



**RICK SNYDER**  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HEALTH & HUMAN SERVICES  
BUREAU OF AUDIT, REIMBURSEMENT AND QUALITY ASSURANCE  
CAPITOL COMMONS CENTER • 400 SOUTH PINE • LANSING, MICHIGAN 48913

**NICK LYON**  
DIRECTOR

May 21, 2018

Karen Senkus, MPA, LBSW  
Health Officer  
Chippewa County Health Department  
508 Ashmun Street, Suite 120  
Sault Ste. Marie, Michigan 49783

Dear Ms. Senkus:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Chippewa County Health Department WIC and Family Planning Programs 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; and Corrective Action Plans. The Corrective Action Plans include the agency's response to the Preliminary Analysis.

Final reports are posted for public viewing on MDHHS's website at:  
[http://www.michigan.gov/mdhhs/0,5885,7-339-73970\\_43164-151236--,00.html](http://www.michigan.gov/mdhhs/0,5885,7-339-73970_43164-151236--,00.html).

Thank you for the cooperation extended throughout this audit process.

Sincerely,

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

Attachment

cc: Debra Hallenbeck, Director, Audit Division  
Paulette Dobyne Dunbar, Manager, Division of Maternal and Infant Health  
Deanna Charest, Manager, Reproductive and Preconception Health Unit  
Steve Utter, Financial Analyst, Division of Maternal and Infant Health  
Brittany LaRue, Manager, Financial Management & FMNP Unit  
Bryce Wooton, Auditor, Population Health and Community Services Section  
Matthew Tompkins, Auditor, Population Health and Community Services Section  
Lana Forrest, Deputy Health Officer, Chippewa County Health Department  
Charity Zimmerman, Public Health Supervisor, Chippewa County Health Department

# Audit Report

Chippewa County Health Department  
WIC & Family Planning Programs

October 1, 2015 – September 30, 2016



Bureau of Audit, Reimbursement, and Quality Assurance

Audit Division

May 2018

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## **DESCRIPTION OF AGENCY**

The Chippewa 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 Chippewa County, and the administrative office is located in Sault Ste. Marie, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Chippewa County. The Health Department provides community health program services to the residents of Chippewa 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 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.
2. To determine the MDHHS shares of costs 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. 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 equipment purchases over \$2,500 for the WIC Program and \$5,000 for the Family Planning Program.
- 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 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.

**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: unallowable cost reported on Family Planning Program FSR (Finding 1) and non-compliant fringe benefit distributions (Finding 2).

## **Finding**

### **1. Unallowable Cost Reported on Family Planning Program FSR**

The Health Department reported an unallowable expense on its Family Planning Program Financial Status Report (FSR).

Title 2 CFR 200.426 for Bad Debts states, “Bad debts, including losses arising from uncollectable accounts and other claims, are unallowable.”

During our review, we noted a \$310 bad debt expense recorded to the Family Planning Program in the Health Department’s general ledger. We also noted that the Health Department included the expense on its final FSR.

An adjustment is included on the Family Planning Program 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 Grant funding.

## **Recommendation**

We recommend that the Health Department implement policies and procedures to ensure that only allowable expenditures are reported on its FSRs to ensure compliance with Federal regulation.

## **Finding**

### **2. Non-Compliant Fringe Benefit Distributions**

The Health Department did not properly allocate its Women, Infants and Children (WIC), WIC Breastfeeding, and Family Planning Program employees’ fringe benefits for employees working on multiple activities.

Title 2 CFR 200.431(b) for Fringe benefits specific to leave states, “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... (2) The costs are equitably allocated to all related activities, including Federal awards.”

During our review, we noted that the Health Department allocated employee leave time based on each employee’s work schedule. If an employee is absent, leave time hours are allocated to programs based on the work schedule for the absent time period, instead of properly allocating the leave time to all programs that the employee actually worked.

## **Recommendation**

We recommend that the Health Department implement policies and procedures to ensure that all fringe benefit distributions are based on records that accurately reflect the work performed to ensure compliance with Federal regulation.

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

**Objective 2:** To determine the MDHHS shares of costs 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, 2016 are \$203,720, \$23,990, and \$39,911; respectively. The attached Statements of MDHHS Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made a Family Planning Program adjustment, but Grant funding was not affected.

**Chippewa 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	\$203,720	\$203,720 <sup>1</sup>		\$203,720
Local Funds - Other	\$0	\$1		\$1
<b>TOTAL REVENUES</b>	\$203,720	\$203,721	\$0	\$203,721
<b>EXPENDITURES:</b>				
Salary & Wages	\$91,353	\$92,518		\$92,518
Fringe Benefits	\$48,417	\$47,664		\$47,664
Supplies & Materials	\$4,500	\$6,446		\$6,446
Travel	\$1,588	\$1,068		\$1,068
Communication	\$1,960	\$2,629		\$2,629
Space	\$4,899	\$5,050		\$5,050
Other	\$9,072	\$1,711		\$1,711
Indirect Costs	\$41,931	\$46,635		\$46,635
<b>TOTAL EXPENDITURES</b>	\$203,720	\$203,721	\$0	\$203,721

