



STATE OF MICHIGAN  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

GRETCHEN WHITMER  
GOVERNOR

ROBERT GORDON  
DIRECTOR

October 1, 2019

Annette Mercatante, Health Officer  
St. Clair County Health Department  
3415 28th Street  
Port Huron, Michigan 48060

Dear Ms. Marcatante:

Attached is our final report from the Michigan Department of Health and Human Services audit of the St. Clair County Health Department Family Planning and Women, Infants, and Children (WIC) Programs for the period October 1, 2016 through September 30, 2017.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions, Findings, and Recommendations; Statements of Grant Program Revenues and Expenditures; and Comments and Recommendations. The Comments and Recommendations include the Health Department's response to the Preliminary Analysis.

Final reports are posted for public viewing on the MDHHS website at:  
[http://www.michigan.gov/mdhhs/0,5885,7-339-73970\\_43164-151236--,00.html](http://www.michigan.gov/mdhhs/0,5885,7-339-73970_43164-151236--,00.html).

Thank you for the cooperation extended throughout this audit process.

Sincerely,

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

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

Attachment

cc: Debra Hallenbeck, Director, Audit Division  
Dawn Shanafelt, Director, Division of Maternal and Infant Health  
Deanna Charest, Manager, Reproductive and Preconception Health Unit  
Steve Utter, Financial Analyst, Division of Maternal and Infant Health  
Christina Herring, Director, WIC Division  
Kelly Voegeding, Financial Analyst, Financial Management and FMNP Unit  
Amy Hart, Accountant, St. Clair County Health Department

# Audit Report

St. Clair County Health Department

Family Planning Program  
Women, Infants, and Children Program

October 1, 2016 – September 30, 2017



Bureau of Audit  
Audit Division  
October 2019

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## **DESCRIPTION OF AGENCY**

The St. Clair 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 St. Clair County, and the administrative office is located in Port Huron, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of St. Clair County. The Health Department provides community health program services to the residents of St. Clair County.

## **FUNDING METHODOLOGY**

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Health and Human Services (MDHHS) 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 MDHHS Grant Funds, Fees and Collections, and other Local Funds. Grant funding from MDHHS for the Family Planning Program is federal funding under federal catalog number 93.217 and 93.994 and is subject to performance requirements. That is, reimbursement from MDHHS is based upon the understanding that a certain level of performance (measured in caseload established by MDHHS) 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 Women, Infants, and Children (WIC) Program was funded by MDHHS grant funds and Other Local Funds. Grant funding from MDHHS for the WIC Program is federal funding under federal catalog number 10.557.

## **PURPOSE AND OBJECTIVES**

The purpose of this audit was to assess the Health Department's financial reporting and to determine the MDHHS shares of cost according to the agreements, and program standards and regulations. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, federal standards, program standards and generally accepted accounting principles.
2. To determine the MDHHS shares of cost in accordance with MDHHS requirements and the agreements, Federal standards and program standards, 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 period October 1, 2016, to September 30, 2017. Our audit procedures included the following:

- Reviewed the most recent Health Department's Single Audit and Financial Statement Audit Reports for any Family Planning Program and WIC Program related concerns.
- Reviewed the most recent Family Planning Program site visit reports 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 indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed Family Planning Program billings, 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

### FINANCIAL REPORTING

**Objective 1:** To assess the Health Department's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.

**Conclusion:** The Health Department was generally effective and accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles. However, we identified the following exceptions: County overhead costs not reported on FSRs (Finding 1) (repeat) and non-compliant fringe benefit distribution (Finding 2) (repeat).

## **Finding**

### **1. County Overhead Costs Not Reported on FSRs (Repeat)**

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
Project Title	Family Planning Services
Disallowed Cost	\$-0-
Repeat Finding	No

Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Health Resources and Services Administration (HRSA)
Federal Program Title	Maternal and Child Health Services Block Grant
CFDA Number	93.994
Project Title	Family Planning Program
Disallowed Cost	\$-0-
Repeat Finding	No

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
Project Title	Women, Infants, and Children (WIC)
Disallowed Cost	\$-0-
Repeat Finding	FY 2014, Finding 1

The Health Department did not report its allowable share of the County's Central Service Costs on its FSRs.

