



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

ROBERT GORDON
DIRECTOR

April 18, 2019

Lisa Peacock, Health Officer
Benzie-Leelanau District Health Department
6051 Frankfort Highway, Suite 100
Benzonia, Michigan 49616

Dear Ms. Peacock:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Benzie-Leelanau District Health Department Family Planning 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; 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 2, a total of \$50 is due back to MDHHS. Please remit a check payable to the State of Michigan for \$50 to the following address by May 15, 2019:

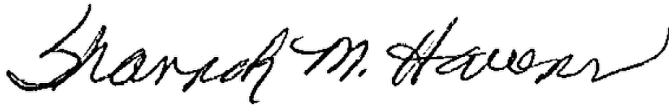
Michigan Department of Health and Human Services
Cash Receipting
PO Box 30437
Lansing, MI 48933

Lisa Peacock, Health Officer
Benzie-Leelanau District Health Department
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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.

Thank you for the cooperation extended throughout this audit process.

Sincerely,



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
Kelly Voegeding, Financial Analyst, WIC Division
Paulette Dobyne Dunbar, Manager, Division of Maternal and Infant Health
Deanna Charest, Manager, Reproductive and Preconception Health Unit
Steve Utter, Financial Analyst, Division of Maternal and Infant Health
Mary McGrath, Manager, Revenue Section
Kidada Smith, Manager, Contract Payable Section
Dodie Putney, Director of Administrative Services, Benzie-Leelanau District
Health Department
Matthew Tompkins, Auditor, Population Health and Community Services
Program

Audit Report

Benzie-Leelanau District Health Department

Family Planning Program
and
Women, Infants, and Children Program

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division

April 2019

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DESCRIPTION OF AGENCY

The Benzie-Leelanau 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 Benzie County, which is the reporting entity, and the administrative office is located in Benzonia, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners from Benzie and Leelanau Counties. The Health Department provides community health program services to the residents of Benzie and Leelanau Counties.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs administered through the Michigan Department of Health and Human Services (MDHHS). 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 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.

The Family Planning Program was funded by MDHHS Grant Funds, Fees and Collections, Local and Other Revenue. Grant funding from MDHHS 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 MDHHS was based upon the understanding that a certain level of performance (measured in caseload established by MDHHS) 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 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 or WIC Program related concerns.
- Reviewed the most recent Family Planning Program site visit report from the Program staff.
- Reviewed the Grant Agreement, Budgets, and Program Specific Assurances and Requirements.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Subrecipient Questionnaire.
- Reconciled the Family Planning Program and WIC Program Financial Status Reports (FSRs) and MDHHS payment schedules to the accounting records.
- Tested a selection of payroll and non-payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines and approval procedures.
- Reviewed building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed equipment purchases over \$5,000 for the Family Planning Program and \$2,500 for the WIC Program.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed Family Planning Program billings, and collection of fees, and collection of donations.

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

CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

FINANCIAL REPORTING

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

Conclusion: The Health Department was generally effective and accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles. We identified the following exceptions: non-compliant fringe benefit distribution (Finding 1) and improper allocation of contract expense (Finding 2).

Finding

1. Non-Compliant Fringe Benefit Distribution

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

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

The Health Department did not properly allocate its employees' fringe benefit expenditures for employees working on multiple activities.

Title 2 CFR 200.430(i)(1) for Compensation states, "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. 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...(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award..." Section 431(b) for Fringe benefits specific to leave states, "The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if... (2) The costs are equitably allocated to all related activities, including Federal awards."

During our review of May's payroll expenditures, we noted that the Health Department charged its employees' leave time, health insurance and retirement contributions based on the employees' work schedules. If an employee was absent, leave time hours were allocated to programs based on the work schedule for the absent time period. The Health Department's leave time allocation process was to create quarterly distribution worksheets to properly allocate leave time to all programs that the employee actually worked. The same quarterly distribution percentage was then used to distribute the employees' health insurance and retirement contributions. However, the Health Department did not retain distribution worksheets and could not support if they in fact allocated time based on the employees' actual times worked.

Recommendation

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

Finding

2. Improper Allocation of Contract Expense

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

The Health Department improperly allocated a contractor's expense to the WIC Migrant Program.

