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GOVERNOR

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DEPARTMENT OF HEALTH & HUMAN SERVICES  
BUREAU OF AUDIT, REIMBURSEMENT AND QUALITY ASSURANCE  
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NICK LYON  
DIRECTOR

December 21, 2017

Jeff Cook, Director  
Beaumont Health  
15500 Lundy Parkway  
Dearborn, MI 48126

Dear Mr. Cook:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Oakwood Healthcare, Inc. / Taylor Teen Health Center Family Planning Program 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; Corrective Action Plans; and Comments and Recommendations. The Corrective Action Plans and Comments and Recommendations include the agency's response to the Preliminary Analysis; and any MDHHS response when applicable.

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 Manager  
Population Health and Community Services Section  
Bureau of Audit, Reimbursement and Quality Assurance

Enclosure

cc: Debra Hallenbeck, Director, Audit Division  
Paulette Dobynnes Dunbar, Manager, Division of Maternal and Infant Health  
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# Audit Report

Oakwood Healthcare, Inc.  
Family Planning Program

October 1, 2015 – September 30, 2016



Bureau of Audit, Reimbursement, and Quality Assurance

Audit Division  
December 2017

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## **DESCRIPTION OF AGENCY**

Oakwood Healthcare Inc. / Taylor Teen Health Center (The Health Center) is organized as a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code. Oakwood Healthcare Inc. merged with Beaumont Health System and Botsford Hospital in 2014 to form what is now known as Beaumont Health. The Health Center's administrative office is located in Dearborn, Michigan. The Taylor Teen Health Center is located in Taylor, Michigan and is now called the Beaumont Teen Health Center, Taylor. The Health Center provides health program services including Family Planning Program services to residents of Southern Wayne County.

## **FUNDING METHODOLOGY**

The Family Planning Program services are funded from local sources, fees and collections, and grant programs administered through the Michigan Department of Health and Human Services (MDHHS), which consist of federal and state funds. MDHHS provides the Health Center with grant funding monthly, based on Financial Status Reports (FSRs), in accordance with the terms and conditions of the grant agreement and budget.

The Family Planning Program was funded by MDHHS Grant Funds, First and Third Party Fees and Collections, Local Funds, and Other Revenue. Grant funding from MDHHS for the Family Planning Program is federal funding under federal catalog number 93.217, 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 Family Planning Program financial reporting and to determine the MDHHS share of Family Planning Program costs. The following were the specific objectives of the audit:

1. To assess the Health Center's effectiveness in reporting its 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 share of costs for the Family Planning Program in accordance with applicable MDHHS requirements and agreements, and any balance due to or due from the Health Center.

## SCOPE AND METHODOLOGY

We examined the Health Center's Family Planning Program records and activities for the fiscal period October 1, 2015 to September 30, 2016. Our review procedures included the following:

- Reviewed the most recent Single Audit report.
- Reviewed the completed Subrecipient Questionnaire.
- Reconciled the Family Planning Program Financial Status Report (FSR) 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/lease costs for proper reporting and compliance with Federal requirements.
- 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 Center's effectiveness in reporting its 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 Center generally reported their 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: non-compliant fringe benefit distribution (Finding 1), missing personnel activity reports (Finding 2), and unsupported space cost allocation (Finding 3).

## **Finding**

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

The Health Center did not properly allocate Family Planning Program employees' fringe benefit expenditures for employees working on multiple activities.

Title 2 CFR Part 200.431 (b) 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 Center assigns each employee to a home program. When authorized leave is taken, it is charged to the home program rather than allocated to the specific programs where the employee actually worked during the pay period.

## **Recommendation**

We recommend that the Health Center adopt policies and procedures to ensure that all fringe benefit expenditures are properly allocated to the benefiting programs based on records that accurately reflect the actual work performed to ensure compliance with Federal requirements.

## **Finding**

### **2. Missing Personnel Activity Reports**

The Health Center did not require all employees to document time on its personnel activity reports.

