

Audit Report

Genesee County Health Department Family Planning and WIC Programs

October 1, 2010 – September 30, 2011



Office of Audit
Quality Assurance and Review
April 2013



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

April 5, 2013

Mark Valacak, MPH, Health Officer
Genesee County Health Department
McCree Courts and Human Services Building
630 S. Saginaw Street Suite 4
Flint, Michigan 48502-1540

Dear Mr. Valacak:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Genesee County Health Department WIC and Family Planning Programs for the period October 1, 2010 through September 30, 2011.

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; Cost 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, and the Office of Audit's response to those comments where necessary.

Please note that several of the findings (1, 4 & 5) require further attention and corrective action as noted on the Corrective Action Plans (Pages 12, 15 & 16).

Thank you for the cooperation extended throughout this audit process.

Sincerely,

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

Enclosure

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

TABLE OF CONTENTS

	Page
Description of Agency	1
Funding Methodology.....	1
Purpose and Objectives	1
Scope and Methodology	2
 <u>Conclusions, Findings, and Recommendations</u>	
<u>Internal Controls</u>	3
1. Billing Rates Not Sufficient to Recover Costs (Repeat).....	3
<u>Financial Reporting</u>	4
2. Revenue Not Reported or Misclassified on Financial Status Report (Repeat).....	4
3. Programs Not Properly Charged For Storeroom Requisitions	5
4. Inequitable Laboratory and Billing Expense Allocations.....	5
5. Inadequate Payroll Documentation.....	6
MDCH Shares of Cost	7
WIC Statement of MDCH Grant Program Revenues and Expenditures	8
WIC Breastfeeding Statement of MDCH Grant Program Revenues and Expenditures	9
Family Planning Statement of MDCH Grant Program Revenues and Expenditures	10
Cost vs. Amounts Billed for Supplies and Services Schedule.....	11
Corrective Action Plans	12

DESCRIPTION OF AGENCY

The Genesee 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 Genesee County, and the administrative office is located in Flint in the Genesee County Health Department building. The Health Department operates under the legal supervision and control of the Board of Commissioners of Genesee County. The Health Department provides community health programs to residents of Genesee County. These services include: Food Protection, Family Planning, Women Infants and Children (WIC) Supplemental Food Program, Hearing Screening, Vision Screening, HIV/AIDS Prevention, Tobacco Reduction, Immunization, Communicable Disease Control, BCCCP, Medicaid Outreach, Safe Drinking Water, Infant Initiative, STD Control, Environmental Health, Lead Reduction, Bio-Terrorism Preparedness and On-Site Sewage.

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 funds, 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 cost (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, local and other revenue. 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 Program and WIC Program.
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.
3. To determine the MDCH shares of cost for the Family Planning Program and WIC 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 Family Planning Program and WIC Program records and activities for the fiscal period October 1, 2010 to September 30, 2011. Our review procedures included the following:

- Reviewed the most recent Genesee County Health Department Single Audit report for any Family Planning Program or WIC Program concerns.
- Completed the 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 building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed WIC equipment inventory and general Health Department equipment inventory records.
- Reviewed Medical Supply inventory controls.
- Reviewed 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 and WIC Program.

Conclusion: The Health Department was generally effective in establishing and implementing internal controls over the Family Planning Program and WIC Program. However, we noted one exception related to the Family Planning Program. We noted that billing rates were not sufficient to recover cost (Finding 1).

Finding

1. Billing Rates Not Sufficient to Recover Cost (Repeat)

The Health Department's billing rates for family planning services and supplies were generally too low to recover cost. Therefore, clients from households with an annual income that exceeded 250 percent of the poverty guideline were not charged for the reasonable cost of providing services as required by Title X regulations.

For our test, we multiplied the billing rate for each service and supply times the number of times each service/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 reported cost of \$977,008 we found the rates used would not recover \$159,568 of the cost (see Cost vs. Amounts Billed for Supplies and Services Schedule).

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....

Because the Health Department fee schedule cannot recover the total cost of services and supplies, amounts charged to persons from families whose annual income exceeds 250 percent of the Poverty Guidelines will not recover the reasonable cost of providing services.

The estimated effect is that an amount potentially recoverable from clients was paid from local revenues. Since the amount recovered from all clients was \$19,197, and billing rates were 16.33 percent under cost, we can estimate the effect was \$3,747 for the year. This, however, is much improved from our FYE 2009 review whereby billing rates were 44.5 percent under cost.