Title 2 CFR Part 200.403 Factors affecting allowability of costs states, "...costs must meet the following general criteria in order to be allowable...(a) Be necessary and reasonable for the performance of the Federal award...(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. (d) Be accorded consistent treatment...(g) Be adequately documented." Also, 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 contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

During our review, we noted that one (50%) of two contractor's timesheets tested was incorrectly allocated to the WIC Migrant Program. The contractor recorded 2.75 hours to the Maternal Infant Health Program and Infant Safe Sleep (MIHP/ISS) Program, however the 2.75 hours were allocated to the WIC Migrant Program overstating the other expenditures line item by \$50. Adjustments were made to the Statement of Grant Program Revenues and Expenditures. The improperly allocated expense has impacted the WIC Migrant Program Grant funds and \$50 is due back to MDHHS.

Recommendation

We recommend that the Health Department implement controls to ensure that contracted employees' hours are allocated to the appropriate program to ensure compliance with Federal regulation.

MDHHS SHARES OF COST AND BALANCE DUE

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

Conclusion: The MDHHS obligations for fiscal year ended September 30, 2017 are \$41,570 for the Family Planning Grant, \$118,288 for the WIC Resident Services Grant, \$23,690 for the WIC Breastfeeding Grant, and \$15,974 for the WIC Migrant Grant. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made adjustments, but only WIC Migrant Grant funds were affected resulting in \$50 due back to MDHHS.

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$43,258	\$41,570 ¹		\$41,570
Fees & Collections - 1st & 2nd Party	\$5,000	\$4,417		\$4,417
Fees & Collections - 3rd Party	\$20,000	\$12,447		\$12,447
Federal Cost Based Reimbursement	\$16,845	\$31,650		\$31,650
Local Funds - Other	\$27,123	\$17,777		\$17,777
TOTAL REVENUES	\$112,226	\$107,861	\$0	\$107,861
EXPENDITURES:				
Salary & Wages	\$27,265	\$32,118		\$32,118
Fringe Benefits	\$13,698	\$15,386		\$15,386
Supplies & Materials	\$16,952	\$10,840		\$10,840
Travel	\$2,594	\$1,949		\$1,949
Communication	\$50	\$46		\$46
Space Costs	\$9,968	\$9,703		\$9,703
Other	\$16,945	\$18,876		\$18,876
Indirect Costs	\$8,057	\$8,161		\$8,161
Other Costs Distributions	\$16,697	\$10,782		\$10,782
TOTAL EXPENDITURES	\$112,226	\$107,861	\$0	\$107,861

¹ Actual MDHHS payments.

**Benzie-Leelanau District Health Department
WIC Residential Services
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$118,288	\$118,288 ¹		\$118,288
Fees & Collections - 3rd Party	\$850	\$695		\$695
Local Funds - Other	\$79,799	\$69,427		\$69,427
TOTAL REVENUES	\$198,937	\$188,410	\$0	\$188,410
EXPENDITURES:				
Salary & Wages	\$71,384	\$78,459		\$78,459
Fringe Benefits	\$40,151	\$42,594		\$42,594
Supplies & Materials	\$2,050	\$2,035		\$2,035
Travel	\$2,635	\$3,196		\$3,196
Communication	\$74	\$281		\$281
Space Costs	\$16,560	\$12,918		\$12,918
Other	\$715	\$654		\$654
Indirect Costs	\$21,938	\$20,796		\$20,796
Other Costs Distributions	\$43,430	\$27,476		\$27,476
TOTAL EXPENDITURES	\$198,937	\$188,410	\$0	\$188,410

¹ Actual MDHHS payments.

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$23,690	\$23,690 ¹		\$23,690
Local Funds - Other	\$1,568	\$1,786		\$1,786
TOTAL REVENUES	\$25,258	\$25,476	\$0	\$25,476
EXPENDITURES:				
Salary & Wages	\$779	\$2,181		\$2,181
Fringe Benefits	\$497	\$438		\$438
Supplies & Materials	\$1,670	\$1,197		\$1,197
Travel	\$913	\$113		\$113
Communication	\$230	\$123		\$123
Space Costs	\$3,225	\$3,041		\$3,041
Other	\$17,457	\$17,340		\$17,340
Indirect Costs	\$251	\$450		\$450
Other Costs Distributions	\$236	\$594		\$594
TOTAL EXPENDITURES	\$25,258	\$25,476	\$0	\$25,476

¹ Actual MDHHS payments.

