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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HEALTH & HUMAN SERVICES  
BUREAU OF AUDIT  
LEWIS CASS BUILDING  
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**NICK LYON**  
DIRECTOR

July 11, 2018

Marissa L. Milliron, CPA, MBA  
Finance and Administrator Services Director  
Grand Traverse County Health Department  
2600 LaFranier Road, Suite A  
Traverse City, Michigan 49686

Dear Mr. Milliron:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Grand Traverse 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, and Findings; Statements of Grant Program Revenues and Expenditures; and Corrective Action Plan. The Corrective Action Plan include the agency's response to the Preliminary Analysis.

Final reports are posted for public viewing on the MDHHS 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,

A handwritten signature in black ink that reads "Shannah M. Havens".

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

cc: Debra Hallenbeck, Director, Audit Division  
Christina Herring, Director, WIC Division  
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# Audit Report

Grand Traverse County Health Department  
WIC & Family Planning Programs

October 1, 2015 – September 30, 2016



Bureau of Audit  
Audit Division  
July 2018

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## **DESCRIPTION OF AGENCY**

The Grand Traverse 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 Grand Traverse County, and the administrative office is located in Traverse City, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Grand Traverse County. The Health Department provides community health program services to the residents of Grand Traverse 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. 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 number 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 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 to September 30, 2016. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any WIC or Family Planning Program concerns.
- Reviewed the completed Subrecipient Questionnaire, with a verification of select items.
- Reconciled the WIC and Family Planning Programs 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 building space costs for proper reporting and compliance with Federal requirements.
- Reviewed equipment purchases over \$2,500 for the WIC Program and \$5,000 for the Family Planning Program.
- Reviewed WIC and Family Planning equipment inventory records.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- 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 its WIC 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 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 exception: internal service fund working capital reserve exceeds allowable amount (Finding 1) (repeat).

## **Finding**

### **1. Internal Service Fund Working Capital Reserve Exceeds Allowable Amount (Repeat)**

Grand Traverse County had one Internal Service Fund with a working capital reserve that exceeded the allowable amount established by 2 CFR Part 200.

Grand Traverse County charges most 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. Based on the December 31, 2015 financial statements, the County had accumulated excess balances for one internal service fund.

Title 2 CFR Part 200, Appendix V, Section G states that internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to another. A working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable.

The following represents an analysis of Grand Traverse County's Internal Service Fund for the Year Ended December 31, 2015 for the fund that exceeded the allowable limit:

<b>Fund</b>	<b>2 CFR Part 200 Adjusted Retained Earnings (A)</b>	<b>60-Day Operating Expenses (B)</b>	<b>Excess (C) (A – B)</b>	<b>Months of Excess (D) ((C / B) x 2)</b>
Central Stores	\$299,940	\$40,112	\$259,828	12.96

Reductions are needed to achieve compliance with Federal cost principles for the fund above with an excess working capital reserve.

## **Recommendation**

We again recommend that Grand Traverse County devise a plan to ensure the Internal Service Fund working capital reserve is reduced to the allowable limit (60 days cash expenses) by FYE 2019 by either cash refunds or adjustments to future billing rates/allocations.

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

**Objective 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.

**Conclusion:** The MDHHS obligations under the WIC, WIC Breastfeeding, and Family Planning Programs for fiscal year ended September 30, 2016 is \$386,010, \$49,225, and \$45,557; respectively. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments.

