



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

May 15, 2017

Linda Vail, MPA, Health Officer
Ingham County Health Department
5303 S. Cedar
P.O. Box 30161
Lansing, Michigan 48909

Dear Ms. Vail:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Ingham County Health Department WIC and Family Planning Programs for the period October 1, 2014 through September 30, 2015.

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 Comment and Recommendation. The Corrective Action Plans and Comment and Recommendation include the agency's response to the Preliminary Analysis.

Please note our additional comment related to Finding 5 on the Corrective Action Plan on Page 19. Additional corrective action is needed.

As noted in Finding 4, a total of \$2,626 is due back to MDHHS. Please remit a check payable to the State of Michigan for \$2,626 to the following address by June 15, 2017:

Cash Receipting
PO Box 30437
Lansing, MI 48933

Linda Vail, MPA, Health Officer
Ingham County Health Department
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May 15, 2017

Thank you for the cooperation extended throughout this audit process.

Sincerely,



Debra S. Hallenbeck, Director
Audit Division
Bureau of Audit, Reimbursement and Quality Assurance

Enclosure

cc: Pam Myers, Director, Bureau of Audit, Reimbursement and Quality Assurance
Stan Bien, Director, WIC Division
Paulette Dobyne Dunbar, Manager, Division of Maternal and infant Health
Deanna Charest, Manager, Reproductive and Preconception Health Unit
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Mary McGrath, Manager, Revenue Section
Eric Thelen, Chief Financial Officer, Ingham County Health Department

Audit Report

Ingham County Health Department
WIC & Family Planning Programs

October 1, 2014 – September 30, 2015



Bureau of Audit, Reimbursement, and Quality Assurance
Audit Division
May 2017

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DESCRIPTION OF AGENCY

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

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

The Family Planning Program was funded by MDHHS Grant Funds, First and Third Party Fees and Collections, Local and Other Revenue. Grant funding from MDHHS for the Family Planning Program is federal funding under federal catalog number 93.217, 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 WIC and Family Planning Programs financial reporting, and to determine the MDHHS 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 reporting their WIC Program and Family Planning Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles.
2. To determine the MDHHS shares of cost for the WIC, WIC Breastfeeding, and Family Planning Programs in accordance with applicable MDHHS 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, 2014 to September 30, 2015. 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 Subrecipient Questionnaire.
- Reconciled the WIC Program and Family Planning 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 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

FINANCIAL REPORTING

Objective 1: To assess the Health Department's effectiveness in reporting their WIC Program and Family Planning Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department generally reported its WIC Program and Family Planning Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we identified the following exceptions: fees and collections for the Family Planning Program were reported using an accrual basis (Finding 1), a non-compliant Women's Health Clinic salaries and wages distribution was used (Finding 2) (Repeat), predetermined percentages were used to distribute salaries and wages (Finding 3), indirect cost allocation inaccuracies were identified (Finding 4), multiple Internal Service Funds exceeded the 60 day working capital reserve limit (Finding 5) (Repeat), and Family Planning Program clients were not appropriately charged according to the sliding fee scale (Finding 6) (Repeat).

Finding

1. Fees and Collections Not Reported on Cash Basis

The Health Department prepared its Financial Status Report (FSR) reporting fees and collections (including Medicaid Cost Based Reimbursement (MCBR)), on an accrued basis, rather than on the cash basis as required.

The Financial Status Report (FSR) Form Preparation Instructions state:

I. Introduction:

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 a cash basis as received.

IV. Form Preparation:

L. Expenditures Current Period Column

15. Fees and Collections – Fees and collections received 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.

The Health Department reported fees and collections received during the current reporting period for the Family Planning Program on an accrued basis instead of cash basis. Additionally, the Health Department uses an excel spreadsheet to help determine what should be reported on the Family Planning Program Final FSR, but the spreadsheet does not reflect any prior period adjustments so the cumulative amount is incorrect. Since the Health Department reported fees and collections using accrued basis and the spreadsheet does not reflect actual amounts, we were unable to reconcile the reported FSR revenue amounts to the general ledger.

The Health Department reported MCBR based on the number of Family Planning Program encounters during the reporting period multiplied by the Ingham County Health Department's Facility Rate, which is essentially accrual basis reporting. However, records show the Health Department received a total of approximately \$5.5 million in MCBR in FYE 2015 with a portion attributable to the Family Planning Program, but the revenue received in FYE 2015 was not reported on the cash basis as required.

