

Final Report

Marquette County Health Department WIC & Family Planning Programs

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review Section
August 2014



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

August 5, 2014

Fred Benzie, MPH, MPA, RS, 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 Marquette County Health Department WIC and Family Planning Programs for the period October 1, 2012 through September 30, 2013.

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; Costs vs. Amounts Billed for Supplies and Services Schedule; 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 MDCH's response to those comments where necessary. **Please note MDCH's response to Finding #2 regarding the cash basis reporting of fees and collections.**

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 Dobynes Dunbar, Manager, Division of Family and Community Health
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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>	
Internal Controls	2
1. Billing Rates Not Sufficient to Recover Cost (Repeat) and Lack of Cost Analysis	3
Financial Reporting.....	4
2. Fees and Collections Not Reported on a Cash Basis	4
MDCH Shares of Cost and Balance Due	5
Statement of MDCH Grant Program Revenues and Expenditures – WIC	6
Statement of MDCH Grant Program Revenues and Expenditures – WIC Breastfeeding	7
Statement of MDCH Grant Program Revenues and Expenditures – Family Planning	8
Costs vs. Amounts Billed for Supplies and Services Schedule	9
Corrective Action Plan.....	10

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, Women Infants and Children (WIC) Supplemental Food Program and WIC Breastfeeding.

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 Programs 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 Programs and 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.
3. To determine the MDCH shares of cost for the WIC, WIC Breastfeeding, 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, 2012 to September 30, 2013. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit Report for any WIC Programs or Family Planning Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the WIC Programs and Family Planning Program Financial Status Reports (FSRs) to the accounting records.
- Reviewed a sample of 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. However, we noted an exception with Family Planning Program billing rates and lack of a cost analysis (Finding 1).

Finding

1. Billing Rates Not Sufficient to Recover Cost (Repeat) and Lack of a Cost Analysis

The Health Department's billing rates for Family Planning Program 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. In addition, there was no cost analysis available to support the current fee 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....

The MDCH Title X Family Planning Standards and Guidelines, Section 6.3.1 Charges, Billing and Collections state the following with respect to the development of a fee schedule:

Delegate agencies must develop a process which utilizes a recent cost analysis of all services provided by the project to develop a fee schedule designed to recover the reasonable costs of providing services. To be recent, a cost analysis should be conducted within three years, or within one year following major changes to the program.

For our test to determine if rates could recover the cost of providing services, we multiplied the billing rate for each service and supply times the number of times each service and 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 \$206,364 we found the rates used would not recover \$102,729 of the cost (see Schedule of Cost vs. Amounts Billed for Supplies and Services).

The effect is that an amount potentially recoverable from clients was paid from local revenues. Because the amount recovered from all clients was \$1,936 and billing rates were 49.78% below cost, we can estimate the effect was approximately \$1,919 for the year.

This issue was also cited in the FYE 2011 Audit Report, and the Health Department agreed with the finding. We were informed that the Board of Health approved fee increases and they were scheduled to be presented to the County Commission for review in November. However, it appears that the fees were not increased as they appear to be the same as the fees noted in the FYE 2011 Audit Report. Making matters worse is that the cost of providing the services increased from \$167,868 in FYE 2011 to \$206,364 in FYE 2013, a 23% increase. Fees have not been increased to recover the reasonable cost of providing services.

Additionally, there is no evidence of a cost analysis in developing the fee schedule as required.

Recommendation

We recommend that the Health Department complete a cost analysis and comply with the Title X regulations by increasing billing rates to an amount that is sufficient to recover the reasonable cost of services based on the 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 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 Programs 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 generally reported its WIC Programs and Family Planning Program financial activities to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we noted an exception with Family Planning Program reporting fees and collections on an accrued basis (Finding 2).

Finding

2. Fees and Collections Not Reported on a Cash Basis

The Health Department reported 1st and 3rd Party Fees and Collections for the Family Planning Program on the accrual basis on the Financial Status Report rather than cash basis as required.

The MDCH Financial Status Report Form Preparation Instructions, I Introduction states:

The Financial Status Report is to be prepared reporting expenditures on a cash or accrued basis and revenue on an accrued basis, with the exception of fees which should be reported on a cash basis as received.

