



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

FARAH A. HANLEY
ACTING DIRECTOR

January 8, 2019

Martha Hall, Health Officer
Lenawee County Health Department
1040 S. Winter Street, Suite 2328
Adrian, Michigan 49221

Dear Ms. Hall:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Lenawee County Health Department Family Planning Program 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 Plan and Comments and Recommendations include the agency's response to the Preliminary Analysis.

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

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in black ink, reading "Shannah M. Havens".

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

Attachment

cc: Debra Hallenbeck, Director, Audit Division
Paulette Dobynes 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
Monica Hunt, Finance Director, Lenawee County Health Department

Audit Report

Lenawee County Health Department
Family Planning Program

October 1, 2016 – September 30, 2017



Bureau of Audit
Audit Division
January 2019

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DESCRIPTION OF AGENCY

The Lenawee County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a component unit of Lenawee County, which is the reporting entity, and the administrative office is located in Adrian, Michigan. The Health Department operates under the legal supervision and control of the Board of Health of Lenawee County. The Health Department provides various health program services to the residents of Lenawee County.

FUNDING METHODOLOGY

The Family Planning Program services are funded from local sources, 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 the grant agreement and budget. 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 is based upon the understanding that a certain level of performance (measured in caseload established by MDHHS) must be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Health Department's financial reporting and to determine the MDHHS share of cost according to the agreement, 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 share of cost in accordance with MDHHS requirements and the agreement, 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 fiscal period October 1, 2016 to September 30, 2017. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any Family Planning Program concerns.
- Reviewed the completed Subrecipient Questionnaire.
- Reconciled the Family Planning Program Financial Status Report (FSR) 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 equipment purchases over \$5,000.
- Reviewed Family Planning Program billing 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. However, we identified the following exception: unsupported allocation of employee health insurance cost (Finding 1).

Finding

1. Inaccurate Allocation of Employee Health Insurance Cost

The Health Department improperly allocated an employee's health insurance cost to the Family Planning Program.

Title 2 CFR 200.431 (c) for Compensation – Fringe Benefits states, "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 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 cost, in accordance with the non-Federal entity's accounting practices."

During our review, we noted that the Health Department recorded 100% of an employee's health insurance expense to the Family Planning Program, but this was not consistent with the employee's work pattern of working in multiple programs. The employee was on family medical leave during the pay period reviewed, and the county family medical leave policy is to allocate 100% of an employees' fringe benefit expenses to one program regardless if the employee worked in multiple programs. We did not make adjustments to the Statement of Grant Program Revenues and Expenditures, because any adjustments to Fringe Benefits would have no effect on grant funds due to the level of local funding.

Recommendation

We recommend that the Health Department revise their policy and procedures to ensure all employee fringe benefits are allocated in a manner consistent with the salaries and wages allocations to ensure compliance with Federal regulations.

MDHHS SHARE OF COST

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

Conclusion: The MDHHS obligation for fiscal year ended September 30, 2017 is \$104,530. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments.

**Lenawee County 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	\$104,530	\$104,530 ¹		\$104,530
Fees & Collections - 1st & 2nd Party	\$4,905	\$12,739		\$12,739
Fees & Collections - 3rd Party	\$22,320	\$34,862		\$34,862
Federal Cost Based Reimbursement	\$38,472	\$68,606		\$68,606
Local Funds - Other	\$122,140	\$79,799		\$79,799
TOTAL REVENUES	\$292,367	\$300,536	\$0	\$300,536
EXPENDITURES:				
Salary & Wages	\$68,904	\$67,007		\$67,007
Fringe Benefits	\$32,072	\$35,805		\$35,805
Contractual	\$4,500	\$2,066		\$2,066
Supplies & Materials	\$33,709	\$22,634		\$22,634
Travel	\$499	\$455		\$455
Communication	\$1,400	\$1,557		\$1,557
County-City Central Services	\$19,438	\$19,438		\$19,438
Space Costs	\$14,303	\$14,303		\$14,303
Other	\$128,363	\$146,658		\$146,658
Indirect Costs	\$20,153	\$21,260		\$21,260
Other Costs Distributions	(\$30,974)	(\$30,647)		(\$30,647)
TOTAL EXPENDITURES	\$292,367	\$300,536	\$0	\$300,536

¹ Actual MDHHS payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: **Inaccurate Allocation of Employee Health Insurance Cost**

The Health Department improperly allocated an employee's health insurance cost to the Family Planning Program.

Recommendation: Revise policy and procedures to ensure all employee fringe benefits are allocated in a manner consistent with the salaries and wages allocations to ensure compliance with Federal regulations.

Comments: The Health Department's salary and wage allocations differ from the County's master database.

Corrective Action: The Health Department will correct all employee program allocations. Personal Action Forms for each employee will be submitted to the Administrators Office specifying the correct allocation. New employees will have the correct allocations at the start of employment. Corrections with the current staff and the process modification to new staff will ensure the County's master database and the Health Departments database agree, eliminating the errors.

**Person Responsible
for Implementation:** Monica Hunt

**Anticipated
Completion Date:** February 28, 2019

Comments and Recommendations

1. Family Planning Patients Billed Lower Than Established Fee Schedule Rates

The Health Department billed patients at a lower rate than the established schedule of fees. The Michigan Title X Family Planning Program Standards & Guidelines Manual, Section II.C.8.4.4 states, "...charges **must** be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services. (42 CFR 59.5(a)(8))" We noted that the Health Department was billing patients at 340B prices instead of the established fee schedule. We recommend that the Health Department charge patients based on their schedule of fees to recover the reasonable cost of providing services to ensure compliance with Family Planning Program Standards & Guidelines and Federal regulations.

Management's Response: The current fee schedule will be reviewed and corrected if necessary. When establishing the fee schedule biennially, as the state requires, the current Medicaid reimbursement rate will be met or exceeded in order to capture the maximum private insured reimbursement.

**Person Responsible
for Implementation:** Deidre Reed

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

2. Insufficient Controls to Ensure Segregation of Duties for Health Officer's Travel Expenditures

The Health Department did not have sufficient control activities to ensure segregation of duties for all its travel reimbursements. 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..." In the Standards for Internal Control in the Federal Government, Principle 10.03 Design of Appropriate Types of Control Activities states, "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 indirect administrative expenditures review, we noted that management did not sufficiently segregate one of its key financial duties and responsibilities to reduce its risk of financial error, misuse or fraud. We noted that the

Health Officer authorized her own travel reimbursements. We recommend that the Health Department implement sufficient control activities to ensure segregation of duties for all its key financial procedures to ensure compliance with Federal regulations and standards.

Management's Response: The Health Officer will submit reimbursable expense vouchers to the Finance Director for approval and will be submitted for the multi-step approval process. Modification to the process of approving expense vouchers for the Health Officer has been implemented.

**Person Responsible
for Implementation:** Martha Hall / Monica Hunt

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