



STATE OF MICHIGAN

RICK SNYDER  
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

NICK LYON  
DIRECTOR

June 29, 2017

Denise M. Bryan, M.P.A., Health Officer/Financial Administrator  
District Health Department #2  
630 Progress Street  
West Branch, MI 48661

Dear Ms. Bryan:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the District Health Department #2 Family Planning Program for the period October 1, 2015 through September 30, 2016.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions, Findings, and Recommendations; Statement of Grant Program Revenues and Expenditures; Corrective Action Plan; and Comments and Recommendations. The Corrective Action Plan and Comments and Recommendations include the agency's paraphrased response to the Preliminary Analysis.

As noted in Finding 1, a total of \$8,009 is due back to MDHHS. Please remit a check payable to the State of Michigan for \$8,009 to the following address by July 24, 2017:

Cash Receipting  
PO Box 30437  
Lansing, MI 48933

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Shannah Havens, CPA, CISA  
Audit Section Manager  
Population Health and Community Services Program Audit Section

Enclosure

Denise M. Bryan, M.P.A., Health Officer/Financial Administrator  
District Health Department #2  
Page 2  
June 29, 2017

cc: Debra S. Hallenbeck, Director, Audit Division  
Pam Myers, Director, Bureau of Audit, Reimbursement and Quality Assurance  
Paulette Dobynes Dunbar, Manager, Division of Maternal and Infant Health  
Deanna Charest, Manager, Reproductive and Preconception Health Unit  
Steve Utter, Financial Analyst, Reproductive and Preconception Health Unit  
Orlando Todd, Population Health Administration  
Mary McGrath, Manager, Revenue Section  
Kidada Smith, Manager, Contract Payable Section  
Bryce Wooton, Auditor, Population Health and Community Services Program  
Timothy LeForce, Finance Coordinator, District Health Department #2

# Audit Report

District Health Department #2  
Family Planning Program

October 1, 2015 – September 30, 2016



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

## TABLE OF CONTENTS

	Page
Description of Agency .....	1
Funding Methodology .....	1
Purpose and Objectives .....	1
Scope and Methodology .....	2
 <u>Conclusions, Findings, and Recommendations</u>	
<u>Financial Reporting</u> .....	2
1. Indirect Cost Allocation Inaccuracies .....	3
<u>MDHHS Share of Cost</u> .....	6
Statement of Grant Program Revenues and Expenditures – Family Planning.....	7
Schedule of Recalculated Indirect Costs .....	8
Corrective Action Plan .....	9
Comments and Recommendations.....	12

## **DESCRIPTION OF AGENCY**

The District Health Department #2 (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a component unit of Ogemaw County, which is the reporting entity, and the administrative office is located in West Branch, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners from Alcona, Iosco, Ogemaw, and Oscoda Counties. The Health Department provides community health program services to the residents of Alcona, Iosco, Ogemaw, and Oscoda Counties.

## **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 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 Family Planning Program financial reporting, and to determine the MDHHS share of Family Planning Program costs. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness in reporting their 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 share of cost for the Family Planning Program 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, 2015 to September 30, 2016. 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 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 in reporting their 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 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 indirect cost allocation inaccuracies (Finding 1).

## **Finding**

### **1. 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.*

2 CFR Part 200, Subpart E – Cost Principles states the following with respect to allowable and indirect costs:

#### **§ 200.402 Composition of costs.**

*The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.*

#### **§ 200.403 Factors affecting allowability of costs.**

*Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*
- (e) Be determined in accordance with generally accepted accounting principles (GAAP)...*
- (g) Be adequately documented.*

#### **§ 200.405 Allocable costs.**

- (a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received...*
- (b) All activities which benefit from the non-Federal unit's indirect cost...will receive an appropriate allocation of indirect costs.*
- (c) Any cost allocable to a particular Federal award under the principles provided for in this Part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons.*

#### **§ 200.406 Applicable credits.**

- (a) Applicable credits refer to those receipts or reductions-of-expenditure-type transactions that offset or reduce expense*

