

Audit Report

Macomb County Health Department
Family Planning and WIC Programs

October 1, 2011 – September 30, 2012



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 23, 2013

Bill Ridella, MPH, MBA, Director/Health Officer
Macomb County Health Department
43525 Elizabeth Road
Mt. Clemens, MI 48043

Dear Mr. Ridella:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Macomb County Health Department 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; 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.

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: 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
Michael Gribbin, Auditor, Office of Audit
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DESCRIPTION OF AGENCY

The Macomb 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 Macomb County, which is the reporting entity, and the administrative office is located in Mount Clemens, Michigan. As of January 1, 2012, the Health Department operates under the supervision and control of the County Executive Officer. Prior to that, the Health Department operated under the legal supervision and control of the County's Board of Commissioners. The Health Department provides community health program services to the residents of Macomb County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease Control, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Women Infant and Children Supplemental Food Program (WIC), Emergency Preparedness, CSHCS Outreach, 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, 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, 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 or WIC Program concerns.
- Completed an 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. It was noted the billing rates for the Family Planning Program were not sufficient to recover costs (Finding 1). This is a repeat finding.

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% 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 \$835,279 (adjusted per Finding 2) we found the rates used would not recover \$272,229 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% 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 \$30,537, and billing rates were about 32.59% under cost, we can estimate the effect was approximately \$14,764 for the year.

Recommendation

We again 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 generally reported 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. However, an exception was noted with Indirect Overhead and County Central Services cost reporting (Finding 2).

Finding

2. Indirect Overhead and County Central Services Not Fully Reported (Repeat)

The Health Department does not fully report Indirect Overhead and County Central Services costs to all applicable programs.

When the Health Department calculated the Administrative Support Indirect Overhead costs, it failed to include County Central Services cost of \$73,230 for January 2012 through September 2012 in the cost pool. Additionally, the Health Department did not report any Administrative Support Indirect Overhead or County Central Services costs for the Family Planning Program, and only reported an allocation amount for the WIC Program that fell within the MDCH Grant amount.

The MDCH contract (Part II, Section IV, Part D) requires that FSRs report total actual program expenditures regardless of the source of funds.

OMB Circular A-87, Appendix A, states:

D. Composition of Cost

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

F. Indirect costs.

- 1. General. Indirect costs are those: Incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objective specifically benefitted....*

Adjustments to add appropriate Indirect Overhead and County Central Services costs are included on the attached Statements of MDCH Grant Program Revenues and Expenditures.

Recommendation

We again recommend that the Health Department implement policies and procedures to ensure total actual program expenditures are reported on the FSR in compliance with the contract.

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 for fiscal year ended September 30, 2012 under the Family Planning Program is \$164,732, under the WIC Program is \$1,594,810, and under the WIC Breastfeeding Program is \$37,456. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning Program or WIC Program funding.

Macomb 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	\$1,594,810	\$1,594,810 ¹	\$0	\$1,594,810
Local and Other Funds	\$0	\$0	\$120,011	\$120,011
Fees and Collections – 1 st & 2 nd Party	\$0	\$336	\$0	\$336
TOTAL REVENUES	\$1,594,810	\$1,595,146	\$120,011	\$1,715,157
EXPENDITURES:				
Salary and Wages	\$740,000	\$754,009	\$0	\$754,009
Fringe Benefits	\$455,995	\$457,039	\$0	\$457,039
Contractual	\$20,000	\$35,097	\$0	\$35,097
Supplies	\$88,858	\$87,986	\$0	\$87,986
Travel	\$11,000	\$12,871	\$0	\$12,871
Communications	\$3,000	\$0	\$0	\$0
County Central Services	\$82,535	\$69,394	\$113,046 ²	\$182,440
Space Cost	\$40,300	\$40,300	\$0	\$40,300
Other Expense	\$21,563	\$18,851	\$0	\$18,851
Indirect Cost	\$131,559	\$119,599	\$6,965 ²	\$126,564
TOTAL EXPENDITURES	\$1,594,810	\$1,595,146	\$120,011	\$1,715,157

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Understated County Central Service and Indirect Costs (Finding 2).

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$60,747	\$37,456 ¹	\$0	\$37,456
Local and Other Funds	\$0	\$0	\$46	\$46
TOTAL REVENUES	\$60,747	\$37,456	\$46	\$37,502
EXPENDITURES:				
Salary and Wages	\$5,086	\$4,704	\$0	\$4,704
Fringe Benefits	\$3,026	\$3,256	\$0	\$3,256
Contractual	\$33,662	\$21,093	\$0	\$21,093
Supplies	\$365	\$324	\$0	\$324
Travel	\$768	\$177	\$0	\$177
Communications	\$0	\$0	\$0	\$0
County Central Services	\$15,471	\$5,721	\$0	\$5,721
Space Cost	\$0	\$0	\$0	\$0
Other Expense	\$1,500	\$1,395	\$0	\$1,395
Indirect Cost	\$869	\$786	\$46 ²	\$832
TOTAL EXPENDITURES	\$60,747	\$37,456	\$46	\$37,502

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Understated Indirect Costs (Finding 2).