Recommendation

We recommend that the Health Department comply with the Title X regulations by increasing its billing rates to an amount that is sufficient to recover the reasonable cost of services.

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 Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department did not report 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. We noted exceptions with revenue reporting (Finding 2), storeroom charges (Finding 3), laboratory and billing expense allocations (Finding 4), and payroll documentation (Finding 5).

Finding

2. Revenue Not Reported or Misclassified on Financial Status Report (Repeat)

The Health Department understated 3rd Party Fees and Collections revenue and overstated 1st and 2nd Party Fees and Collections for the Family Planning Program.

The Health Department reported 1st and 2nd Party Fees and Collections of \$238,390 when they were only \$19,197; 3rd Party Fees and Collections of \$64,270 when they were actually \$309,100; and local and miscellaneous revenue of \$32,843 when they were \$7,206. Adjustments are shown on the attached Statement of MDCH Grant Program Revenues and Expenditures. The lack of revenue reporting and misclassification had no impact on MDCH grant funds. However, proper reporting is necessary to allow for effective monitoring and compliance with agreement requirements.

According to the MDCH grant agreement, Part II General Provisions, Section IV. Payment and Reporting Procedures, D – Financial Status Report Submission, “A *Financial Status Report...must be submitted for all programs...All FSRs must be prepared in accordance with*

the Department's FSR instructions..." All revenue must be reported and on the appropriate lines on the standard FSR.

Recommendation

We again recommend that the Health Department implement policies and procedures to ensure all revenue items are reported and properly classified on FSRs submitted to MDCH.

Finding

3. Programs Not Properly Charged For Storeroom Requisitions

The Health Department charges for storeroom requisitions did not agree with the prices on the requisition forms.

The Health Department maintains a store inventory for commonly ordered office and medical supply items. Program supervisors requisition supplies from the storeroom using a form provided by the purchasing supervisor. The prices for the items are listed on the requisition form and are updated at least quarterly. We noted numerous variances between the amount charged on the general ledger to programs and the prices according to the requisition forms. Also, we noted a supply requisition form for the WIC Program, but WIC was not charged.

The Health Department's contract with MDCH (Part II, Section III, Part A) requires compliance with OMB Circular A-87 (located at 2 CFR Part 225). According to OMB Circular A-87, Appendix A, Section C.1., for costs to be allowable under Federal awards, costs must meet the following general criteria: "*j. Be adequately documented.*"

Adjustments were not made since not all months were reviewed and there was no way to easily determine the financial impact on any one program.

Recommendation

We recommend that the Health Department adopt policies and procedure to ensure that all programs are only charged for what is actually requisitioned from the store inventory and at the appropriate price.

Finding

4. Inequitable Laboratory and Billing Expense Allocations

The Health Department allocates laboratory costs based on an estimated number of procedures performed for each program rather than actual, and allocates billing costs to programs based on salaries and fringes that does not result in an equitable distribution.

The Health Department's contract with MDCH requires compliance with OMB Circular A87 (located at 2 CFR part 225) when reporting costs. OMB Circular A87, Appendix A, Section

F.1. states, “Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.”

OMB Circular A-87, Appendix A, Section C. states,

To be allowable under Federal awards, costs must meet the following general criteria:...b. Be allocable to Federal awards under the provisions of 2 CFR 225...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.

The Health Department allocates laboratory costs based on an estimated number of procedures performed for each program using the laboratory. This estimate is revised every two years. An estimate will not necessarily result in an equitable distribution to benefitted cost objectives in consideration of actual benefits received. Actual activity should be used as the distribution base.

The Health Department allocates billing costs based on salaries and fringes of programs in relation to total programs having billable revenue. This methodology does not result in an equitable distribution in consideration of the relative benefits derived. Some programs were allocated billing costs that far exceeded the revenue collected. For example, the WIC Program was allocated \$41,670 in billing costs, but only \$21,499 in billable revenue was received. Billing costs should be allocated to programs based on relative benefits derived such as the receipt of billable revenue. When using billable revenue as the distribution base, the WIC Program allocation would be \$4,236 rather than \$41,670. An adjustment for \$37,434 to remove unallowed billing costs from 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 programs are allocated an equitable amount of laboratory and billing costs in consideration of actual benefits received.

Finding

5. Inadequate Payroll Documentation

The Health Department did not properly document their payroll expenses.

