

Audit Report

Huron County Health Department
WIC, WIC Breastfeeding, and Family Planning Programs

October 1, 2013 – September 30, 2014



Bureau of Office, Reimbursement, and Quality Assurance
Quality Assurance and Review Section
November 2015



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

NICK LYON
DIRECTOR

November 12, 2015

Gretchen Tenbusch, RN, MSA, Health Officer
Huron County Health Department
1142 S. Van Dyke
Bad Axe, Michigan 48413

Dear Ms. Tenbusch:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Huron County Health Department Family Planning and WIC Programs for the period October 1, 2013 through September 30, 2014.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statements of Grant Program Revenues and Expenditures; and Corrective Action Plans. The conclusions, findings, and recommendations are organized by audit objective. The Corrective Action Plans include the agency's paraphrased response to the Preliminary Analysis.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Debra S. Hallenbeck, Manager
Quality Assurance and Review
Bureau of Audit, Reimbursement and Quality Assurance

Enclosure

cc: Stan Bien, Director, WIC Division
Paulette Dobyne Dunbar, Manager, Division of Family and Community Health
Deanna Charest, Manager, Reproductive and Preconception Health Unit
Pam Myers, Director, Bureau of Audit, Reimbursement and Quality Assurance
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DESCRIPTION OF AGENCY

The Huron 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 Huron County, and the administrative office is located in Bad Axe, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is appointed by the Board of Commissioners of Huron County.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Community Health (MDCH) 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 WIC Program was funded by MDCH Grant Funds and Other Local Funds. Grant funding from MDCH for the WIC Program is federal funding under federal catalog number 10.557.

The Family Planning Program was funded by MDCH Grant Funds, First and Third Party Fees and Collections, Local and Other Revenue. Grant funding from MDCH for the Family Planning Program is federal funding under federal catalog numbers 93.217 and 93.994, and is subject to performance requirements. That is, reimbursement from MDCH was based upon the understanding that a certain level of performance (measured in caseload established by MDCH) had to be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the WIC and Family Planning Programs' internal controls and financial reporting, and to determine the MDCH shares of WIC Program and Family Planning Program costs. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness in establishing and implementing internal controls over the WIC and Family Planning Programs.
2. To assess the Health Department's effectiveness in reporting their WIC Program and Family Planning Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH shares of cost for the WIC and Family Planning Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

SCOPE AND METHODOLOGY

We examined the Health Department's records and activities for the fiscal period October 1, 2013 to September 30, 2014. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any WIC Program or Family Planning Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the WIC and Family Planning Programs' Financial Status Reports (FSRs) to the accounting records.
- Reviewed a sample of payroll expenditures.
- Tested a sample of expenditures for program compliance and adherence to policy and approval procedures.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed WIC Program equipment inventory and general Health Department equipment inventory records.
- Reviewed Family Planning Program billing and collection of fees, and collections of donations.

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

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

INTERNAL CONTROLS

Objective 1: To assess the Health Department's effectiveness in establishing and implementing internal controls over the WIC and Family Planning Programs.

Conclusion: The Health Department was effective in establishing and implementing internal controls over the WIC and Family Planning Programs.

FINANCIAL REPORTING

Objective 2: To assess the Health Department's effectiveness in reporting their WIC and Family Planning Programs' financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department generally reported their WIC and Family Planning Programs' financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we noted exceptions related to the allocation of indirect costs (Finding 1) and the reporting of fees and collections for the Family Planning Program (Finding 2).

Finding

1. Incorrect Allocation of Indirect Cost

The Health Department did not properly calculate the indirect cost pool, and did not apply the calculated indirect cost rate to the same base upon which it was calculated resulting in an incorrect allocation of indirect cost.

The Health Department's contract with MDCH (Part II, Section III, Part A) requires compliance with OMB Circular A-87 (located at 2 CFR Part 225). For costs to be allowable under Federal awards, they must meet the provisions of 2 CFR Part 225. According to Appendix A of 2 CFR Part 225:

C.1.i. Costs must... Be the net of applicable credits.

C.4.a. Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs.

F.1. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

The Health Department did not exclude Miscellaneous 1st and 2nd Party revenues when calculating the indirect cost pool. Additionally, the Health Department calculated a monthly indirect cost rate using YTD agency costs and YTD salaries and fringes, but then applied that rate to monthly salaries and fringes resulting in an incorrect allocation of indirect costs. We did not determine the total Health Department misstatement. However, the WIC, WIC Breastfeeding, and Family Planning Programs were understated \$2,084; \$560; and \$1,736; respectively for the year. Adjustments are shown on the attached Statements of Grant Program Revenues and Expenditures. This will not affect funding since the Health Department has used all of their MDCH Funding.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that the indirect cost pool is properly determined, that the calculated indirect cost rate is applied to the same base upon which it was calculated, and that total allocations for the year represent total allocable indirect costs.

Finding

2. Fees and Collections Improperly Reported on the Accrual Basis

The Health Department did not report fees and collections on the cash basis on their Family Planning Program FSR.

The Health Department's contract with MDCH (Part II, Section IV, Part D) requires all FSRs to be prepared in accordance with the Department's FSR Instructions. The FSR Form Preparation Instructions states:

The Financial Status Report is to be prepared reporting expenditures on a cash or accrued basis and revenue on an accrued basis, with the exception of fees which should be reported on the cash basis as received.

