

Audit Report

Bay County Health Department WIC & Family Planning Programs

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review Section
August 2014



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
OFFICE OF AUDIT
400 S. PINE; LANSING, MI 48933

JAMES K. HAVEMAN
DIRECTOR

August 12, 2014

Joel Strasz, Health Director/ Health Officer
Bay County Health Department
1200 Washington Avenue
Bay City, Michigan 48708

Dear Mr. Strasz:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Bay County Health Department WIC and Family Planning Programs for the period October 1, 2012 through September 30, 2013.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statements of MDCH Grant Program Revenues and Expenditures; Costs vs. Amounts Billed for Supplies and Services Schedule, and Corrective Action Plans. The conclusions, findings, and recommendations are organized by audit objective. The Corrective Action Plans include the agency's paraphrased response to the Preliminary Analysis.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in cursive script, reading "Debra S. Hallenbeck".

Debra S. Hallenbeck, Manager
Quality Assurance and Review
Office of Audit

Enclosure

cc: Stan Bien, Director, WIC Division
Paulette Dobynnes Dunbar, Manager, Division of Family and Community Health
Jeanette Lightning, Manager, Reproductive Health Unit
Pam Myers, Director, Office of Audit
Keith Rubley, Auditor, Office of Audit
Steve Utter, Financial Analyst, Division of Family and Community Health

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DESCRIPTION OF AGENCY

The Bay County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Bay County, and the administrative office is located in Bay City, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Bay County. The Health Department provides community health program services to the residents of Bay County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease Control, Substance Abuse Program, Family Planning, Maternal and Child Health, Medicaid Outreach, Bioterrorism/Emergency Preparedness/Pandemic Flu, and Women Infants and Children (WIC) Supplemental Food Program, Environmental Health, and Eat Safe Fish.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs administered through the Michigan Department of Community Health (MDCH), which consist of federal and state funds. MDCH provides 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 MDCH Grant Funds, First and Third Party Fees and Collections, Local and Other Revenue. Grant funding from MDCH for the Family Planning Program is federal funding under federal catalog number 93.217, and is subject to performance requirements. That is, reimbursement from MDCH is based upon the understanding that a certain level of performance (measured in caseload established by MDCH) 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 WIC Program was funded by MDCH Grant Funds, and Other Local Funds. Grant funding from MDCH for the WIC Program is federal funding under federal catalog number 10.557, and is first source funding subject to performance requirements.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Family Planning Program and WIC Program internal controls and financial reporting, and to determine the MDCH shares of Family Planning Program and WIC Program costs. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness in establishing and implementing internal controls over the Family Planning and WIC Programs.

2. To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH shares of cost for the Family Planning and WIC Programs in accordance with applicable MDCH requirements and agreements, 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 fiscal period October 1, 2012 to September 30, 2013. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit Report for any Family Planning Program or WIC Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the Family Planning Program and WIC Program Financial Status Reports (FSRs) 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 indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed Family Planning Medical Supply inventory records.
- 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

INTERNAL CONTROLS

Objective 1: To assess the Health Department's effectiveness in establishing and implementing internal controls over the Family Planning and WIC Programs.

Conclusion: The Health Department was generally effective in establishing and implementing internal controls over the Family Planning and WIC Programs. However, we noted an exception with Family Planning Program billing rates and the lack of a cost analysis in setting fees (Finding 1), and exceptions with determining and applying sliding fee scale discounts for the Family Planning Program (Finding 2).

Finding

1. Billing Rates Not Sufficient to Recover Cost and Lack of Cost Analysis in Setting Fees

The Health Department used billing rates for family planning services and supplies that were generally too low to recover cost. Therefore, clients from households with an annual income that exceeded 250% of the poverty guideline were not charged for the reasonable cost of providing services as required by Title X regulations. In addition, the FYE 2013 fees were not supported by a recent cost analysis.

Title X regulations at 42CFR59.5 (a) state, in part:

Each project supported under this part must:

(8) Provide that charges will be made for services to persons other than those from low-income families in accordance with a fee 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...will be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services.