Title 2 CFR Part 200.430 (i) states, "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed."

The Health Center uses personnel activity reports to document the work performed. However, during our review, we noted that the Health Center had 1 (20%) of 5 employees that did not document time on a personnel activity report to accurately reflect work performed and expenses charged to the Family Planning Program.

## **Recommendation**

We recommend that the Health Center require all employees to complete personnel activity reports to accurately reflect work performed to ensure compliance with Federal requirements.

## **Finding**

### **3. Unsupported Space Cost Allocation**

The Health Center did not retain documentation to support its monthly distribution of space costs to the benefiting programs.

Title 2 CFR 200.403(g) states that costs must be adequately documented in order to be allowable under Federal awards.

The Health Center and County entered into a rental agreement that charged the Health Center \$4,456 per month based on an agreed upon rate per square foot. The monthly space costs are then allocated to all benefiting programs based on a percentage calculated by the amount of square footage used. The Health Center determined that the Family Planning Program is responsible for approximately 5.6% of the Health Center's total rental costs at approximately \$250 per month. However, the Health Center did not provide sufficient documentation supporting the square footage calculation for each of the benefiting programs.

## **Recommendation**

We recommend that the Health Center retain documentation to support the space cost percentage allocated to each benefiting program to ensure compliance with Federal regulation.

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

**Objective 2:** To determine the MDHHS share of costs for the Family Planning Program in accordance with applicable MDHHS requirements and agreements, and any balance due to or due from the Health Center.

**Conclusion:** The MDHHS obligation under the Family Planning Program for fiscal year ended September 30, 2016 is \$83,455. The attached Statement of MDHHS Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning grant program funding.

**Oakwood Healthcare Inc.**  
**Family Planning Services**  
**Statement of Grant Program Revenues and Expenditures**  
**10/1/15 - 9/30/16**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
MDHHS Grant	\$83,455	\$83,455 <sup>1</sup>		\$83,455
Fees & Collections	\$25,113	\$13,993		\$13,993
Other	\$50,467	\$50,467		\$50,467
Local Funds - Other	\$21,201	\$25,755		\$25,755
<b>TOTAL REVENUES</b>	\$180,236	\$173,670	\$0	\$173,670
<b>EXPENDITURES:</b>				
Salary & Wages	\$76,642	\$72,581		\$72,581
Fringe Benefits	\$18,110	\$14,914		\$14,914
Supplies & Materials	\$20,367	\$20,171		\$20,171
Travel	\$500	\$925		\$925
Contractual	\$10,000	\$8,397		\$8,397
Other	\$54,617	\$56,682		\$56,682
<b>TOTAL EXPENDITURES</b>	\$180,236	\$173,670	\$0	\$173,670

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



## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 2

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

The Health Center did not properly allocate Family Planning Program employees' fringe benefit expenditures for employees working on multiple activities.

**Recommendation:** Adopt policies and procedures to ensure that all fringe benefit expenditures are properly allocated to the benefiting programs based on records that accurately reflect the actual work performed to ensure compliance with Federal requirements.

**Comments:** Jeff Cook, Director is in agreement with this finding.

**Corrective Action:** A journal entry will be entered for staff members who take paid time off (PTO) on a designated Family Planning day. This PTO journal entry will be charged to the Family Planning Program. When salaries, PTO, etc. are charged to a program, the Fringe Benefits associated with the dollar amount will be allocated to the charged program.

**Person Responsible for Implementation:** Jeff Cook

**Anticipated**

**Completion Date:** Implemented 12/2017.

**MDHHS Response:** A Family Planning 'Hours of Operation' schedule should be retained as supporting documentation to support the allocation of PTO.

## **Corrective Action Plan**

**Finding Number:** 2

**Page Reference:** 3

**Finding:** **Missing Personnel Activity Reports**

The Health Center did not require all employees to document time on its personnel activity reports.