The Health Department’s contract with MDCH requires that FSRs report total actual program expenditures, and compliance with OMB Circular A-87 (located at 2 CFR Part 225). OMB Circular A-87, Appendix A, Section C.1. states that for costs to be allowable under Federal awards, costs must meet the following general criteria:

- g. Be determined in accordance with generally accepted accounting principles.*
- j. Be adequately documented.*

OMB Circular A-87, Appendix B, Section 8.h. requires certain documentation (certifications or personnel activity reports) for salaries and wages depending on the number of activities worked on.

When reviewing payroll, we noted that two employees who worked on WIC did not have their time recorded on the Payroll Distribution Report. The Payroll Distribution Report is used to determine the amount expensed in the general ledger. Since their time was not recorded in the Payroll Distribution Report, their time was not charged to WIC. Also, we noted an employee on the Payroll Distribution Report that had no time sheets to support that they worked on WIC. The net effect of these errors is minor and no financial adjustment will be made.

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure that all time expensed to programs is properly documented.

MDCH SHARES OF COST

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

Conclusion: The MDCH obligations under the Family Planning, WIC, and WIC Breastfeeding Programs for fiscal year ended September 30, 2011 are \$319,208; \$1,670,844; and \$49,752; respectively. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. Due to the adjustment for billing expenses (Finding 5), \$37,434 is due back to MDCH for the WIC Program.

**Genesee County Health Department
WIC Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/10 - 9/30/11**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$1,961,697	\$1,708,278 ¹	(\$37,434) ²	\$1,670,844
Fees & Collections – 3 rd Party	\$28,560	\$21,464	\$0	\$21,464
Local and Other Funds	\$144,290	\$0	\$0	\$0
TOTAL REVENUES	\$2,134,547	\$1,729,742	(\$37,434)	\$1,692,308
EXPENDITURES:				
Salary and Wages	\$866,033	\$758,835	\$0	\$758,835
Fringe Benefits	\$607,314	\$494,357	\$0	\$494,357
Supplies	\$21,054	\$20,271	\$0	\$20,271
Travel	\$2,500	\$2,626	\$0	\$2,626
Communications	\$2,000	\$0	\$0	\$0
Other Expense	\$108,540	\$97,310	\$0	\$97,310
Admin Overhead	\$459,846	\$314,673	\$0	\$314,673
Personal Health Services	\$67,260	\$41,670	(\$37,434) ²	\$4,236
TOTAL EXPENDITURES	\$2,134,547	\$1,729,742	(\$37,434)	\$1,692,308

¹ Actual MDCH payments provided on a performance reimbursement basis.

² To remove the unallowed billing costs (Finding 5).

**Genesee County Health Department
WIC Breastfeeding/Peer Counseling Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/10 - 9/30/11**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$62,587	\$49,752 ¹	\$0	\$49,752
TOTAL REVENUES	\$62,587	\$49,752	\$0	\$49,752
EXPENDITURES:				
Salary and Wages	\$7,696	\$7,096	\$0	\$7,096
Fringe Benefits	\$5,052	\$2,837	\$0	\$2,837
Supplies	\$1,359	\$352	\$0	\$352
Travel	\$868	\$38	\$0	\$38
Communications	\$1,080	\$0	\$0	\$0
Other Expense	\$46,532	\$39,429	\$0	\$39,429
Admin Overhead	\$0	\$0	\$0	\$0
Personal Health Services	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	\$62,587	\$49,752	\$0	\$49,752

¹ Actual MDCH payments provided on a performance reimbursement basis.

Genesee County Health Department
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/10 - 9/30/11

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$319,208	\$319,208 ¹	\$0	\$319,208
Fees 1 st & 2 nd Party	\$335,928	\$238,390	(\$219,193) ²	\$19,197
Fees & Collections - 3 rd Party	\$90,000	\$64,270	\$244,830 ²	\$309,100
Federal & State (Non MDCH)	\$5,000	\$0	\$0	\$0
MCH Funding	\$322,297	\$322,297	\$0	\$322,297
Local Funds Other	\$387,377	\$32,843	(\$26,178) ²	\$6,665
Miscellaneous	\$0	\$0	\$541 ²	\$541
TOTAL REVENUES	\$1,459,810	\$977,008	\$0	\$977,008
EXPENDITURES:				
Salary & Wages	\$532,293	\$357,970	\$0	\$357,970
Fringe Benefits	\$385,567	\$334,350	\$0	\$334,350
Supplies	\$96,057	\$42,285	\$0	\$42,285
Travel	\$2,200	\$614	\$0	\$614
Contractual	\$20,000	\$0	\$0	\$0
Admin Overhead	\$286,476	\$173,839	\$0	\$173,839
Other Expense	\$64,489	\$17,841	\$0	\$17,841
Other Distribution	\$72,728	\$50,109	\$0	\$50,109
TOTAL EXPENDITURES	\$1,459,810	\$977,008	\$0	\$977,008

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Revenue misreporting (Finding 3).

