



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES

LANSING

GRETCHEN WHITMER  
GOVERNOR

ROBERT GORDON  
DIRECTOR

June 10, 2019

Cathryn A. Beer, MPA, CFPH, CPA, CGMA  
Health Officer/Administrator  
Western Upper Peninsula Health Department  
540 Depot Street  
Hancock, Michigan 49930

Dear Ms. Beer:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Western Upper Peninsula Health Department Family Planning and Women, Infants, and Children (WIC) Programs 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; Conclusion, Finding, and Recommendation; Statements 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 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 Section  
Audit Division

Attachment

cc: Debra Hallenbeck, Director, Audit Division  
Christina Herring, Director, WIC Division  
Brittany LaRue, Manager, Financial Management and FMNP Unit  
Kelly Voegeding, Financial Analysis, WIC Division  
Paulette Dobynnes 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  
Bryce Wooton, Auditor, Population Health and Community Services Program  
Donna Destrampe, Financial Analyst, Western Upper Peninsula Health Department

# Audit Report

Western Upper Peninsula Health Department

Family Planning Program  
and  
Women, Infants, and Children Program

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division

June 2019

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## **DESCRIPTION OF AGENCY**

The Western Upper Peninsula Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Houghton County, which is the reporting entity, and the administrative office is located in Hancock, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is appointed by the Board of Commissioners of Houghton, Baraga, Ontonagon, Keweenaw, and Gogebic Counties. The Health Department provides community health program services to the residents of Houghton, Baraga, Ontonagon, Keweenaw, and Gogebic 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 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.

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 was federal funding under federal catalog number 10.557.

## **PURPOSE AND OBJECTIVES**

The purpose of this audit was to assess the Health Department's financial reporting and to determine the MDHHS shares of cost according to the agreements, 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 agreements, Federal standards, program standards, and generally accepted accounting principles.
2. To determine the MDHHS shares of cost in accordance with MDHHS requirements and agreements, 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 review procedures included the following:

- Reviewed the most recent Health Department's Single Audit and Financial Statement Audit Reports for any Family Planning Program or WIC Program related concerns.
- Reviewed the most recent Family Planning Program site visit report 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 Subrecipient Questionnaire.
- Reconciled the Family Planning Program and WIC Program Financial Status Reports (FSRs) and MDHHS payment schedules 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 for the Family Planning Program and \$2,500 for the WIC Program.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed Family Planning Program billings 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 and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.

**Conclusion:** The Health Department was generally effective and accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles. However, we identified the following exception: non-compliant fringe benefit distributions (Finding 1).

## **Finding**

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

<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>Repeat Finding</b>	Not Applicable

<b>Federal Agency</b>	U.S. Department of Agriculture Food and Nutrition Service
<b>Program Title</b>	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>CFDA Number</b>	CFDA 10.557
<b>Title of Project</b>	Women, Infants, and Children (WIC)
<b>Repeat Finding</b>	Not Applicable

The Health Department did not properly allocate its employees' fringe benefit expenditures 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."

Title 2 CFR 200.430(i)(1)(viii), standards for documenting personnel expenses, states, "Budget estimates (i.e., estimates determined before the services performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes..."

During our review, we noted that the Health Department charged employee leave time based on the employees' work schedules. 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 regulations.

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

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

**Conclusion:** The MDHHS obligations for fiscal year ended September 30, 2017 total \$79,868 for the Family Planning Grant, \$262,623 for the WIC Resident Services Grant, and \$42,382 for the WIC Breastfeeding Grant. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. No audit adjustments were made.

**Western Upper Peninsula Health Department  
Family Planning Services  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$79,868	\$79,868 <sup>1</sup>		\$79,868
Fees & Collections - 1st & 2nd Party	\$14,000	\$5,369		\$5,369
Fees & Collections - 3rd Party	\$7,300	\$15,794		\$15,794
Federal Cost Based Reimbursement	\$134,342	\$60,246		\$60,246
Local Funds - Other	\$27,601	\$105,608		\$105,608
<b>TOTAL REVENUES</b>	\$263,111	\$266,885	\$0	\$266,885
<b>EXPENDITURES:</b>				
Salary & Wages	\$85,000	\$89,536		\$89,536
Fringe Benefits	\$42,000	\$43,888		\$43,888
Supplies & Materials	\$21,100	\$12,931		\$12,931
Travel	\$6,000	\$6,010		\$6,010
Communication	\$2,000	\$1,700		\$1,700
Space Costs	\$23,360	\$23,844		\$23,844
Other	\$16,000	\$14,490		\$14,490
Indirect Costs	\$50,178	\$52,348		\$52,348
Other Costs Distributions	\$17,473	\$22,138		\$22,138
<b>TOTAL EXPENDITURES</b>	\$263,111	\$266,885	\$0	\$266,885

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



**Western Upper Peninsula Health Department  
WIC Resident Services  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$262,623	\$262,623 <sup>1</sup>		\$262,623
Local Funds - Other	\$66,390	\$61,754		\$61,754
<b>TOTAL REVENUES</b>	\$329,013	\$324,377	\$0	\$324,377
<b>EXPENDITURES:</b>				
Salary & Wages	\$125,229	\$122,085		\$122,085
Fringe Benefits	\$68,364	\$66,944		\$66,944
Supplies & Materials	\$5,600	\$6,094		\$6,094
Travel	\$7,300	\$6,417		\$6,417
Communication	\$1,500	\$1,263		\$1,263
Space Costs	\$16,810	\$16,046		\$16,046
Indirect Costs	\$76,487	\$74,164		\$74,164
Other Costs Distributions	\$27,723	\$31,364		\$31,364
<b>TOTAL EXPENDITURES</b>	\$329,013	\$324,377	\$0	\$324,377
<sup>1</sup> Actual MDHHS payments.				