**Grand Traverse 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	\$386,010	\$386,010 <sup>1</sup>		\$386,010
Fees & Collections - 3rd Party	\$12,000	\$18,856		\$18,856
Local Funds - Other	\$212	\$20,035		\$20,035
<b>TOTAL REVENUES</b>	\$398,222	\$424,901	\$0	\$424,901
<b>EXPENDITURES:</b>				
Salary & Wages	\$178,498	\$190,622		\$190,622
Fringe Benefits	\$98,297	\$93,446		\$93,446
Supplies & Materials	\$15,493	\$15,715		\$15,715
Travel	\$3,700	\$990		\$990
Communication	\$2,740	\$3,133		\$3,133
County-City Central Services	\$16,855	\$22,616		\$22,616
Space Costs	\$25,092	\$27,274		\$27,274
Other	\$7,305	\$10,172		\$10,172
Indirect Costs	\$28,368	\$36,533		\$36,533
Other Costs Distributions	\$21,874	\$24,400		\$24,400
<b>TOTAL EXPENDITURES</b>	\$398,222	\$424,901	\$0	\$424,901

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

**Grand Traverse 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	\$49,225	\$49,225 <sup>1</sup>		\$49,225
Local Funds - Other	\$3,496	\$80		\$80
<b>TOTAL REVENUES</b>	\$52,721	\$49,305	\$0	\$49,305
<b>EXPENDITURES:</b>				
Salary & Wages	\$30,237	\$25,301		\$25,301
Fringe Benefits	\$7,782	\$6,216		\$6,216
Supplies & Materials	\$700	\$1,503		\$1,503
Travel	\$600	\$2,333		\$2,333
Communication	\$625	\$785		\$785
County-City Central Services	\$2,298	\$2,452		\$2,452
Space Costs	\$2,077	\$2,078		\$2,078
Other	\$1,550	\$1,867		\$1,867
Indirect Costs	\$3,869	\$4,056		\$4,056
Other Costs Distributions	\$2,983	\$2,714		\$2,714
<b>TOTAL EXPENDITURES</b>	\$52,721	\$49,305	\$0	\$49,305

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

**Grand Traverse County Health Department  
Family Planning 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	\$45,557	\$45,557 <sup>1</sup>		\$45,557
Fees & Collections - 1st & 2nd Party	\$9,000	\$10,565		\$10,565
Fees & Collections - 3rd Party	\$65,000	\$62,900		\$62,900
Federal Cost Based Reimbursement	\$125,000	\$193,115		\$193,115
Other Non-ELPHS	\$0	\$9,750		\$9,750
Local Funds - Other	\$143,912	\$21,571		\$21,571
<b>TOTAL REVENUES</b>	<b>\$388,469</b>	<b>\$343,458</b>	<b>\$0</b>	<b>\$343,458</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$158,652	\$136,436		\$136,436
Fringe Benefits	\$77,576	\$60,241		\$60,241
Supplies & Materials	\$36,600	\$38,936		\$38,936
Travel	\$4,175	\$1,100		\$1,100
Communication	\$3,005	\$2,438		\$2,438
County-City Central Services	\$13,861	\$15,423		\$15,423
Space Costs	\$33,145	\$32,602		\$32,602
Other	\$14,100	\$13,567		\$13,567
Indirect Costs	\$28,490	\$25,582		\$25,582
Other Costs Distributions	\$18,865	\$17,133		\$17,133
<b>TOTAL EXPENDITURES</b>	<b>\$388,469</b>	<b>\$343,458</b>	<b>\$0</b>	<b>\$343,458</b>

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

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** **Internal Service Fund Working Capital Reserve Exceeds Allowable Amount (Repeat)**

Grand Traverse County had one Internal Service Fund which had a working capital reserve that exceeded the allowable limit established by 2 CFR 200.

**Recommendation:** Devise a plan to ensure the Internal Service Fund working capital reserve is reduced to the allowable limit (60 days cash expenses) by FYE 2019 by either cash refunds or adjustments to future billing rates/allocations.

**Comments:** None

**Corrective Action:** Grand Traverse County will reduce the Central Service charges by 75% beginning with the second quarter invoices for FY 2018 to reduce the excess working capital reserve that has accumulated within this fund. At the end of 2019, the County will review the fund balance to determine if additional adjustments are necessary in 2019 to bring the working capital reserve in compliance with 2 CFR Part 200.

**Person Responsible**

**For Implementation:** Dean Bott, Grand Traverse County Finance Director

**Anticipated**

**Completion Date:** December 31, 2018

**MDHHS Response:** None