The MDCH Title X Family Planning Standards and Guidelines, Section 6.3.1 Charges, Billing, and Collections states the following with respect to the development of a fee schedule:

Delegate agencies must develop a process which utilizes a recent cost analysis of all services provided by the project to develop a fee schedule designed to recover the reasonable costs of providing services. To be recent, a cost analysis should be conducted within three years, or within one year following major changes to the program.

For our test to determine if rates could recover the cost of providing services, we multiplied the billing rate for each service and supply times the number of times each service and supply was provided during the year. This determined the maximum annual recovery if every client was billed (and paid) the maximum amount billable per the fee schedule. When this was compared to the total cost of \$183,874 we found the rates used would not recover \$21,713 of the cost (see Schedule of Cost vs. Amounts Billed for Supplies and Services).

The estimated effect is that an amount potentially recoverable from clients was paid from local revenues. Because the amount recovered from all clients was \$22,393 and billing rates were 11.8% below cost, we can estimate the effect was approximately \$2,998 for the year.

Recommendation

We recommend that the Health Department complete a cost analysis to develop the fee schedule as required by the MDCH Title X Family Planning Standards and Guidelines, and comply with the Title X regulations by increasing its billing rates to an amount that is sufficient to recover the reasonable cost of services based on the cost analysis. If, however, the Health Department

chooses to set fees lower than what is required to recover actual costs, the Health Department must adopt a policy designating the percentage of the cost the fee is to represent in accordance with Section 6.3.1 of the MDCH Title X Family Planning Standards and Guidelines.

Finding

2. Errors in Determining and Applying Sliding Fee Scale Discounts

The Health Department did not accurately determine sliding fee scale discounts in 5 of 19 encounters tested, and improperly applied 3 of these sliding fee scale discounts to clients resulting in overcharges.

Title X regulations at 42CFR59.5 (a) state, in part:

Each project supported under this part must:

- (7) 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.*
- (8) Provide that charges will be made for services to persons other than those from low-income families in accordance with a fee 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...will be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services.*

Based on our test of 19 encounters and clients' dependents and annual incomes, we found the following 5 incorrectly calculated discounts, of which 3 resulted in overcharges:

- 1. One client should have been charged nothing for services and supplies, but was charged and paid 50% resulting in an overcharge of \$176.75.
- 2. One client should have been charged nothing for services and supplies, but was charged and paid 25% resulting in an overcharge of \$33.37.
- 3. One client should have been charge 25% for services and supplies, but was charged and paid 25% for the office visit and 75% for the contraceptives resulting in an overcharge of \$23.50.
- 4. Two clients were showing as 75% discounts, but their discounts were 0% and 100%. While the discounts were reported incorrectly, no overcharges resulted as the charges were billed to Plan 1st.

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure that the correct discounts are applied to all clients based on the latest poverty sliding fee scale. We also recommend that the Health Department reimburse those clients who were overcharged for the services and supplies they received.

FINANCIAL REPORTING

Objective 2: To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department generally reported its Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. Exceptions were noted where costs were directly expensed to the WIC Program, but they also benefitted other programs (Finding 3), termination vacation pay was allocated as a direct cost to the WIC Program (Finding 4) and budgeted percentage allocations were used for salaries and wages and leave time was improperly allocated (Finding 5).

Finding

3. Costs Directly Expensed to the WIC Program that Benefited Other Programs

The Health Department directly expensed three items for \$11,175 entirely to the WIC Program, but these items benefitted several different programs.

OMB Circular A-87 (located at 2 CFR Part 225), Appendix A, states the following with respect to allowable, allocable, direct and indirect costs:

C. Basic Guidelines

- 1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:*
 - b. Be allocable to Federal awards under provisions of 2 CFR part 225*
- 3. Allocable costs.*
 - a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.*

D. Composition of Cost

- 1. Total cost. The total cost of Federal awards is comprised of the allowable direct cost of the program plus its allocable portion of allowable indirect costs, less applicable credits.*

E. Direct Costs

- 1. General. Direct costs are those that can be identified specifically with a particular final cost objective.*

F. Indirect Costs

- 1. General. Indirect costs are those: Incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved...Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.*

The Health Department expensed the following items directly to the WIC Program, but they were a benefit to several programs, and should have either been directly expensed to all benefiting programs or treated as indirect and distributed to all benefiting cost objectives:

1. \$425 in advertising relating to several programs;
2. \$1,000 for a Quality Improvement Seminar benefiting numerous programs; and
3. \$9,750 for a LED sign on the roof of the Health Department used to display messages for any Health Department program.