The Health Department's grant agreement with MDHHS requires that FSRs report total actual program expenditures, regardless of the source of funds. The contract also requires compliance with Title 2 CFR 200. Title 2 CFR 200.402 states, "The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits."

During our review, we noted that the Agency did not report its allowable share of the County's Central Service Costs on the Family Planning, WIC, or WIC Breastfeeding Programs' FSRs. The County Central Services Cost Allocation Plan showed costs allocable to all County Departments including the Health Department. However, the Health Department did not include any allocable County Central Service Costs on the final FSRs. Had the Health Department budgeted and reported the additional allocable costs, it could have reported an additional \$14,435 to the Family Planning Program, \$122,775 to the WIC Program, and \$4,366 to the WIC Breastfeeding Program. However, grant funds were fully exhausted for the WIC Program. Accordingly, all additional expenditures were funded by local funds. The Family Planning and WIC Breastfeeding

Programs had available grant funds to fund additional expenditures, but grants for this fiscal year have been closed and any unutilized grant funds are no longer available. Therefore, adjustments to the attached Statements of Grant Program Revenues and Expenditures will be reflected on the Local Funds and County Central Services lines for each program.

This is a repeat finding from the 2014 Audit Report in which the Health Department's corrective action plan was to "...include the County overhead costs at a programmatic level" by October 1, 2015. However, the Health Department had not implemented its corrective action plan during our review.

**Recommendation**

We again recommend that the Health Department adopt policies and procedures to ensure County overhead expenses allocable to the Health Department are included on its FSRs to ensure compliance with the MDHHS grant agreement and Federal regulations.

**Finding**

**2. Non-Compliant Fringe Benefit Distribution (Repeat)**

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
Project Title	Family Planning Services
Disallowed Cost	\$-0-
Repeat Finding	No

Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Health Resources and Services Administration (HRSA)
Federal Program Title	Maternal and Child Health Services Block Grant
CFDA Number	93.994
Project Title	Family Planning Program
Disallowed Cost	\$-0-
Repeat Finding	No

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
Project Title	Women, Infants, and Children (WIC)
Disallowed Cost	\$-0-
Repeat Finding	FY 2014, Finding 3

The Health Department did not properly allocate its employees' leave hours for employees working on multiple activities.

Title 2 CFR 200.431(b) for fringe benefits specific to leave states, "The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if... (2) The costs are equitably allocated to all related activities, including Federal awards."

Title 2 CFR 200.430(i)(1)(viii), standards for documenting personnel expenses, states, "Budget estimates (i.e., estimates determined before the services performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: (A) The system for establishing estimates produces reasonable approximations of the activity performed; (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner...; (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to Federal awards based on budget estimates."

During our review, we noted that the Health Department charged employee leave time based on the employees' work schedules. If an employee is absent, leave time hours are allocated to programs based on the work schedule for the absent time period, instead of properly allocating the leave time to all programs that the employee actually worked for the pay period.

This is a repeat finding from the 2014 Audit Report in which the Health Department's corrective action plan was to "...work with IT to build in the functionality needed to allocate leave time costs to the programs based on the actual employee reported hours for each program" by October 1, 2015. We noted that the payroll system had been updated; however, the Health Department did not correct its methodology for allocating leave time to the benefiting programs that employees actually worked.

### **Recommendation**

We again recommend that the Health Department adopt policies and procedures to ensure that fringe benefit distributions are based on records that accurately reflect the work performed to ensure compliance with Federal regulation.



## **MDHHS SHARES OF COST AND BALANCE DUE**

**Objective 2:** To determine the MDHHS shares of cost in accordance with MDHHS requirements and agreements, Federal standards and program standards and any balance due to or due from the Health Department.