**Western Upper Peninsula Health Department  
WIC Breastfeeding  
Statement of Grant Program Revenues and Expenditures  
10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$42,382	\$42,382 <sup>1</sup>		\$42,382
Local Funds - Other	\$9,890	\$6,836		\$6,836
<b>TOTAL REVENUES</b>	<b>\$52,272</b>	<b>\$49,218</b>	<b>\$0</b>	<b>\$49,218</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$24,500	\$24,090		\$24,090
Fringe Benefits	\$2,600	\$2,309		\$2,309
Supplies & Materials	\$320	\$3		\$3
Travel	\$3,040	\$1,564		\$1,564
Communication	\$800	\$710		\$710
Space Costs	\$5,700	\$5,805		\$5,805
Other	\$50	\$0		\$0
Indirect Costs	\$10,708	\$10,357		\$10,357
Other Costs Distributions	\$4,554	\$4,380		\$4,380
<b>TOTAL EXPENDITURES</b>	<b>\$52,272</b>	<b>\$49,218</b>	<b>\$0</b>	<b>\$49,218</b>

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

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

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

The Health Department did not properly allocate its employees' fringe benefit expenditures 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 regulations.

**Comments:** This method has been historically used at the Health Department as past and current accounting software does not adequately handle the functions necessary for proper allocation.

**Corrective Action:** Western Upper Peninsula Health Department (WUPHD) will work with the vendor to purchase additional modules needed to complete the process of properly allocating leave benefits. WUPHD will implement policies, procedures and controls to ensure compliance.

**Person Responsible  
for Implementation:** Cathryn A. Beer

**Anticipated  
Completion Date:** September 30, 2019

## Comments and Recommendations

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

<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>Repeat Finding</b>	Not Applicable

The Health Department did not properly report its prior fiscal years' Medicaid Cost Based Reimbursement (MCBR) settlements on its FSR.

MDHHS issued memorandums to Local Public Health Departments (LPHDs) related to reporting MCBR settlements for multiple past years. The LPHDs were instructed to only report revenue to the extent that total revenues equaled total expenditures in the year received. The excess settlement amounts were to be placed in the LPHD's Restricted Fund Balance and spent in future years in the program in which the funds were received and reported on the subsequent FSRs as Local Funds – Other.

Our review noted that the Health Department had \$28,685 of restricted MCBR carryforward settlements that were improperly reported on the MCBR line on the FSR instead of the Local Funds – Other line.

No adjustments were made to the attached Statement of Grant Program Revenues and Expenditures since the reclassification and change in revenue reporting had no impact on grant funds.

We recommend the Health Department amend policies and procedures to ensure revenues are properly reported in accordance with MDHHS instructions.

**Management's Response:** Management agrees with this recommendation and will continue to look for clarification of reporting guidelines from MDHHS.

**Person Responsible  
for Implementation:** Cathryn A. Beer

**Anticipated  
Completion Date:** September 30, 2019

## 2. Family Planning Clients Not Charged Based on 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>Repeat Finding</b>	Not Applicable

The Health Department did not consistently charge its clients based on ability to pay.

Title 42 CFR 59.5 (a)(8) states that each grantee must, "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 three (15%) of 20 sample encounters where the sliding fee scale was not properly applied.

We recommend that the Health Department implement controls to ensure that all clients are charged based on ability to pay according to the sliding fee scale to ensure compliance with Federal regulation.

**Management's Response:** Management agrees with this recommendation. We have implemented new forms to assist with verifying that the information in the electronic medical records is correct. Forms will be supported by routine audits of charts.

### **Person Responsible**

**for Implementation:** Cari Digiorgio and Barbara Goodson

### **Anticipated**

**Completion Date:** New procedures were implemented prior to September 30, 2018.

### 3. 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>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.” We also noted, that the Health Department stated that its billing policy is to bill all Medicaid providers (i.e. Medicaid of Michigan, Medicaid of Michigan-HMP, UPHP, UPHP-Medicaid, UPHP-HMP, and UPHP-MHL) at the 340B acquisition cost.

During our review, we noted that the Health Department did not bill its 340B acquisition price for eight (44%) of the 18 selected Medicaid providers. We also noted that the Health Department did not have any 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 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’s Response:** WUPHD discovered in August 2017 that, due to a substantial change in billing staff, 340B drugs were not being properly billed at the acquisition price. WUPHD took steps to mitigate and revised numerous claims to our Medicaid HMO payor. These corrections were not reflected in the audit. WUPHD will work to finalize our draft 340B policies and will continue to monitor our 340B billing practices to ensure accuracy.

#### **Person Responsible**

**for Implementation:** Cathryn A. Beer and Barbara Goodson

#### **Anticipated**

**Completion Date:** July 31, 2019