Additionally, since the sign cost greater than \$5,000 and has a useful life of greater than one year, the cost of the capital asset may be recovered through depreciation, rather than expensing the entire amount according to the following provisions of OMB Circular A-87, Appendix B:

15. Equipment and other capital expenditures.

a.(2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5,000.

b.(5) Equipment and other capital expenditures are unallowable as indirect costs. However, see section 11 of this appendix, Depreciation and use allowance, for rules on the allowability of use allowances or depreciation on...equipment.

11. Depreciation and use allowances.

a. Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances.

Adjustments removing the \$11,175 that was improperly directly expensed to the WIC Program is shown on the attached Statement of MDCH Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure that all allowable costs are allocated in accordance with relative benefits received. Also, we recommend the Health Department adopt policies and procedures to ensure that capital expenditures are properly capitalized and depreciated.

Finding

4. Termination Vacation Pay Unallowable as Direct Cost

The Health Department expensed \$1,744 of “Termination Vacation Pay” to the WIC Program as a direct cost instead of allocating it as a general administrative expense to all activities as required by Federal cost principles.

OMB Circular A-87 (located at 2 CFR Part 225), Appendix B, subsection 8. d. states the following with respect to the allocation of termination vacation pay:

- (3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or components.*

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure that any leave payouts are handled in accordance with OMB Circular A-87 and properly allocated to all programs as a general administrative expense.

Finding

5. Budgeted Allocation of Salaries and Improper Allocation of Leave Time

The Health Department allocated the salaries and wages for two WIC Program employees and one Family Planning Program employee to the respective programs based on budgeted percentages in violation of Federal cost principles. In addition, several WIC Program employees also worked in the Medicaid Outreach Program based on activity reports, but 100% of their leave time was charged to the WIC Program in violation of Federal cost principles.

OMB Circular A-87 (located at 2 CFR Part 225), Appendix B, subsection 8. h. states the following with respect to the distribution of salaries and wages:

- h. Support of salaries and wages.*
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a substitute system has been approved by the cognizant Federal agency...*
- (5) Personnel activity reports or equivalent documentation must meet the following standards:*
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,*

- (b) *They must account for the total activity for which each employee is compensated,*
- (c) *They must be prepared at least monthly and must coincide with one or more pay periods, and*
- (d) *They must be signed by the employee.*
- (e) ***Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:***
 - (i) *The governmental unit's system for establishing the estimates produces reasonable approximations of the activities actually performed;*
 - (ii) *At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual cost are less than ten percent; and*
 - (iii) *The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.*

Budget estimates are being used to distribute salaries and wages, but required comparisons to actual activity and adjustments are not being done as required.

In addition subsection 8. d. states the following with respect to the allocation of leave time:

- (2) *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, sick leave, holidays, court leave, military leave, and other similar benefits are allowable if: They are provided under established written leave policies; **the costs are equitably allocated to all related activities, including Federal awards;** and, the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.*

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure that salaries, wages and leave time are equitably allocated to all programs based on personnel activity reports.

MDCH SHARES OF COST AND BALANCE DUE

Objective 3: To determine the MDCH shares of cost for the Family Planning and WIC Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

Conclusion: The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2013 is \$84,045 and under the WIC Program is \$490,260. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs.