No adjustment to the attached Statement of Grant Program Revenues and Expenditures was made due to the inability to easily determine the cash basis amount of fees and collections and MCBR payments related to the Family Planning Program, and the likelihood of no impact on MDHHS grant funds.

Recommendation

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

Finding

2. Non-Compliant Women's Health Clinic Salaries and Wages Distribution (Repeat)

The Health Department did not properly document and allocate Family Planning Program employees' salaries and wages for employees working on multiple activities in accordance with OMB Circular A-87.

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 Grantee will also comply with all applicable general administrative requirements such as OMB Circulars covering cost principles, grant/agreement principles, and audits in carrying out the terms of this agreement.

OMB Circular A-87, Appendix B, Section 8. H. states:

- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5)...unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency...*
- (5) Personnel activity reports or equivalent documentation must meet the following standards:*
 - (a) They must reflect an after the fact distribution of the actual activity of each employee,*
 - (b) They must account for the total activity for which each employee is compensated,*
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and*
 - (d) They must be signed by the employee.*

The Health Department has two programs in the same clinic (Women's Health and Family Planning). Most expenses in the clinic, including salaries and wages, were allocated at 76% to Women's Health and 24% to Family Planning based on encounters. No personnel activity reports that reflect the actual activity of each employee with respect to Women's Health and Family Planning are maintained by the Health Department. Additionally, this substitute system has not been approved by the cognizant Federal agency or MDHHS. This was also cited in the FYE 2011 and 2013 MDHHS Audit Reports. The latest planned corrective action (provided by the Health Department) was to implement procedures by which employees' work hours, among different programs, would be documented on employees' time cards by September 1, 2014, but this did not occur.

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure that all salary and wage distributions are based on records that accurately reflect the work performed, and any substitute system for allocating salaries and wages is approved as required by 2 CFR 200.430(i)(5).

Finding

3. Predetermined Percentages Improperly Used to Distribute Salaries and Wages

The Health Department improperly used predetermined percentages to distribute salaries and wages of some employees, and did not adjust costs charged to the WIC Program and Family Planning Program to reflect the activity actually performed as required by OMB Circular A-87.

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 Grantee will also comply with all applicable general administrative requirements such as OMB Circulars covering cost principles, grant/agreement principles, and audits in carrying out the terms of this agreement.

OMB Circular A-87, Appendix B, Section 8. H. states:

- (4) *Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5)...unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency...*
- (5) *Personnel activity reports or equivalent documentation must meet the following standards:*
 - (a) *They must reflect an after the fact distribution of the actual activity of each employee,*
 - (b) *They must account for the total activity for which each employee is compensated,*
 - (c) *They must be prepared at least monthly and must coincide with one or more pay periods, and*
 - (d) *They must be signed by the employee.*
 - (e) *Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:*
 - (ii) *At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent.*

The Health Department directly charged the WIC Program and Women's Health Clinic (of which 24% is charged to the Family Planning Program per Finding 2 above) based on predetermined percentages for the following employees, but did not adjust costs charged to the activity actually performed as required:

- Nutritionists charged at predetermined percentages even though their time records show specific other times.
- Community Health Rep IV charged at a predetermined percentage of 50% to Women's Health even though the time records show 100% of time in Women's Health.
- Public Health Nursing Director charged at a predetermined percentage (proportion of FTE's supervised in each unit to total FTE's supervised).
- Community Health Center Supervisor charged at a predetermined percentage (proportion of FTE's supervised in each unit to total FTE's supervised)

Distributions of any directly charged salaries and fringes, including supervisors and managers, must be supported by personnel activity reports according to OMB Circular A-87.

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure that all salary and wage distributions are based on records that accurately reflect the work performed, and any use of predetermined percentages are only used for interim accounting purposes with appropriate adjustments as required by 2 CFR 200.430(i)(1)(viii).

Finding

4. 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.

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 Grantee will also comply with all applicable general administrative requirements such as OMB Circulars covering cost principles, grant/agreement principles, and audits in carrying out the terms of this agreement.