*items allocable to the Federal award as direct or indirect (F&A) costs...To the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.*

**§ 200.439** *Equipment and other capital expenditures.*

*(b) The following rules of allowability must apply to equipment and other capital expenditures:*

*(7) Equipment and other capital expenditures are unallowable as indirect costs. See § 200.436 Depreciation.*

**§ 200.436** *Depreciation.*

*(a) Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-Federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-Federal entity's activities, and properly allocated to Federal Awards. Such compensation must be made by computing depreciation.*

**Appendix VII to Part 200 – States and Local Government and Indian Tribe Indirect Cost Proposals**

**C. Allocation of Indirect Costs and Determination of Indirect Cost Rates**

**2. Simplified Method**

- a. Where a non-Federal entity's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (1) classifying the non-Federal entity's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base...*
- b. Both the direct costs and the indirect costs must exclude capital expenditures and unallowable costs.*
- c. The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, subcontracts in excess of \$25,000, participant support costs, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.*

In our review of the indirect cost allocation computation, we noted the following inaccuracies:

- 1.) The Health Department used an indirect cost allocation rate that was not based on actual final numbers when reporting indirect expenditures on specific program FSRs with earlier due dates. This was the result of a year-end payroll system



correction. The Health Department also conducted a preliminary indirect cost allocation for Personal Health Services Administration costs using an allocation rate not based on actual final numbers.

- 2.) The Health Department excluded benefitting programs with already submitted FSR's from the distribution base when allocating the final Agency Support cost pool amount. The Health Department allocated Personal Health Services Administration costs using this same method. This methodology did not ensure an equitable allocation of costs to all benefitting programs.
- 3.) The Health Department included \$4,943 more than actual Administration RU 100 costs into the Agency Support cost pool computation.
- 4.) The Health Department included capital outlay expenditures in the Agency Support cost pool, rather than an allowable depreciation amount.
- 5.) The Health Department included a duplicate General Liability Insurance entry of \$10,382 from Administration RU 100 in the Agency Support cost pool.
- 6.) The Health Department's Single Audit discovered several misclassifications of Administration RU 100 revenues and expenditures which required adjusting journal entries, resulting in a misstated Agency Support cost pool amount.

After the correction of the above inaccuracies, we determined that agency support indirect costs were overstated for the Family Planning Program. Allowable costs for the Family Planning Program decreased by \$723 as a result of the correction of inaccuracies. Adjustments reflecting the change in indirect costs for the Family Planning Program are shown on the attached Statement of Grant Program Revenues and Expenditures.

Due to the level of local funding for the 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 several other programs. The attached Schedule of Recalculated Indirect Costs includes the complete list of programs with the MDHHS funding impact and the amount of funds that are due back to MDHHS.

### **Recommendation**

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

## **MDHHS SHARE OF COST AND BALANCE DUE**

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

**Conclusion:** The MDHHS obligation under the Family Planning Program for fiscal year ended September 30, 2016 is \$60,069. The attached Statement of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made adjustments but none affected the Family Planning Program grant funding.

**District Health Department #2  
Family Planning Services  
Statement of Grant Program Revenues and Expenditures  
10/1/15 - 9/30/16**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
MDHHS Grant	\$60,069	\$60,069 <sup>1</sup>		\$60,069
Fees & Collections - 1st & 2nd Party	\$714	\$2,058		\$2,058
Fees & Collections - 3rd Party	\$30,000	\$36,235		\$36,235
Federal Cost Based Reimbursement	\$98,674	\$79,348		\$79,348
Local Funds - Other	\$0	\$10,676	(\$723) <sup>2</sup>	\$9,953
<b>TOTAL REVENUES</b>	<b>\$189,457</b>	<b>\$188,386</b>	<b>(\$723)</b>	<b>\$187,663</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$84,474	\$76,294		\$76,294
Fringe Benefits	\$45,410	\$29,716		\$29,716
Supplies & Materials	\$3,649	\$22,823		\$22,823
Travel	\$1,791	\$3,216		\$3,216
Communication	\$5,808	\$8,199		\$8,199
Space Costs	\$9,405	\$6,715	\$3,992 <sup>3</sup>	\$10,707
Other	\$7,368	\$11,115	(\$3,992) <sup>3</sup>	\$7,123
Indirect Costs	\$28,359	\$28,143	(\$723) <sup>2</sup>	\$27,420
Other Costs Distributions	\$3,193	\$2,165		\$2,165
<b>TOTAL EXPENDITURES</b>	<b>\$189,457</b>	<b>\$188,386</b>	<b>(\$723)</b>	<b>\$187,663</b>
<sup>1</sup> Actual MDHHS payments. <sup>2</sup> Indirect Cost Allocation Inaccuracies (Finding 1) <sup>3</sup> Correct Misclassifications (Comment & Recommendation 1)				

