



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

GRETCHEN WHITMER  
GOVERNOR

ROBERT GORDON  
DIRECTOR

April 26, 2019

Steve Hall, Health Officer  
Central Michigan District Health Department  
2012 E. Preston Street  
Mt. Pleasant, Michigan 48858

Dear Mr. Hall:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Central Michigan District Health Department Family Planning, HIV Prevention, Ryan White Part B, 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; Summary of Amount Due Back to MDHHS; Corrective Action Plans; and Comments and Recommendations. The Corrective Action Plans and Comments and Recommendations include the agency's response to the Preliminary Analysis.

As noted in Finding 7, a total of \$2,837 is due back to MDHHS. Please remit a check payable to the State of Michigan for \$2,837 to the following address by May 24, 2019:

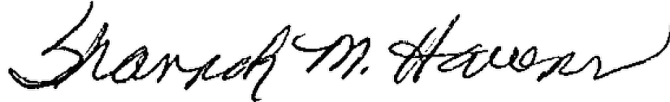
Michigan Department of Health and Human Services  
Cash Receipting  
PO Box 30437  
Lansing, MI 48933

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).

Steve Hall, Health Officer  
Central Michigan District Health Department  
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Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in black ink, reading "Shannah M. Havens". The signature is fluid and cursive, with the first name "Shannah" being more prominent and the last name "Havens" following in a similar style.

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

Attachment

cc: Debra Hallenbeck, Director, Audit Division  
Christina Herring, Director, WIC Division  
Brittany LaRue, Manager, Financial Management and FMNP Unit  
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Lance Yuan, Auditor, Population Health and Community Services Program  
Dawn Humphrey, Director of Administrative Services, Central Michigan District  
Health Department

# Audit Report

Central Michigan District Health Department

Family Planning  
HIV Prevention  
Ryan White Part B  
and  
Women, Infants, and Children

October 1, 2016 – September 30, 2017



Bureau of Audit  
Audit Division  
April 2019

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## **DESCRIPTION OF HEALTH DEPARTMENT**

The Central Michigan 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 Isabella County, which is the reporting entity, and the administrative office is located in Mt. Pleasant, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of Arenac, Clare, Gladwin, Isabella, Osceola, and Roscommon Counties. The Health Department provides community health program services to the residents of Arenac, Clare, Gladwin, Isabella, Osceola, and Roscommon Counties.

## **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 Revenue. 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 or program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

The HIV Prevention Program was funded by multiple MDHHS Grant Funds. Grant funding from MDHHS for the HIV Prevention Program is federal funding under federal catalog number 93.940.

The HIV Care Formula Grant (Ryan White HIV/AIDS Program (RWHAP) Part B) was funded by MDHHS Grant Funds and Third-Party Fees and Collections. Grant Funding from MDHHS for the RWHAP Part B Program is federal funding under Federal catalog number 93.917.

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, HIV Prevention Program, RWHAP Part B Program, or WIC Program related concerns.
- Reviewed the most recent Family Planning Program, HIV Prevention Program, and RWHAP Part B 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, HIV Prevention Program, RWHAP Part B 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, HIV Prevention Program, and RWHAP Part B 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 and RWHAP Part B 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.

## 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 not effective or accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles. We identified the following exceptions: inaccurate accounting records and FSRs (Finding 1), non-compliant allocation of cash payments in lieu of health insurance benefits (Finding 2), non-compliant allocation of health insurance fringe benefits (Finding 3), non-compliant allocation of retirement fringe benefits (Finding 4), Medicaid cost based reimbursements not reported properly on FSR (Finding 5), not charging RWHAP Part B clients for services provided in accordance with federal requirements (Finding 6), indirect cost allocation inaccuracies (Finding 7), insufficient supporting documentation for expenditures (Finding 8), improper allocation of expenditures (Finding 9), and insufficient controls over RWHAP Part B Program incentives (Finding 10).

#### Finding

##### **1. Inaccurate Accounting Records and FSRs**

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number (1)</b>	CFDA 93.217
<b>Title of Project (1)</b>	MDHHS Title X Family Planning Services
<b>CFDA Number (2)</b>	CFDA 93.994
<b>Title of Project (2)</b>	Maternal and Child Health (MCH) Services Block Grant
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
<b>Program Title</b>	Comprehensive HIV Prevention Project for Health Care
<b>CFDA Number</b>	CFDA 93.940
<b>Title of Project</b>	HIV Prevention Program
<b>Repeat Finding</b>	Not Applicable



<b>Federal Agency</b>	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
<b>Program Title</b>	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
<b>CFDA Number</b>	CFDA 93.917
<b>Title of Project</b>	Ryan White Part B
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Agriculture Food and Nutrition Service
<b>Program Title</b>	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>CFDA Number</b>	CFDA 10.557
<b>Title of Project</b>	Women, Infants, and Children (WIC)
<b>Repeat Finding</b>	Not Applicable

The Health Department's accounting records did not accurately disclose program expenditures and did not reconcile with FSRs. Also, the Health Department did not report all program expenditures and source of funds on its FSRs. In addition, the Health Department did not have sufficient controls over its financial management systems to ensure all program expenditures and source of funds were accurately recorded and reported on its FSRs.

The Health Department's grant agreement with MDHHS requires that FSRs report total actual program expenditures, regardless the source of funds. The contract also requires compliance with Title 2 CFR 200. Title 2 CFR 200.302 requires the Health Department to have a financial management system that is sufficient to permit the preparation of reports required by the terms and conditions of the Federal award. The financial management system must provide for accurate, current, and complete disclosure of the financial results of the Federal award; and records that identify adequately the source and application of funds. Also, Title 2 CFR 200.303 (a) requires the Health Department to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Health Department did not have sufficient controls in place to ensure that accounting records were accurate and reconciled to its FSRs. The accounting records did not properly account for accruals and liquidations of payables. Also, the majority of FSR line items reviewed did not agree with the accounting records.

During our review, we noted the following discrepancies when we reconciled the final FSR expenditure and revenue categories to the related Family Planning Program general ledger accounts, resulting in a \$52,851 understatement of total expenditures and a \$44,083 overstatement of total revenues on its FSR:

- 1<sup>st</sup> and 2<sup>nd</sup> Party revenue is higher on the general ledger by \$4,698
- 3<sup>rd</sup> Party revenue is higher on the FSR by \$48,781
- Salaries and Wages is higher on the general ledger by \$13,878
- Fringe Benefits is higher on the general ledger by \$1,590
- Supplies and Materials is higher on the general ledger by \$35,151
- Travel expenses is higher on the general ledger by \$1,709
- Communication expenses is higher on the general ledger by \$53
- All Other expenses is higher on the general ledger by \$470

During our review, we noted the following discrepancies when we reconciled the final FSR expenditure categories to the related HIV Prevention Program general ledger accounts, resulting in a \$2,337 understatement of total expenditures on its FSR:

- Supplies and Materials is higher on the general ledger by \$2,305
- All Other expenses is higher on the general ledger by \$32

During our review, we noted the following discrepancies when we reconciled the final FSR expenditure and revenue categories to the related RWHAP Part B Program general ledger accounts, resulting in a \$3,925 understatement of total expenditures and a \$1,375 overstatement of revenue on its FSR:

