



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

ROBERT GORDON
DIRECTOR

February 5, 2019

Linda Vail, MPA, Health Officer
Ingham County Health Department
5303 S. Cedar Street
Lansing, Michigan 48909

Dear Ms. Vail:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Ingham County Health Department Family Planning, HIV Prevention, Ryan White Part B, 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; Conclusions, Findings, and Recommendations; Statements of Grant Program Revenues and Expenditures; Corrective Action Plans; and Comments and Recommendations. The Corrective Action Plans and Comments and Recommendations include the agency's response to the Preliminary Analysis.

As noted in Finding 2, a total of \$7,385 is due back to MDHHS. Please remit a check payable to the State of Michigan for \$7,385 to the following address by March 8, 2019:

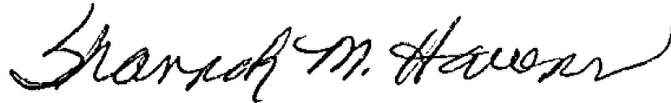
Michigan Department of Health and Human Services
Cash Receipting
PO Box 30437
Lansing, MI 48933

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.

Linda Vail, MPA, Health Officer
Ingham County Health Department
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February 5, 2019

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
Christina Herring, Director, WIC Division
Brittany LaRue, Manager, Financial Management and FMNP Unit
Kelly Voegeding, Financial Analyst, WIC Division
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Dawn Lukomski, Manager, HIV Care and Prevention Sections
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Bryce Wooton, Auditor, Population Health and Community Services Program
Cole T. Blades, Auditor, Population Health and Community Services Program
Lance Yuan, Auditor, Population Health and Community Services Program
Eric Thelen, Financial Officer, Ingham County Health Department

Audit Report

Ingham County Health Department

Family Planning Program
HIV Prevention Program
Ryan White Part B Program
and

Women, Infants, and Children Program

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division
February 2019

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DESCRIPTION OF AGENCY

The Ingham County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund and an Enterprise Fund of Ingham County, and the administrative office is located in Lansing, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of Ingham County. The Health Department provides community health program services to the residents of Ingham 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 Family Planning Program was funded by MDHHS Grant Funds, 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 or program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

The HIV Prevention Program was funded by multiple MDHHS Grant Funds. Grant funding from MDHHS for the HIV Prevention Program is federal funding under federal catalog number 93.940.

The HIV Care Formula Grant (Ryan White HIV/AIDS Program (RWHAP) Part B) was funded by MDHHS Grant Funds and Fees and Collections. Grant funding from MDHHS for the RWHAP Part B Program is federal funding under federal catalog number 93.917.

The Women, Infants, and Children (WIC) Program was funded by MDHHS grant funds, Fees and Collections, and Other Local Funds. Grant funding from MDHHS for the WIC Program is 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 the 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 audit procedures included the following:

- Reviewed the most recent Health Department's Single Audit and Financial Statement Audit Reports for any Family Planning Program, HIV Prevention Program, RWHAP Part B Program, or WIC Program related concerns.
- Reviewed the most recent Family Planning Program, HIV Prevention Program, and RWHAP Part B 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 Subrecipient Questionnaire.
- Reconciled the Family Planning Program, HIV Prevention Program, RWHAP Part B 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 equipment purchases over \$5,000 for the Family Planning Program, HIV Prevention Program, and RWHAP Part B 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 and RWHAP Part B 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 not effective or accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles. We identified the following exceptions: predetermined percentages improperly used to distribute salaries and wages (Finding 1) (Repeat), improperly calculated other cost distribution (Finding 2), and FSRs not supported by accounting records (Finding 3).

Finding

1. Predetermined Percentages Improperly Used to Distribute Salaries and Wages (Repeat)

Federal Agency	U.S. Department of Health and Human Services
Program Title	Family Planning - Services
CFDA Number	CFDA 93.217
Title of Project	MDHHS Title X Family Planning Services
Repeat Finding	FY 2015 - Finding #5

Federal Agency	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
Program Title	Comprehensive HIV Prevention Project for Health Care
CFDA Number	CFDA 93.940
Title of Project	HIV Prevention Program
Repeat Finding	Not Applicable

Federal Agency	U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA)'s HIV/AIDS Bureau (HAB)
Program Title	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
CFDA Number	CFDA 93.917
Title of Project	Ryan White Part B
Repeat Finding	Not Applicable

Federal Agency	U.S. Department of Agriculture Food and Nutrition Service
Program Title	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number	CFDA 10.557
Title of Project	Women, Infants, and Children (WIC)
Repeat Finding	FY 2015 - Finding #5

The Health Department improperly used predetermined percentages to distribute salaries and wages for certain employees and did not adjust costs to reflect the activity actually performed.

