

Audit Report

Huron County Health Department WIC and Family Planning Programs

October 1, 2011 – September 30, 2012



Office of Audit
Quality Assurance and Review Section
November 2013



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

November 27, 2013

Gretchen Tenbusch, RN, MSA, Health Officer
Huron County Health Department
1142 S. Van Dyke
Bad Axe, MI 48413

Dear Ms. Tenbusch:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the WIC and Family Planning Programs 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; Statements of MDCH Grant Program Revenues and Expenditures; and Corrective Action Plans. The conclusions and findings 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.

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

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DESCRIPTION OF AGENCY

The Huron 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 Huron County, and the administrative office is located in Bad Axe, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Huron County. The Health Department provides community health program services to the residents of Huron County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Sexually Transmitted Disease Control, Medicaid Outreach, Maternal & Infant Health, Children's Special Health Care Services, Breast and Cervical Cancer Control Program, Tobacco Reduction, Bioterrorism/Emergency Preparedness/Pandemic Flu, Family Planning, and Women Infants and Children (WIC) Supplemental Food Program.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Community Health (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.

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. 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 Family Planning Program was funded by MDCH Grant Funds, First and Second Party Fees and Collections, and Local 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.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the WIC Program and Family Planning Program internal controls and financial reporting, and to determine the MDCH share of 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 WIC and Family Planning Programs.
2. To assess the Health Department's effectiveness in reporting their WIC Program and Family Planning 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 costs for the WIC Program and 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 Huron County Single Audit report for any WIC Program or Family Planning Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the WIC Program and Family Planning Program Financial Status Reports (FSRs) to the accounting records.
- Reviewed payroll expenditures.
- Tested a sample of expenditures for program compliance, and policy and approval procedures.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.

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 WIC and Family Planning Programs.

Conclusion: The Health Department was effective in establishing and implementing internal controls over the WIC Program and Family Planning Program. We noted one internal control exception regarding fees not being sufficient to recover costs in the Family Planning Program (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 cost of \$151,201 we found the rates used would not recover \$28,738 of the cost.

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. Because the amount recovered from all clients was \$11,912, and billing rates were 19 percent under cost, we can estimate the effect was approximately \$2,795 for the year.

This issue was also cited in our FYE 2010 audit of the Family Planning Program, at which time billing rates were 21% under cost. In response, the Health Department stated that billing rates would be re-evaluated and taken to the Board of Health for approval. We noted that billing rates for some supplies and services increased effective January 2012, and these were applicable for three-quarters of the audit period. We also noted that rather than a cost analysis to set fees, the Health Department simply compares their fees to the fees of Health Departments of similar size and geographic areas and makes adjustments accordingly. While it is a good practice to compare fees, using a fee structure of similar agencies will not necessarily ensure the fees will recover the cost of providing services at your Health Department. A periodic cost analysis is needed to develop a fee schedule designed to recover the reasonable costs of providing services.

Recommendation

We recommend that the Health Department develop a process which utilizes a recent cost analysis of all services provided to develop a fee schedule designed to recover the reasonable costs of providing services in accordance with Section 6.3.1 of the MDCH Title X Family Planning Standards and Guidelines. We also recommend that the Health Department comply with the Title X regulations by increasing billing rates to an amount that is sufficient to recover the reasonable cost of services as documented in a recent 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.

FINANCIAL REPORTING

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

MDCH SHARES OF COSTS

Objective 3: To determine the MDCH shares of cost for the WIC Program and 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 WIC Program for fiscal year ended September 30, 2012 is \$156,341. The MDCH obligation under the WIC Breastfeeding Program for fiscal year ended September 30, 2012 is \$48,750. The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2012 is \$45,542. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting MDCH grant program funding.

**Huron County Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/11 - 9/30/12**

| | BUDGETED | REPORTED | AUDIT ADJUSTMENT | ALLOWABLE |
|---|-----------------|------------------------|-----------------------------|------------------|
| REVENUES: | | | | |
| MDCH Grant | \$156,341 | \$156,341 ¹ | \$0 | \$156,341 |
| Local and Other Funds | \$4,856 | \$3,362 | \$0 | \$3,362 |
| Fees & Collections – 1 st and 2 nd Party | \$0 | \$1,872 | \$0 | \$1,872 |
| TOTAL REVENUES | \$161,197 | \$161,575 | \$0 | \$161,575 |
| EXPENDITURES: | | | | |
| Salary and Wages | \$64,169 | \$64,636 | \$0 | \$64,636 |
| Fringe Benefits | \$35,791 | \$35,189 | \$0 | \$35,189 |
| Supplies | \$12,090 | \$12,431 | \$0 | \$12,431 |
| Travel | \$1,242 | \$648 | \$0 | \$648 |
| Communications | \$0 | \$0 | \$0 | \$0 |
| Space Cost | \$15,801 | \$15,782 | \$0 | \$15,782 |
| Other Expense | \$1,148 | \$1,152 | \$0 | \$1,152 |
| Indirect Cost | \$21,685 | \$22,347 | \$0 | \$22,347 |
| Nursing Admin. | \$9,271 | \$9,390 | \$0 | \$9,390 |
| TOTAL EXPENDITURES | \$161,197 | \$161,575 | \$0 | \$161,575 |

¹ Actual MDCH payments provided on a performance reimbursement basis.

