



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

GRETCHEN WHITMER  
GOVERNOR

ROBERT GORDON  
DIRECTOR

June 25, 2019

Lisa Stefanovsky, M.Ed.  
Administrative Health Officer  
Ottawa County Health Department  
12251 James Street, Suite 100  
Holland, Michigan 49424

Dear Ms. Stefanovsky:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Ottawa County Health Department Family Planning Program for the period October 1, 2016 through September 30, 2017.

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 Comments and Recommendations. The Comments and Recommendations 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,

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

Attachment

cc: Debra Hallenbeck, Director, Audit Division  
Dawn Shanafelt, Director, Division of Maternal and Infant Health  
Deanna Charest, Manager, Reproductive and Preconception Health Unit  
Steve Utter, Financial Analyst, Division of Maternal and Infant Health  
Bryce Wooton, Auditor, Population Health and Community Services Program  
Myra Ocasio, Accounting Manager, Ottawa County Health Department  
Keith Falkowski, Budget/Audit Analyst, Ottawa County Health Department

# Audit Report

Ottawa County Health Department

Family Planning Program

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division

June 2019

## 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
<u>MDHHS Share of Cost and Balance Due</u> .....	3
Statement of Grant Program Revenues and Expenditures – Family Planning Services.....	4
Comments and Recommendations .....	5

## **DESCRIPTION OF AGENCY**

The Ottawa County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a component unit of Ottawa County, which is the reporting entity, and the administrative office is located in Holland, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of Ottawa County. The Health Department provides community health program services to the residents of Ottawa 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 (FSRs), in accordance with the terms and conditions of each grant agreement and budget.

The Family Planning Program was funded by MDHHS Grant Funds, Fees and Collections 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 Health Department's financial reporting and to determine the MDHHS share of costs according to the agreement, and program standards and regulations. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and the agreement, Federal standards, program standards and generally accepted accounting principles.
2. To determine the MDHHS share of cost in accordance with MDHHS requirements and the agreement, Federal standards and program standards, 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 period October 1, 2016 to September 30, 2017. Our audit procedures included the following:

- Reviewed the most recent Health Department's Single Audit and Financial Statement Audit Reports for any Family Planning Program related concerns.
- Reviewed the most recent Family Planning Program site visit reports from the Program staff.
- Reviewed the Grant Agreement, Budgets, and Program Specific Assurances and Requirements.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Fiscal Questionnaire.
- Reconciled the Family Planning Program FSR and MDHHS payment schedule to the accounting records.
- Tested a selection of payroll and non-payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines and approval procedures.
- Reviewed building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed for equipment purchases over \$5,000.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed Family Planning Program billings, 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 and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and the agreement, Federal standards, program standards, and generally accepted accounting principles.

**Conclusion:** The Health Department was effective and accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and the agreement, Federal standards, program standards, and generally accepted accounting principles.

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

**Objective 2:** To determine the MDHHS share of cost in accordance with MDHHS requirements and the agreement, Federal standards and program standards and any balance due to or due from the Health Department.

**Conclusion:** The MDHHS obligation for fiscal year ended September 30, 2017, is \$238,862 for the Family Planning Grant. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. There were no adjustments as a result of our audit.

**Ottawa County Health Department  
Family Planning Services  
Statement of Grant Program Revenues and Expenditures  
10/1/2016 - 9/30/2017**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$238,862	\$238,862 <sup>1</sup>		\$238,862
Fees & Collections - 1st & 2nd Party	\$29,500	\$20,272		\$20,272
Fees & Collections - 3rd Party	\$127,576	\$85,869		\$85,869
Federal Cost Based Reimbursement	\$52,197	\$138,091		\$138,091
Local Funds - Other	\$834,985	\$565,479		\$565,479
<b>TOTAL REVENUES</b>	\$1,283,120	\$1,048,572	\$0	\$1,048,572
<b>EXPENDITURES:</b>				
Salary & Wages	\$431,066	\$370,373		\$370,373
Fringe Benefits	\$170,324	\$144,576		\$144,576
Supplies & Materials	\$111,255	\$72,643		\$72,643
Travel	\$6,309	\$6,600		\$6,600
Communication	\$12,008	\$10,670		\$10,670
Space Costs	\$39,642	\$27,495		\$27,495
All Other	\$20,881	\$11,241		\$11,241
Other Costs Distributions	\$491,635	\$404,975		\$404,975
<b>TOTAL EXPENDITURES</b>	\$1,283,120	\$1,048,572	\$0	\$1,048,572
<sup>1</sup> Actual MDHHS payments.				