- 1<sup>st</sup> and 2<sup>nd</sup> Party revenue is higher on the FSR by \$1,721
- 3<sup>rd</sup> Party revenue is higher on the general ledger by \$346
- Contractual expenses is higher on the general ledger by \$3,814
- Supplies and Materials is higher on the general ledger by \$57
- Communication expenses is higher on the general ledger by \$22
- All Other expenses is higher on the general ledger by \$32

During our review, we noted the following discrepancies when we reconciled the final FSR expenditure categories to the related WIC Resident Services Program general ledger accounts, resulting in a \$43,579 understatement of total expenditures on its FSR:

- Salaries and Wages is higher on the general ledger by \$19,964
- Fringe Benefits is higher on the general ledger by \$2,598
- Supplies and Materials is higher on the general ledger by \$19,966
- Travel expenses is higher on the general ledger by \$587
- Communication expenses is higher on the general ledger by \$187
- All Other expenses is higher on the general ledger by \$277

During our review, we noted the following discrepancies when we reconciled the final FSR expenditure categories to the related WIC Breastfeeding Program general ledger accounts, resulting in a \$9,001 understatement of total expenditures on its FSR:

- Salaries and Wages is higher on the general ledger by \$2,942
- Fringe Benefits are higher on the general ledger by \$368
- Supplies and Materials is higher on the general ledger by \$5,286
- Travel expenditures is higher on the general ledger by \$164
- Communication expenses is higher on the general ledger by \$161
- All Other expenses is higher on the general ledger by \$80

Fiscal year end (FYE) 2017 accruals were added to the accounting records after FSR submission and never accounted for on FSRs. Additionally, we noted during our review that the Health Department accrued expenditures for FYE 2016; however, instead of liquidating the FYE 2016 accounts payable in FYE 2017, the Health Department offset expenditures. This created negative balances in accounts and understated expenditures for FYE 2017.

Adjustments to general ledger amounts are shown on the attached Statements of Grant Program Revenues and Expenditures for each program. Also, adjustments related to FYE 2017 accruals for the Family Planning and WIC Programs were included in the accounting records provided by the Health Department and are reflected in the adjustments. However, adjustments are not being made related to the improper accrual accounting for the HIV Prevention and RWHAP Part B Programs because the proper adjustment amounts could not be readily identified and there would be no impact on grant funds as explained below.

Grant funds were fully exhausted for the HIV Prevention, RWHAP Part B, WIC Resident Services, and WIC Breastfeeding Programs. Accordingly, all additional expenditures were funded by local funds. The Family Planning Program had \$23,322 in available grant funds to fund additional expenditures, but grant funding for this fiscal year has been closed and any unutilized grant funds are no longer available.

### **Recommendation**

We recommend that the Health Department implement sufficient controls and procedures to ensure that all its Programs' FSRs reconcile with its accounting records to ensure compliance with Federal regulation. We also recommend that the Health Department report all its Programs' expenditures and source of funds on its FSRs to ensure compliance with Federal regulations and the grant agreement.

## **Finding**

### **2. Non-Compliant Allocation of Cash Payments in Lieu of Health Insurance Benefits**

<b>Federal Agency</b>	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
<b>Program Title</b>	Comprehensive HIV Prevention Project for Health Care
<b>CFDA Number</b>	CFDA 93.940
<b>Title of Project</b>	HIV Prevention Program
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
<b>Program Title</b>	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
<b>CFDA Number</b>	CFDA 93.917
<b>Title of Project</b>	Ryan White Part B
<b>Repeat Finding</b>	Not Applicable

The Health Department did not properly allocate its monthly cash payments in lieu of health insurance for employees working on multiple activities.

Title 2 CFR 200.430 for Compensation states, “(a) Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits... Costs of compensation are allowable to the extent that they satisfy the specific requirements of this Part, and that the total compensation for the individual employees: ...(3) Is determined and supported as provided in paragraph (i) of this section...” Title 2 CFR 200.430 (i) (1) states, “Charges to Federal awards...must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated...”

The Health Department offers employees the option to forego hospitalization insurance and in lieu of health insurance will pay the employee \$130 per month. During our fringe benefit review, we noted that one (20%) of five HIV Prevention staff and four (44%) of nine RWHAP Part B staff opted out of health insurance benefits for the \$130 monthly payment. However, the Health Department did not properly charge either program for its equitable share of the costs and instead allocated the costs to other benefiting programs. No adjustments will be made since there is no impact on grant funds.

## **Recommendation**

We recommend that the Health Department implement policies and procedures to ensure that all cash payments in lieu of health insurance costs are allocated based on actual work performed.

## **Finding**

### **3. Non-Compliant Allocation of Health Insurance Fringe Benefits**

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number (1)</b>	CFDA 93.217
<b>Title of Project (1)</b>	MDHHS Title X Family Planning Services
<b>CFDA Number (2)</b>	CFDA 93.994
<b>Title of Project (2)</b>	Maternal and Child Health (MCH) Services Block Grant
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
<b>Program Title</b>	Comprehensive HIV Prevention Project for Health Care
<b>CFDA Number</b>	CFDA 93.940
<b>Title of Project</b>	HIV Prevention Program
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
<b>Program Title</b>	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
<b>CFDA Number</b>	CFDA 93.917
<b>Title of Project</b>	Ryan White Part B
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Agriculture Food and Nutrition Service
<b>Program Title</b>	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>CFDA Number</b>	CFDA 10.557
<b>Title of Project</b>	Women, Infants, and Children (WIC)
<b>Repeat Finding</b>	Not Applicable

The Health Department improperly used a predetermined percentage to distribute health insurance expenditures and did not adjust costs to reflect its employees' actual activity.

Also, the Health Department did not properly allocate its employees' health insurance expenditures for employees working on multiple activities.

Title 2 CFR 200.431 states, "(a)...the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity... (c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance; pension plan costs; and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

During our review, we noted that the Health Department charged its employees' health insurance to programs based on predetermined percentages calculated within their new payroll system; however, the Health Department could not support the calculated percentages and confirmed the calculations were not based on the employees' actual time worked. As a result, we noted July 2017 health insurance costs were understated for the HIV Prevention and RWHAP Part B Programs; and May 2017 health insurance costs were understated for the Family Planning and WIC Programs. No adjustments will be made since there is no impact on grant funds.

### **Recommendation**

We recommend that the Health Department implement procedures and controls to ensure that health insurance benefits are properly allocated to benefitting programs in a manner consistent with how salaries and wages are chargeable to such Federal awards and other activities to ensure compliance with Federal regulations.

### **Finding**

#### **4. Non-Compliant Allocation of Retirement Fringe Benefits**

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number (1)</b>	CFDA 93.217
<b>Title of Project (1)</b>	MDHHS Title X Family Planning Services
<b>CFDA Number (2)</b>	CFDA 93.994
<b>Title of Project (2)</b>	Maternal and Child Health (MCH) Services Block Grant
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
<b>Program Title</b>	Comprehensive HIV Prevention Project for Health Care
<b>CFDA Number</b>	CFDA 93.940
<b>Title of Project</b>	HIV Prevention Program
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
<b>Program Title</b>	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
<b>CFDA Number</b>	CFDA 93.917
<b>Title of Project</b>	Ryan White Part B
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Agriculture Food and Nutrition Service
<b>Program Title</b>	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>CFDA Number</b>	CFDA 10.557
<b>Title of Project</b>	Women, Infants, and Children (WIC)
<b>Repeat Finding</b>	Not Applicable

The Health Department did not properly calculate and allocate its defined benefit pension plan costs to reflect its employees' actual activity performed.

