



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES

LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

July 8, 2019

Lisa Peacock, MSN, WHNP-BC
Health Officer
Health Department of Northwest Michigan
220 West Garfield
Charlevoix, Michigan 49720

Dear Ms. Peacock:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Health Department of Northwest Michigan Family Planning and 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; and Corrective Action Plans. The Corrective Action Plans 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.

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 Audit Section
Audit Division

Attachment

cc: Debra Hallenbeck, Director, Audit Division
Christina Herring, Director, WIC Division
Kelly Voegeding, Financial Analyst, WIC 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
Matthew Tompkins, Auditor, Population Health and Community Services Programs Audit Section
Andrea Pierce, Finance Supervisor, Health Department of Northwest Michigan

Audit Report

Health Department of Northwest Michigan

Family Planning Program
and
Women, Infants, and Children Program

October 1, 2016 – September 30, 2017



Bureau of Audit
Audit Division
July 2019

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DESCRIPTION OF AGENCY

The Health Department of Northwest Michigan (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a component unit of Charlevoix County, which is the reporting entity, and the administrative office is located in Charlevoix, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners from Antrim, Charlevoix, Emmet and Otsego Counties. The Health Department provides community health program services to the residents of Antrim, Charlevoix, Emmet and Otsego 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, 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 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 or WIC 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 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 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. We identified two exceptions: non-compliant fringe benefit distribution (Finding 1) and sales tax improperly paid (Finding 2).

Finding

1. Non-Compliant Fringe Benefit Distribution (Repeat)

Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Office of Population Affairs
Federal Program Title	Family Planning Services
CFDA Number	93.217
Project Title	Family Planning Program
Amount Due to MDHHS	\$-0-
Repeat Finding	Yes

Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Health Resources and Services Administration (HRSA)
Federal Program Title	Maternal and Child Health Services Block Grant
CFDA Number	93.994
Project Title	Family Planning Program
Amount Due to MDHHS	\$-0-
Repeat Finding	Yes

Federal Agency	U.S. Department of Agriculture
Federal Sub-Tier	Food and Nutrition Service
Federal Program Title	Supplemental Nutrition Program for Women, Infants, and Children
CFDA Number	10.557
Project Title	Women, Infants, and Children (WIC)
Amount Due to MDHHS	\$-0-
Repeat Finding	Yes

The Health Department did not properly allocate its employees' fringe benefits.

Title 2 CFR 200.431(c) states, "The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance; pension plan costs; and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

During our review, we noted that the Health Department pays its employees bi-weekly. All health insurance costs are allocated based on the first pay period of the month's encounter report and life, dental, and vision insurance costs are allocated based on the second pay period of the month's encounter report. The Health Department's current fringe benefit allocation methodology does not properly reflect all employee activity for the month which could result in an overstatement or understatement of program expenditures.

This is a repeat finding from the 2015 Audit Report in which the Health Department's corrective action plan stated, "...All benefits will be allocated to federal awards in a manner consistent with the allocations of salaries and wages" by July 2017. However, the Health Department verified that they had not implemented its corrective action during our review.

Recommendation

We again recommend that the Health Department adopt policies and procedures to ensure that all fringe benefits charged to Federal awards are based on records that accurately reflect the actual work performed to ensure compliance with Federal regulation.

Finding

2. Sales Tax Improperly Paid

Federal Agency	U.S. Department of Agriculture
Federal Sub-Tier	Food and Nutrition Service
Federal Program Title	Supplemental Nutrition Program for Women, Infants, and Children
CFDA Number	10.557
Project Title	Women, Infants, and Children (WIC)
Amount Due to MDHHS	\$-0-
Repeat Finding	No

The Health Department did not utilize its state sales tax exemption for all WIC Program expenditures.

Title 2 CFR 200.470(a)(1) states that “Taxes that a government unit is legally required to pay are allowable.” Governmental units in the State of Michigan are not required to pay sales tax.

During our review, we noted that one (4%) of 25 WIC Resident expenditures included sales tax of \$23. In addition, we noted that one (8%) of 12 WIC Breastfeeding expenditures included sales tax of \$24. We further noted that the Health Department’s purchasing and procurement procedures did not address sales tax. No adjustments will be made since the Health Department covered the costs with local funding.

Recommendation

We recommend the Health Department implement policies and procedures to ensure sales tax exemptions are used for all applicable purchases.

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 \$133,290 for the Family Planning Grant, \$538,679 for the WIC Resident Services Grant, and \$70,800 for the WIC Breastfeeding Grant. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. There were no adjustments as a result of the audit.