**Conclusion:** The MDHHS obligations for fiscal year ended September 30, 2017 are \$95,507 for the Family Planning Grant, \$618,706 for the WIC Resident Services Grant, and \$40,657 for the WIC Breastfeeding Grant. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made adjustments, but none affected grant funding.

**St. Clair County Health Department  
Family Planning  
Statement of Grant Program Revenues and Expenditures  
10/01/2016 - 09/30/2017**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$147,894	\$95,507 <sup>1</sup>		\$95,507
Fees & Collections - 1st & 2nd Party	\$1,000	\$367		\$367
Fees & Collections - 3rd Party	\$6,500	\$11,049		\$11,049
Federal Cost Based Reimbursement	\$0	\$0		\$0
Local Funds - Other	\$20,000	\$0	\$14,435 <sup>2</sup>	\$14,435
<b>TOTAL REVENUES</b>	<b>\$175,394</b>	<b>\$106,923</b>	<b>\$14,435</b>	<b>\$121,358</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$81,934	\$45,360		\$45,360
Fringe Benefits	\$29,798	\$16,211		\$16,211
Contractual	\$4,650	\$30		\$30
Supplies & Materials	\$24,848	\$26,815		\$26,815
Travel	\$3,600	\$1,477		\$1,477
Communication	\$0	\$0		\$0
County-City Central Services	\$0	\$0	\$14,435 <sup>2</sup>	\$14,435
Space Costs	\$0	\$0		\$0
Other	\$1,500	\$225		\$225
Indirect Costs	\$19,884	\$12,806		\$12,806
Other Costs Distributions	\$9,180	\$4,000		\$4,000
<b>TOTAL EXPENDITURES</b>	<b>\$175,394</b>	<b>\$106,923</b>	<b>\$14,435</b>	<b>\$121,358</b>

<sup>1</sup> Actual MDHHS payments.

<sup>2</sup> County Overhead Costs Not Reported on FSRs (Finding 1) (Repeat)

**St. Clair County Health Department  
WIC Resident Services  
Statement of Grant Program Revenues and Expenditures  
10/01/2016-09/30/2017**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$618,706	\$618,706 <sup>1</sup>		\$618,706
Local Funds - Other	\$109,842	\$97,871	\$122,775 <sup>2</sup>	\$220,646
<b>TOTAL REVENUES</b>	<b>\$728,548</b>	<b>\$716,577</b>	<b>\$122,775</b>	<b>\$839,352</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$399,650	\$383,123		\$383,123
Fringe Benefits	\$165,518	\$156,059		\$156,059
Supplies & Materials	\$10,500	\$9,365		\$9,365
Travel	\$2,275	\$2,909		\$2,909
Communication	\$1,500	\$2,122		\$2,122
County-City Central Services	\$0	\$0	\$122,775 <sup>2</sup>	\$122,775
Other	\$1,350	\$1,005		\$1,005
Indirect Costs	\$100,755	\$115,777		\$115,777
Other Costs Distributions	\$46,000	\$46,216		\$46,216
<b>TOTAL EXPENDITURES</b>	<b>\$727,548</b>	<b>\$716,577</b>	<b>\$122,775</b>	<b>\$839,352</b>

<sup>1</sup> Actual MDHHS payments.