Title 2 CFR 200.431 states, "(a)...the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity... (c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance; pension plan costs; and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices... (g) Pension plan costs which are incurred in accordance with the established policies of the non-Federal entity are allowable, provided that: (1) Such policies meet the test of reasonableness... (3) For entities using accrual based accounting, the cost assigned to each fiscal year is determined in accordance with GAAP. (4) The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the

actuarial liability beyond 30 calendar days after each quarter of the year to which such costs are assignable are unallowable.”

During our review, we noted that the Health Department’s costs for its defined contribution plan is calculated by taking the employee’s bi-weekly gross wage and multiplying it by the retirement contribution percentage. However, for those employees eligible for the defined benefit pension plan, the Health Department only allocates the cost during the last pay period of the month. The current defined benefit pension retirement contribution methodology does not properly reflect all employee activity for the month which could result in an overstatement or understatement of program expenditures.

During our review of the Family Planning and WIC Programs, we also noted that the Health Department was improperly allocating defined benefit pension costs associated with retirees based only on the supervisors’ activity instead of properly allocating the pension liability costs equitably to all benefitting programs based on activity of all active defined benefit pension plan members.

We further noted that the Health Department’s defined benefit costs were based on an actuarial valuation report from 2014. The Health Department did not have sufficient controls in place to properly review its pension’s annual actuarial valuation report and to determine if the current defined benefit retirement cost allocation was reasonably based on current staffing levels and valuation, resulting in the Health Department recording an additional \$116,203 in pension expenditures, nine months after year-end. No adjustments will be made relating to these understated pension expenditures since there is no impact on the grant funds and the Health Department covered the costs with its own local funding.

### **Recommendation**

We recommend that the Health Department implement controls and procedures to ensure it properly reviews, calculates, and allocates its defined benefit pension plan costs to all benefitting programs in a manner that reflects all its employees’ actual activity to ensure compliance with Federal regulation.

### **Finding**

#### **5. Medicaid Cost Based Reimbursements Not Reported Properly on FSR**

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number (1)</b>	CFDA 93.217
<b>Title of Project (1)</b>	MDHHS Title X Family Planning Services
<b>CFDA Number (2)</b>	CFDA 93.994
<b>Title of Project (2)</b>	Maternal and Child Health (MCH) Services Block Grant
<b>Repeat Finding</b>	Not Applicable



The Health Department did not properly report its Medicaid Cost Based Reimbursement (MCBR) settlements on its FSR.

The FSR Form Preparation Instructions state, “The FSR is to report expenditures and revenues on cash or accrued basis dependent on the grant requirements and the grantee’s reporting basis.” The FSR Instructions further detail the various sources of funds, and in regard to fees and collections it states, “Fees and collections earned during the current report period. Fees and collections represent funds which the program earns through its operation and retains for operational purposes. This would include fees for services, payments by third parties (insurance, patient collections, Medicaid, etc.) and any other collections.”

During our review, we noted an understatement of \$2,246 between the earned amount of MCBR and the amount reported on the FSR for FYE 2017. Additionally, we noted that the Health Department received a FYE 2015 Final Settlement for the Family Planning Program in June 2017 with a pullback amount of \$16,208, that was improperly reported on the MCBR line of the current FYE 2017 FSR. The final settlement pullback is related to FYE 2015 and according to the FSR Instructions, this settlement should not have been reported on the MCBR line of the current FYE 2017 FSR. As a result, the Health Department under-reported its available MCBR by \$18,454. An adjustment reflecting the proper amount is shown on the attached Family Planning Program Statement of Grant Program Revenues and Expenditures.

### **Recommendation**

We recommend that the Health Department properly report MCBR settlements based on MDHHS requirements and in accordance with FSR Form Preparation Instructions.

### **Finding**

#### **6. Not Charging RWHAP Part B Clients for Services Provided in Accordance with Federal Requirements**

<b>Federal Agency</b>	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
<b>Program Title</b>	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
<b>CFDA Number</b>	CFDA 93.917
<b>Title of Project</b>	Ryan White Part B
<b>Repeat Finding</b>	Not Applicable

The Health Department did not comply with the requirements regarding the imposition of charges for services provided to RWHAP Part B clients.

The MDHHS Grant Agreement, Part II, Section III. A. Compliance with Applicable Laws states, “The Grantee will comply with applicable federal and state laws, guidelines, rules and regulations in carrying out the terms of this agreement...” The Public Health Service (PHS) Act, Section 2617(c) Requirements Regarding Imposition of Charges for Services (1) requires that MDHHS assures that in the provisions of services under the grant that, “(A) in the case of individuals with an income less than or equal to 100 percent of the official poverty line, the provider will not impose charges on any such individual for the provision of services under the grant; (B) in the case of individuals with an income greater than 100 percent of the official poverty line, the provider – (i) will impose charges on each such individual for the provision of such services; and (ii) will impose charges according to a schedule of charges that is made available to the public; (C) in the case of individuals with an income greater than 100 percent of the official poverty line and not exceeding 200 percent of such poverty line, the provider will not, for any calendar year, impose charges in an amount exceeding 5 percent of the annual gross income of the individual involved; (D) in the case of individuals with an income greater than 200 percent of the official poverty line and not exceeding 300 percent of such poverty line, the provider will not, for any calendar year, impose charges in an amount exceeding 7 percent of the annual gross income of the individual involved; and (E) in the case of individuals with an income greater than 300 percent of the official poverty line, the provider will not, for any calendar year, impose charges in an amount exceeding 10 percent of the annual gross income of the individual involved....(3) ...regarding the imposition of charges for services applies to the annual aggregate of charges imposed for such services, without regard to whether they are characterized as enrollment fees, premiums, deductibles, cost sharing, copayments, coinsurance, or other charges.”

During our review, we noted that the Health Department improperly charged two (22%) of nine clients with income below the 100% of the Federal Poverty Level (FPL). We also noted that the Health Department did not have a documented policy regarding the billing of clients based on income, a schedule of charges that does not allow clients below 100% of FPL to be charged for services, or a process to track when a client has reached the annual cap and should not be charged for the remainder of the year.

Subsequent to our review period, the Health Department drafted a billing and collection policy that was effective on April 26, 2018.

### **Recommendation**

We recommend that the Health Department implement its newly drafted billing and collection policy and provide the necessary training to employees regarding the imposition of charges for services provided to RWHAP Part B clients to ensure compliance with PHS Act and MDHHS Grant Agreement requirements.