**Recommendation:** Require all employees to complete personnel activity reports to accurately reflect work performed to ensure compliance with Federal requirements.

**Comments:** Jeff Cook, Director agrees with this finding. Jeff Cook was the only Family Planning staff member who didn't identify Family Planning hours worked on his time sheet.

**Corrective Action:** The Director began documenting hours worked in the Family Planning Program effective 11/19/2017.

**Person Responsible for Implementation:** Jeff Cook

**Anticipated**

**Completion Date:** Completed on 11/19/2017.

**MDHHS Response:** None.

## Corrective Action Plan

**Finding Number:** 3

**Page Reference:** 4

**Finding:** Unsupported Space Cost Allocation

The Health Center did not retain documentation to support its monthly distribution of space costs to the benefiting programs.

**Recommendation:** Retain documentation to support the space cost percentage allocated to each benefitting program to ensure compliance with Federal regulation.

**Comments:** Jeff Cook, Director is in agreement with this finding.

**Corrective Action:** The Director will provide a detailed chart used to determine allocated space cost for the Family Planning Program based on square footage.

**Person Responsible for Implementation:** Jeff Cook

**Anticipated**

**Completion Date:** February 1, 2018

**MDHHS Response:** None.

## Comments and Recommendations

### 1. Not Charging Family Planning Clients According to the Sliding Fee Scale

The Health Department did not consistently or 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, the MDHHS Title X Family Planning Program Standards & Guidelines, Part II, Section C.8., Subsection 8.4.6 states, "Where there is legal obligation or authorization for third party reimbursement, including public or private sources, all reasonable efforts **must** be made to obtain third party payment without the application of any discounts (42 CFR 59.5(a)(9)). The client's family income **must** be taken into account before determining whether copayments or additional fees are charged. With regard to insured clients, clients whose family income is at or below 250% FPL **must not** pay more (in copayments or additional fees) than what they would otherwise pay when the schedule of discounts is applied."

During our review, we noted that 4 (57%) of 7 clients should have received 100 percent discounts, however the Health Center required the clients to pay the insurance copayment.

We recommend that the Health Center 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's Response:**

Jeff Cook, Director is in agreement with the above finding.

The lead Business Office Assistants and Medical Assistant have been educated and trained on appropriately charging clients according to the sliding fee scale. Monthly monitoring through random audits will be implemented on January 1, 2018 to ensure compliance with Federal regulation. Monitoring will be completed by the Director and/or the CAHC Program Manager.

## **2. Non-Compliant Allocation of Indirect Costs**

The Health Center did not report any indirect overhead costs for the Family Planning Program.

The Health Center's contract with MDHHS requires reporting of "total actual program expenditures, regardless of the source of funds." Title 2 CFR 200.402 states that the total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits. Also, Title 2 CFR 200, Appendix IV, Section B.4 states that the direct allocation method is acceptable, provided each joint cost is prorated using a base which accurately measures the benefits provided to each Federal award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data.

The Health Center uses the direct allocation method treating all costs as direct costs and uses personnel activity reports to allocate indirect joint costs to programs based on actual time spent in these programs. However, salary and fringe benefit amounts for all administrative employees were not properly allocated to the Family Planning Program. Instead, the Health Center received in-kind money donations from Beaumont Healthcare, Inc. and used this as reimbursement for the indirect joint costs.

This repeat comment and recommendation was cited in MDHHS's FYE 2011 and FYE 2013 audits of the Health Center. Management's response to both audits was that all allowable costs will be reported on the FSR's.

We again recommend that the Health Center implement policies and procedures that would ensure all allowable direct and indirect costs are appropriately reported to ensure compliance with Federal regulation.

### **Management Response:**

Jeff Cook, Director is in agreement with the above finding.

Direct and indirect costs will now be identified on the Family Planning budget. The Accountant has been educated and trained to include both direct and indirect costs on all FSR's effective immediately.