Rebecca Jones, MDHHS, Accounting
- Connie Sullivan, Saginaw County Health Department

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## EXECUTIVE SUMMARY

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

<b>Exception 1</b> Page 2	<b>Space Cost Incorrectly Reported at Budgeted Amount</b> Repeat Exception [FY 2015 Exception 1, FY 2013 Exception 1]
<b>Criteria</b>	Title 2 CFR 200.302
<b>Amount to be Returned</b>	\$2,439
<b>Corrective Action</b>	New process based on actual costs.
<b>Completion Date</b>	FYE 2019
<b>Persons Responsible</b>	Christina Harrington, Health Officer, SCHD Connie Sullivan, Accounting Supervisor, SCHD

<b>Exception 2</b> Page 3	<b>Billings to Family Planning Medicaid Providers Not at 340B Prices</b>
<b>Criteria</b>	MDHHS Medicaid Provider Manual
<b>Amount to be Returned</b>	\$-0-
<b>Corrective Action</b>	New billing policy and procedures.
<b>Completion Date</b>	FYE 2021 – October 1, 2020
<b>Persons Responsible</b>	Christina Harrington, Health Officer, SCHD Connie Sullivan, Accounting Supervisor, SCHD

<b>Exception 3</b> Page 4	<b>Internal Service Funds Working Capital Reserves Exceed Allowable Amounts</b> Repeat Exception [FY 2015 Exception 2, FY 2013 Exception 2]
<b>Criteria</b>	Title 2 CFR Part 200, Appendix V, Section G
<b>Amount to be Returned</b>	\$-0-
<b>Corrective Action</b>	Issue refunds and reduce billing rates.
<b>Completion Date</b>	FYE 2022
<b>Persons Responsible</b>	Robert Belleman, Controller/CAO, Saginaw County Kelly Suppes, Purchasing/Risk Manager, Saginaw County Koren Thurston, Finance Director, Saginaw County

**Exception 1****Space Costs Incorrectly Reported at Budgeted Amounts**

Repeat Exception [FY 2015 Exception 1, FY 2013 Exception 1]

**Condition**

The Health Department improperly used budgeted amounts to report space cost expenditures on its Financial Status Reports (FSRs) and did not adjust the expenditures to reflect actual costs.

**Criteria**

Title 2 CFR 200.302 regarding Financial management states, "(b) The financial management system of each non-Federal entity must provide for the following...(2) Accurate, current, and complete disclosure of the financial results of each Federal award..." The MDHHS Grant Agreement, Part II, Section VI, D. states FSRs must report total actual program expenditures.

**Exception**

The Health Department budgeted its annual space costs at \$588,082 and allocated and reported costs based on that budgeted amount. However, the actual annual space costs amounted to \$528,096. Using the actual costs, we determined space costs were over-reported by \$1,916 for the Family Planning Program and \$2,439 for the WIC Resident Program.

This is a repeat exception for which corrective action has not yet been implemented. In response to the FY 2015 audit report, the Health Department's corrective action plan indicated it would revise the spreadsheet used to allocate the facility use fee to include all revenue sources so that only the net expenses are allocated to all users of building space.

The audit adjustments are shown on the Statements of Audited Grant Program Revenues and Expenditures. The Family Planning Program reported sufficient local funds; therefore, the adjustment to expenditures was covered with local funds. However, the WIC Resident Program did not report any local funds; therefore, the grant impact resulted in \$2,439 due back to MDHHS.

**Recommendation**

We again recommend that the Health Department implement procedures to ensure that only actual space cost expenditures are allocated to the Family Planning and the WIC Programs.

**Agency Corrective Action Plan**

A new spreadsheet was developed that included actual costs for the Health Center Building and Grounds activity offset by revenues from Other Sales. The Health Department will be using the budgeted cost per square foot for the first three quarters of the grant period, and an adjustment will be made at the end of the fourth quarter to reflect

actual costs. The Health Department will use the revised spreadsheet and procedure for the year ended September 30, 2019.