The Health Department reported fees and collections from 1st and 3rd parties for the Family Planning Program on the FSR on the accrual basis.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that fees and collections are reported on the FSR in accordance with FSR Form Preparation Instructions.

MDCH SHARES OF COST AND BALANCE DUE

Objective 3: To determine the MDCH shares of cost for the WIC and Family Planning Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

Conclusion: The MDCH obligations under the WIC, WIC Breastfeeding, and Family Planning Programs for fiscal year ended September 30, 2014, were \$149,383; \$31,030; and \$41,832; respectively. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC, WIC Breastfeeding, or Family Planning grant program funding.

**Huron County Health Department
WIC Resident Services
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$149,383	\$149,383 ¹		\$149,383
Fees & Collections - 1st & 2nd Party	\$937	\$1,133		\$1,133
Local Funds - Other	\$18,026	\$14,246	\$2,084 ²	\$16,330
TOTAL REVENUES	\$168,346	\$164,762	\$2,084	\$166,846
EXPENDITURES:				
Salary & Wages	\$66,698	\$65,248		\$65,248
Fringe Benefits	\$34,640	\$33,722		\$33,722
Supplies & Materials	\$12,505	\$11,648		\$11,648
Travel	\$1,528	\$1,508		\$1,508
Space Costs	\$17,502	\$16,055		\$16,055
Other	\$1,404	\$1,381		\$1,381
Indirect Costs	\$22,615	\$23,900	\$2,084 ²	\$25,984
Other Costs Distributions	\$11,454	\$11,300		\$11,300
TOTAL EXPENDITURES	\$168,346	\$164,762	\$2,084	\$166,846

¹ Actual MDCH payments.

² Understatement of Indirect Costs

Huron County Health Department
WIC Breastfeeding
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$31,030	\$31,030 ¹		\$31,030
Fees & Collections - 1st & 2nd Party	\$274	\$274		\$274
Local Funds - Other	\$10,533	\$10,794	\$560 ²	\$11,354
TOTAL REVENUES	\$41,837	\$42,098	\$560	\$42,658
EXPENDITURES:				
Salary & Wages	\$14,984	\$14,999		\$14,999
Fringe Benefits	\$12,207	\$12,248		\$12,248
Supplies & Materials	\$2,827	\$2,708		\$2,708
Travel	\$404	\$367		\$367
Space Costs	\$1,915	\$1,692		\$1,692
Other	\$359	\$359		\$359
Indirect Costs	\$6,068	\$6,594	\$560 ²	\$7,154
Other Costs Distributions	\$3,073	\$3,131		\$3,131
TOTAL EXPENDITURES	\$41,837	\$42,098	\$560	\$42,658

¹ Actual MDCH payments.

² Understatement of Indirect Costs

**Huron County Health Department
Family Planning
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$32,631	\$32,631 ¹		\$32,631
MDCH Grant	\$7,503	\$7,503 ¹		\$7,503
MCH Funding	\$1,698	\$1,698 ¹		\$1,698
Fees & Collections - 1st & 2nd Party	\$6,124	\$7,800		\$7,800
Fees & Collections - 3rd Party	\$36,293	\$44,700		\$44,700
Federal Cost Based Reimbursement	\$66,589	\$64,901		\$64,901
Local Funds - Other	\$8,913	\$0	\$1,736 ²	\$1,736
TOTAL REVENUES	\$159,751	\$159,233	\$1,736	\$160,969
EXPENDITURES:				
Salary & Wages	\$51,264	\$51,176		\$51,176
Fringe Benefits	\$30,802	\$30,115		\$30,115
Contractual	\$6,273	\$6,376		\$6,376
Supplies & Materials	\$10,579	\$18,349		\$18,349
Supplies & Materials - Pharmaceutical	\$7,503	\$7,503		\$7,503
Travel	\$1,033	\$758		\$758
Space Costs	\$15,604	\$14,691		\$14,691
Other	\$2,178	\$2,727		\$2,727
Indirect Costs	\$18,314	\$19,607	\$1,736 ²	\$21,343
Other Costs Distributions	\$16,201	\$7,931		\$7,931
TOTAL EXPENDITURES	\$159,751	\$159,233	\$1,736	\$160,969

¹ Actual MDCH payments.

² Understatement of Indirect Costs

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Incorrect Allocation of Indirect Costs**

The Health Department did not properly calculate the indirect cost pool, and did not apply the calculated indirect cost rate to the same base upon which it was calculated resulting in an incorrect allocation of indirect cost.

Recommendation: Implement policies and procedures to ensure that the indirect cost pool is properly determined, that the calculated indirect cost rate is applied to the same base upon which it was calculated, and that total allocations for the year represent total allocable indirect costs.

Comments: None

Corrective Action: The Health Department will exclude Miscellaneous 1st and 2nd party fees from the indirect calculation. Indirect will be calculated using YTD salaries and fringes and applied to programs using YTD salaries and fringes.

**Anticipated
Completion Date:** Fiscal Year 2015-2016

MDHHS Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: **Fees and Collections Improperly Reported on Accrual Basis**

The Health Department did not properly report fees and collections on the cash basis on their Family Planning Program FSR.

Recommendation: Implement policies and procedures to ensure that fees and collections are reported on the FSR in accordance with the FSR Form Preparation Instructions.

Comments: None

Corrective Action: Fees and collections will be reported on the cash basis.

**Anticipated
Completion Date:** Fiscal Year 2015-2016

MDHHS Response: None