Macomb 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	\$164,732	\$164,732 1	\$0	\$164,732
Fees 1 st & 2 nd Party	\$34,500	\$30,537	\$0	\$30,537
Fees & Collections – 3 rd Party	\$378,402	\$305,606	\$144,916 2	\$450,522
Fed Cost Base Reimbursement	\$0	\$0	\$0	\$0
MCH Funding	\$189,488	\$189,488	\$0	\$189,488
Local Funds	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$767,122	\$690,363	\$144,916	\$835,279
EXPENDITURES:				
Salary & Wages	\$454,708	\$392,843	\$0	\$392,843
Fringe Benefits	\$191,441	\$186,285	\$0	\$186,285
Contractual	\$1,500	\$3,600	\$0	\$3,600
Supplies	\$89,703	\$87,897	\$0	\$87,897
Travel	\$10,010	\$9,629	\$0	\$9,629
Communications	\$0	\$0	\$0	\$0
Other Expense	\$19,760	\$10,109	\$56 4	\$10,165
Admin Overhead	\$0	\$0	\$60,523 3	\$60,523
County Central Services	\$0	\$0	\$84,337 3	\$84,337
TOTAL EXPENDITURES	\$767,122	\$690,363	\$144,916	\$835,279

1 Actual MDCH payments provided on a performance reimbursement basis.

2 Underreported Medicaid reimbursement related to prior years (2005, 2006, & 2007). An additional amount was recorded in the general ledger, but an adjustment will not be made for this. Revenues would then exceed expenditures requiring a payback of funds. It was determined that prior period expenditures were understated and the revenue can be viewed as covering prior period underreported expenses.

3 Non-reporting of Administrative Overhead and County Central Services (Finding 2).

4 Minor reconciling differences with general ledger.

**Macomb 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>
99211	Supply Visit/Counseling	1956	\$30.00	\$58,680.00
99213	Medical Revisit	1032	\$40.00	\$41,280.00
99211	Pregnancy Test Visit	887	\$30.00	\$26,610.00
99384	New 12-17 years	107	\$120.00	\$12,840.00
99385	New 18-39 years	843	\$120.00	\$101,160.00
99386	New 40-64 years	36	\$145.00	\$5,220.00
99394	Est 12-17 years	39	\$100.00	\$3,900.00
99395	Est 18-39 years	992	\$100.00	\$99,200.00
99396	Est 40-64 years	39	\$110.00	\$4,290.00
58300	IUD Insertion	18	\$65.00	\$1,170.00
58301	IUD Removal	9	\$70.00	\$630.00
87205	Pap Smear	1371	\$15.00	\$20,565.00
85018	Hemoglobin	129	\$5.00	\$645.00
87210	Wet Mount	262	\$15.00	\$3,930.00
81025	Urine Pregnancy Test	1369	\$10.00	\$13,690.00
82270	Hemocult	0	\$5.00	\$0.00
89999	Aldara Cream	36	\$25.00	\$900.00
9998	Clindamycin	1	\$10.00	\$10.00
Z8060	Diflucan	7	\$10.00	\$70.00
Z8090	Flagyl 4 tablets	21	\$5.00	\$105.00
Z8091	Flagyl 14 tablets	177	\$10.00	\$1,770.00
89820	Metrogel	22	\$15.00	\$330.00
Z8080	Terazol-3	14	\$10.00	\$140.00
A4993	Oral Contraceptives	7564	\$15.00	\$113,460.00
J1055	Depo	873	\$30.00	\$26,190.00
A4266	Diaphragm	0	\$25.00	\$0.00
J7303	Nuva Ring	551	\$30.00	\$16,530.00
J7304	Ortha Patch	261	\$25.00	\$6,525.00
A4268	Female Condom	0	\$5.00	\$0.00
J7302	IUD Mirena	2	\$365.00	\$730.00
J7300	IUD Paragard	10	\$230.00	\$2,300.00
A4269	Foam/Jelly	18	\$10.00	\$180.00
A4267	Condoms	0	\$0.00	\$0.00
				<hr/> \$563,050.00
	Total Expenses			<hr/> \$835,279.00
	(Shortfall)/Excess			<hr/> <hr/> (\$272,229.00)

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% 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.

Corrective Action: The Health Department will evaluate and analyze the cost of Family Planning Services in relation to the program's fee schedule. Upon a review and market analysis of program fees, if it is determined that the final fee schedule is insufficient to recover programmatic costs, an administrative policy will be created in accordance with Jeanette Lightning's memo dated February 14, 2013 regarding an update to MDCH standards and guidelines 6.3.1-FP-84-13.

**Anticipated
Completion Date:** September 30, 2013

MDCH Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: **Indirect Overhead and County Central Services Not Fully Reported (Repeat)**

The Health Department does not fully report Indirect Overhead and County Central Services costs to all applicable programs.

Recommendation: Implement policies and procedures to ensure total actual program expenditures are reported on the FSR in compliance with the contract.

Corrective Action: The Health Department, which is now operating under a new governing authority of a County Executive, will assess its policies and procedures regarding the proper distribution of internal expenses to the WIC and Family Planning Programs. After this assessment, any recommendations will be brought forth to the appropriate Directors within this new administration.

Anticipated Completion Date: September 30, 2013

MDCH Response: None