## **Finding**

### **7. Indirect Cost Allocation Inaccuracies**

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number (1)</b>	CFDA 93.217
<b>Title of Project (1)</b>	MDHHS Title X Family Planning Services
<b>CFDA Number (2)</b>	CFDA 93.994
<b>Title of Project (2)</b>	Maternal and Child Health (MCH) Services Block Grant
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
<b>Program Title</b>	Comprehensive HIV Prevention Project for Health Care
<b>CFDA Number</b>	CFDA 93.940
<b>Title of Project</b>	HIV Prevention Program
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
<b>Program Title</b>	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
<b>CFDA Number</b>	CFDA 93.917
<b>Title of Project</b>	Ryan White Part B
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Agriculture Food and Nutrition Service
<b>Program Title</b>	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>CFDA Number</b>	CFDA 10.557
<b>Title of Project</b>	Women, Infants, and Children (WIC)
<b>Repeat Finding</b>	Not Applicable

The Health Department did not accurately compute the indirect cost allocations resulting in a misstatement of indirect costs for benefitting programs.

The MDHHS Grant Agreement, Part II, Section IV. K. Indirect Costs and Cost Allocations/Distribution Plans states, "...4. There must be a documented, well-defined rationale and audit trail for any cost distribution or allocation based upon Title 2 CFR, Part 200 Cost Principles and subject to Department review."

Title 2 CFR 200.331(a)(4) provides options for recovering indirect cost which include either an approved federally recognized indirect cost rate, a rate negotiated between the pass-through entity and the subrecipient (in compliance with 2 CFR 200), or a de minimis indirect cost rate. Specific documentation, negotiation, and approval requirements related to indirect cost rates are identified in Appendix VII, Section F. 3. of 2 CFR 200. In lieu of an approved rate, the Health Department has the option to use a cost allocation plan that distributes indirect costs to specific funding sources according to Appendix VII, Section F. 3. of 2 CFR 200.

Title 2 CFR 200.402 Composition of costs states, "...The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits."

Title 2 CFR 200.405 Allocable costs states:

- (a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received...
- (b) All activities which benefit from the non-Federal entity's indirect cost...will receive an appropriate allocation of indirect costs.
- (c) Any cost allocable to a particular Federal award under the principles provided for in this Part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons.

Title 2 CFR 200.406 Applicable credits states, "(a) Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs..."

Appendix VII to Part 200, C. 2. Simplified Method states:

- a. Where a non-Federal entity's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (1) classifying the non-Federal entity's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base...
- b. Both the direct costs and the indirect costs must exclude capital expenditures and unallowable costs...
- c. The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, subcontracts in excess of \$25,000, participant support costs, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

During our review of the indirect cost allocation computation, we noted that the Health Department used an indirect cost allocation rate that was not based on actual final numbers when reporting indirect expenditures on program FSRs. This was the result of the following exceptions:

- 1.) The Health Department inappropriately used a 'What if Analysis → Goal Seek' formula to calculate a budgeted administrative overhead rate of around 35%, instead of properly using total actual allowable indirect costs (net of applicable credits) and dividing it by an equitable distribution base to determine an actual allocation rate.
- 2.) The Health Department's computation of the distribution base was inaccurate and lacked the proper payroll accruals for benefitting programs, which was due to insufficient controls and review over its financial management systems.
- 3.) The Health Department improperly included Data Systems (RU 175) in the computation of the distribution base and allocated administrative overhead costs to RU 175, when this program's costs should have been included in the computation of the allowable administrative indirect costs and allocated to all benefitting programs.

After the correction of the above exceptions, we determined that the Health Department overstated its administrative indirect cost pool by \$16,845, and understated its administrative distribution base by \$176,403. As a result, administrative indirect costs were over-allocated to the Family Planning Program by \$2,117, the HIV Prevention Program by \$287, the RWHAP Part B Program by \$1,155, and the WIC Resident Services Program by \$432; and under-allocated to the WIC Breastfeeding Program by \$1,249. Adjustments reflecting the change in indirect costs are shown on the attached Statements of Grant Program Revenues and Expenditures for each program.

Due to the level of local funding for the HIV Prevention, RWHAP Part B, and WIC Resident Services Programs, there is no impact on MDHHS funding; and there is no impact on the WIC Breastfeeding Program since grant funding was fully exhausted. Also, due to the extensive amount of under reported expenditures and unobligated grant funds for the Family Planning Program, we determine that the \$2,117 was not due back to MDHHS. However, the correction of the indirect cost allocation rate has impacted MDHHS's obligation for several other programs by a total of \$2,837. The attached Summary of Amounts Due Back to MDHHS includes the amount of funds that are due back to MDHHS for each program.

### **Recommendation**

We recommend that the Health Department implement sufficient controls and procedures to ensure that all indirect costs are allocated and reported based on actual and allowable expenditures, and in accordance with relative benefits received to ensure compliance with Federal regulations.

## **Finding**

### **8. Insufficient Supporting Documentation for Expenditures**

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number (1)</b>	CFDA 93.217
<b>Title of Project (1)</b>	MDHHS Title X Family Planning Services
<b>CFDA Number (2)</b>	CFDA 93.994
<b>Title of Project (2)</b>	Maternal and Child Health (MCH) Services Block Grant
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Agriculture Food and Nutrition Service
<b>Program Title</b>	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>CFDA Number</b>	CFDA 10.557
<b>Title of Project</b>	Women, Infants, and Children (WIC)
<b>Repeat Finding</b>	Not Applicable

The Health Department did not provide sufficient supporting documentation for some expenditures reported on its FSRs.

Title 2 CFR 200.302(b) states, "The financial management system of each non-Federal entity must provide for the following... (3) Records that identify adequately the source and application of funds for federally funded activities. These records must...be supported by source documentation." Also, Title 2 CFR 200.403 states, "...costs must meet the following general criteria in order to be allowable under Federal awards...(g) Be adequately documented."

During our review, we noted that the Health Department did not provide sufficient documentation to support 13 (22%) of 60 Family Planning Program expenditures for a total of \$13,719. We also noted, that the Health Department did not provide sufficient documentation to support three (7%) 45 of WIC Program expenditures for a total of \$2,329. Adjustments in Family Planning Program expenditures are shown on the attached Statement of Grant Program Revenues and Expenditures and reflected on the Supplies and Materials and Other expenses line items. Adjustments in WIC Program expenditures are shown on the attached Statement of Grant Program Revenues and Expenditures and reflected on the Supplies and Materials and Travel line items.

Due to the understatement of expenditures noted in Finding 1, removal of the unsupported expenditures still provides a net increase of allowable expenditures. The Family Planning Program did not fully exhaust its grant funds; however, no additional grant funds are available at this time, and any additional expenditures are covered with local funds. The WIC Program has fully exhausted its grant funds, and any additional expenditures are covered with local funds.

## **Recommendation**

We recommend that the Health Department provide sufficient documentation to support all expenditures reported on the FSRs to ensure compliance with Federal regulations.

## **Finding**

### **9. Improper Allocation of Expenditures**

<b>Federal Agency</b>	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
<b>Program Title</b>	Comprehensive HIV Prevention Project for Health Care
<b>CFDA Number</b>	CFDA 93.940
<b>Title of Project</b>	HIV Prevention Program
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
<b>Program Title</b>	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
<b>CFDA Number</b>	CFDA 93.917
<b>Title of Project</b>	Ryan White Part B
<b>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Agriculture Food and Nutrition Service
<b>Program Title</b>	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>CFDA Number</b>	CFDA 10.557
<b>Title of Project</b>	Women, Infants, and Children (WIC)
<b>Repeat Finding</b>	Not Applicable

The Health Department did not properly allocate all expenses to the appropriate benefitting programs.