Title 2 CFR 200.430(i) (1) states, "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...(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed; (B) Significant changes in the corresponding work activity are identified and entered into the records in a timely manner...; and (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated."

During our review, we noted that the Health Department directly charged salaries and wages to the Women's Health Clinic (of which the Family Planning Program is charged a percentage), RWHAP Part B Program, HIV Prevention Program, and WIC Program based on predetermined allocation percentages for the following employees:

Women's Health Clinic (Family Planning Program) –

- Community Health Rep IV charged at a predetermined percentage of 50% even though timesheets show 100% of time in Women's Health.
- Community Health Center Supervisor charged at a predetermined percentage of 50% even though timesheets show 100% of time in CHC Direct Support.
- Nurse Practitioner charged at a predetermined percentage of 70% even though timesheets show 100% of time in Women's Health.
- Medical Assistant I charged at a predetermined percentage of 80% even though timesheets show specific other times.
- Nutritionist charged at a predetermined percentage of 50% even though timesheets show specific other times.

HIV/AIDS Ryan White Part B Program –

- Nurse Practitioner charged at a predetermined percentage of 60% even though timesheets show specific other times.
- Nurse Case Manager charged at a predetermined percentage of 50% even though timesheets show specific other times.

HIV Prevention Program –

- Community Disease Control Supervisor charged at a predetermined percentage of 22%.

WIC Program –

- Public Health Nursing Director charged at a predetermined percentage of 29%.

We also noted there is no process in place to compare the predetermined percentages with actual activity to ensure that salaries and wages are properly allocated to each program.

This is a repeat finding from the 2015 Audit Report in which the Health Department's corrective action plan was to "...implement a procedure by which employee's work hours are compared to the predetermined percentages and adjusted to actual hours on a quarterly basis" by January 1, 2017. However, the Health Department had not implemented its corrective action plan during our review.

Recommendation

We again recommend that the Health Department adopt policies and procedures to ensure that all charged salaries and wages are based on records that accurately reflect the actual work performed, and any use of predetermined percentages are only used for interim accounting purposes with appropriate adjustments as required by Federal regulations.

Finding

2. Improperly Calculated Other Cost Distributions

Federal Agency	U.S. Department of Health and Human Services
Program Title	Family Planning - Services
CFDA Number	CFDA 93.217
Title of Project	MDHHS Title X Family Planning Services
Repeat Finding	Not Applicable

The Health Department did not properly calculate its indirect other cost distributions allocated to the Family Planning Program.

Title 2 CFR 200, Appendix VII regarding the Simplified Method states, “a. Where a non-Federal entity’s major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (1) classifying the non-Federal entity’s total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base...”

During our review, we noted the following errors in the Health Department’s calculation of its other cost distribution cost pools:

Community Health Center (CHC) Administrative Direct Service (02002) –

- The Health Department did not properly deduct \$103,120 of applicable revenues from the CHC Administrative Direct Service cost pool.

Community Health Center (CHC) Support Center (02008) –

- The Health Department did not properly deduct \$861,595 of applicable revenues from the CHC Support Center cost pool.

After we properly applied all applicable revenues and recalculated the allocable cost pool amounts, we determined that the Health Department overstated its Family Planning Program’s indirect other cost distributions by \$2,497 from CHC Administrative Direct Service and \$4,888 from CHC Support Center. Adjustments reflecting the change in other cost distributions for the Family Planning Program are shown on the attached Statement of Grant Program Revenues and Expenditures. The improper calculation of allocable cost pool amounts has impacted Family Planning Program Grant funds and a grand total of \$7,385 is due back to MDHHS.

Recommendation

We recommend that the Health Department implement procedures and controls to ensure that its indirect cost pools are properly calculated and allocated to ensure compliance with Federal regulation.

