

# Audit Report

## **Marquette County Health Department WIC & Family Planning Programs**

October 1, 2010 – September 30, 2011



Office of Audit  
Quality Assurance and Review Section  
November 2012



RICK SNYDER  
GOVERNOR

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

JAMES K. HAVEMAN  
DIRECTOR

November 2, 2012

Fred Benzie, RS, MPH, MPA, Health Officer/Director  
Marquette County Health Department  
184 U.S. 41 East  
Negaunee, MI 49866

Dear Mr. Benzie:

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, 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; Statement of MDCH Grant Program Revenues and Expenditures; Corrective Action Plan; and Comments and Recommendations. The conclusions, findings, and recommendations are organized by audit objective. The Corrective Action Plan includes the agency's paraphrased response to the Preliminary Analysis. The Comments and Recommendations section includes areas where we believe there are opportunities for the agency to further strengthen internal controls or to increase operating efficiencies.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in cursive script, reading "Debra S. Hallenbeck".

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

Enclosure

cc: Stan Bien, Director, WIC Division  
Paulette Dobynes 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

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## **DESCRIPTION OF AGENCY**

The Marquette 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 Marquette County, and the administrative office is located in Negaunee, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Marquette County. The Health Department provides community health program services to the residents of Marquette 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, Breast and Cervical Cancer Control Program, Family Planning, Children's Special Health Care Services, Bioterrorism/Emergency Preparedness/Pandemic Flu, Medicaid Outreach, Maternal and Infant Health, Healthy Communities Program, Tobacco Reduction, 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 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.

The WIC and WIC Breastfeeding Programs were funded by MDCH Grant Funds. Grant funding from MDCH for the WIC Programs 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 WIC Program and Family Planning Program internal controls and financial reporting, and to determine the MDCH shares of cost. 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 cost for the WIC, WIC Breastfeeding/Peer Counseling, and Family Planning 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, 2010 to September 30, 2011. Our review procedures included the following:

- Reviewed the most recent Marquette County Single Audit report for any WIC or Family Planning Program concerns.
- Completed the 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.
- 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 WIC and Family Planning Programs.

**Conclusion:** The Health Department was generally effective in establishing and implementing internal controls over the WIC and Family Planning Programs. We noted one exception regarding the billing rates for the Family Planning Program (Finding 1).

## **Finding**

### **1. Billing Rates Not Sufficient to Recover Cost**

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 \$167,868 we found the rates used would not recover \$61,285 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. Because the amount recovered from all clients was \$7,337, and billing rates were about 36.51 percent under cost, we can estimate the effect was approximately \$4,219 for the year.

## **Recommendation**

We 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.

## **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 activities to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. No financial reporting exceptions were noted during the audit.

## **MDCH SHARES OF COST**

**Objective 3:** To determine the MDCH shares of cost for the WIC, WIC Breastfeeding/Peer Counseling, and Family Planning Programs 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 WIC, WIC Breastfeeding/Peer Counseling, and Family Planning Programs for fiscal year ended September 30, 2011 are \$246,804, \$49,569, and \$59,464, respectively. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC, WIC Breastfeeding/Peer Counseling, or Family Planning grant program funding.

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

|                           | <b>BUDGETED</b> | <b>REPORTED</b>        | <b>AUDIT<br/>ADJUSTMENT</b> | <b>ALLOWABLE</b> |
|---------------------------|-----------------|------------------------|-----------------------------|------------------|
| <b>REVENUES:</b>          |                 |                        |                             |                  |
| MDCH Grant                | \$250,528       | \$246,804 <sup>1</sup> | \$0                         | \$246,804        |
| Local and Other Funds     | \$0             | \$0                    | \$0                         | \$0              |
| <b>TOTAL REVENUES</b>     | \$250,528       | \$246,804              | \$0                         | \$246,804        |
| <b>EXPENDITURES:</b>      |                 |                        |                             |                  |
| Salary and Wages          | \$108,203       | \$102,818              | \$0                         | \$102,818        |
| Fringe Benefits           | \$59,622        | \$51,820               | \$0                         | \$51,820         |
| Supplies                  | \$9,739         | \$19,386               | \$0                         | \$19,386         |
| Travel                    | \$350           | \$3,152                | \$0                         | \$3,152          |
| Communications            | \$2,000         | \$825                  | \$0                         | \$825            |
| Space Cost                | \$2,200         | \$1,778                | \$0                         | \$1,778          |
| Other Expense             | \$1,284         | \$4,065                | \$0                         | \$4,065          |
| Indirect Cost             | \$67,130        | \$62,960               | \$0                         | \$62,960         |
| <b>TOTAL EXPENDITURES</b> | \$250,528       | \$246,804              | \$0                         | \$246,804        |

