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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HEALTH & HUMAN SERVICES  
BUREAU OF AUDIT, REIMBURSEMENT AND QUALITY ASSURANCE  
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NICK LYON  
DIRECTOR

September 7, 2017

Kim Comerzan, MSN, RN, CNS, Health Officer  
Monroe County Health Department  
2353 S. Custer Rd.  
Monroe, MI 48161

Dear Ms. Comerzan:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Monroe County Health Department WIC Program and 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; 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.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

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

Enclosure

cc: Debra Hallenbeck, Director, Audit Division  
Stan Bien, Director, WIC Division  
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# Audit Report

Monroe County Health Department  
WIC & Family Planning Programs

October 1, 2015 – September 30, 2016



Bureau of Audit, Reimbursement, and Quality Assurance  
Population Health and Community Services Program Audit Division  
September 2017

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## **DESCRIPTION OF AGENCY**

The Monroe 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 Monroe County, and the administrative office is located in Monroe, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Monroe County. The Health Department provides community health program services to the residents of Monroe 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 Women, Infants, and Children (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, 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 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 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 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, 2015 through September 30, 2016, including SEMHA activities. 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 procedure.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- 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: Medicaid cost based reimbursement not reported properly on FSR (Finding 1) and non-compliant salaries and fringes distribution (Finding 2).

## **Finding**

### **1. Medicaid Cost Based Reimbursements Not Reported Properly on FSR**

The Health Department did not report its Medicaid Cost Based Reimbursement (MCBR) settlements on a cash basis on its Financial Status Report (FSR) or request a reporting exception from MDHHS in a timely manner.

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 (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 attached the MCBR detail tracking form to the FSR as they had done in FYE's 2014 and 2015. However, in FYE 2016, the State required that agencies report the reimbursements on the FSR on a cash basis, unless the agency requested a reporting exception from the state in a timely manner. The Health Department unexpectedly received its FYE 2013 MCBR settlement in June 2016, which caused the Health Department's revenue to exceed their FYE 2016 expenditures. The Health Department determined that they would attach the reimbursement detail to the report as they had done in the prior two years. However, the Health Department did not request a reporting exception until after the FSR deadline on November 15, 2016.

Subsequent to our review, the Health Department requested from the State a reporting exception for the MCBR settlement received in FYE 2016. The State granted the Health Department an exception for FYE 2016 on June 1, 2017. This allowed the Health Department to attach the MCBR detail and exclude reporting the reimbursements on a cash basis on the actual FSR.

No adjustment was necessary to the attached Statement of Grant Program Revenues and Expenditures since there was no effect on the grant award.

## **Recommendation**

We recommend that the Health Department properly report MCBR settlements based on MDHHS requirements and in accordance with FSR form preparation instructions.

## **Finding**

### **2. Non-Compliant Salaries and Fringes Distribution**

The Health Department did not properly allocate Women, Infants and Children (WIC) and Family Planning Program employees' salaries and fringe benefits for employees working on multiple program activities in accordance with 2 CFR 200.

Title 2 CFR 200.430(i)(1) states the following with respect to personnel expenses documentation:

*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.*

Also, Title 2 CFR 200.431(b) states the following for compensated leave benefits:

*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 all of the following criteria are met:*

- (2) The costs are equitably allocated to all related activities, including Federal awards.*

The Health Department develops an employee schedule for each pay period. When an employee takes leave time the leave time hours and related fringe benefits are distributed to the various programs based on the employee's scheduled, not actual hours worked on the program for the applicable pay period. The Health Department then adds the employee's actual and scheduled hours to determine the related activities' allocation amount. The Health Department's leave time methodology does not properly reflect actual employee activity which could result in an overstatement or understatement of salary, wages, and fringe benefit expenditures.

## **Recommendation**

We recommend that the Health Department adopt policies and procedures to ensure that all salary and fringe benefit distributions are based on records that accurately reflect the work performed as required by 2 CFR 200.

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

**Objective 2:** To determine the MDHHS shares of cost for the Family Planning and WIC 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 and Family Planning Programs for fiscal year ended September 30, 2016 are \$537,738 and \$93,833; respectively. The attached Statements of MDHHS Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments.