Title 2 CFR 200.403 states, "...costs must meet the following general criteria in order to be allowable under Federal awards...(a) Be necessary and reasonable for the performance of the Federal award and be allocated thereto under these principles." Also, Title 2 CFR 200.405(b) Allocable Costs states, "All activities which benefit from the non-Federal entity's indirect cost...will receive an appropriate allocation of indirect costs...(d) If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in

proportions that cannot be determined...the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”

During our review, we noted the following instances where the Health Department did not properly allocate expenditures to the appropriate programs:

- Improperly recorded one (4%) of 25 expenditures totaling \$74 to the RWHAP Part B Program instead of the HIV Prevention Program.
- Improperly recorded one (17%) of six HIV Prevention Program expenditures totaling \$74 to the RWHAP Part B Program.
- Improperly recorded \$2,695 in office furniture to the WIC Program but subsequently recorded a correcting entry and backed out \$2,555; however, the Health Department did not correct the additional \$140 delivery fee.

The Health Department did not have sufficient controls in place to ensure that all expenditures were properly recorded and reported to the appropriate programs. Adjustments in HIV Prevention Program expenditures are shown on the attached Statement of Grant Program Revenues and Expenditures and reflected on the Travel line item. Adjustments in RWHAP Part B Program expenditures are shown on the attached Statement of Grant Program Revenues and Expenditures and reflected on the Travel line item. Adjustments in WIC Program expenditures are shown on the attached Statement of Grant Program Revenues and Expenditures and reflected on the Supplies and Materials line item.

Due to the understatement of expenditures noted in Finding 1, removal of the unallowed expenses still provides a net increase of allowable expenditures. The HIV Prevention, HIV/AIDS Ryan White Part B, and WIC Programs have fully exhausted available grant funds and reported sufficient local funds, therefore, any adjustments to expenditures are covered with local funds.

### **Recommendation**

We recommend that the Health Department implement sufficient controls and procedures to properly allocate costs to the appropriate benefitting programs to ensure compliance with Federal regulations.



## **Finding**

### **10. Insufficient Controls Over RWHAP Part B Program Incentives**

<b>Federal Agency</b>	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
<b>Program Title</b>	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
<b>CFDA Number</b>	CFDA 93.917
<b>Title of Project</b>	Ryan White Part B
<b>Repeat Finding</b>	Not Applicable

The Health Department did not have sufficient controls over its RWHAP Part B gift cards for client incentives.

The MDHHS Grant Agreement, Part II, Section III. A. Compliance with Applicable Laws states, "The Grantee will comply with applicable federal and state laws, guidelines, rules and regulations in carrying out the terms of this agreement..." HRSA Policy Notice 10-02 states, "In no case may Ryan White HIV/AIDS Program funds be used to make direct payments of cash to recipients of services. Where direct provision of the service is not possible or effective, vouchers, coupons, or tickets that can be exchanged for a specific service or commodity (e.g., food or transportation) must be used. Grantees are advised to administer voucher programs in a manner which assures that vouchers cannot be used for anything other than the allowable service, and that systems are in place to account for disbursed vouchers." Also, the MDHHS Ryan White Program Guidance #14-03 Incentives states the following:

- (1.) Subrecipients must have a written policy for providing incentives to project participants.
- (2.) Subrecipients must have written procedures for implementing the policy on incentives to project participants.
- (3.) Subrecipient must maintain appropriate documentation for each participant gift card.

During our review of a \$600 gas card expenditure, we noted that the Health Department did not have sufficient controls over its program incentives. We also noted that the Health Department did not obtain any clients' signatures on any of the gift cards distributed in FY 2017. In addition, we noted that the Health Department did not provide any tracking log with the number of incentives and cumulative totals distributed to each client during FY 2017. We further noted that the Health Department's incentive policies did not include any of the criteria outlined in MDHHS Ryan White Program Guidance #14-03 Incentives.

## **Recommendation**

We recommend that the Health Department implement sufficient controls and procedures over its RWHAP Part B Program incentives to ensure compliance with Federal policy and MDHHS Program policies.

## **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 \$279,548 for the Family Planning Grant, \$76,955 for the HIV Prevention Grant, \$319,876 for the RWHAP Part B Grant, \$920,935 for the WIC Resident Services Grant, and \$139,035 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 Family Planning, HIV Prevention, RWHAP Part B, WIC, or WIC Breastfeeding grant program funding. However, \$2,837 is due to MDHHS related to other grant programs as addressed in Finding 7 and summarized on the Summary of Amounts Due to MDHHS.

**Central Michigan District Health Department  
Family Planning Services  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$302,870	\$279,548 <b>1</b>		\$279,548
Fees & Collections - 1st & 2nd Party	\$30,000	\$12,513	\$4,698 <b>2</b>	\$17,211
Fees & Collections - 3rd Party	\$278,000	\$248,115	(\$48,781) <b>2</b>	\$199,334
Federal Cost Based Reimbursement	\$234,453	\$201,515	\$18,454 <b>3</b>	\$219,969
Local Funds - Other	\$0	\$0	\$62,644 <b>2,3,4,5</b>	\$62,644
<b>TOTAL REVENUES</b>	<b>\$845,323</b>	<b>\$741,691</b>	<b>\$37,015</b>	<b>\$778,706</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$362,955	\$337,325	\$13,878 <b>2</b>	\$351,203
Fringe Benefits	\$147,287	\$110,478	\$1,590 <b>2</b>	\$112,068
Supplies & Materials	\$120,000	\$108,963	\$23,491 <b>2,5</b>	\$132,454
Travel	\$10,000	\$11,555	\$1,709 <b>2</b>	\$13,264
Communication	\$4,000	\$4,765	\$53 <b>2</b>	\$4,818
Other	\$32,200	\$6,140	(\$1,589) <b>2,5</b>	\$4,551
Indirect Costs	\$163,873	\$152,907	(\$2,117) <b>4</b>	\$150,790
Other Costs Distributions	\$5,008	\$9,558		\$9,558
<b>TOTAL EXPENDITURES</b>	<b>\$845,323</b>	<b>\$741,691</b>	<b>\$37,015</b>	<b>\$778,706</b>