**Completion Date**

Year End September 30, 2019

**Responsible Individual(s)**

Christina Harrington, Health Officer

Connie Sullivan, Accounting Supervisor

**Exception 2****Billings to Family Planning Program Medicaid Providers Not at 340B Prices****Condition**

The Health Department did not consistently charge Medicaid providers at the 340B acquisition price.

**Criteria**

The MDHHS Medicaid Provider Manual states, "Entities that participate in the Federal 340B program must bill the 340B price."

**Exception**

During our review, we noted that the Health Department billed Medicaid providers using the Sliding Fee Scale Price rather than the 340B acquisition price. We also noted that the Health Department did not have documented policy or procedures regarding its 340B drug pricing program.

**Recommendation**

We recommend that the Health Department document its 340B drug pricing program policy and procedures. We also recommend that the Health Department ensure that all Medicaid providers are properly billed at the 340B acquisition price to ensure compliance with the Medicaid Provider Manual requirements.

**Agency Corrective Action Plan**

The Saginaw County Health Department will establish policies and procedures to ensure Medicaid providers are properly billed at the 340B acquisition price to comply with the Medicaid Provider Manual requirements.

The Health Department will work with the Board of Health and Board of Commissioners to get authorization and approval as it relates to the Fee Schedule. Changes will be made to the electronic health record software to separate the billings for the 340B medications. In addition, the Health Department will adopt an internal 340B Policy as it relates to purchasing, inventory, and tracking of 340B medications. The Health Department will implement ongoing monitoring of billings to be ensure compliance.

**Completion Date**

October 1, 2020 (for the fiscal year ending September 30, 2021)

**Responsible Individual(s)**

Christina Harrington, Health Officer  
 Connie Sullivan, Accounting Supervisor

**Exception 3**  
**Internal Service Funds Working Capital Reserves Exceed Allowable Amounts**  
 Repeat Exception [FY 2015 Exception 2, FY 2013 Exception 2]

**Condition**

Saginaw County had Internal Service Funds with working capital reserves that exceeded the allowable limits established by 2 CFR 200.

**Criteria**

Title 2 CFR Part 200, Appendix V, Section G, states that internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to another. A working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable.

**Exception**

Saginaw County charges most Departments (including the Health Department) for expenses through the internal service funds. The funds are used to finance the cost of providing services for their departments. Based on financial statements for the Fiscal Year Ended September 30, 2016, the County had accumulated excess balances for several internal service funds.

The following represents an analysis of Saginaw County’s Internal Service Funds for the Fiscal Year Ended September 31, 2016, for the funds that exceeded the allowable limit:

Fund	(A) 2 CFR Part 200 Adjusted Retained Earnings	(B) 60-Day Operating Expenses	(C) Excess (A – B)	(D) Months of Excess [(C / B) x 2]
MERS Retirement	\$ 105,782	\$ 71,809	\$ 33,973	1
Risk Management	\$ 1,494,591	\$ 181,572	\$ 1,313,019	15
Employee Benefits	\$ 3,877,282	\$ 1,153,300	\$ 2,723,982	5

Reductions are needed to achieve compliance with Federal cost principles for the funds above with excess working capital reserves. As a result of excess working capital reserves, Federal programs are over-charged for services provided through the internal service funds.



This exception was noted in our audits for the fiscal years ended 2015 and 2013. The corrective action plan for Saginaw County was to determine a process to reduce the excess working capital reserves by FYE 2018 or 2019.

### **Recommendation**

We again recommend that Saginaw County devise a plan to ensure the Internal Service Funds working capital reserves are reduced to the allowable limit (60 days cash expenses) by the fiscal year ending 2020 by either cash refunds or adjustments to future billing rates/allocations.

### **Agency Corrective Action Plan**

Saginaw County reviewed the 2016 Cost Allocation Plan (used to prepare the allocations for FYE 2018) and did note that several Internal Service Funds were reported to have available months of working capital reserves that exceed the allowable 60 days of expenses according to Title 2 CFR Part 200.

Saginaw County is self-insured for Risk Management and Employee Benefits and as such, our County Board of Commissioners adopted Fund Balance Policy #221 to address reserve balances. These reserves are intended to have enough funds available if an “event” were to occur as well as prevent substantial year-to-year fluctuations in allocations to departments.