**Bay County Health Department
WIC Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/012 - 9/30/13**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$490,260	\$490,260 ¹	\$0	\$490,260
Local Funds	\$194,126	\$123,876	(\$12,919)	\$110,957
TOTAL REVENUES	\$684,386	\$614,136	(\$12,919)	\$601,217
EXPENDITURES:				
Salary & Wages	\$243,274	\$231,973	(\$1,744) ³	\$230,229
Fringe Benefits	\$154,674	\$128,871	\$0	\$128,871
Supplies	\$30,250	\$15,030	\$0	\$15,030
Travel	\$9,700	\$3,015	\$0	\$3,015
Communications	\$3,500	\$1,988	\$0	\$1,988
Other Expense	\$55,952	\$33,378	(\$11,175) ²	\$22,203
Admin Overhead	\$187,036	\$199,881	\$0	\$199,881
TOTAL EXPENDITURES	\$684,386 <input type="checkbox"/>	\$614,136	(\$12,919)	\$601,217

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Expenses not allocable to the WIC Program (Finding 3).

³ Termination vacation pay unallowable as direct cost. (Finding 4).

Bay County Health Department
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$84,045	\$84,045 ¹	\$0	\$84,045
Fees 1 st & 2 nd Party	\$55,500	\$22,393	\$0	\$22,393
Fees & Collections – 3 rd Party	\$32,710	\$25,445	\$0	\$25,445
Fed Cost Based Reimbursement	\$3,750	\$13,182	\$0	\$13,182
Local Funds	\$30,810	\$38,809	\$0	\$38,809
TOTAL REVENUES	\$206,815	\$183,874	\$0	\$183,874
EXPENDITURES:				
Salary & Wages	\$80,649	\$69,178	\$0	\$69,178
Fringe Benefits	\$20,969	\$19,043	\$0	\$19,043
Supplies	\$45,722	\$41,321	\$0	\$41,321
Travel	\$2,075	\$563	\$0	\$563
Communications	\$640	\$567	\$0	\$567
Other Expense	\$9,000	\$4,334	\$0	\$4,334
Admin Overhead	\$47,760	\$48,868	\$0	\$48,868
TOTAL EXPENDITURES	\$206,815	\$183,874	\$0	\$183,874

¹ Actual MDCH payments provided on a performance reimbursement basis.

**Bay County Health Department
Family Planning
Costs vs Amounts Billed for Supplies and Services Schedule
10/1/12 – 9/30/13**

	<u>Procedure</u>	<u>Total Quantity</u>	<u>Price</u>	<u>Total</u>
99394	Established Exam 12-17	18	\$93.50	\$1,683.00
99395	Established Exam 18-39	230	\$93.50	\$21,505.00
99396	Established Exam 40-64	2	\$104.50	\$209.00
99384	Initial Exam 12-17	40	\$110.00	\$4,400.00
99385	Initial Exam 18-39	67	\$110.00	\$7,370.00
99201	Problem Focused	1	\$30.00	\$30.00
99203	Detailed	1	\$60.00	\$60.00
99211	Office Visit 5 minutes	1438	\$21.00	\$30,198.00
99212	Office Visit 10 minutes	10	\$31.00	\$310.00
87205	Pap Smear	90	\$19.00	\$1,710.00
81025	Urine Pregnancy Test	317	\$15.50	\$4,913.50
84703	Serum Pregnancy Test	29	\$30.00	\$870.00
S4993	Oral Contraceptives	2570	\$20.00	\$51,400.00
J1055	Depo-Provera w/injection	530	\$44.00	\$23,320.00
A4267	Condoms	195	\$4.00	\$780.00
J7303	Nuva Ring	237	\$47.00	\$11,139.00
J7304	Ortho Evra Patch	73	\$31.00	\$2,263.00
				<hr/> \$162,160.50
	Total Expenses			<hr/> \$183,874.00
	(Shortfall)/Excess			<hr/> (\$21,713.50)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Billing Rates Not Sufficient to Recover Cost and Lack of Cost Analysis in Setting Fees**

The Health Department used billing rates for family planning services and supplies that were generally too low to recover cost. Therefore, clients from households with an annual income that exceeded 250% of the poverty guideline were not charged for the reasonable cost of providing services as required by Title X regulations. In addition, the FYE 2013 fees were not supported by a recent cost analysis.