**1** Actual MDHHS payments.

**2** Inaccurate Accounting Records and FSRs (Finding 1)

**3** Medicaid Cost Based Reimbursements Not Reported Properly on FSR (Finding 5)

**4** Indirect Cost Allocation Inaccuracies (Finding 7)

**5** Insufficient Supporting Documentation for Expenditures (Finding 8)

**Central Michigan District Health Department  
HIV Prevention  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$76,955	\$76,955 <sup>1</sup>		\$76,955
Local Funds - Other	\$25,275	\$19,535	\$2,124 <sup>2,3,4</sup>	\$21,659
<b>TOTAL REVENUES</b>	<b>\$102,230</b>	<b>\$96,490</b>	<b>\$2,124</b>	<b>\$98,614</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$47,387	\$44,330		\$44,330
Fringe Benefits	\$25,370	\$16,348		\$16,348
Supplies and Materials	\$2,500	\$10,449	\$2,305 <sup>2</sup>	\$12,754
Travel	\$1,600	\$3,331	\$74 <sup>4</sup>	\$3,405
Communication	\$200	\$0		\$0
All Others	\$1,000	\$152	\$32 <sup>2</sup>	\$184
Indirect Costs	\$23,404	\$20,719	(\$287) <sup>3</sup>	\$20,432
Other Costs Distributions	\$769	\$1,161		\$1,161
<b>TOTAL EXPENDITURES</b>	<b>\$102,230</b>	<b>\$96,490</b>	<b>\$2,124</b>	<b>\$98,614</b>
<sup>1</sup> Actual MDHHS payments. <sup>2</sup> Inaccurate Accounting Records and FSRs (Finding 1) <sup>3</sup> Indirect Cost Allocation Inaccuracies (Finding 7) <sup>4</sup> Improper Allocation of Expenditures (Finding 9)				

**Central Michigan District Health Department  
RWHAP Part B  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$319,876	\$319,876 <sup>1</sup>		\$319,876
Fees & Collections - 1st & 2nd Party	\$5,000	\$1,375	(\$1,721) <sup>2</sup>	(\$346)
Fees & Collections - 3rd Party	\$15,000	\$19,374	\$346 <sup>2</sup>	\$19,720
Local Funds - Other	\$36,997	\$50,557	\$4,071 <sup>2,3,4</sup>	\$54,628
<b>TOTAL REVENUES</b>	<b>\$376,873</b>	<b>\$391,182</b>	<b>\$2,696</b>	<b>\$393,878</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$149,203	\$170,063		\$170,063
Fringe Benefits	\$80,842	\$74,175		\$74,175
Contractual	\$52,846	\$46,367	\$3,814 <sup>2</sup>	\$50,181
Supplies and Materials	\$5,800	\$4,640	\$57 <sup>2</sup>	\$4,697
Travel	\$3,500	\$2,681	(\$74) <sup>4</sup>	\$2,607
Communication	\$1,500	\$1,875	\$22 <sup>2</sup>	\$1,897
All Others	\$6,050	\$2,808	\$32 <sup>2</sup>	\$2,840
Indirect Costs	\$74,677	\$83,398	(\$1,155) <sup>3</sup>	\$82,243
Other Costs Distributions	\$2,455	\$5,175		\$5,175
<b>TOTAL EXPENDITURES</b>	<b>\$376,873</b>	<b>\$391,182</b>	<b>\$2,696</b>	<b>\$393,878</b>
<sup>1</sup> Actual MDHHS payments. <sup>2</sup> Inaccurate Accounting Records and FSRs (Finding 1) <sup>3</sup> Indirect Cost Allocation Inaccuracies (Finding 7) <sup>4</sup> Improper Allocation of Expenditures (Finding 9)				

**Central Michigan District Health Department  
WIC Resident Services  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$920,935	\$920,935 <sup>1</sup>		\$920,935
Local Funds - Other	\$0	\$28,005	\$40,429 <sup>2,3,4,5,6</sup>	\$68,434
<b>TOTAL REVENUES</b>	\$920,935	\$948,940	\$40,429	\$989,369
<b>EXPENDITURES:</b>				
Salary & Wages	\$363,201	\$438,328	\$19,964 <sup>2</sup>	\$458,292
Fringe Benefits	\$175,029	\$197,371	\$2,598 <sup>2</sup>	\$199,969
Supplies & Materials	\$60,500	\$30,889	\$18,948 <sup>2,4,5,6</sup>	\$49,837
Travel	\$4,000	\$6,336	(\$1,113) <sup>2,4</sup>	\$5,223
Communication	\$7,000	\$6,121	\$187 <sup>2</sup>	\$6,308
Other	\$37,873	\$8,617	\$277 <sup>2</sup>	\$8,894
Indirect Costs	\$185,587	\$214,493	(\$432) <sup>3</sup>	\$214,061
Other Costs Distributions	\$87,745	\$46,785		\$46,785
<b>TOTAL EXPENDITURES</b>	\$920,935	\$948,940	\$40,429	\$989,369

- <sup>1</sup> Actual MDHHS payments.  
<sup>2</sup> Inaccurate Accounting Records and FSRs (Finding 1)  
<sup>3</sup> Indirect Cost Allocation Inaccuracies (Finding 7)  
<sup>4</sup> Insufficient Supporting Documentation for Expenditures (Finding 8)  
<sup>5</sup> Improper Allocation of Expenditures (Finding 9)  
<sup>6</sup> Unallowable Expenditure Recorded to the WIC Program (C&R 2)

**Central Michigan District Health Department  
WIC Breastfeeding  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$139,035	\$139,035 <sup>1</sup>		\$139,035
Fees & Collections - 1st & 2nd Party	\$0	\$60		\$60
Local Funds - Other	\$0	\$5,227	\$10,250 <sup>2,3</sup>	\$15,477
<b>TOTAL REVENUES</b>	\$139,035	\$144,322	\$10,250	\$154,572
<b>EXPENDITURES:</b>				
Salary & Wages	\$72,228	\$74,234	\$2,942 <sup>2</sup>	\$77,176
Fringe Benefits	\$19,935	\$19,630	\$368 <sup>2</sup>	\$19,998
Supplies & Materials	\$11,566	\$8,446	\$5,286 <sup>2</sup>	\$13,732
Travel	\$1,000	\$1,969	\$164 <sup>2</sup>	\$2,133
Communication	\$1,000	\$1,495	\$161 <sup>2</sup>	\$1,656
Other	\$400	\$1,393	\$80 <sup>2</sup>	\$1,473
Indirect Costs	\$29,584	\$30,358	\$1,249 <sup>3</sup>	\$31,607
Other Costs Distributions	\$3,322	\$6,797		\$6,797
<b>TOTAL EXPENDITURES</b>	\$139,035	\$144,322	\$10,250	\$154,572
<sup>1</sup> Actual MDHHS payments. <sup>2</sup> Inaccurate Accounting Records and FSRs (Finding 1) <sup>3</sup> Indirect Cost Allocation Inaccuracies (Finding 7)				

Central Michigan District Health Department  
F.Y. 10/01/2016 - 09/30/2017  
Summary of Amounts Due Back to MDHHS

Program RU	Program	Total Salaries & Fringes (A)	Administrative Cost Pool (B)	Distribution Base (C)	Recalculated Indirect Allocation Rate (D) (B / C)	Recalculated Indirect Cost (E) (A x D)	Indirect Cost per FSR (F)	Variance (G) (E - F)	Local Funds Used per FSR (H)	MDHHS Grant Impact (G + H)
122	Public Health Emergency Preparedness (PHEP)	117,784	1,804,758	5,359,616	33.67%	39,662	40,216	(554)	0	(554)
151	HIV/STD Partner Services	109,340	1,804,758	5,359,616	33.67%	36,818	37,336	(518)	0	(518)
414	Vision	72,722	1,804,758	5,359,616	33.67%	24,488	24,831	(343)	0	(343)
415	Hearing	53,669	1,804,758	5,359,616	33.67%	18,072	18,326	(254)	0	(254)
470	Public Health Functions	9,906	1,804,758	5,359,616	33.67%	3,336	5,499	(2,163)	2,043	(120)
486	Personal Health Medical Outreach	441,055	1,804,758	5,359,616	33.67%	148,518	150,614	(2,096)	0	(1,048) *

**Total MDHHS Grant Impact (2,837)**

NOTE:

\* All Program Funding for RU 486 comes from a 50/50 split between Federal Medicaid Outreach and Required Local Matches. The impact on MDHHS obligation is 50% of the variance.



## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** **Inaccurate Accounting Records and FSRs**

The Health Department's accounting records did not accurately disclose program expenditures and did not reconcile with FSRs. Also, the Health Department did not report all program expenditures and source of funds on its FSRs. In addition, the Health Department did not have sufficient controls over its financial management systems to ensure all program expenditures and source of funds were accurately recorded and reported on its FSRs.

**Recommendation:** Implement sufficient controls and procedures to ensure that all its Programs' FSRs reconcile with its accounting records to ensure compliance with Federal regulation. Also, report all its Programs' expenditures and source of funds on its FSRs to ensure compliance with Federal regulations and the grant agreement.

**Comments:** The Accountant for Central Michigan District Health Department (CMDHD) left the agency prior to the end of the Fiscal Year in September of 2017. CMDHD hired another Accountant who began employment on October 1, 2017. The Accountant filed the FSRs in good faith not realizing that some of the processes were not correct which caused our reporting to be inaccurate. During the ensuing weeks/months CMDHD realized that we had deficiencies in the financial records at which point an outside CPA firm was brought in to perform an analysis to ensure that our financials were corrected. CMDHD also implemented a new EMR system on January 1, 2017. This presented additional challenges to ensure that the reporting was accurate. The

corrections proposed by the CPA Firm did not occur until mid-way through 2018 well after the submission of the FY 2017 FSRs.

**Corrective Action:** CMDHD Accounting Staff received training in regard to the EGrAMS system's reporting requirements and ongoing training will be required as needed. CMDHD will continue to seek the guidance of an outside CPA firm to ensure that the newly implemented processes report its financials accurately. CMDHD has reviewed and updated the monthly, quarterly and annual accounting processes to ensure accurate financial reporting. Also, CMDHD staff received additional training to include process changes/updates to the EMR Medical Billing, Payments, and Contractual Differences process.

**Person Responsible  
for Implementation:** DeAnn Coan

**Anticipated  
Completion Date:** October 1, 2018

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 7

**Finding:** **Non-Compliant Allocation of Cash Payments in Lieu of Health Insurance Benefits**

The Health Department did not properly allocate its monthly cash payments in lieu of health insurance for employees working on multiple activities.

**Recommendation:** Implement policies and procedures to ensure that all cash payments in lieu of health insurance costs are allocated based on actual work performed.

**Comments:** During the course of the audit, we discovered that the process to re-allocate Cash Payments in Lieu Health Insurance Benefits were not performed accurately, causing those payments to be allocated by a default allocation method.

**Corrective Action:** CMDHD worked with our Payroll Software Program Developer to determine where the breakdown in the process occurred and has since updated and documented the new process in the Work Instructions. This process is now part of the payroll process and performed with the bi-weekly payroll processing to ensure accurate re-allocation of benefits.

**Person Responsible  
for Implementation:** Kayla Ballenbach

**Anticipated  
Completion Date:** October 1, 2018

## Corrective Action Plan

**Finding Number:** 3

**Page Reference:** 8

**Finding:** **Non-Compliant Allocation of Health Insurance Fringe Benefits**

The Health Department improperly used a predetermined percentage to distribute health insurance expenditures and did not adjust costs to reflect its employees' actual activity. Also, the Health Department did not properly allocate its employees' health insurance expenditures for employees working on multiple activities.

**Recommendation:** Implement procedures and controls to ensure that health insurance benefits are properly allocated to benefitting programs in a manner consistent with how salaries and wages are chargeable to such Federal awards and other activities to ensure compliance with Federal regulations.

**Comments:** During the course of the audit, we discovered that the process to re-allocate Health Insurance Benefits were not performed accurately, causing those benefits to be allocated by a default allocation method.

**Corrective Action:** CMDHD worked with our Payroll Software Program Developer to determine where the breakdown in the process occurred and has since updated and documented the new process in the Work Instructions. This process is now part of the payroll process and performed with the bi-weekly payroll processing to ensure accurate re-allocation of benefits.

**Person Responsible  
for Implementation:** Kayla Ballenbach

**Anticipated  
Completion Date:** October 1, 2018

## Corrective Action Plan

**Finding Number:** 4

**Page Reference:** 9

**Finding:** **Non-Compliant Allocation of Retirement Fringe Benefits**

The Health Department did not properly calculate and allocate its defined benefit pension plan costs to reflect its employees' actual activity performed.

**Recommendation:** Implement controls and procedures to ensure it properly reviews, calculates, and allocates its defined benefit pension plan costs to all benefitting programs in a manner that reflects all its employees' actual activity to ensure compliance with Federal regulation.

**Comments:** During the course of the audit, we discovered that the processes to allocate defined benefit pension plan costs were not performed accurately, causing those benefits to be incorrectly allocated by a default allocation method.

**Corrective Action:** CMDHD has created a new procedure to properly review, calculate and allocate defined benefit pension plan costs for all active employees based on actual hours worked in each benefitting program. The procedure also outlines how to allocate costs for terminated/retired employees' receiving the defined benefit pension benefit through an indirect spread.

**Person Responsible  
for Implementation:** Kayla Ballenbach

**Anticipated  
Completion Date:** October 1, 2018

## Corrective Action Plan

**Finding Number:** 5

**Page Reference:** 11

**Finding:** Medicaid Cost Based Reimbursements Not Reported Properly on FSR

The Health Department did not properly report its Medicaid Cost Based Reimbursement (MCBR) settlements on its FSR.

**Recommendation:** Properly report MCBR settlements based on MDHHS requirements and in accordance with FSR Form Preparation Instructions.

**Comments:** The Accountant for CMDHD left the agency prior to the end of the Fiscal Year in September of 2017. CMDHD hired another Accountant who began employment on October 1, 2017. The Accountant filed the FSRs in good faith not realizing that some of the processes were not correct which caused our reporting to be inaccurate. During the ensuing weeks/months CMDHD realized that we had deficiencies in the financial records at which point an outside CPA firm was brought in to perform an analysis to ensure that our financials were corrected. The corrections proposed by the CPA Firm did not occur until mid-way through 2018 well after the submission of the FY 2017 FSRs.

**Corrective Action:** The Accountant has received guidance from MDHHS to ensure that future MCBR settlements are reported in compliance with the criteria provided by MDHHS. All published materials and documents are now available for review to help ensure that future MCBR settlements are accurately reported.

**Person Responsible  
for Implementation:** DeAnn Coan

**Anticipated  
Completion Date:** October 1, 2018



## Corrective Action Plan

**Finding Number:** 6

**Page Reference:** 12

**Finding:** **Not Charging RWHAP Part B Clients for Services Provided in Accordance with Federal Requirements**

The Health Department did not comply with the requirements regarding the imposition of charges for services provided to RWHAP Part B clients.