**Huron County Health Department
WIC Breastfeeding/Peer Counseling Project
Statement of MDCH Grant Program Revenues and Expenditures
10/1/11 - 9/30/12**

| | BUDGETED | REPORTED | AUDIT ADJUSTMENT | ALLOWABLE |
|---|-----------------|-----------------------|-----------------------------|------------------|
| REVENUES: | | | | |
| MDCH Grant | \$48,750 | \$48,750 ¹ | \$0 | \$48,750 |
| Local and Other Funds | \$4,675 | \$4,009 | \$0 | \$4,009 |
| Fees and Collections – 1 st and 2 nd Party | \$0 | \$719 | \$0 | \$719 |
| TOTAL REVENUES | \$53,425 | \$53,478 | \$0 | \$53,478 |
| EXPENDITURES: | | | | |
| Salary and Wages | \$27,491 | \$27,793 | \$0 | \$27,793 |
| Fringe Benefits | \$7,866 | \$7,825 | \$0 | \$7,825 |
| Supplies | \$3,650 | \$3,337 | \$0 | \$3,337 |
| Travel | \$794 | \$0 | \$0 | \$0 |
| Communications | \$0 | \$514 | \$0 | \$514 |
| Space Cost | \$2,248 | \$2,233 | \$0 | \$2,233 |
| Other Expense | \$427 | \$427 | \$0 | \$427 |
| Indirect Cost | \$7,670 | \$7,991 | \$0 | \$7,991 |
| Nursing Admin. | \$3,279 | \$3,358 | \$0 | \$3,358 |
| TOTAL EXPENDITURES | \$53,425 | \$53,478 | \$0 | \$53,478 |

¹ Actual MDCH payments provided on a performance reimbursement basis.

**Huron County 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 | \$45,542 | \$45,542 ¹ | \$0 | \$45,542 |
| Local and Other Funds | \$1,698 | \$1,698 | \$0 | \$1,698 |
| Fees and Collections – 1 st and 2 nd Party | \$8,971 | \$11,912 | \$0 | \$11,912 |
| Fees and Collections – 3 rd Party | \$38,505 | \$38,594 | \$0 | \$38,594 |
| Federal Cost Based Reimbursement | \$59,492 | \$53,455 | \$0 | \$53,455 |
| TOTAL REVENUES | \$154,208 | \$151,201 | \$0 | \$151,201 |
| EXPENDITURES: | | | | |
| Salary and Wages | \$59,584 | \$57,932 | \$0 | \$57,932 |
| Fringe Benefits | \$22,984 | \$20,641 | \$0 | \$20,641 |
| Supplies | \$27,001 | \$30,632 | \$0 | \$30,632 |
| Travel | \$0 | \$62 | \$0 | \$62 |
| Communications | \$0 | \$0 | \$0 | \$0 |
| Space Cost | \$14,357 | \$14,590 | \$0 | \$14,590 |
| Other Expense | \$4,574 | \$2,213 | \$0 | \$2,213 |
| Indirect Cost | \$17,912 | \$17,589 | \$0 | \$17,589 |
| Nursing Admin. | \$7,796 | \$7,542 | \$0 | \$7,542 |
| TOTAL EXPENDITURES | \$154,208 | \$151,201 | \$0 | \$151,201 |

¹ Actual MDCH payments provided on a performance reimbursement basis.

Corrective Action Plan

Finding Number: 1

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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.

Recommendation: Develop a process which utilizes a recent cost analysis of all services provided to develop a fee schedule designed to recover the reasonable costs of providing services in accordance with Section 6.3.1 of the MDCH Title X Family Planning Standards and Guidelines. Also, comply with the Title X regulations by increasing billing rates to an amount that is sufficient to recover the reasonable cost of services as documented in a recent 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 Office of Population Affairs (OPA) has made changes to the Title X requirements that are under review by the Federal Office of Management & Budget (OMB), and it is anticipated that the cost analysis requirement will be changed. MDCH Family Planning Program management has advised the Health Department to wait until MDCH receives the revisions from OPA and passes them on to the local health departments before implementing any corrective action.

Corrective Action: The Health Department will comply with the new requirements once they are informed by MDCH.

**Anticipated
Completion Date:** N/A

MDCH Response: Based on the 42 CFR 59.5 requirement that charges must be made in accordance with a schedule of fees designed to recover the reasonable cost of providing services, some form of cost analysis will likely still be required. The Code of Federal Regulations is not changing. The MDCH Family Planning Program area, however, will advise the Health Department of expected actions regarding cost analyses and fee setting once they receive information from OPA.