Recommendation: Complete a cost analysis to develop the fee schedule as required by the MDCH Title X Family Planning Standards and Guidelines, and comply with the Title X regulations by increasing its billing rates to an amount that is sufficient to recover the reasonable cost of services based on the cost analysis. If, however, the Health Department chooses to set fees lower than what is required to recover actual costs, adopt a policy designating the percentage of the cost the fee is to represent in accordance with Section 6.3.1 of the MDCH Title X Family Planning Standards and Guidelines.

Comments: The Health Department does not contest the finding.

Corrective Action: The Health Department will complete a comprehensive cost analysis and adjust the fee schedule in accordance with the MDCH Title X Family Planning Standards and Guidelines. Billing rates will be increased to an amount that is sufficient to recover the reasonable cost of services based on the cost analysis.

**Anticipated
Completion Date:** December 31, 2014

MDCH Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: **Errors in Determining and Applying Sliding Fee Scale Discounts**

The Health Department did not accurately determine sliding fee scale discounts in 5 of 19 encounters tested, and improperly applied 3 of these sliding fee scale discounts to clients resulting in overcharges.

Recommendation: Adopt policies and procedures to ensure that the correct discounts are applied to all clients based on the latest poverty sliding fee scale. Reimburse those clients who were overcharged for the services and supplies they received.

Comments: The Health Department does not contest the finding.

Corrective Action: The Health Department will review and consolidate existing policies and procedures related to the sliding fee scale. Furthermore, all staff in Family Planning will be retrained on correct application of the sliding fee scale discounts. The Health Department will reimburse those clients who were overcharged for the services and supplies they received.

**Anticipated
Completion Date:** December 31, 2014

MDCH Response: None

Corrective Action Plan

Finding Number: 3

Page Reference: 5

Finding: Costs Directly Expensed to the WIC Program that Benefited Other Programs

The Health Department directly expensed three items for \$11,175 entirely to the WIC Program, but these items benefited several different programs.

Recommendation: Adopt policies and procedures to ensure that all allowable costs are allocated in accordance with relative benefits received. Also, adopt policies and procedures to ensure that capital expenditures are properly capitalized and depreciated.

Comments: The Health Department does not contest the finding.

Corrective Action: The Health Department will review existing policies and procedures to ensure that all allowable costs are allocated in accordance with relative benefits received, as well as to ensure that capital expenditures are properly capitalized and depreciated. In the case that said policies and procedures do not exist, they will be developed and implemented.

Anticipated Completion Date: December 31, 2014

MDCH Response: None

Corrective Action Plan

Finding Number: 4

Page Reference: 7

Finding: Termination Vacation Pay Unallowable as Direct Cost

The Health Department expensed \$1,744 of “Termination Vacation Pay” to the WIC Program as a direct cost instead of allocating it as a general administrative expense to all activities as required by Federal cost principles.

Recommendation: Adopt policies and procedures to ensure that any leave payouts are handled in accordance with OMB Circular A-87 and properly allocated to all programs as a general administrative expense.

Comments: The Health Department does not contest the finding.

Corrective Action: New policies and procedures to ensure that any leave payouts are handled in accordance with OMB Circular A-87 will be developed and implemented.

**Anticipated
Completion Date:** January 1, 2015

MDCH Response: None

Corrective Action Plan

Finding Number: 5

Page Reference: 7

Finding: **Budgeted Allocation of Salaries and Improper Allocation of Leave Time**

The Health Department allocated the salaries and wages for two WIC Program employees and one Family Planning Program employee to the respective programs based on budgeted percentages in violation of Federal cost principles. In addition, several WIC Program employees also worked in the Medicaid Outreach Program based on activity reports, but 100% of their leave time was charged to the WIC Program in violation of Federal cost principles.

Recommendation: Adopt policies and procedures to ensure that salaries, wages and leave time are equitably allocated to all programs based on personnel activity reports.

Comments: The Health Department does not contest the finding.

Corrective Action: The Health Department will adopt procedures to ensure that salaries, wages and leave time are equitably allocated to all programs based on personnel activity reports.

Anticipated Completion Date: January 1, 2015

MDCH Response: None