OMB Circular A-87, Appendix A, states the following with respect to allowable and indirect costs:

C. Basic Guidelines

- 1. To be allowable under Federal awards, costs must meet the following general criteria:*
 - b. Be allocable to Federal awards...*
 - i. Be the net of all applicable credits...*
- 3. Allocable costs*
 - b. All activities which benefit from the governmental unit's indirect cost...will receive an appropriate allocation of indirect costs.*

F. Indirect Costs

- 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.*

In our review of the indirect cost allocation computation, we noted multiple inaccuracies which are explained below:

- 1.) Due to the FSR deadline, the Health Department used a budgeted indirect cost allocation rate when reporting indirect expenditures to the WIC Program and the WIC Breastfeeding Program FSRs.
- 2.) The Health Department allocates County Central Service Costs to benefitting programs through two separate Funds; the County Health Fund (Fund 221) and the Health Clinic Fund (Fund 511). When computing the amount of County Central Service charges for Fund 221 the Health Department used 25% of FY12 costs and 75% of FY13 costs to determine the allocable amount. However, when computing the amount of County Central Service charges for Fund 511 the Health Department used 100% of FY13 costs to determine the allocable amount. This error resulted in a lower than actual indirect cost allocation rate for the WIC and WIC Breastfeeding Programs. The error also resulted in a higher than actual indirect cost allocation rate for the Family Planning Program.
- 3.) The total amount of Fund 221 costs that are allocable to Fund 511 used in the indirect cost allocation computation was inaccurate and less than actual costs. This error resulted in higher than actual indirect cost allocation rate for the WIC and WIC Breastfeeding Programs. The error also resulted in a lower than actual indirect cost allocation rate for the Family Planning Program.

After the correction of the above inaccuracies, we determined that administration indirect costs were overstated for the WIC and WIC Breastfeeding Programs but understated for the Family Planning Program. This resulted in a reduction of allowable costs of \$19,890 for the WIC Program and \$965 for the WIC Breastfeeding Program. Allowable costs for the Family Planning Program increased by \$1,604 as a result of the correction of inaccuracies. Adjustments reflecting the change in indirect costs for the WIC Program, WIC Breastfeeding Program, and Family Planning Program are shown on the attached Statements of Grant Program Revenues and Expenditures.

Due to the level of local funding for the WIC Program, WIC Breastfeeding Program, and Family Planning Program, there is no impact on MDHHS funding. However, the correction of the indirect cost allocation rate has impacted MDHHS's obligation for the following programs and funds are due back to MDHHS as follows:

Program	Impact on MDHHS Obligation
BCCP Coordination	(\$1,271)
Childhood Lead Poisoning Education and Outreach	(\$37)
Infant Safe Sleep	(\$40)
Medicaid Outreach	(\$1,278)

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that all indirect costs are allocated based on actual expenditures and in accordance with relative benefits received.

Finding

5. Internal Service Fund Working Capital Reserves Exceed Allowable Amounts (Repeat) and Not Properly Calculated

Ingham County had several Internal Service Funds which had working capital reserves that exceeded the allowable amount established by OMB Circular A-87 as of December 31, 2014. Additionally, Ingham County's working capital reserve analysis did not result in an accurate calculation of working capital reserves.

OMB Circular A-87 (located at 2 CFR Part 225), Appendix C, Sections G. 3. and G. 4. require comparisons of the charges to the actual allowable costs, and adjustments by one of several methods. Additionally, OMB Circular A-87, Appendix C, Section G. 2., allows for the establishment and maintenance of a reasonable level of working capital reserve for internal service funds. According to OMB Circular A-87, a working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable. For employee-related coverages, reserve levels are normally limited to the value of claims submitted and adjudicated but not paid, submitted by not adjudicated, and incurred but not submitted. Reserve levels in excess of this amount must be identified and justified in the cost allocation plan according to OMB Circular A-87, Appendix B, Section 22.d.(3).

Ingham County charges most Ingham County Departments (including the Health Department) for numerous expenses using internal service funds. The funds are used to finance the cost of providing numerous services for their departments. Ingham County reviews each internal service fund as part of the County's annual budget process and also when calculating the annual cost allocation plan. If working capital is determined to be in excess of allowed limits, the future internal rates charged to all Departments are reduced and the excess funding is used to pay the expenses. If the working capital is determined to be well in excess of the allowable amount, the entire amount charged for the year is removed as part of the cost allocation plan.

