

Audit Report

Dickinson-Iron District Health Department
Family Planning Program

October 1, 2011 – September 30, 2012



Office of Audit
Quality Assurance and Review
September 2013



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

September 12, 2013

Stephen Markham, BS, Health Officer
Dickinson-Iron District Health Department
601 Washington Ave.
Iron River, MI 49935

Dear Mr. Markham:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Dickinson-Iron District Health Department Family Planning Program for the period October 1, 2011 through September 30, 2012.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and a Corrective Action Plan. The conclusions, findings, and recommendations are organized by audit objective. The Corrective Action Plan includes the agency's paraphrased response to the Preliminary Analysis. Further MDCH comments are also included.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in cursive script that reads "Debra S. Hallenbeck".

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

Enclosure

cc: Paulette Dobynes Dunbar, Manager, Division of Family and Community Health
Jeanette Lightning, Manager, Reproductive Health Unit
Pam Myers, Director, Office of Audit
Mike Gribbin, Auditor, Office of Audit
Keith Rubley, Auditor, Office of Audit
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DESCRIPTION OF AGENCY

The Dickinson-Iron District Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Iron County, which is the reporting entity, and the administrative office is located in Iron River, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of Dickinson and Iron Counties. The Health Department provides community health program services to the residents of Dickinson and Iron Counties. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, Breast and Colon Cancer Prevention, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Women Infant and Children Supplemental Food Program (WIC), Bioterrorism/Emergency Preparedness, Medicaid Outreach, and Family Planning Program.

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.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Family Planning Program and internal controls and financial reporting, and to determine the MDCH share of Family Planning 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 Program.
2. To assess the Health Department's effectiveness in reporting their Family Planning Program 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 share of cost for the Family Planning Program 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, 2011 to September 30, 2012. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any Family Planning Program concerns.
- Completed an internal control 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 indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed building space costs for proper reporting and compliance with Federal requirements.
- 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 program.

Conclusion: The Health Department was generally effective in establishing and implementing internal controls over the Family Planning program. We noted one exception regarding not charging clients according to the sliding fee scale (Finding 1).

Finding

1. Not Charging Clients According to the Sliding Fee Scale

The Health Department did not always charge their clients according to the sliding fee scale as required by Title X.

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....

MDCH Title X Family Planning Standards and Guidelines, Section 6.3.1, states, in part:

C. A schedule of discounts must be developed and implemented...

J. Bills to clients must show total charges less any allowable discounts...

L. Reasonable efforts to collect charges without jeopardizing client confidentiality must be made...

In a sample of 22 encounters, we noted 8 instances where the client was not charged the correct amount according to the sliding fee scale. For 7 encounters involving 4 different clients, the clients claimed they did not have funds available to pay at the time of service so the Health Department discounted the supplies and/or services to the amount of funds available rather than creating an accounts receivable. Also, we noted one instance where a client had been overcharged according to the sliding fee scale.

Recommendation

We recommend that the Health Department provide training to employees on charging clients appropriately according to the sliding fee scale; establish accounts receivable and collection procedures; and implement review procedures to ensure compliance.

FINANCIAL REPORTING

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

Conclusion: The Health Department reported their Family Planning Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles. No financial reporting exceptions were noted.

MDCH SHARES OF COST AND BALANCE DUE

Objective 3: To determine the MDCH share of cost for the Family Planning Program 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, 2012, is \$44,910. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning Program funding.

Dickinson-Iron District Health Department
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/11 - 9/30/12

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$44,910	\$44,910 ¹	\$0	\$44,910
Fees 1 st & 2 nd Party	\$7,500	\$7,176	\$0	\$7,176
Fees & Collections – 3 rd Party	\$70,000	\$72,525	\$0	\$76,779
Local (Non-LPHO)	\$15,195	\$0	\$0	\$200
Local MCH	\$22,225	\$25,225	\$0	\$25,225
Local Funds Other	\$51,709	\$46,053	\$0	\$46,053
TOTAL REVENUES	\$214,539	\$195,889	\$0	\$195,889
EXPENDITURES:				
Salary and Wages	\$87,248	\$80,205	\$0	\$80,205
Fringe Benefits	\$34,936	\$31,853	\$0	\$31,853
Supplies	\$28,944	\$27,498	\$0	\$27,498
Travel	\$2,250	\$1,805	\$0	\$1,805
Communications	\$1,382	\$1,126	\$0	\$1,126
Other Expenses	\$5,819	\$7,142	\$0	\$7,142
Space Cost	\$8,305	\$5,256	\$0	\$5,256
Admin Overhead	\$45,655	\$41,004	\$0	\$41,004
TOTAL EXPENDITURES	\$214,539	\$195,889	\$0	\$195,889

¹ Actual MDCH payments provided on a performance reimbursement basis.

Corrective Action Plan

Finding Number 1

Page Reference 2

Finding: Not Charging Clients According to the Sliding Fee Scale

The Health Department did not always charge their clients according to the sliding fee scale as required by Title X.

Recommendation: Provide training to employees on charging clients appropriately according to the sliding fee scale; establish accounts receivable and collection procedures; and implement review procedures to ensure compliance.

Agency Comments: Staff may have strayed slightly from intended requirements due to interpretation of guidance from State program coordinators.

Corrective Action: The Health Department will re-train staff regarding the application of the sliding fee schedules and when/how to apply hardship allowances. Any balance due on accounts will be billed to clients using the existing accounts receivable and collections procedures.

**Anticipated
Completion Date:** October 31, 2013

MDCH Response: Periodic review procedures should be implemented to ensure compliance.