**Genesee County Health Department
Family Planning
Cost vs. Amounts Billed for Supplies and Services Schedule
10/1/10 – 9/30/11**

	<u>Procedure</u>	<u>Total Quantity</u>	<u>Price</u>	<u>Total</u>
99384	Initial Exam 12-17	83	\$164.00	\$13,612.00
99385	Initial Exam 18-39	389	\$164.00	\$63,796.00
99386	Initial Exam 40-64	28	\$192.00	\$5,376.00
99394	Established Exam 12-17	65	\$143.00	\$9,295.00
99395	Established Exam 18-39	895	\$144.00	\$128,880.00
99396	Established Exam 40-64	71	\$157.00	\$11,147.00
99201	Visit New Problem Focused	6	\$48.00	\$288.00
99202	Visit New Expanded Problem	89	\$83.00	\$7,387.00
99203	Visit New Detailed	4	\$112.00	\$448.00
99211	Office Visit Minimal	3,325	\$24.00	\$79,800.00
99212	Visit Est Problem Focused	498	\$48.00	\$23,904.00
99213	Visit Est Expanded Problem	192	\$75.00	\$14,400.00
11975	Implanon Insertion	23	\$174.00	\$4,002.00
11976	Implanon Removal	18	\$200.00	\$3,600.00
11977	Implanon Removal/Reinsert	11	\$311.00	\$3,421.00
57170	Diaphragm Fit	2	\$95.00	\$190.00
58300	Insert IUD	20	\$88.00	\$1,760.00
58301	Remove IUD	14	\$135.00	\$1,890.00
56501	Female TCA	54	\$154.00	\$8,316.00
85018	Hemocue	7	\$5.00	\$35.00
81025	Urine Pregnancy Test	1,525	\$10.00	\$15,250.00
81002	Urine Dipstick	53	\$10.00	\$530.00
87210	Wet Prep	1,690	\$8.00	\$13,520.00
88164	Pap Smear	149	\$15.00	\$2,235.00
87081	Gonorrhea	477	\$15.00	\$7,155.00
87270	Chlamydia	674	\$15.00	\$10,110.00
87591	Gonorrhea Amplified	812	\$50.00	\$40,600.00
87491	Chlamydia Amplified	813	\$50.00	\$40,650.00
87798	Trichomonas Assay	203	\$50.00	\$10,150.00
86592	Syphilis	661	\$9.00	\$5,949.00
S4993	Oral Contraceptives	8,113	\$20.00	\$162,260.00
J1055	Depo Provera	1,210	\$32.00	\$38,720.00
J7300	Paragard	10	\$275.00	\$2,750.00
J7302	Mirena	8	\$400.00	\$3,200.00
J7303	Nuva Ring	256	\$35.00	\$8,960.00
J7304	Ortho Evra Patch	17	\$21.00	\$357.00
J7307	Implanon	30	\$750.00	\$22,500.00
	Plan B	13	\$10.00	\$130.00
A4266	Diaphragm	2	\$40.00	\$80.00
A4267	Male Condoms (1 dozen)	8,418	\$6.00	\$50,508.00
A4268	Reality Condom	12	\$2.00	\$24.00
A4269	Foam	22	\$10.00	\$220.00
Aldara		7	\$5.00	\$35.00
Diflucan		0	\$4.00	\$0.00
				<hr/>
				\$817,440.00
				<hr/>
	Total Expenses			\$977,008.00
				<hr/>
	(Shortfall)/Excess			(\$159,568.00)
				<hr/>

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Billing Rates Not Sufficient to Recover Cost (Repeat)**

The Health Department's billing rates for family planning services and supplies were generally too low to recover cost. Therefore, clients from households with an annual income that exceeded 250 percent of the poverty guideline were not charged for the reasonable cost of providing services as required by Title X regulations.