Based on the December 31, 2014 financial statements, our calculations showed that the County had accumulated excess balances for three out of their eight internal service funds. This was calculated by using working capital (current assets – current liabilities) balances with adjustments for various reserves as explained by Ingham County personnel, current year transfers, and an allowance of \$750,000 each in the insurance funds for a "minimum fund balance reserve" as used by the County. Reductions in working capital reserve balances are needed to achieve compliance with OMB Circular A-87.

The following represents our analysis of Ingham County's Internal Service Funds for the Year Ended December 31, 2014:

Fund	Working Capital Reserve (A)	30-Days Operating Expenses (B)	Available Months of WCR (C) (A / B)	Months of WCR in Excess (D) (C – 2)
Office Equipment Pool	\$731,264	\$23,285	31.40	29.40
Insurance	\$1,037,394	\$122,993	8.43	6.43
Workers' Compensation	\$759,933	\$40,215	18.90	16.90

Ingham County's 2014 working capital reserve analysis did not result in an accurate calculation of working capital reserves because of the following exceptions:

- 1.) Working capital reserves, which is current assets minus current liabilities, were not used in the analysis. Rather, the unrestricted net positions were used in the analysis.
- 2.) Appropriate adjustments were not made for transfers. These must be accounted for with any unjustified transfers out added back in and certain transfers in removed.

Because of the above exceptions, the following differences were noted between Ingham County's original calculation and the correct calculation of available months of working capital reserves:

	Available Months WCR Original Calculation	Available Months WCR Correct Calculation
Data Processing	.44	1.43
Office Equipment Pool	33.05	31.40
Insurance	3.21	8.43
Workers' Compensation	1.49	18.90
Employee Benefits	.67	.63

Ingham County's working capital reserve calculation methodology needs revision to correct the above noted exceptions to help ensure excess balances are properly identified and addressed.

Recommendation

We recommend that Ingham County devise a plan to ensure the Internal Service Funds working capital reserves are reduced to the allowable limit by FYE 2017 by either cash refunds or adjustments to future billing rates/allocations. We also recommend that Ingham County revise the methodology used to determine working capital reserves to correct the exceptions noted.

Finding

6. Not Charging Family Planning Clients According to the Sliding Fee Scale (Repeat)

The Health Department did not always charge their clients according to the sliding fee scale as required by Title X.

According to Title X regulations at 42 CFR 59.5:

(a) Each project supported under this part must:

(7) 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.

MDHHS Title X Family Planning Program Standards & Guidelines, Part II, Section C.8., Subsection 8.4.6, states:

*Where there is legal obligation or authorization for third party reimbursement, including public or private sources, all reasonable efforts **must** be made to obtain third party payment without the application of any discounts (42 CFR 59.5(a)(9)).*

*The client's family income **must** be taken into account before determining whether copayments or additional fees are charged. With regard to insured clients, clients whose family income is at or below 250% FPL **must not** pay more (in copayments or additional fees) than what they would otherwise pay when the schedule of discounts is applied.*

In a sample of 15 encounters, we noted two instances where the client's family income was below 100% FPL (100% Discount, 0% Charge) and the Health Department required the clients to pay a \$5 copay.

Recommendation

We recommend that the Health Department provide training to employees on charging clients appropriately according to the sliding fee scale, and implement review procedures to ensure compliance.

MDHHS SHARES OF COST AND BALANCE DUE

Objective 2: To determine the MDHHS shares of cost for the WIC, WIC Breastfeeding and Family Planning Programs in accordance with applicable MDHHS requirements and agreements, and any balance due to or due from the Health Department.

Conclusion: The MDHHS obligations under the WIC, WIC Breastfeeding, and Family Planning Programs for fiscal year ended September 30, 2015, are \$1,205,640, \$56,500, and \$256,392; respectively. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made adjustments but none affected WIC, WIC Breastfeeding, or Family Planning grant program funding.

**Ingham County Health Department
WIC Resident Services
Statement of Grant Program Revenues and Expenditures
10/01/14 – 09/30/15**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$1,205,640	\$1,205,640 ¹		\$1,205,640
Fees & Collections – 3 rd Party	\$40,000	\$36,546		\$36,546
Local Funds – Other	\$180,622	\$195,876	(\$19,890)	\$175,986
TOTAL REVENUES	\$1,426,262	\$1,438,062	(\$19,890)	\$1,418,172
EXPENDITURES:				
Salary & Wages	\$711,761	\$723,399		\$723,399
Fringe Benefits	\$425,327	\$428,143		\$428,143
Supplies & Materials	\$31,785	\$23,430		\$23,430
Travel	\$7,535	\$10,513		\$10,513
Communication	\$8,765	\$12,672		\$12,672
Space Costs	\$48,799	\$44,474		\$44,474
Other	\$3,987	\$4,736		\$4,736
Indirect Costs	\$188,303	\$190,695	(\$19,890) ²	\$170,805
TOTAL EXPENDITURES	\$1,426,262	\$1,438,062	(\$19,890)	\$1,418,172

¹ Actual MDHHS payments.