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis



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

|                           | <b>BUDGETED</b> | <b>REPORTED</b>       | <b>AUDIT<br/>ADJUSTMENT</b> | <b>ALLOWABLE</b> |
|---------------------------|-----------------|-----------------------|-----------------------------|------------------|
| <b>REVENUES:</b>          |                 |                       |                             |                  |
| MDCH Grant                | \$68,250        | \$49,569 <sup>1</sup> | \$0                         | \$49,569         |
| Local and Other Funds     | \$723           | \$0                   | \$0                         | \$0              |
| <b>TOTAL REVENUES</b>     | \$68,973        | \$49,569              | \$0                         | \$49,569         |
| <b>EXPENDITURES:</b>      |                 |                       |                             |                  |
| Salary and Wages          | \$35,649        | \$28,620              | \$0                         | \$28,620         |
| Fringe Benefits           | \$6,939         | \$3,019               | \$0                         | \$3,019          |
| Supplies                  | \$700           | \$1,565               | \$0                         | \$1,565          |
| Travel                    | \$7,522         | \$2,944               | \$0                         | \$2,944          |
| Communications            | \$509           | \$0                   | \$0                         | \$0              |
| Space Cost                | \$608           | \$437                 | \$0                         | \$437            |
| Other Expense             | \$0             | \$0                   | \$0                         | \$0              |
| Indirect Cost             | \$17,046        | \$12,984              | \$0                         | \$12,984         |
| <b>TOTAL EXPENDITURES</b> | \$68,973        | \$49,569              | \$0                         | \$49,569         |

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis

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

|                               | <b>BUDGETED</b>  | <b>REPORTED</b>       | <b>AUDIT<br/>ADJUSTMENT</b> | <b>ALLOWABLE</b> |
|-------------------------------|------------------|-----------------------|-----------------------------|------------------|
| <b>REVENUES:</b>              |                  |                       |                             |                  |
| MDCH Grant                    | \$59,464         | \$59,464 <sup>1</sup> | \$0                         | \$59,464         |
| Fees & Col. - 1st & 2nd party | \$5,500          | \$7,337               | \$0                         | \$7,337          |
| Fees & Col. - 3rd party       | \$70,000         | \$61,134              | \$0                         | \$61,134         |
| Cost Based Reimbursement      | \$9,736          | \$0                   | \$0                         | \$0              |
| Local and Other Funds         | \$41,926         | \$39,933              | \$0                         | \$39,933         |
| <b>TOTAL REVENUES</b>         | <b>\$186,626</b> | <b>\$167,868</b>      | <b>\$0</b>                  | <b>\$167,868</b> |
| <b>EXPENDITURES:</b>          |                  |                       |                             |                  |
| Salary and Wages              | \$68,460         | \$72,563              | \$0                         | \$72,563         |
| Fringe Benefits               | \$30,613         | \$29,205              | \$0                         | \$29,205         |
| Supplies                      | \$37,592         | \$18,337              | \$0                         | \$18,337         |
| Travel                        | \$800            | \$149                 | \$0                         | \$149            |
| Communications                | \$0              | \$0                   | \$0                         | \$0              |
| Space Cost                    | \$1,414          | \$1,097               | \$0                         | \$1,097          |
| Other Expense                 | \$8,093          | \$4,635               | \$0                         | \$4,635          |
| Indirect Cost - Admin         | \$39,654         | \$41,882              | \$0                         | \$41,882         |
| <b>TOTAL EXPENDITURES</b>     | <b>\$186,626</b> | <b>\$167,868</b>      | <b>\$0</b>                  | <b>\$167,868</b> |