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



**Chippewa County Health Department  
WIC Breastfeeding  
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	\$23,990	\$23,990 <sup>1</sup>		\$23,990
Local Funds	\$0	\$13		\$13
<b>TOTAL REVENUES</b>	\$23,990	\$24,003	\$0	\$24,003
<b>EXPENDITURES:</b>				
Salary & Wages	\$15,128	\$13,268		\$13,268
Fringe Benefits	\$2,221	\$3,479		\$3,479
Supplies and Materials	\$100	\$715		\$715
Travel	\$775	\$248		\$248
Communication	\$386	\$533		\$533
Other	\$176	\$189		\$189
Indirect Costs	\$5,204	\$5,571		\$5,571
<b>TOTAL EXPENDITURES</b>	\$23,990	\$24,003	\$0	\$24,003

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

**Chippewa 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	\$39,911	\$39,911 <sup>1</sup>		\$39,911
Fees & Collections - 1st & 2nd Party	\$4,321	\$2,745		\$2,745
Fees & Collections - 3rd Party	\$61,000	\$45,165		\$45,165
Federal Cost Based Reimbursement	\$9,000	\$13,143		\$13,143
Required Match - Local	\$900	\$1,314		\$1,314
Local Funds - Other	\$7,941	\$2,247	(\$310) <sup>2</sup>	\$1,937
<b>TOTAL REVENUES</b>	\$123,073	\$104,525	(\$310)	\$104,215
<b>EXPENDITURES:</b>				
Salary & Wages	\$44,799	\$35,603		\$35,603
Fringe Benefits	\$22,400	\$16,724		\$16,724
Supplies & Materials	\$25,465	\$20,511		\$20,511
Travel	\$250	\$14		\$14
Communication	\$400	\$274		\$274
Space	\$1,520	\$1,559		\$1,559
Other	\$8,079	\$12,432	(\$310) <sup>2</sup>	\$12,122
Indirect Costs	\$20,160	\$17,408		\$17,408
<b>TOTAL EXPENDITURES</b>	\$123,073	\$104,525	(\$310)	\$104,215
<sup>1</sup> Actual MDHHS payments. <sup>2</sup> Unallowable Cost Reported on Family Planning Program FSR (Finding 1)				

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** **Unallowable Cost Reported on Family Planning Program FSR**

The Health Department reported an unallowable expense on its Family Planning Program Financial Status Report (FSR).

**Recommendation:** Implement policies and procedures to ensure that only allowable expenditures are reported on its FSRs to ensure compliance with Federal regulation.

**Comments:** Agree with finding

**Corrective Action:** A policy to address unallowable costs has been developed and was approved by the governing board (Chippewa County Commission) on 9/11/2017.

**Person Responsible for Implementation:** Karen Senkus, Health Officer

**Anticipated Completion Date:** September 11, 2017

**MDHHS Response:** None

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 3

**Finding:** **Non-Compliant Fringe Benefit Distributions**

The Health Department did not properly allocate its WIC, WIC Breastfeeding, and Family Planning Program employees' fringe benefits for employees working on multiple activities.

**Recommendation:** Implement policies and procedures to ensure that all fringe benefit distributions are based on records that accurately reflect the work performed to ensure compliance with Federal regulation.

**Comments:** Agree with finding

**Corrective Action:** A policy to address the distribution of fringe benefits has been developed and was approved by the governing board (Chippewa County Commission) on 9/11/2017.

**Person Responsible for Implementation:** Karen Senkus, Health Officer

**Anticipated Completion Date:** September 11, 2017

**MDHHS Response:** None

## Comment and Recommendation

### 1. Fee Schedule Not Developed Based on Cost Analysis

The Health Department did not design its fee schedule based on the cost analysis completed for Family Planning Program Services. Also, the Health Department did not develop a board approved policy identifying the percentage of costs the fee schedule should recover.

The Michigan Title X Family Planning Program Standards and Guidelines Manual, Part II, Section C.8., Subsection 8.4.4, states, “Sub-recipients **must** document their process for determining how the schedule of fees is designed to recover the reasonable cost of providing services.” This also states, “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 completed a detailed cost analysis in 2015 and elected to set its fee schedule below the amount that would recover the reasonable costs of providing services. However, the Health Department did not develop an administrative board approved policy identifying the percentage of costs the fee schedule was intended to recover.

We recommend that the Health Department design its fee schedule based on the cost analysis for Family Planning Program Services. We also recommend that the Health Department ensure that its fee schedule is designed to recover the reasonable cost of providing services, or a percentage of costs as approved by the administrative board to ensure compliance with Michigan Title X guidelines.

#### **Management Response:**

A policy will be developed specific to the Family Planning Program which will indicate that fees will be reviewed on an annual basis by the governing board of the Chippewa County Health Department. The policy will also indicate that all sources of revenue will be considered when setting fees; that fees will be based on community needs; and that the fee schedule will be designed to recover reasonable costs of providing services. This policy will be developed by May 31, 2018 and will be submitted to the governing board (Chippewa County Commission) at the June 11, 2018 meeting.