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$133,290	\$133,290 ¹		\$133,290
Fees & Collections - 1st & 2nd Party	\$10,000	\$4,554		\$4,554
Fees & Collections - 3rd Party	\$50,000	\$64,188		\$64,188
Required Match - Local	\$0	\$7,204		\$7,204
Federal Cost Based Reimbursement	\$33,616	\$72,042		\$72,042
Local Funds - Other	\$55,945	\$15,131		\$15,131
TOTAL REVENUES	\$282,851	\$296,410	\$0	\$296,410
EXPENDITURES:				
Salary & Wages	\$109,711	\$121,534		\$121,534
Fringe Benefits	\$46,627	\$42,159		\$42,159
Contractual	\$28,500	\$19,051		\$19,051
Supplies & Materials	\$33,836	\$36,870		\$36,870
Travel	\$3,753	\$7,428		\$7,428
Communication	\$1,350	\$1,880		\$1,880
Space Costs	\$8,589	\$8,548		\$8,548
Other	\$19,999	\$19,359		\$19,359
Indirect Costs	\$25,796	\$34,029		\$34,029
Other Costs Distributions	\$4,690	\$5,555		\$5,555
TOTAL EXPENDITURES	\$282,851	\$296,412	\$0	\$296,412

¹ Actual MDHHS payments.

**Health Department of Northwest Michigan
WIC Residential Services
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$538,679	\$538,679 ¹		\$538,679
Local Funds - Other	\$26,534	\$40,033		\$40,033
TOTAL REVENUES	\$565,213	\$578,712	\$0	\$578,712
EXPENDITURES:				
Salary & Wages	\$270,426	\$298,726		\$298,726
Fringe Benefits	\$113,579	\$120,757		\$120,757
Contractual	\$2,000	\$0		\$0
Supplies & Materials	\$27,076	\$14,650		\$14,650
Travel	\$11,000	\$11,462		\$11,462
Communication	\$5,000	\$4,407		\$4,407
Space Costs	\$44,000	\$23,445		\$23,445
Other	\$5,000	\$3,336		\$3,336
Indirect Costs	\$63,361	\$87,494		\$87,494
Other Costs Distributions	\$23,771	\$14,434		\$14,434
TOTAL EXPENDITURES	\$565,213	\$578,712	\$0	\$578,712

¹ Actual MDHHS payments.

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$70,800	\$70,800 ¹		\$70,800
Fees & Collections - 3rd Party	\$4,493	\$5,118		\$5,118
Local Funds - Other	\$5,775	\$15,337		\$15,337
TOTAL REVENUES	\$81,068	\$91,255	\$0	\$91,255
EXPENDITURES:				
Salary & Wages	\$37,786	\$37,143		\$37,143
Fringe Benefits	\$20,027	\$21,661		\$21,661
Supplies & Materials	\$7,056	\$6,342		\$6,342
Travel	\$3,760	\$5,956		\$5,956
Communication	\$800	\$987		\$987
Space Costs	\$2,100	\$4,925		\$4,925
Indirect Costs	\$9,539	\$12,267		\$12,267
Other Costs Distributions	\$0	\$1,975		\$1,975
TOTAL EXPENDITURES	\$81,068	\$91,255	\$0	\$91,255

¹ Actual MDHHS payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Non-Compliant Fringe Benefit Distribution (Repeat)

The Health Department did not properly allocate its employees' fringe benefits.

Recommendation: Again, adopt policies and procedures to ensure that all fringe benefits charged to Federal awards are based on records that accurately reflect the actual work performed to ensure compliance with Federal regulation.

Comments: Agree

Corrective Action: The Health Department will adopt procedures to charge fringe benefits each payroll rather than monthly to accurately reflect the actual work performed and to ensure compliance with Federal regulation.

Person Responsible for Implementation: Andrea Pierce, Finance Supervisor

Anticipated Completion Date: Implemented effective April 1, 2019

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: Sales Tax Improperly Paid

The Health Department did not utilize its state sales tax exemption for all WIC Program expenditures.

Recommendation: Implement policies and procedures to ensure sales tax exemptions are used for all applicable purchases.

Comments: Agree

Corrective Action: The Health Department will educate staff regarding state sales tax exemptions and implement policies and procedures to ensure state sales tax is not paid on all applicable purchases.

Person Responsible for Implementation: Andrea Pierce, Finance Supervisor

Anticipated Completion Date: September 1, 2019