District Health Department #2  
F.Y. 10/01/2015 - 09/30/2016  
Schedule of Recalculated Indirect Costs

Program RU	Program	Salaries per Indirect Allocation	Fringes per Indirect Allocation	Total Salaries & Fringes	Distribution Base	Program Allocation Rate	Recalculated Total Amt to be Allocated	Recalculated Indirect Cost	Indirect Cost per FSR	Variance	Local Funds Used per FSR	MDHHS Grant Impact
		Wksht & FSR	Wksht & FSR	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(G + H)
						(A / B)	(D)	(C x D)	(F)	(G - F)		
220	PVT Water	80,575.11	42,623.87	123,198.98	2,617,680.99	4.71%	677,067.16	31,865.60	32,705.77	(840.17)	0.00	(840.17)
239	Septic	127,239.46	66,230.32	193,469.78	2,617,680.99	7.39%	677,067.16	50,041.25	51,360.64	(1,319.39)	863.00	(456.39)
270	Grand Water Contam	4,402.61	1,052.62	5,455.23	2,617,680.99	0.21%	677,067.16	1,411.00	1,448.21	(37.21)	0.00	(37.21)
279	Food ELPHS	109,137.64	50,539.25	159,676.89	2,617,680.99	6.10%	677,067.16	41,300.67	42,389.60	(1,088.93)	329.00	(759.93)
311	STD ELPHS	2,579.18	1,404.87	3,984.05	2,617,681.99	0.15%	677,067.16	1,030.48	1,057.65	(27.17)	22.00	(5.17)
313	CD & HIV	24,941.47	8,657.95	33,599.42	2,617,681.99	1.28%	677,067.16	8,690.54	8,919.68	(229.14)	205.00	(23.14)
318	Imms VQA	8,828.25	2,043.10	10,871.35	2,617,681.99	0.42%	677,067.16	2,811.89	2,886.03	(74.14)	20.00	(54.14)
319	Imms IAP	17,999.77	3,432.03	21,431.80	2,617,681.99	0.82%	677,067.16	5,543.37	5,689.52	(146.15)	15.00	(131.15)
320	Imms Children MCH	5,884.87	1,240.93	7,125.80	2,617,681.99	0.27%	677,067.16	1,843.10	1,891.69	(48.59)	0.00	(48.59)
321	Enabling Child MCH	4,286.07	742.79	5,028.86	2,617,681.99	0.19%	677,067.16	1,300.72	1,335.02	(34.30)	0.00	(34.30)
332	HIV Prevention	21,436.15	4,116.64	25,552.79	2,617,681.99	0.98%	677,067.16	6,609.27	6,783.53	(174.26)	0.00	(174.26)
356	BCCCP Admin	11,355.88	5,576.64	16,932.52	2,617,681.99	0.65%	677,067.16	4,379.62	4,992.00	(612.38)	377.00	(235.38)
418	Ebola	1,696.65	1,032.02	2,728.67	2,617,681.99	0.10%	677,067.16	705.77	760.00	(54.23)	0.00	(54.23)
442	Enabling Women MCH	673.71	(208.70)	465.01	2,617,681.99	0.02%	677,067.16	120.28	123.44	(3.16)	0.00	(3.16)
443	Family Planning MCH	5,410.23	2,294.13	7,704.36	2,617,681.99	0.29%	677,067.16	1,992.74	2,045.29	(52.55)	0.00	(52.55)
444	MAP	72,280.54	16,447.75	88,728.29	2,617,681.99	3.39%	677,067.16	22,949.70	24,841.00	(1,891.30)	0.00	(1,891.30)
461	WIC	151,913.22	58,892.64	210,805.86	2,617,681.99	8.05%	677,067.16	54,525.23	58,684.00	(4,158.77)	1,289.00	(2,869.77)
492	WIC Breastfeeding	22,319.81	4,602.84	26,922.65	2,617,681.99	1.03%	677,067.16	6,963.58	7,537.00	(573.42)	235.00	(338.42)
Total MDHHS Grant Impact												(8,009.25)