## Comments and Recommendations

### 1. Misclassification of Longevity Compensation

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number (1)</b>	CFDA 93.217
<b>Title of Project (1)</b>	MDHHS Title X Family Planning Services
<b>CFDA Number (2)</b>	CFDA 93.994
<b>Title of Project (2)</b>	Maternal and Child Health (MCH) Services Block Grant
<b>Amount Due to MDHHS</b>	\$-0-
<b>Repeat Finding</b>	Not Applicable

The Health Department did not properly classify longevity pay as salaries and wages on its FSRs.

According to the FSR Form Preparation Instructions, Part IV, Section E., Subsection 1., "Salaries and Wages – this category includes the compensation paid to all permanent and part-time employees on the payroll of the contractor 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 salaries and wages. During our review, we noted that the Health Department misclassified \$1,847 of longevity pay as fringe benefits.

We recommend that the Health Department implement policies and procedures to ensure that longevity pay is properly classified as salaries and wages.

**Management Response:** We have taken your recommendation into consideration and are taking measures to have this corrected. We will have our general ledger accounts corrected so that Longevity pay is classified as a taxable compensation.

**Person Responsible**

**for Implementation:** Myra Ocasio, Accounting Manager

**Anticipated**

**Completion Date:** FYE 2020



## 2. Internal Service Fund Working Capital Reserves Exceed Allowable Amounts

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number (1)</b>	CFDA 93.217
<b>Title of Project (1)</b>	MDHHS Title X Family Planning Services
<b>CFDA Number (2)</b>	CFDA 93.994
<b>Title of Project (2)</b>	Maternal and Child Health (MCH) Services Block Grant
<b>Amount Due to MDHHS</b>	\$-0-
<b>Repeat Finding</b>	Not Applicable

Ottawa County had two Internal Service Funds with working capital reserves that exceeded the allowable amount established by 2 CFR Part 200.

Ottawa County charges most Departments (including the Health Department) for numerous expenses associated with the internal service funds. The funds are used to finance the cost of providing numerous services for the departments. Based on the September 30, 2017 financial statements, the County had accumulated excess balances for two internal service funds.

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 Ottawa County's Internal Service Funds for the Year Ended September 30, 2017, for the funds that exceed 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>
Long-Term Disability Insurance	\$156,347	\$12,233	\$144,114	23 *
Compensated Absences	\$1,580,896	\$2,139	\$1,578,757	1,476 *

\* *Months of Excess rounded to nearest whole number.*

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

We recommend that Ottawa County devise a plan to ensure that the Internal Service Funds working capital reserves are reduced to the allowable limit (60 days cash expenses) by FYE 2020 by either cash refunds or adjustments to future billing rates/allocations.

**Management Response:** We have taken your recommendation into consideration and are taking measures to have this corrected. A process will be implemented to ensure that the ISF working capital reserves are reduced to the allowable limit.

**Person Responsible**

**for Implementation:** Myra Ocasio, Accounting Manager

**Anticipated**

**Completion Date:** FYE 2020

**3. Not Charging Family Planning Clients According to the Sliding Fee Scale and Ability to Pay**

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number</b>	CFDA 93.217
<b>Title of Project</b>	MDHHS Title X Family Planning Services
<b>Amount Due to MDHHS</b>	\$-0-
<b>Repeat Finding</b>	Not Applicable

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

Title 42 CFR 59.5 (a)(7) states that each project must, "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." Also, in (8) it states, "Provide that charges will be made for services to persons other than those from low-income families in accordance with a schedule of discounts based on ability to pay, except that charges to persons from families whose annual income exceeds 250 percent of the levels set forth in the most recent Poverty Guidelines issued pursuant to 42 U.S.C. 9902(2) will be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services."