<sup>2</sup> County Overhead Costs Not Reported on FSRs (Finding 1) (Repeat)

**St. Clair County Health Department  
WIC Breastfeeding  
Statement of Grant Program Revenues and Expenditures  
10/01/2016-09/30/2017**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$42,000	\$40,657 <sup>1</sup>		\$40,657
Local Funds - Other	\$0	\$0	\$4,366 <sup>2</sup>	\$4,366
<b>TOTAL REVENUES</b>	\$42,000	\$40,657	\$4,366	\$45,023
<b>EXPENDITURES:</b>				
Salary & Wages	\$17,364	\$17,520		\$17,520
Fringe Benefits	\$1,555	\$1,614		\$1,614
Supplies & Materials	\$15,000	\$13,437		\$13,437
Travel	\$2,614	\$779		\$779
Communication	\$1,200	\$999		\$999
County-City Central Services	\$0	\$0	\$4,366 <sup>2</sup>	\$4,366
Space Costs	\$1,100	\$1,100		\$1,100
Indirect Costs	\$3,367	\$4,099		\$4,099
Other Costs Distributions	\$0	\$1,109		\$1,109
<b>TOTAL EXPENDITURES</b>	\$42,200	\$40,657	\$4,366	\$45,023

<sup>1</sup> Actual MDHHS payments.

<sup>2</sup> County Overhead Costs Not Reported on FSRs (Finding 1) (Repeat)

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** County Overhead Costs Not Reported on FSRs (Repeat)

The Health Department did not report its allowable share of the County's Central Service Costs on its FSRs.

**Recommendation:** Again, adopt policies and procedures to ensure County overhead expenses allocable to the Health Department are included on its FSRs to ensure compliance with the MDHHS grant agreement and Federal regulations.

**Comments:** The prior audit was issued during a time of accounting staff turnover and was not immediately addressed due to learning curve. A Cost Allocation Plan has since been prepared and put into effect beginning with FY2019 (10/1/2018).

**Corrective Action:** A Cost Allocation Plan has been prepared and County Central Services are recorded on the FSR's as of October 1, 2018.

**Person Responsible for Implementation:** Amy Hart

**Anticipated Completion Date:** Completed as of October 1, 2018

**MDHHS Response:** None

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 4

**Finding:** **Non-Compliant Fringe Benefit Distribution (Repeat)**

The Health Department did not properly allocate its employees' leave hours for employees working on multiple activities.

**Recommendation:** Again, adopt policies and procedures to ensure that all fringe benefit distributions are based on records that accurately reflect the work performed to ensure compliance with Federal regulation.

**Comments:** We have been working with our IT department to come up with an automated way of doing this. Our current system is not capable of doing this.

**Corrective Action:** An agency contracted by our IT department is currently in process of developing a systemic way to spread leave time based on work performed.

**Person Responsible for Implementation:** Amy Hart / Greg Brown / Val Kelly

**Anticipated Completion Date:** October 1, 2020

**MDHHS Response:** None

## Comment and Recommendation

### 1. Not Charging Family Planning Clients According to the Sliding Fee Scale and Ability to Pay

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
Project Title	Family Planning Services
Disallowed Cost	\$-0-
Repeat Finding	No

The Health Department did not appropriately charge clients according to the sliding fee scale as required by Title X.

Title 42 CFR 59.5 (a)(7) states that each project must, "Provide that no charge will be made for services provided to any persons from a low-income family except to the extent that payment will be made by a third party (including a government agency) which is authorized to or is under legal obligation to pay this charge." Also, in (8) it states, "Provide that 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, except that charges to persons from families whose annual income exceeds 250 percent of the levels set forth in the most recent Poverty Guidelines issued pursuant to 42 U.S.C. 9902(2) will be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services."

During our review, we noted that one (10%) of ten clients were not properly charged according to the Health Department's sliding fee scale. We noted the one client was undercharged when the sliding fee scale was not appropriately applied.

We recommend that the Health Department provide training to employees on charging clients appropriately according to the sliding fee scale and implement monitoring procedures to ensure compliance with Federal regulations.

**Management Response:** The Health Department transitioned to a new EHR system on April 1, 2018. Along with the transition we implemented one sliding fee scale for all programs which is the Family Planning scale. The prior system utilized multiple sliding fee scales for different programs. Also, all staff have been trained to verify that the correct charge has been made according to the Family Planning scale.

**Person Responsible for Implementation:** Cecila Simmons / Greg Brown

**Anticipated Completion Date:** Completed