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** 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.

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

**Comments:** District Health Department #2 agrees with the above finding.

During FY 2015-2016, it was discovered that the agency's payroll system had been allocating wages based on total hours rather than actual hours worked in each program. This was not discovered until September 2016 and as a result, the whole year of payroll had to be recreated and reallocated based on the correct distribution percentages. The payroll system error caused the various inaccuracies noted in the audit as well as delayed the agency's Single Audit.

**Corrective Action:** The following corrective actions are being taken to address each inaccuracy noted in the report:

The error in the payroll system has since been corrected and is continuously monitored and spot checked to verify that the system is working properly which corrected #1 through #3 below:

#1: The District Health Department #2 has corrected the indirect cost allocation rate based on actual hours worked for each federal program.

#2: The District Health Department #2 has corrected the inequitable cost allocation to all benefiting programs.

#3: The District Health Department #2 has corrected the cost pool allocation and also implemented a monitoring process to ensure that only actual Administration RU 100 costs are included in the Agency Support cost pool computation.

#4: District Health Department #2 will correct this issue going forward by reviewing applicable sections of 2 CFR Part 200 to obtain an understanding of capital outlay expenses. The Department will also design and implement a capital purchasing policy and controls to ensure that all future capital expenditures are properly recorded.

#5: The Health Department will implement controls to prevent, detect, and correct duplicate journal entries by conducting quarterly audits.

#6: The Health Department will request that the Single Audit be done in a timelier manner to mitigate incorrect entries recorded to the Agency Support cost pool, and to make any corrections before the cost pool is finalized.

**Anticipated**

**Completion Date:** June 23, 2017 (Next Board of Health Meeting Date).

**MDHHS Response:** None.

## Comments and Recommendations

### 1. Misclassification of Financial Status Report Line Items

The Health Department did not accurately report Family Planning Program operating expenditures on the proper line items on the Financial Status Report (FSR).

The MDHHS Grant Agreement, Part II, Section IV. D. Financial Status Report Submission states:

*A Financial Status Report (FSR) must be submitted for all programs listed on Attachment IV. All FSR's must be prepared in accordance with the Department's FSR instructions...*

The Financial Status Report (FSR) Form Preparation Instructions, Section IV. L. Expenditures Current Period Column states:

*Expenditures must include only those authorized under the terms of the agreement, as specified in the budget attachment.*

The Health Department incorrectly reported laboratory, data processing services, and cleaning expenditures on the Space Costs line item of the Family Planning Program FSR. According to the Family Planning Program Budget – Cost Detail found in the budget attachment, these expense categories should have been reported on the All Others line item. The Health Department also incorrectly reported Family Planning Program utilities, building repair & maintenance, and rent expenditures on the All Others line item when the budget attachment shows that these expenditures should have been reported on the Space Costs line item. After correction of the line items, we noted no budget deviations exceeding the contractual limit. However, future misclassifications of expenditures could result in budget deviations not being detected.

### Recommendation

We recommend that the Health Department take action to ensure program expenditures are reported on the proper lines of the FSR, as specified in the budget attachment.

