

Audit Report

Lenawee County Health Department
Family Planning

October 1, 2013 – September 30, 2014



Office of Audit
Quality Assurance and Review
June 2015



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

NICK LYON
DIRECTOR

June 30, 2015

Patsy Bourgeois, RN, MS, Health Officer
Lenawee County Health Department
1040 S. Winter, Suite 2328
Adrian, Michigan 49221-3871

Dear Ms. Bourgeois:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Lenawee County Health Department Family Planning Program for the period October 1, 2013 through September 30, 2014.

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

Thank you for the cooperation extended throughout this audit process.

Sincerely,

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

Enclosure

cc: Paulette Dobynes Dunbar, Manager, Division of Family and Community Health
Deanna Charest, Manager, Reproductive and Preconception 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 Lenawee County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a component unit of Lenawee County, which is the reporting entity, and the administrative office is located in Adrian, Michigan. The Health Department operates under the legal supervision and control of the Board of Health of Lenawee County. The Health Department provides various health program services to the residents of Lenawee County.

FUNDING METHODOLOGY

The Family Planning services are funded from local sources, fees and collections, and grant programs administered through the Michigan Department of Community Health (MDCH). MDCH provided the Health Department with grant funding monthly based on Financial Status Reports in accordance with the terms and conditions of the grant agreement and budget. Grant funding from MDCH for the Family Planning Program is federal funding under federal catalog numbers 93.217 and 93.994, 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 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 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 share of costs 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, 2013 to September 30, 2014. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any Family Planning Program concerns.
- Reviewed the completed 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 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 effective in establishing and implementing internal controls over the Family Planning Program.

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 MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department generally 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. However, one exception was noted with unsupported allocations related to County Central Services Costs (Finding 1).

Finding

1. Unsupported County Central Services Cost Allocation

The Health Department allocated County Central Services Costs to Health Department programs, including the Family Planning Program and Administration, but the amounts allocated were not supported.

OMB Circular A-87 (located at 2 CFR Part 225), Appendix A, Section C. 1. states that for costs to be allowable, costs must be allocable under the provisions of 2 CFR Part 225, and adequately documented. A cost is allocable to a particular cost objective if the services are assignable to such cost objective in accordance with relative benefits received.

The County provides the Health Department with the annual amount of County Central Services Costs. The Health Department allocates this amount to the various programs based on square footage. The square footage for the Family Planning Program equaled 9% of the total square footage of the Health Department, but 11% was used for the allocation. The square footage for Administration equaled 15% of the total square footage of the Health Department, but 16% was used for the allocation. This resulted in the Family Planning Program being over charged \$3,743 and the Administration cost pool being over charged \$1,871. Half of the programs that receive a portion of the allocation were correct, but the other half were over or under allocated by 1% or 2%, with a net effect of \$0.

Adjustments are shown on the attached Statement of Grant Program Revenues and Expenditures. These adjustments had no impact on grant funds due to the level of local funding.

Recommendation

We recommend that the Health Department adopt a policy and procedure to ensure the proper allocation of County Central Services Costs to all programs on an equitable basis that is adequately supported.

MDCH SHARE OF COSTS AND BALANCE DUE

Objective 3: To determine the MDCH share of costs 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, 2014 is \$119,481. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting the Family Planning Program.

**Lenawee County Health Department
Family Planning
Statement of Grant Program Revenues and Expenditures
10/1/13 - 9/30/14**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
Fees and Collections 1st & 2nd	\$7,600	\$9,948	\$0	\$9,948
Fees and Collections 3rd	\$30,100	\$24,189	\$0	\$24,189
Federal Cost Based Reimbursement	\$12,521	\$12,125	\$0	\$12,125
Required Match Local	\$1,391	\$1,347	\$0	\$1,347
MDCH Grant Federal	\$106,431	\$106,431 1	\$0	\$106,431
MDCH Grant State	\$13,050	\$13,050 2	\$0	\$13,050
Local Funds Other	\$36,329	\$9,796	(\$3,815)	\$5,981
TOTAL REVENUES	\$207,422	\$176,886	(\$3,815)	\$173,071
EXPENDITURES:				
Salary and Wages	\$57,039	\$50,427	\$0	\$50,427
Fringe Benefits	\$25,320	\$16,156	\$0	\$16,156
Contractual	\$3,150	\$3,950	\$0	\$3,950
Supplies	\$12,220	\$3,397	\$0	\$3,397
Medical & Pharmaceuticals	\$13,050	\$13,050	\$0	\$13,050
Travel	\$115	\$424	\$0	\$424
Communications	\$1,650	\$1,325	\$0	\$1,325
County City Cental Services	\$20,584	\$20,584	(\$3,743) 3	\$16,841
Space Cost	\$14,408	\$14,408	\$0	\$14,408
Other Expense	\$14,043	\$11,724	\$0	\$11,724
Indirect Costs	\$24,671	\$21,664	(\$72) 3	\$21,592
Other Costs Distributions	\$21,172	\$19,777	\$0	\$19,777
TOTAL EXPENDITURES	\$207,422	\$176,886	(\$3,815)	\$173,071

- 1 Actual MDCH Federal payments provided on a performance reimbursement basis.
2 Actual MDCH State payments for medical and pharmaceutical supplies.
3 Overallocation of County Central Service Costs (Finding 1).

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Unsupported County Central Services Cost Allocation

The Health Department allocated County Central Services Costs to Health Department programs, including the Family Planning Program and Administration, but the amounts allocated were not supported.

Recommendation: Adopt a policy and procedure to ensure the proper allocation of County Central Services Costs to all programs on an equitable basis that is adequately supported.

Comments:

Corrective Action: Our Cost Allocation Methodologies for County Central Services states that it is based on space percentage. The Health Department has incorporated into the instructions that they use to calculate the space percentage a step to "Make sure to change the percents on the County Central spreadsheet to match these new percents" to prevent this from happening again.

**Anticipated
Completion Date:** Completed on June 15, 2015.

MDCH Response: None