Recommendation: Comply with the Title X regulations by increasing billing rates to an amount that is sufficient to recover the reasonable cost of services.

Comments: Increasing rates will have a negative impact on the majority of our serving population. More burdens will be on some people based on the sliding fees; some will be left off the hook even though they are capable of paying part of the cost of service received. Our current rate enables us to have a fair balanced approach in maximizing our collection.

Corrective Action: None.

MDCH Response: Title X regulations require that the fee schedule is designed to recover the reasonable cost of providing services. MDCH, however, recently obtained approval to allow for a variance in the setting of charges to allow a rate lower than that required to recover the full cost of program services based on community needs and a local administrative decision. Please refer to the recently revised Section 6.3.1 of the MDCH Title X Family Planning Standards and Guidelines, and ensure the required cost analysis is conducted, and the required administration approved policy is in place if the Health Department chooses to set fees lower than what is required to recover actual costs.

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: Revenue Not Reported or Misclassified on Financial Status Report (Repeat)

The Health Department understated 3rd Party Fees and Collections revenue and overstated 1st and 2nd Party Fees and Collections for the Family Planning Program.

Recommendation: Implement policies and procedures to ensure all revenue items are reported and properly classified on the FSRs submitted to MDCH.

Comments: We disagree with this finding based on the fact that we did not overstate or understate our revenue in its totality. The State was not overbilled within this program.

Corrective Action: The Health Department will review 1st, 2nd & 3rd party classifications & post accordingly.

Anticipated Completion Date: Immediately

MDCH Response: Even though the misclassifications do not affect MDCH funding, the Health Department must classify and report all of their revenues as they are represented within the financial statements.

Corrective Action Plan

Finding Number: 3

Page Reference: 5

Finding: **Programs Not Properly Charged For Storeroom Requisitions**

The Health Department charges for storeroom requisitions did not agree with the prices on the requisition forms.

Recommendation: Adopt policies and procedures to ensure all programs are only charged for the items actually requisitioned from the store inventory and at the appropriate price.

Comments: Finding on the differences in storeroom requisition form and the amount charged in the ledger was due to old forms being used by some of our staff and this will be corrected in future reporting. Concerning the requisition form that was not charged to the program, there was an error on behalf of administration.

Corrective Action: The Health Department will update forms to current prices and ensure staff uses updated forms or orders will not be filled. The accountant & purchasing clerk will communicate more efficiently.

**Anticipated
Completion Date:** Immediately

MDCH Response: None

Corrective Action Plan

Finding Number: 4

Page Reference: 5

Finding: **Inequitable Laboratory and Billing Expense Allocations**

The Health Department allocates laboratory costs based on an estimated number of procedures performed for each program rather than actual, and allocates billing costs to programs based on salaries and fringes that does not result in an equitable distribution.

Recommendation: Adopt policies and procedures to ensure that programs are allocated an equitable amount of laboratory and billing costs in consideration of actual benefits received.

Comments: We do cost studies biennially. All programs report monthly activities and sections are billed according to actual labor efforts.

Corrective Action: None.

MDCH Response: The Health Department allocates billing costs based on *total* actual labor efforts (salaries and fringes) of programs in relation to total programs having billable revenue. This does not result in an equitable distribution of *billing costs* in consideration of the relative benefits derived. This is evidenced by the WIC Program being allocated billing costs of almost double the amount of revenue received. Billing costs should be allocated to programs in relation to **billing activities** or the **results of billing activities such as revenue received**. Corrective action is needed to ensure laboratory and billing expenses are allocated based on actual activities (not budgeted amounts based on biennial cost studies) in accordance with benefits received.

Corrective Action Plan

Finding Number: 5

Page Reference: 6

Finding: Inadequate Payroll Documentation

The Health Department did not properly document their payroll expenses.

Recommendation: Adopt policies and procedures to ensure that all time expensed to programs is properly documented.

Comments: We require employees working in different programs during any fiscal year regardless of what specific program to complete personal activity reports. If employees move between departments we complete a Notice of Appointment/Separation and forward it to Human Resources for correction.

Corrective Action: None.

MDCH Response: Despite the above noted Health Department policies and procedures, we noted instances where employees who, according to their time sheets, worked on the WIC Program but the Health Department did not charge their time to the WIC Program; and where an employee's time was charged to the WIC Program but the employee had no time sheets to support that they worked on the WIC Program. The Health Department needs to develop internal controls to prevent this from recurring.