Finding

3. FSRs Not Supported by Accounting Records

Federal Agency	U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)
Program Title	Comprehensive HIV Prevention Project for Health Care
CFDA Number	CFDA 93.940
Title of Project	HIV Prevention Program
Repeat Finding	Not Applicable

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

The Health Department's FSRs did not reconcile with its accounting records.

Title 2 CFR 200.302 regarding Financial management states, "(a) ...non-Federal entity's financial management systems...must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to federal statutes, regulations, and the terms and conditions of the federal award. (b) The financial management system of each non-Federal entity must provide for the following... (2) Accurate, current, and complete disclosure of the financial results of each Federal award... (3) Records that identify adequately the source and application of funds."

During our review, we noted the following discrepancies when we reconciled the final FSR expenditure categories to the related HIV Prevention Program general ledger accounts:

- Salaries and Wages is higher on the FSR by \$1,000
- Fringe Benefits is higher on the general ledger by \$1,000

During our review, we also noted the following discrepancies when we reconciled the final FSR expenditure and revenue categories to the related WIC Resident Services Program general ledger accounts:

- 3rd Party Fees and Collections is higher on the FSR by \$3,840
- Salaries and Wages is higher on the FSR by \$405
- Fringe Benefits is higher on the FSR by \$320
- Supplies and Materials is higher on the FSR by \$233
- All Other expenses is higher on the general ledger by \$3,240

During our review, we further noted the following discrepancy when we reconciled the final FSR expenditure categories to the related WIC Breastfeeding Program general ledger accounts:

- Travel expenditures is higher on the general ledger by \$86

The Health Department did not have sufficient controls in place to ensure that all its Federal programs' accounting records reconciled to its FSRs, resulting in a \$2,282 understatement of total WIC Resident Services Program expenditures and a \$3,840 overstatement of total 3rd Party Fees and Collections on its FSR; however, grant funds were fully exhausted, and the difference was funded by local funds. Also, while the line item amount of travel expenses reported on the FSR did not agree with the WIC Breastfeeding Program general ledger, actual expenditures exceeded the FSR reported amount; therefore, there is no impact on grant funding since the Health Department has fully exhausted available funds. In addition, the discrepancies related to the HIV Prevention Program offset each other, therefore, there is no impact on grant funding. All adjustments are shown on the attached Statements of Grant Program Revenues and Expenditures for each Program to reflect actual line item amounts.

Recommendation

We recommend that the Health Department implement sufficient controls and procedures to ensure that all its Programs' FSRs reconcile with its accounting records to ensure compliance with Federal regulation.

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 are \$242,110 for the Family Planning Grant, \$180,943 for the HIV Prevention Grant, \$322,040 for the HIV/AIDS Ryan White Part B Grant, \$1,245,687 for the WIC Resident Services Grant, and \$72,837 for the WIC Breastfeeding Grant. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made adjustments, but only Family Planning Program grant funds were affected resulting in \$7,385 due back to MDHHS.

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$279,392	\$249,495 ¹	(\$7,385) ²	\$242,110
Fees & Collections - 1st & 2nd Party	\$3,643	\$1,626		\$1,626
Fees & Collections - 3rd Party	\$199,620	\$186,573		\$186,573
Federal Cost Based Reimbursement	\$219,966	\$0		\$0
Required Match - Local	\$22,000	\$0		\$0
Local Funds - Other	\$168,191	\$0		\$0
TOTAL REVENUES	\$892,812	\$437,694	(\$7,385)	\$430,309
EXPENDITURES:				
Salary & Wages	\$361,919	\$152,929		\$152,929
Fringe Benefits	\$177,340	\$81,976		\$81,976
Contractual	\$52,185	\$11,283		\$11,283
Supplies & Materials	\$93,606	\$68,875		\$68,875
Travel	\$1,649	\$296		\$296
Communication	\$2,533	\$1,379		\$1,379
Space Costs	\$28,517	\$15,047		\$15,047
Other	\$32,049	\$6,916		\$6,916
Indirect Costs	\$66,814	\$27,272		\$27,272
Other Costs Distributions	\$76,200	\$71,721	(\$7,385) ²	\$64,336
TOTAL EXPENDITURES	\$892,812	\$437,694	(\$7,385)	\$430,309

¹ Actual MDHHS payments.