² Indirect Cost Allocation Inaccuracies (Finding 4)

**Ingham County Health Department
WIC Breastfeeding
Statement of Grant Program Revenues and Expenditures
10/01/14 – 09/30/15**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$56,500	\$56,500 ¹		\$56,500
Local Funds – Other	\$639	\$11,334	(\$965)	\$10,369
TOTAL REVENUES	\$57,139	\$67,834	(\$965)	\$66,869
EXPENDITURES:				
Salary & Wages	\$28,776	\$32,592		\$32,592
Fringe Benefits	\$16,575	\$23,266		\$23,266
Supplies & Materials	\$2,829	\$1,100		\$1,100
Travel	\$500	\$1,098		\$1,098
Communication	\$525	\$475		\$475
Other	\$426	\$53		\$53
Indirect Costs	\$7,508	\$9,250	(\$965) ²	\$8,285
TOTAL EXPENDITURES	\$57,139	\$67,834	(\$965)	\$66,869

¹ Actual MDHHS payments.

² Indirect Cost Allocation Inaccuracies (Finding 4)

**Ingham County Health Department
Family Planning Services
Statement of Grant Program Revenues and Expenditures
10/01/14 – 09/30/15**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$256,392	\$256,392 ¹		\$256,392
Fees & Collections – 1 st & 2 nd Party	\$2,002	\$9,099		\$9,099
Fees & Collections – 3 rd Party	\$208,265	\$96,524		\$96,524
Federal Cost Based Reimbursement	\$256,034	\$133,369		\$133,369
Local Funds – Other	\$47,570	\$96,154	\$1,604	\$97,758
TOTAL REVENUES	\$770,263	\$591,538	\$1,604	\$593,142
EXPENDITURES:				
Salary & Wages	\$297,343	\$249,781		\$249,781
Fringe Benefits	\$136,742	\$101,199		\$101,199
Supplies & Materials	\$65,625	\$62,579		\$62,579
Travel	\$1,632	\$1,057		\$1,057
Communication	\$2,842	\$2,655		\$2,655
Space Costs	\$23,332	\$16,293		\$16,293
Other	\$55,733	\$36,036		\$36,036
Indirect Costs	\$71,884	\$41,416	\$1,604 ²	\$43,020
Other Costs Distributions	\$115,130	\$80,522		\$80,522
TOTAL EXPENDITURES	\$770,263	\$591,538	\$1,604	\$593,142

¹ Actual MDHHS payments.

² Indirect Cost Allocation Inaccuracies (Finding 4)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Fees and Collections Not Reported on Cash Basis

The Health Department prepared its Financial Status Report (FSR) reporting fees and collections (including Medicaid Cost Based Reimbursement (MCBR)) on an accrued basis, rather than on the cash basis as required.

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

Comments: None.

Corrective Action: The Financial Status Report Form Preparation Instructions, sent to the Ingham County Health Department, from MDHHS have been reviewed and implemented.

Anticipated

Completion Date: December 1, 2016.

MDHHS Response: None.

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: Non-Compliant Women's Health Clinic Salaries and Wages Distribution (Repeat)

The Health Department did not properly document and allocate Family Planning Program employees' salaries and wages for employees working on multiple activities in accordance with OMB Circular A-87.

Recommendation: Adopt policies and procedures to ensure that all salary and wage distributions are based on records that accurately reflect the work performed, and any substitute system for allocating salaries and wages is approved as required by 2 CFR 200.430(i)(5).

Comments: None.

Corrective Action: Ingham County Health Department will work with MDHHS to devise an approved substitute allocation system to distribute clinic salaries and wages.

Anticipated

Completion Date: March 1, 2017.

MDHHS Response: None.