**Monroe County Health Department  
WIC Resident Services  
Statement of Grant Program Revenues and Expenditures  
10/1/15 - 9/30/16**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$537,738	\$537,738 <sup>1</sup>		\$537,738
Fees & Collections - 1st & 2nd Party	\$0	\$762		\$762
Fees & Collections - 3rd Party	\$3,000	\$4,503		\$4,503
Local Funds - Other	\$127,810	\$8		\$8
<b>TOTAL REVENUES</b>	<b>\$668,548</b>	<b>\$543,011</b>	<b>\$0</b>	<b>\$543,011</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$127,674	\$125,074		\$125,074
Fringe Benefits	\$68,270	\$63,549		\$63,549
Contractual	\$284,981	\$207,171		\$207,171
Supplies & Materials	\$9,061	\$8,218		\$8,218
Travel	\$5,100	\$4,821		\$4,821
Communication	\$1,200	\$1,661		\$1,661
Other	\$8,300	\$10,532		\$10,532
Indirect Costs	\$163,962	\$121,985		\$121,985
Other Costs Distributions				\$0
<b>TOTAL EXPENDITURES</b>	<b>\$668,548</b>	<b>\$543,011</b>	<b>\$0</b>	<b>\$543,011</b>

<sup>1</sup> Actual MDHHS payments.

**Monroe County Health Department  
Family Planning  
Statement of Grant Program Revenues and Expenditures  
10/1/15 - 9/30/16**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$93,833	\$93,833 <sup>1</sup>		\$93,833
Fees & Collections - 1st & 2nd Party	\$5,000	\$719		\$719
Fees & Collections - 3rd Party	\$42,500	\$51,582		\$51,582
Federal Cost Based Reimbursement	\$150,000	\$102,400		\$102,400
Local Funds - Other	\$79,636	\$9,604		\$9,604
<b>TOTAL REVENUES</b>	<b>\$370,969</b>	<b>\$258,138</b>	<b>\$0</b>	<b>\$258,138</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$143,551	\$89,268		\$89,268
Fringe Benefits	\$59,762	\$36,781		\$36,781
Contractual	\$4,907	\$7,084		\$7,084
Supplies & Materials	\$42,048	\$48,805		\$48,805
Travel	\$1,875	\$1,474		\$1,474
Communication	\$1,050	\$677		\$677
Other	\$16,500	\$12,483		\$12,483
Indirect Costs	\$69,566	\$41,983		\$41,983
Other Costs Distributions	\$31,710	\$19,563		\$19,563
<b>TOTAL EXPENDITURES</b>	<b>\$370,969</b>	<b>\$258,118</b>	<b>\$0</b>	<b>\$258,118</b>

<sup>1</sup> Actual MDHHS payments.

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Medicaid Cost Based Reimbursements Not Reported Properly on FSR

The Health Department did not report its Medicaid Cost Based Reimbursement (MCBR) settlements on a cash basis on its Financial Status Report (FSR) or request a reporting exception from MDHHS in a timely manner.

**Recommendation:** Properly report MCBR settlements based on MDHHS requirements and in accordance with FSR form preparation instructions.

**Comments:** None.

**Corrective Action:** Monroe County will comply with current reporting guidelines established by MDHHS when reporting MCBR in future grant years.

**Anticipated**

**Completion Date:** 9/1/2017

**MDHHS**

**Response:** None.

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 4

**Finding:** Non-Compliant Salaries and Fringes Distribution

The Health Department did not properly allocate WIC and Family Planning Program employees' salaries and fringes for employees working in multiple program activities in accordance with 2 CFR 200.

**Recommendation:** Adopt policies and procedures to ensure that all salary and fringe distributions are based on records that accurately reflect the work performed as required by 2 CFR 200.

**Comments:** Monroe County will distribute salary, fringe, and leave time hours in accordance with 2 CFR 200.

**Corrective Action:** Monroe County will adopt policies and procedures to ensure salary, fringe, and leave time hours are charged to the appropriate program based on a percentage of actual hours worked in the pay period.

### Anticipated

**Completion Date:** Within 30 Days of receipt of approval of the corrective action from MDHHS.

### MDHHS

**Response:** None.

## Comment and Recommendation

### 1. Fee Schedule Not Developed Based on Cost Analysis (Repeat)

The Health Department did not develop its fee schedule according to the cost analysis completed for Family Planning Program Services; nor did the Health Department have a board approved policy identifying the percentage of costs the fee schedule is designed to recover. In addition, the cost analysis was completed in 2013 and is considered outdated.

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 was cited in our FYE 2013 audit report for not charging clients the reasonable costs of providing services and for not conducting a detailed cost analysis. The response to that finding was: "The Health Department has begun a detailed cost analysis to update billing rates for Family Planning services and supplies." The Health Department completed a detailed cost analysis in 2014 but has not conducted one annually as recommended. The Health Department also elected to set their fee schedule below the amount that would recover the reasonable costs of providing services. The Health Department also failed to obtain an administrative board approved policy identifying the percentage of costs the fee schedule is designed to recover.

### Recommendation

We again recommend that the Health Department conduct a cost analysis annually 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:**

The Health Department completed the cost analysis tool provided by MDHHS in May 2017. The Health Department will follow-up with MDHHS regarding the status of the submitted document. Upon receiving feedback from MDHHS, the Health Department will implement recommendations and revise cost schedule as appropriate.