² Improperly Calculated Other Cost Distribution Cost Pools (Finding 2)

**Ingham County Health Department
HIV Prevention
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$180,943	\$180,943 ¹		\$180,943
TOTAL REVENUES	\$180,943	\$180,943	\$0	\$180,943
EXPENDITURES:				
Salary & Wages	\$278,460	\$272,562	(\$1,000) ²	\$271,562
Fringe Benefits	\$140,828	\$133,473	\$1,000 ²	\$134,473
Supplies & Materials	\$2,204	\$465		\$465
Travel	\$3,194	\$1,334		\$1,334
Communication	\$3,473	\$3,454		\$3,454
Space Costs	\$8,498	\$1,367		\$1,367
All Others	\$712	\$719		\$719
Indirect Costs	\$65,032	\$70,604		\$70,604
Other Costs Distributions	(\$321,458)	(\$303,035)		(\$303,035)
TOTAL EXPENDITURES	\$180,943	\$180,943	\$0	\$180,943

¹ Actual MDHHS payments.

² FSRs Not Supported by Accounting Records (Finding 3)

**Ingham County Health Department
HIV/AIDS - Ryan White Part B
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$322,040	\$322,040 ¹		\$322,040
Fees & Collections - 1st & 2nd Party	\$697	\$3,150		\$3,150
Fees & Collections - 3rd Party	\$332,220	\$145,153		\$145,153
Federal Cost Based Reimbursement	\$0	\$58,922		\$58,922
TOTAL REVENUES	\$322,040	\$322,040	\$0	\$529,265
EXPENDITURES:				
Salary & Wages	\$232,983	\$242,261		\$242,261
Fringe Benefits	\$122,207	\$134,015		\$134,015
Contractual	\$181,903	\$99,470		\$99,470
Supplies & Materials	\$6,800	\$2,294		\$2,294
Travel	\$1,015	\$229		\$229
Communication	\$1,449	\$2,428		\$2,428
Space Costs	\$57,015	\$0		\$0
All Others	\$7,577	\$4,883		\$4,883
Indirect Costs	\$44,008	\$43,685		\$43,685
TOTAL EXPENDITURES	\$654,957	\$529,265	\$0	\$529,265

¹ Actual MDHHS payments.

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$1,245,687	\$1,245,687 ¹		\$1,245,687
Fees & Collections - 3rd Party	\$40,000	\$39,518	(\$3,840) ²	\$35,678
Local Funds - Other	\$263,383	\$242,753	\$6,122 ²	\$248,875
TOTAL REVENUES	\$1,549,070	\$1,527,958	\$2,282	\$1,530,240
EXPENDITURES:				
Salary & Wages	\$768,498	\$748,756	(\$405) ²	\$748,351
Fringe Benefits	\$480,334	\$464,477	(\$320) ²	\$464,157
Supplies & Materials	\$19,277	\$24,181	(\$233) ²	\$23,948
Travel	\$8,535	\$8,382		\$8,382
Communication	\$5,580	\$6,257		\$6,257
Space Costs	\$67,765	\$55,843		\$55,843
Other	\$5,387	\$9,081	\$3,240 ²	\$12,321
Indirect Costs	\$193,694	\$210,981		\$210,981
TOTAL EXPENDITURES	\$1,549,070	\$1,527,958	\$2,282	\$1,530,240

¹ Actual MDHHS payments.

² FSRs Not Supported by Accounting Records (Finding 3)

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$93,395	\$72,837 ¹		\$72,837
Local Funds - Other	\$16,962	\$0	\$86 ²	\$86
TOTAL REVENUES	\$110,357	\$72,837	\$86	\$72,923
EXPENDITURES:				
Salary & Wages	\$45,666	\$38,822		\$38,822
Fringe Benefits	\$45,974	\$21,074		\$21,074
Supplies & Materials	\$2,579	\$1,635		\$1,635
Travel	\$750	\$562	\$86 ²	\$648
Communication	\$140	\$253		\$253
Other	\$1,035	\$75		\$75
Indirect Costs	\$14,213	\$10,416		\$10,416
TOTAL EXPENDITURES	\$110,357	\$72,837	\$86	\$72,923

¹ Actual MDHHS payments.

² FSRs Not Supported by Accounting Records (Finding 3)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Predetermined Percentages Improperly Used to Distribute Salaries and Wages (Repeat)**

The Health Department improperly used predetermined percentages to distribute salaries and wages for certain employees and did not adjust costs to reflect the activity actually performed.