**Benzie-Leelanau District Health Department
WIC Migrant
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$16,905	\$16,024 ¹	(\$50) ²	\$15,974
Local Funds - Other	\$3,551	\$0		\$0
TOTAL REVENUES	\$20,456	\$16,024	(\$50)	\$15,974
EXPENDITURES:				
Salary & Wages	\$7,833	\$7,689		\$7,689
Fringe Benefits	\$3,878	\$3,458		\$3,458
Supplies & Materials	\$140	\$0		\$0
Travel	\$690	\$177		\$177
Communication	\$368	\$8		\$8
Other	\$470	\$248	(\$50) ²	\$198
Indirect Costs	\$2,303	\$1,915		\$1,915
Other Costs Distributions	\$4,774	\$2,530		\$2,530
TOTAL EXPENDITURES	\$20,456	\$16,024	(\$50)	\$15,974

¹ Actual MDHHS payments.

² Improper Allocation of Contract Expense (Finding 2)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Non-Compliant Fringe Benefit Distribution**

The Health Department did not properly allocate its employees' fringe benefit expenditures for employees working on multiple activities.

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

Comments: The Health Department was still implementing a new payroll service during the audit period where we were trying to properly distribute fringe benefits.

Corrective Action: The Health Department has been working with DWD Technology Group to ensure we are correctly distributing fringe benefit expenditures for employees working on multiple activities.

Person Responsible for Implementation: Dodie Putney, Director of Administrative Services

Anticipated Completion Date: Completed

MDHHS Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: Improper Allocation of Contracted Expense

The Health Department improperly allocated a contractor's expense to the WIC Migrant Program.

Recommendation: Implement controls to ensure that contracted employees' hours are allocated to the appropriate program to ensure compliance with Federal regulation.

Comments: We have contracted employees who work across all WIC programs. While we are careful to make sure everything is coded correctly, mistakes happen, and we try to catch them prior to payment.

Corrective Action: Closer attention by contracted employees, program supervisors and finance staff to ensure the correct WIC program is charged correctly.

Person Responsible for Implementation: Dodie Putney, Director of Administrative Services

Anticipated Completion Date: Completed

MDHHS Response: None

Comments and Recommendations

1. Insufficient Control Activities to Ensure Segregation of Duties for Key Financial Procedures

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

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

The Health Department did not have sufficient control activities to ensure segregation of duties for its key financial procedures.

Title 2 CFR 200.303 states, “The non-Federal entity must: (a) 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. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States...” Also, the Standards for Internal Control in the Federal Government, Principle 10.03 Design of Appropriate Types of Control Activities, state, “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.”

During our review of the Health Department’s Subrecipient Questionnaire, we noted that management did not segregate its key financial duties and responsibilities to reduce its risk of financial error, misuse or fraud. We noted that one employee had the responsibilities for reconciling bank accounts, making/verifying deposit slips, entering receipts into the cash journal, and posting to the general ledger.

We recommend that the Health Department implement sufficient control activities to ensure segregation of duties for its key financial procedures to ensure compliance with Federal regulations and standards.

Management Response: As an extremely small Health Department, most of the staff wear multiple hats. We have seen the need to increase staff in the Administration Division of the Health Department in hopes it will improve our separation of duties more effectively.

Person Responsible

for Implementation: Dodie Putney, Director of Administrative Services

Anticipated

Completion Date: June 1, 2019

2. Contractor's Timesheet Did Not Have Supervisor's Approval Prior to Payment

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

The Health Department did not obtain management's authorization on some of its contractor's timesheets prior to payment.

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 contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

During our review of the WIC Migrant Program contractor payments, we noted that one (50%) of the two timesheets tested did not have management approval prior to payment.

We recommend that the Health Department implement controls to ensure proper management approval on all contractor's timesheets prior to payment to ensure compliance with Federal regulation.

Management Response: As a rule, supervisors must approve timesheets prior to payment. If a larger number of contractor payments were tested, the percentage would be less. Review of current contractor payments show 100% are properly signed.

Person Responsible**for Implementation:** Dodie Putney, Director of Administrative Services**Anticipated****Completion Date:** Completed**3. Not Charging Family Planning Clients According to the Sliding Fee Scale**

Federal Agency	U.S. Department of Health and Human Services
Program Title	Family Planning - Services
CFDA Number	CFDA 93.217
Title of Project	MDHHS Title X Family Planning Services
Repeat Finding	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 two (29%) of seven clients were not properly charged according to the Health Department's sliding fee scale. We noted the two clients were overcharged when the sliding fee scale was not properly applied.

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

Management Response: With staff turnover, this is one area we indeed missed updating. Proper procedures have been created to ensure that our system is updated accordingly. Our Reimbursement Specialist has gone through our system and has corrected any client's balances that were impacted.

Person Responsible**for Implementation:** Michelle Klein, Personal Health Director**Anticipated****Completion Date:** Completed