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

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

| <b>Procedure Code</b>      | <b>Description</b>    | <b>Quantity</b> | <b>Standard Fee</b> | <b>Total</b>       |
|----------------------------|-----------------------|-----------------|---------------------|--------------------|
| Office Visits              |                       |                 |                     |                    |
| 17110                      | Wart Treatment        | 1               | 50.00               | 50.00              |
| 57170                      | Diaphragm Fitting     | 2               | 55.00               | 110.00             |
| 99211                      | Medical Visit Level I | 485             | 30.00               | 14,550.00          |
| 99212                      | Medical Visit Level 2 | 140             | 30.00               | 4,200.00           |
| 99213                      | Medical Visit Level 3 | 140             | 31.00               | 4,340.00           |
| 99384                      | Initial Exam 12-17    | 22              | 110.00              | 2,420.00           |
| 99385                      | Initial Exam 18-39    | 143             | 110.00              | 15,730.00          |
| 99386                      | Initial Exam 40-64    | 4               | 100.00              | 400.00             |
| 99394                      | Annual Exam 12-17     | 9               | 95.00               | 855.00             |
| 99395                      | Annual Exam 18-39     | 305             | 95.00               | 28,975.00          |
| 99396                      | Annual Exam 40-64     | 5               | 100.00              | 500.00             |
| 99401                      | Pregnancy Counseling  | 3               | 16.00               | 48.00              |
| Laboratory                 |                       |                 |                     |                    |
| 81002                      | Urinalysis            | 34              | 10.00               | 340.00             |
| 81025                      | Pregnancy Test        | 50              | 13.00               | 650.00             |
| 84443                      | Thyroid STM           | 1               | 11.50               | 11.50              |
| 85018                      | Hemoglobin            | 5               | 5.00                | 25.00              |
| 87210                      | Vaginal Smear         | 41              | 10.00               | 410.00             |
| 99000                      | Pap Test              | 687             | 13.50               | 9,274.50           |
| Contraceptive Supplies     |                       |                 |                     |                    |
| A4266                      | Diaphragm             | 2               | 19.00               | 38.00              |
| A4267                      | Condoms               | 109             | 4.56                | 497.04             |
| J1055                      | Depo Provera          | 105             | 38.00               | 3,990.00           |
| J7303                      | Nuvaring              | 73              | 48.00               | 3,504.00           |
| J7304                      | Ortho Erva Patch      | 25              | 25.00               | 625.00             |
| S4993                      | Oral Cycles           | 752             | 20.00               | <u>15,040.00</u>   |
| Total Revenue              |                       |                 |                     | 106,583.04         |
| Total Expenses             |                       |                 |                     | <u>167,868.00</u>  |
| Excess/ (Shortfall)        |                       |                 |                     | <u>(61,284.96)</u> |
| Percent Excess/(Shortfall) |                       |                 |                     | (36.51%)           |

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 2

**Finding:** **Billing Rates Not Sufficient to Recover Cost**

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.

**Comments:** The Health Department agrees with this finding.

**Corrective Action:** Family Planning fees were increased and presented to the Board of Health for approval in September. They were accepted and are scheduled to be presented to the County Commission for review in November.

**Anticipated  
Completion Date:** November 30, 2012

**MDCH Response:** None

## **Comments and Recommendations**

### **1. Fringe Benefit Allocation Percents Require More Frequent Updating**

The Health Department is required to comply with OMB Circular A-87. According to OMB Circular A-87, fringe benefits must be equitably allocated to all related activities. The Health Department expenses fringe benefits (insurances and leave time) to each program based on budgeted percentages for each employee that are updated on an as needed basis. We recommend the Health Department implement policies and procedures to ensure the fringe benefit allocation percentages are updated every 3 months to ensure equitable allocations based on actual time worked rather than budgeted estimates.

**Management's Response:** The Division Director will receive reports on actual time worked and update fringe benefit allocation percentages every 3 months.