Recommendation: Again, adopt policies and procedures to ensure that all charged salaries and wages are based on records that accurately reflect the actual work performed, and any use of predetermined percentages are only used for interim accounting purposes with appropriate adjustments as required by Federal regulations.

Comments: None

Corrective Action: Ingham County Health Department will implement a procedure by which employee's work hours are compared to the predetermined percentages and adjusted to actual hours based on a quarterly basis.

Person Responsible for Implementation: Eric Thelen

Anticipated Completion Date: July 31, 2019

Corrective Action Plan

Finding Number: 2

Page Reference: 5

Finding: **Improperly Calculated Other Cost Distributions**

The Health Department did not properly calculate its indirect other cost distributions allocated to the Family Planning Program.

Recommendation: Implement procedures and controls to ensure that its indirect cost pools are properly calculated and allocated to ensure compliance with Federal regulation.

Comments: None

Corrective Action: Ingham County Health Department will implement a procedure by which applicable revenues are deducted from the cost allocation pools to ensure compliance with Federal regulation.

**Person Responsible
for Implementation:** Eric Thelen

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

Corrective Action Plan

Finding Number: 3

Page Reference: 6

Finding: **FSRs Not Supported by Accounting Records**

The Health Department's FSRs did not reconcile with its accounting records.

Recommendation: Implement sufficient controls and procedures to ensure that all its Programs' FSRs reconcile with its accounting records to ensure compliance with Federal regulation.

Comments: The Program FSR reconciled to the accounting records on the date the FSR was due. Due to the early submission deadline of the FSR, subsequent expenditures occurred which were not included on the FSR; these subsequent expenditures were immaterial and were covered by County local funds.

Corrective Action: Ingham County Health Department will implement a procedure by which the Program FSR will be reviewed within one month after initial submission; and will file an amended FSR to match the accounting records.

**Person Responsible
for Implementation:** Eric Thelen

**Anticipated
Completion Date:** December 31, 2019

Comments and Recommendations

1. Misclassification of Longevity Compensation (Repeat)

Federal Agency	U.S. Department of Health and Human Services
Program Title	Family Planning - Services
CFDA Number	CFDA 93.217
Title of Project	MDHHS Title X Family Planning Services
Repeat Finding	Not Applicable

The Health Department improperly classified Longevity as a fringe benefit rather than salaries and wages for the Family Planning Program. 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. This was a noted exception in the 2015 Audit Report regarding both the WIC and Family Planning Programs in which the Health Department's response was, "Ingham County will review procedures regarding completing the FSR and will provide training and re-training to comply with the requirements." The Health Department properly reported Longevity pay for the WIC Program, but improperly reported Longevity pay for the Family Planning Program. We again recommend that the Health Department take actions to ensure Longevity pay is properly classified as salaries and wages rather than fringe benefits.

Management Response: Ingham County Health Department will review procedures regarding completing the FSR and will provide training and re-training to comply with the requirements.

Person Responsible

for Implementation: Eric Thelen

Anticipated

Completion Date: July 1, 2019

2. Lack of Recent Cost Analysis for Setting the Family Planning Program Fee Schedule

Federal Agency	U.S. Department of Health and Human Services
Program Title	Family Planning - Services
CFDA Number	CFDA 93.217
Title of Project	MDHHS Title X Family Planning Services
Repeat Finding	Not Applicable

The Health Department did not use a recent cost analysis to develop its fee schedule for Family Planning Program 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.” The Health Department has not completed a detailed cost analysis since the Maximus Cost Study which was based on FYE 2014 costs. The 2018 Michigan Title X Family Planning Program Standards and Guidelines Manual specifically requires that the documented process for developing the fee schedule includes an analysis of the costs of providing services, and this must occur at least every two years with encouragement to do so annually. The cost analysis tool developed by the MDHHS Family Planning Program must be used unless a waiver is received to use another methodology. We recommend that the Health Department implement procedures and controls 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: Ingham County Health Department will implement the MDHHS Family Planning Cost Analysis Tool to document the setting of fees which will enable the Health Department to recover the reasonable cost of providing services.

**Person Responsible
for Implementation:** Eric Thelen

**Anticipated
Completion Date:** December 31, 2019