Due to the method employed by the Health Department, total revenue was understated. Private pay or 1st Party Fees and Collections were understated by \$827 and 3rd Party Fees and Collections were understated by \$15,200. Adjustments are shown on the attached Statement of MDCH Grant Program Revenues and Expenditures.

Recommendation

We recommend the Health Department comply with the most recent MDCH Financial Status Report Form Preparation Instructions and report fees on the cash basis.

MDCH SHARES OF COST

Objective 3: To determine the MDCH shares of cost for the WIC, WIC Breastfeeding, 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 Program for fiscal year ended September 30, 2013 is \$238,714, under the WIC Breastfeeding Program is \$35,953, and under the Family Planning Program is \$53,713. 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, or Family Planning grant program funding.

Marquette County Health Department
WIC Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$240,020	\$238,714 ¹	\$0	\$238,714
Local Funds	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$240,020	\$238,714	\$0	\$238,714
EXPENDITURES:				
Salary & Wages	\$114,495	\$118,830	\$0	\$118,830
Fringe Benefits	\$44,549	\$46,362	\$0	\$46,362
Supplies	\$11,050	\$8,745	\$0	\$8,745
Travel	\$2,660	\$1,511	\$0	\$1,511
Communications	\$2,000	\$964	\$0	\$964
Other Expense	\$2,565	\$779	\$0	\$779
Admin Overhead	\$62,701	\$61,523	\$0	\$61,523
TOTAL EXPENDITURES	\$240,020	\$238,714	\$0	\$238,714

¹ Actual MDCH payments provided on a performance reimbursement basis.

Marquette County Health Department
WIC Breastfeeding Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/2 - 9/30/13

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$38,969	\$35,953 ¹	\$0	\$35,953
Local Funds	\$4,290	\$0	\$0	\$0
TOTAL REVENUES	\$43,259	\$35,953	\$0	\$35,953
EXPENDITURES:				
Salary & Wages	\$25,837	\$21,526	\$0	\$21,526
Fringe Benefits	\$2,003	\$1,780	\$0	\$1,780
Supplies	\$1,250	\$949	\$0	\$949
Travel	\$3,000	\$2,573	\$0	\$2,573
Communications	\$150	\$133	\$0	\$133
Other Expense	\$50	\$394	\$0	\$394
Admin Overhead	\$10,969	\$8,598	\$0	\$8,598
TOTAL EXPENDITURES	\$43,259	\$35,953	\$0	\$35,953

¹ Actual MDCH payments provided on a performance reimbursement basis.

Marquette County Health Department
Family Planning Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$53,713	\$53,713 ¹	\$0	\$53,713
Fees 1 st & 2 nd Party	\$2,000	\$1,109	\$827 ²	\$1,936
Fees & Collections – 3 rd Party	\$60,000	\$32,254	\$15,200 ²	\$47,454
Fed Cost Based Reimbursement	\$0	\$0	\$0	\$0
Local Funds	\$97,310	\$119,288	(\$16,027)	\$103,261
TOTAL REVENUES	\$213,023	\$206,364	\$0	\$206,364
EXPENDITURES:				
Salary & Wages	\$102,144	\$99,684	\$0	\$99,684
Fringe Benefits	\$32,077	\$26,014	\$0	\$26,014
Supplies	\$22,625	\$21,272	\$0	\$21,272
Travel	\$200	\$1,651	\$0	\$1,651
Communications	\$200	\$330	\$0	\$330
Other Expense	\$8,800	\$10,794	\$0	\$10,794
Admin Overhead	\$46,977	\$46,619	\$0	\$46,619
TOTAL EXPENDITURES	\$213,023	\$206,364	\$0	\$206,364

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Fees reported on a cash basis versus accrued basis (Finding 2).