**Recommendation:** Implement its newly drafted billing and collection policy and provide the necessary training to employees regarding the imposition of charges for services provided to RWHAP Part B clients to ensure compliance with PHS Act and MDHHS Grant Agreement requirements

**Comments:** A Policy was written but was never implemented into the electronic medical record. It was an oversight due to a change in directors.

**Corrective Action:** Implement appropriate sliding fee scale based on 2019 poverty guidelines within the electronic medical record in accordance with newly drafted billing and collection policy and update to include how to track when a client reaches annual cap. EMR will automatically calculate sliding fee scale according to RWHAP Part B guidelines. Staff will be trained on the updated billing and collection policy.

**Person Responsible for Implementation:** Jaclyn Badger and Lyn Campbell

**Anticipated Completion Date:** July 1, 2019

## Corrective Action Plan

**Finding Number:** 7

**Page Reference:** 13

**Finding:** Indirect Cost Allocation Inaccuracies

The Health Department did not accurately compute the indirect cost allocations resulting in a misstatement of indirect costs for benefitting programs.

**Recommendation:** Implement sufficient controls and procedures to ensure that all indirect costs are allocated and reported based on actual and allowable expenditures, and in accordance with relative benefits received to ensure compliance with Federal regulations.

**Comments:** It was determined that the previous method of calculating the Indirect Rate using the 'What if' analysis did not provide an accurate calculation of the Indirect Rate for CMDHD.

**Corrective Action:** CMDHD worked with MDHHS along with other Health Departments to implement a new process that follows our policy and meets Federal regulations. This new process is in place along with adjustments made to reflect the new process and to ensure that for FY 2018 and going forward the agency financials will accurately report and distribute Indirect Costs to the Agency Programs.

**Person Responsible  
for Implementation:** DeAnn Coan

**Anticipated  
Completion Date:** October 1, 2018

## Corrective Action Plan

**Finding Number:** 8

**Page Reference:** 16

**Finding:** **Insufficient Supporting Documentation for Expenditures**

The Health Department did not provide sufficient supporting documentation for some expenditures reported on its FSRs.

**Recommendation:** Provide sufficient documentation to support all expenditures reported on the FSRs to ensure compliance with Federal regulations.

**Comments:** During the audit period the Accounts Payable Clerk was out of the office and the Accountant was unable to locate some of the invoices requested.

**Corrective Action:** The Accountant will be trained on the process that is used by the Accounts Payable clerk for filing invoice. If a vendor should change the name of their company during the course of the year the Accounts Payable Clerk will also label the folders used for filing with the new vendor name along with the previously used vendor name to ensure that we are able to locate invoices in a timely manner.

**Person Responsible for Implementation:** Julie Wentworth and DeAnn Coan

**Anticipated Completion Date:** July 1, 2019

## Corrective Action Plan

**Finding Number:** 9

**Page Reference:** 18

**Finding:** Improper Allocation of Expenditures

The Health Department did not properly allocate all expenses to the appropriate benefitting programs.

**Recommendation:** Implement sufficient controls and procedures to properly allocate costs to the appropriate benefitting programs to ensure compliance with Federal regulations.

**Comments:** None

**Corrective Action:** The Agency will enhance the approval process for invoices/expenditures. Requiring Program Directors to designate which reporting unit to be charged either by a signature on the invoice or via email. The Accounts Payable Clerk sends a list of all the expenditures to each Director bi-weekly for review. Any changes are documented and updates to the accounts are made. Education will be provided to the Directors to request they review the voucher edit list and notify Accounts Payable of any questions or concerns.

**Person Responsible  
for Implementation:** Julie Wentworth

**Anticipated  
Completion Date:** May 1, 2019

## Corrective Action Plan

**Finding Number:** 10

**Page Reference:** 19

**Finding:** Insufficient Controls Over RWHAP Part B Program Incentives

The Health Department did not have sufficient controls over its RWHAP Part B gift cards for client incentives.

**Recommendation:** Implement sufficient controls and procedures over its RWHAP Part B Program incentives to ensure compliance with Federal policy and MDHHS Program policies.

**Comments:** We have recognized our shortcoming and will be taking measures to correct the issue regarding obtaining signatures upon distribution of the gift cards and utilizing a tracking with the number of incentives and cumulative totals distributed to each client.

**Corrective Action:** CMDHD will adopt the tracking logs recommended by MDHHS to keep track of each individual card distributed and the total amount for each client, which they will sign for upon receipt. Our documentation will show all incentives received by the client and their signature acknowledges that they agree to terms of the use of the incentive, which will be listed above the signature line. CMDHD will create new policies and procedures to reflect these changes.

**Person Responsible for Implementation:** Jaclyn Badger and Jason Johnson

**Anticipated Completion Date:** May 1 , 2019

## Comments and Recommendations

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

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number</b>	CFDA 93.217
<b>Title of Project</b>	MDHHS Title X Family Planning Services
<b>Repeat Finding</b>	Not Applicable

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 three (18%) of 17 clients were not properly charged according to the Health Department's sliding fee scale. We noted the three clients were overcharged 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 regulation.

**Management Response:** With the implementation of the new electronic medical record in 2017, there were errors made within the system when charging clients. Since then the error has been corrected and the Family Planning supervisor created an audit tool. The supervisor will review 10 charts monthly to check for accuracy of sliding fee scale. If any inconsistencies are found, a more complete audit will be done to ensure accuracy of charges and a meeting with the biller will be scheduled.

#### **Person Responsible**

**for Implementation:** Jaclyn Badger and Tasha Ackels

#### **Anticipated**

**Completion Date:** May 1, 2019

## 2. Unallowable Expenditure Recorded to the WIC Program

<b>Federal Agency</b>	U.S. Department of Agriculture Food and Nutrition Service
<b>Program Title</b>	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>CFDA Number</b>	CFDA 10.557
<b>Title of Project</b>	Women, Infants, and Children (WIC)
<b>Repeat Finding</b>	Not Applicable

The Health Department recorded an unallowable expense to the WIC Program.

Title 2 CFR 200.437 Employee health and welfare costs states, "Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable." Also, Title 2 CFR 200.438 Entertainment Costs states, "Costs of entertainment including amusement, diversion, and social activities and associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal Award or with prior written approval of the Awarding Agency."

During our review, we noted that the Health Department did not have any documented employee health and welfare policy to support an ice cream sundae bar expense of \$249 for a WIC staff luncheon. An adjustment in WIC Program expenditures is shown on the attached Statement of Grant Program Revenues and Expenditures and reflected on the Supplies and Materials line item. Due to the understatement of expenditures noted in Finding 1, removal of the unallowed expense still provides a net increase of allowable expenditures. The WIC Program has fully exhausted its grant funds, and any additional expenditures are covered with local funds.

We recommend that the Health Department implement policies and procedures to ensure that only allowable expenditures are recorded to the WIC Program to ensure compliance with Federal regulations.

**Management Response:** This was a working meeting in which CMDHD also provided refreshments. However, at the time CMDHD did not have a written policy in regard to Staff Retention and Recognition. A Policy has been written and approved by the Agency.

**Person Responsible  
for Implementation:** Kelly Conley

**Anticipated  
Completion Date:** April 15, 2019