Saginaw County also reviewed the 2018 Cost Allocation Plan (used to prepare the allocations for FYE 2020). There is one fund, Risk Management, still in excess of the 60 days working capital reserve. With regards to the Risk Management fund, the Fund Balance Policy #221 addresses a portion of the reserves in this fund.

During FYE 2018, Saginaw County issued refunds to all departments from the Employee Benefits fund totaling \$2,500,000, which reduced the available months of working capital reserve.

As Saginaw County is in the process of preparing for our FYE 2019 audit, and our FYE 2020 budget has already been adopted by the County Board of Commissioners, we will be working with our auditors and our consulting firm to discuss the circumstances surrounding this Exception and how to address this in future audit and budget cycles.

### **Completion Date**

FYE 2022

### **Responsible Individual(s)**

Robert Belleman, Controller/CAO, Saginaw County  
Kelly Suppes, Purchasing/Risk Manager, Saginaw County  
Koren Thurston, Finance Director, Saginaw County

<b>Saginaw County Health Department                      Family Planning Services                      Statement of Audited Grant Revenues and Expenses                      10/01/2017 - 09/30/2018</b>					
	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
<b>REVENUES</b>					
MDHHS Grant	\$ 190,648	\$ 144,077	\$ 144,077	\$ -	
Fees and Collections - 1st and 2nd Party	\$ 37,400	\$ 30,965	\$ 30,965	\$ -	
Fees and Collections - 3rd Party	\$ 130,500	\$ 102,431	\$ 102,431	\$ -	
Federal Cost Based Reimbursement	\$ 467,119	\$ 417,320	\$ 417,320	\$ -	
Required Match - Local	\$ -	\$ -	\$ -	\$ -	
Other Non-ELPHS	\$ -	\$ -	\$ -	\$ -	
Local Funds - Other	\$ 267,072	\$ 182,182	\$ 180,266	\$ (1,916)	1
<b>Total Revenues</b>	<b>\$ 1,092,739</b>	<b>\$ 876,975</b>	<b>\$ 875,059</b>	<b>\$ (1,916)</b>	
<b>EXPENSES</b>					
Salaries and Wages	\$ 273,218	\$ 243,954	\$ 243,954	\$ -	
Fringe Benefits	\$ 327,241	\$ 280,994	\$ 280,994	\$ -	
Capital Expenditures Equipment Facilities	\$ 7,360	\$ 7,360	\$ 7,360	\$ -	
Supplies and Materials	\$ 133,265	\$ 48,083	\$ 48,083	\$ -	
Travel	\$ 1,500	\$ 622	\$ 622	\$ -	
Communication	\$ 100	\$ 467	\$ 467	\$ -	
Space Costs	\$ 37,128	\$ 39,032	\$ 37,116	\$ (1,916)	1
Other	\$ 132,788	\$ 91,603	\$ 91,603	\$ -	
Indirect Costs	\$ 180,139	\$ 164,860	\$ 164,860	\$ -	
Other Costs Distributions	\$ -	\$ -	\$ -	\$ -	
<b>Total Expenses</b>	<b>\$ 1,092,739</b>	<b>\$ 876,975</b>	<b>\$ 875,059</b>	<b>\$ (1,916)</b>	
<b>1 Exception 1: Space Costs Incorrectly Reported at Budgeted Amounts</b>					