**Marquette County Health Department
Family Planning
Cost vs Amounts Billed for Supplies and Services Schedule
10/1/12 – 9/30/13**

<u>Code</u>	<u>Description</u>	<u>Quantity</u>	<u>Fee</u>	<u>Total</u>
Office Visits				
99394	Established Exam 12-17	7	\$95.00	\$665.00
99395	Established Exam 18-39	237	\$95.00	\$22,515.00
99396	Established Exam 40-64	5	\$100.00	\$500.00
99384	Initial Exam 12-17	26	\$110.00	\$2,860.00
99385	Initial Exam 18-39	115	\$110.00	\$12,650.00
99406	Tobacco Counseling	4	\$7.54	\$30.16
99211	Medical Revisit 1	114	\$30.00	\$3,420.00
99212	Medical Revisit 2	201	\$30.00	\$6,030.00
99213	Medical Revisit 3	74	\$31.00	\$2,294.00
99401	Pregnancy Counseling	15	\$16.00	\$240.00
57170	HPV Treatment	4	\$50.00	\$200.00
58301	IUD Removal	1	\$60.00	\$60.00
Laboratory				
81002	Urinalysis Dip	23	\$10.00	\$230.00
81025	Pregnancy Test	100	\$13.00	\$1,300.00
84443	Thyroid Stm Hormone	7	\$11.50	\$80.50
85013	Hemoglobin Test	3	\$5.00	\$15.00
87081	Herpes Culture	6	\$59.00	\$354.00
87210	Vaginal Smear	63	\$10.00	\$630.00
87490	Chlamydia Test	7	\$39.00	\$273.00
87591	Gonorrhea	12	\$13.00	\$156.00
88142	Pap test private pay	68	\$25.00	\$1,700.00
88165	Pap test rescreen private pay	4	\$25.00	\$100.00
Contraceptives				
S4993	Oral Contraceptives	1,511	\$20.00	\$30,220.00
J1055	Depo-Injection	70	\$38.00	\$2,660.00
J1050	Depo	15,302	\$0.27	\$4,131.54
A4267	Condoms	35	\$0.38	\$13.30
NUVA	Nuva Ring	161	\$48.00	\$7,728.00
J7304	Ortho Patch	44	\$25.00	\$1,100.00
Z8506	Plan B	11	\$30.00	\$330.00
J7300	IUD Paragard	5	\$230.00	\$1,150.00
				<hr/> \$103,635.50
	Total Expenses			<hr/> \$206,364.00
	(Shortfall)/Excess			<hr/> (\$102,728.50)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Billing Rates Not Sufficient to Recover Cost (Repeat) and Lack of Cost Analysis**

The Health Department's billing rates for Family Planning Program 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. In addition, there was no cost analysis supporting the current fees.

Recommendation: Complete a cost analysis and comply with the Title X regulations by increasing billing rates to an amount that is sufficient to recover the reasonable cost of services based on the 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 Health Department recognized that some fees being charged were insufficient. Consequently, Administration was in the process of reviewing fees for all clinical programs prior to the commencement of the audit.

Corrective Action: Administration at the Health Department recommended a fee increase to the Marquette County Board of Commissioners at their Board Meeting of July 1, 2014. Although cost was a consideration in the determination of the new fees, it was not the only factor. A formal cost analysis has not been performed. The Health Department will review the requirements of

the cost analysis and will be implementing the new fees approved by the Board of Commissioners.

**Anticipated
Completion Date:** September 30, 2014

MDCH Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: **Fees and Collections Not Reported on a Cash Basis**

The Health Department reported 1st and 3rd Party Fees and Collections for the Family Planning Program on the accrual basis on the Financial Status Report rather than cash basis as required.

Recommendation Comply with the most recent MDCH Financial Status Report Form Preparation Instructions and report fees on the cash basis.

Comments: Following MDCH FSR Form Preparation Instructions does not allow for the accurate matching of expenses and fees. It is our understanding that this is in the process of being changed to allow accrual basis reporting.

Corrective Action: If the above referenced change does not occur, the Health Department will look into reporting fees on a cash basis.

**Anticipated
Completion Date:** October 1, 2014

MDCH Response: MDCH Office of Audit was recently informed that the proposed change to allow accrual basis fee reporting will NOT occur. Consequently, cash basis reporting remains a requirement and the Health Department must amend their fee reporting to be on the cash basis.