During our review, we noted that two (33%) of six clients were not properly charged according to the Health Department's sliding fee scale. We noted one client was overcharged and the other client was undercharged when the sliding fee scale was not appropriately applied.

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

**Management Response:** Effective February 1, 2019, the Ottawa County Department of Public Health (OCDPH) began using Patagonia Health electronic software. This software automatically updates the sliding fee scale according to the Federal Poverty Guidelines. It is the process for each patient's income to be documented in Patagonia Health, then charges are computed based on the sliding fee scale. Training will be reviewed with the Clinic Support team to assure all staff are properly entering each patient's income properly into Patagonia Health.

**Person Responsible**

**for Implementation:** Regina MacMillan, Clinic Support Team Supervisor, OCDPH

**Anticipated**

**Completion Date:** September 30, 2019

**4. Billings to Family Planning Program Medicaid Providers Not at 340B Prices**

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number (1)</b>	CFDA 93.217
<b>Title of Project (1)</b>	MDHHS Title X Family Planning Services
<b>CFDA Number (2)</b>	CFDA 93.994
<b>Title of Project (2)</b>	Maternal and Child Health (MCH) Services Block Grant
<b>Amount Due to MDHHS</b>	\$-0-
<b>Repeat Finding</b>	Not Applicable

The Health Department did not consistently charge Medicaid providers at the 340B acquisition price.

The MDHHS Medicaid Provider Manual states, "Entities that participate in the Federal 340B program must bill the 340B price."

During our review, we noted that the Health Department did not bill its 340B acquisition price for two (33%) of the six selected Medicaid providers. We also noted that the Health Department did not have documented policy or procedures regarding its 340B drug pricing program.

We recommend that the Health Department document its 340B drug pricing program policy and procedures. We also recommend that the Health Department ensure that all Medicaid providers are properly billed at the 340B acquisition price to ensure compliance with the Medicaid Provider Manual requirements.

**Management Response:** The OCDPH will review its inventory policy and procedure for 340B Drugs to ensure proper drug pricing and compliance with Medicaid provider billing.

**Person Responsible**

**for Implementation:** Debbie Price, NP Team Supervisor;  
Helen Tarleton, Clinic Manager; and  
Myra Ocasio, Accounting Manger

**Anticipated**

**Completion Date:** September 30, 2019

**5. Fee Schedule Not Designed to Recover Cost**

<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Program Title</b>	Family Planning - Services
<b>CFDA Number</b>	CFDA 93.217
<b>Title of Project</b>	MDHHS Title X Family Planning Services
<b>Amount Due to MDHHS</b>	\$-0-
<b>Repeat Finding</b>	Not Applicable

The Health Department did not develop a fee schedule sufficient to recover the reasonable cost of providing services and provided no documented support for setting fees below amounts that would recover the actual cost of providing 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. ...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...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 used MGT Consulting Group to complete a detailed cost analysis based on FYE 2016 costs and units administered. The Health Department then compared MGT Consulting Group's cost analysis fees to the Health Department's current fees, Priority Health insurance recommended fees, Priority Health insurance reimbursement amounts, Medicaid reimbursement amounts, and fee schedules from two Health Departments to develop its fee schedule. We noted that seven (44%) of the 16 Health Department fees were set below the recommended

amounts from MGT Consulting Group and Priority Health insurance, and below the known reimbursement amounts from Priority Health. However, there was no documented reasoning related to specific community needs and circumstances, and no approved policy.

We recommend that the Health Department implement controls and procedures to ensure its fee schedule is designed and reassessed in accordance with the Michigan Title X Family Planning Program Standards and Guidelines Manual.

**Management Response:** The OCDPH will evaluate its fee schedule methodology to assure compliance with Michigan Title X Family Planning Standards and Guidelines Manual.

**Person Responsible**

**for Implementation:** Debbie Price, NP Team Supervisor;  
Helen Tarleton, Clinic Manager; and  
Myra Ocasio, Accounting Manger

**Anticipated**

**Completion Date:** September 30, 2019