**Saginaw 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
<b>REVENUES</b>					
MDHHS Grant	\$ 742,024	\$ 632,904	\$ 630,465	\$ (2,439)	1
Fees and Collections - 1st and 2nd Party	\$ 22,000	\$ -	\$ -	\$ -	
Fees and Collections - 3rd Party	\$ -	\$ -	\$ -	\$ -	
Federal Cost Based Reimbursement	\$ -	\$ -	\$ -	\$ -	
Required Match - Local	\$ -	\$ -	\$ -	\$ -	
Local Funds - Other	\$ 410	\$ -	\$ -	\$ -	
<b>Total Revenues</b>	<b>\$ 764,434</b>	<b>\$ 632,904</b>	<b>\$ 630,465</b>	<b>\$ (2,439)</b>	
<b>EXPENSES</b>					
Salaries and Wages	\$ 254,330	\$ 203,448	\$ 203,448	\$ -	
Fringe Benefits	\$ 280,170	\$ 231,548	\$ 231,548	\$ -	
Contractual Services	\$ -	\$ -	\$ -	\$ -	
Supplies and Materials	\$ 9,987	\$ 5,312	\$ 5,312	\$ -	
Travel	\$ 2,000	\$ 1,463	\$ 1,463	\$ -	
Communication	\$ 1,500	\$ 1,610	\$ 1,610	\$ -	
Space Costs	\$ 49,672	\$ 49,672	\$ 47,233	\$ (2,439)	1
Other	\$ 6,425	\$ 2,084	\$ 2,084	\$ -	
Indirect Costs	\$ 160,350	\$ 137,767	\$ 137,767	\$ -	
Other Costs Distributions	\$ -	\$ -	\$ -	\$ -	
<b>Total Expenses</b>	<b>\$ 764,434</b>	<b>\$ 632,904</b>	<b>\$ 630,465</b>	<b>\$ (2,439)</b>	

1 Exception 1: Space Costs Incorrectly Reported at Budgeted Amounts

**Saginaw 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
<b>REVENUES</b>					
MDHHS Grant	\$ 57,747	\$ 57,747	\$ 57,747	\$ -	
Fees and Collections - 1st and 2nd Party	\$ -	\$ -	\$ -	\$ -	
Fees and Collections - 3rd Party	\$ -	\$ -	\$ -	\$ -	
Federal Cost Based Reimbursement	\$ -	\$ -	\$ -	\$ -	
Required Match - Local	\$ -	\$ -	\$ -	\$ -	
Local Funds - Other	\$ 40,165	\$ 31,460	\$ 31,460	\$ -	
<b>Total Revenues</b>	<b>\$ 97,912</b>	<b>\$ 89,207</b>	<b>\$ 89,207</b>	<b>\$ -</b>	
<b>EXPENSES</b>					
Salaries and Wages	\$ 32,025	\$ 29,425	\$ 29,425	\$ -	
Fringe Benefits	\$ 43,038	\$ 39,091	\$ 39,091	\$ -	
Contractual Services	\$ -	\$ -	\$ -	\$ -	
Supplies and Materials	\$ -	\$ -	\$ -	\$ -	
Travel	\$ -	\$ -	\$ -	\$ -	
Communication	\$ -	\$ -	\$ -	\$ -	
Space Costs	\$ -	\$ -	\$ -	\$ -	
Other	\$ 330	\$ 330	\$ 330	\$ -	
Indirect Costs	\$ 22,519	\$ 20,361	\$ 20,361	\$ -	
Other Costs Distributions	\$ -	\$ -	\$ -	\$ -	
<b>Total Expenses</b>	<b>\$ 97,912</b>	<b>\$ 89,207</b>	<b>\$ 89,207</b>	<b>\$ -</b>	

**FEDERAL AND STATE GRANT AWARD INFORMATION**

<b>Program Title</b>	<b>Family Planning</b>
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.	E20182097
Exception(s) Related to Program	1, 2, 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.	

<b>Program Title</b>	<b>Family Planning</b>
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.	E20182097
Exception(s) Related to Program	1, 2, 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.	

### FEDERAL AND STATE GRANT AWARD INFORMATION

<b>Program Title</b>	<b>WIC Resident Services</b>
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.	E20182112
Exception(s) Related to Program	1, 2, 3
Amount to be Returned	\$2,439
Exception(s) for Return Amount	1
See the Statement of Audited Grant Revenues and Expenditures for line item adjustment details for exceptions.	

<b>Program Title</b>	<b>WIC Breastfeeding</b>
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.	E20182111
Exception Reference Number(s)	2, 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.	

## 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 Subrecipient 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 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**

BF	Breast Feeding
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 Breast Feeding
SCHD	Saginaw County Health Department