### **Management Response:**

District Health Department #2 will ensure that an additional review is completed once the financial information has been entered into EGrAMS to verify accuracy before submission.



## **2. Non-Compliant Billing to Family Planning Program Third Party Payers**

The Health Department did not always charge third party payers at the total amount of charges as required by Title X regulations.

According to Title X regulations at 42 CFR 59.5:

*(a) Each project supported under this part must:*

*(9) If a third party (including a Government agency) is authorized or legally obligated to pay for services, all reasonable efforts must be made to obtain the third-party payment without application of any discounts.*

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)).*

In a sample of 11 third party billings, we noted 3 instances where the Health Department billed a third party payer a different amount than what is stated on the schedule of fees. The insurance remittance for each of the three instances indicates \$24 was billed for Depo Provera which has a fee of \$51. After further review, the three instances were billed to a Medicaid provider. The Health Department provided their list of purchased supplies which indicates an acquisition price of \$26.76 for Depo-Provera 150 mg/ml Vial (which is a representation of 340B pricing). However, when billing to Medicaid insurance providers, the Health Department's computer system automatically adjusts Depo Provera's billable amount to \$24; which is the contractual amount the Medicaid insurance providers will reimburse District Health Department #2. The billable amount should be equal to the 340B acquisition price when billing to Medicaid insurance providers.

### **Recommendation**

We recommend that the Health Department comply with Title X regulations, and the Michigan Title X Family Planning Program Standards and Guidelines Manual and bill all third party payers for the total amount of charges based on the most recent schedule of fees, with the exception of Medicaid, which should be billed at the 340B acquisition price.

### **Management Response:**

District Health Department #2 will review current 340B purchasing policies to ensure that proper communication between the purchasing department and the billing

department is used so that the Health Department is billing 340B purchase price amounts correctly. Following this fiscal review, any corrections that need to be made to current policies will be presented to the Board of Health for approval.

### **3. Lack of a Cost Analysis for Establishing Family Planning Program Fees (Repeat)**

The Health Department did not use a cost analysis to develop their fee schedule for Family Planning Program Services.

The Michigan Title X Family Planning Program Standards and Guidelines Manual, Part II, Section C.8., Subsection 8.4.4, states:

*For persons from families whose income exceeds 250% of the FPL, 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)). Sub-recipients **must** document their process for determining how the schedule of fees is designed to recover the reasonable cost of providing services. Sub-recipients are encouraged to review their program costs and reassess their schedule of fees on an annual basis.*

*A. While not recommended to do so, sub-recipients may elect to set their fee schedule below what would recover the actual cost of providing services, based on their specific community needs and circumstances. To elect this option, the sub-recipient **must** have a policy in place that identifies the percentage of costs the fee schedule is designed to recover and the policy **must** be approved by the sub-recipient's administrative board.*

The Health Department did not perform a cost analysis to develop their schedule of fees used during the fiscal year under review. This was also cited in our FYE 2013 audit report. The response to that audit report was: "District Health Department No. 2 will conduct a cost analysis and develop for the Board of Health Commissioners a fee schedule for approval that is designed to recover reasonable costs of the services provided." The Health Department, however, never successfully completed a cost analysis of the services and supplies they provide.

### **Recommendation**

We recommend that the Health Department conduct a cost analysis to determine the cost of providing each distinct service and supply, and set fees based on the cost analysis to ensure the schedule of fees is designed to recover the reasonable cost of providing services, or a percentage of costs as approved by the administrative board

as permitted in the Michigan Title X Family Planning Program Standards and Guidelines Manual.

**Management Response:**

District Health Department #2 will conduct a cost analysis study prior to June 30<sup>th</sup> annually, based on the previous year's figures, to aid in setting fees for each procedure conducted in the Family Planning Program. These fees will be approved by the Board of Health in September of the current fiscal year, and put into effect beginning October 1<sup>st</sup> of the next fiscal year. Conducting a cost analysis on an annual basis ensures that the Health Department has the most up-to-date cost structure for all the procedures provided and also ensures that the Health Department is maximizing reimbursement.