Corrective Action Plan

Finding Number: 3

Page Reference: 5

Finding: Predetermined Percentages Improperly Used to Distribute Salaries and Wages

The Health Department improperly used predetermined percentages to distribute salaries and wages of some employees, and did not adjust costs charged to the WIC Program and Family Planning Program to reflect the activity actually performed as required by OMB Circular A-87.

Recommendation: Adopt policies and procedures to ensure that all salary and wage distributions are based on records that accurately reflect the work performed, and any use of predetermined percentages are only used for interim accounting purposes with appropriate adjustments as required by 2 CFR 200.430(i)(1)(viii).

Comments: None.

Corrective Action: Ingham County Health Department will implement a procedure by which employee's work hours are compared to the predetermined percentages and adjusted to actual hours on a quarterly basis.

Anticipated

Completion Date: January 1, 2017.

MDHHS Response: None.

Corrective Action Plan

Finding Number: 4

Page Reference: 6

Finding: Indirect Cost Allocation Inaccuracies

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

Recommendation: Implement policies and procedures to ensure that all indirect costs are allocated based on actual expenditures and in accordance with relative benefits received.

Comments: None.

Corrective Action: Ingham County Health Department will review the procedure by which indirect cost allocations are determined and calculated.

Anticipated

Completion Date: January 1, 2017.

MDHHS Response: None.

Corrective Action Plan

Finding Number: 5

Page Reference: 8

Finding: Internal Service Fund Working Capital Reserves Exceed Allowable Amounts (Repeat) and Not Properly Calculated

Ingham County had several Internal Service Funds which had working capital reserves that exceeded the allowable amount established by OMB Circular A-87 as of December 31, 2014. Additionally, Ingham County's working capital reserve analysis did not result in an accurate calculation of working capital reserves.

Recommendation: Devise a plan to ensure the Internal Service Funds working capital reserves are reduced to the allowable limit by FYE 2017 by either cash refunds or adjustments to future billing rates/allocations. Also, revise the methodology used to determine working capital reserves to correct the exceptions noted.

Comments: The Health Department believes their determinations of the funds with excess fund balance were correct but concurs that they should change the method of reporting excess resources which are restricted for specific purpose. These funds are already committed and are not available to be spent for other purposes but this has not been clearly noted in the past cost allocation plan documents.

Corrective Action: When possible, the Health Department will report any excess funding as unearned revenue, therefore reducing the fund's working capital. If this is not possible, the reason for the restriction of the fund balance will be clearly noted on the financial statements included in the Cost Allocation Plan.

The Health Department will also add a narrative section to the report detailing the reason for the commitment and the timing for the spending the funds.

As part of the annual budget process, the County reviews the internal service fund charges in an attempt to reduce fund balances in the fund with excess funding. In 2015, 2016, and 2017, the charges were materially reduced or eliminated.

Anticipated

Completion Date: 12/31/2016 Cost Allocation Plan.

MDHHS Response: The Health Department's response addresses the issues identified for the most part. However, additional action must be taken to ensure transfers in and transfers out are appropriately considered and addressed in the calculations. For example, transfers in from the general fund for things such as capital purchases and the library pension can likely be removed from the calculation.

Corrective Action Plan

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Finding: Not Charging Family Planning Clients According to the Sliding Fee Scale (Repeat)

The Health Department did not always charge their clients according to the sliding fee scale as required by Title X.

Recommendation: Provide training to employees on charging clients appropriately according to the sliding fee scale, and implement review procedures to ensure compliance.

Comments: None.

Corrective Action: Ingham County Health Department has adopted a new policy which addresses insurance co-pay eligibility for sliding fee. Ingham County will monitor the new policy to ensure that it is being followed.

Anticipated

Completion Date: January 1, 2017.

MDHHS Response: None.

Comment and Recommendation

1. Misclassification of Longevity Compensation

The Health Department improperly classified Longevity as a fringe benefit rather than salary and wages for the WIC Program and Family Planning Program. According to the Financial Status Report (FSR) Form Preparation Instructions, Part IV, Section L, Subsection 1, Salaries and Wages – this category includes the compensation paid to all permanent and part-time employees on the payroll of the local agency and assigned directly to the program. Longevity pay is given to an employee based on seniority and is compensation for their years of service. This compensation is taxable to the employee and should be classified as salary and wages. We recommend that the Health Department take actions to ensure Longevity pay is properly classified as salary and wages rather than fringe benefits.

Management Response:

Ingham County will review procedures regarding completing the FSR and will provide training and re-training to comply with the requirements.