

Audit Report

Dickinson-Iron District Health Department
WIC, WIC Breastfeeding and Family Planning Programs

October 1, 2013 – September 30, 2014



Bureau of Audit, Reimbursement, and Quality Assurance
Quality Assurance and Review Section

January 2016



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

NICK LYON
DIRECTOR

January 20, 2016

Steve Markham, Health Officer
Dickinson-Iron District Health Department
601 Washington Avenue
Iron River, Michigan 49935

Dear Mr. Markham:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Dickinson-Iron District Health Department WIC and Family Planning 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 Plan. The conclusions, findings, and recommendations are organized by audit objective. The Corrective Action Plan 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 Dobynnes 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
Steve Utter, Financial Analyst, Division of Family and Community Health

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DESCRIPTION OF AGENCY

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

FUNDING METHODOLOGY

The Health Department services were funded from local appropriations, fees and collections, and grant programs administered through the Michigan Department of Community Health (MDCH). 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 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 was 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) must be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

The WIC Programs were funded by MDCH Grant Funds, and Other Local Funds. Grant funding from MDCH for the WIC Programs is federal funding under federal catalog number 10.557.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Family Planning Program and WIC Program internal controls and financial reporting, and to determine the MDCH shares of Family Planning Program and WIC 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 Family Planning and WIC Programs.
2. To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC 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 Family Planning and WIC 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 Family Planning Program or WIC Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the Family Planning Program and WIC Program 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 equipment inventory and general Health Department equipment inventory records.
- Reviewed Family Planning 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

INTERNAL CONTROLS

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

Conclusion: The Health Department was effective in establishing and implementing internal controls over the Family Planning and WIC Programs. We noted one exception related to the setting of fees for the Family Planning Program (Finding 1).

Finding

1. No Administration Approved Policy for Setting Family Planning Program Fees Lower Than Cost

The Health Department set their Family Planning Program fees below the amounts required to recover actual cost with no administration approved policy designating the percentage of the cost the fee schedule is to represent.

The 2013 Michigan Title X Family Planning Program Standards and Guidelines Manual, Section 6.3.1 "Charges, Billing and Collections" paragraph B. states, "If the agency chooses to set fees lower than what is required to recover actual costs, the agency **must** have an administration approved policy in place which designates the percentage of the cost the fee schedule is to represent."

Recommendation

We recommend that the Health Department comply with the Michigan Title X Family Planning Program Standards and Guidelines Manual and implement an administration approved policy for designating the percentage of the cost the fee schedule is designed to recover if the Health Department chooses to set fees lower than what is required to recover actual costs.

FINANCIAL REPORTING

Objective 2: To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC Program 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 was effective in reporting their Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles. No exceptions were noted.

MDCH SHARES OF COST AND BALANCE DUE

Objective 3: To determine the MDCH shares of cost for the Family Planning and WIC 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 \$177,902, \$32,462 and \$64,775; respectively. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning Program or WIC Program funding.

Dickinson-Iron District 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	\$177,902	\$177,902 ¹		\$177,902
Local Funds - Other	\$12,674	\$24,942		\$24,942
TOTAL REVENUES	\$190,576	\$202,844	\$0	\$202,844
EXPENDITURES:				
Salary & Wages	\$90,232	\$93,806		\$93,806
Fringe Benefits	\$36,995	\$42,991		\$42,991
Supplies & Materials	\$5,000	\$4,015		\$4,015
Travel	\$3,500	\$3,119		\$3,119
Communication	\$1,850	\$1,569		\$1,569
Space Cost	\$7,350	\$6,646		\$6,646
Other	\$1,120	\$1,719		\$1,719
Indirect Costs	\$44,529	\$48,980		\$48,980
TOTAL EXPENDITURES	\$190,576	\$202,844	\$0	\$202,844

¹ Actual MDCH payments.

Dickinson-Iron District 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	\$38,726	\$32,462 ¹		\$32,462
Fees and Collections - 1st and 2nd Party	\$1	\$0		\$0
Fees and Collections - 3rd Party	\$1	\$0		\$0
Local Funds - Other	\$695	\$0		\$0
TOTAL REVENUES	\$39,423	\$32,462	\$0	\$32,462
EXPENDITURES:				
Salary & Wages	\$16,301	\$14,184		\$14,184
Fringe Benefits	\$5,705	\$6,441		\$6,441
Supplies & Materials	\$3,500	\$328		\$328
Travel	\$2,360	\$1,831		\$1,831
Communication	\$499	\$219		\$219
Space Cost	\$2,150	\$1,930		\$1,930
Other	\$350	\$175		\$175
Indirect Costs	\$8,558	\$7,355		\$7,355
TOTAL EXPENDITURES	\$39,423	\$32,462	\$0	\$32,462
¹ Actual MDCH payments.				

Dickinson-Iron District 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 Federal	\$26,702	\$26,702 ¹		\$26,702
MDCH Grant State	\$12,848	\$12,848 ¹		\$12,848
MCH Funding	\$25,225	\$25,225 ¹		\$25,225
Fees and Collections - 1st and 2nd Party	\$5,500	\$4,154		\$4,154
Fees and Collections - 3rd Party	\$57,886	\$67,660		\$67,660
Federal Cost Reimbursement	\$41,000	\$40,075		\$40,075
Required Match - Local	\$15,195	\$0		\$0
Local Funds - Other	\$23,330	\$21,295		\$21,295
TOTAL REVENUES	\$207,686	\$197,959	\$0	\$197,959
EXPENDITURES:				
Salary & Wages	\$87,248	\$81,791		\$81,791
Fringe Benefits	\$34,936	\$37,294		\$37,294
Supplies & Materials	\$16,096	\$11,068		\$11,068
Pharmaceutical	\$12,848	\$12,848		\$12,848
Travel	\$2,250	\$1,975		\$1,975
Communication	\$1,382	\$1,404		\$1,404
Space Cost	\$5,564	\$4,871		\$4,871
Other	\$4,598	\$4,180		\$4,180
Indirect Costs	\$42,764	\$42,528		\$42,528
TOTAL EXPENDITURES	\$207,686	\$197,959	\$0	\$197,959

¹ Actual MDCH payments.

Corrective Action Plan

Finding Number: 1

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Finding: No Administration Approved Policy for Setting Family Planning Program Fees Lower Than Cost

The Health Department set their Family Planning Program fees below the amounts required to recover actual cost with no administration approved policy designating the percentage of the cost the fee schedule is to represent.

Recommendation: Comply with the Michigan Title X Family Planning Program Standards and Guidelines Manual and implement an administration approved policy for designating the percentage of the cost the fee schedule is designed to recover if the Health Department chooses to set fees lower than what is required to recover actual costs.

Comments: The Health Department agrees with the finding and recommendation.

Corrective Action: The Health Department will implement an administration approved policy for designating the percentage of the cost the Family Planning Program fee schedule is designed to recover, and annually have the fee schedule approved by the Health Department's administrative board.

**Anticipated
Completion Date:** January 31, 2016

MDHHS Response: None