

Audit Report

McKenzie Memorial Hospital
Family Planning Program

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review
April 2014



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

April 1, 2014

Amy Ruedisueli, V.P. of Finance
McKenzie Memorial Hospital
120 N. Delaware St.
Sandusky, Michigan 48471

Dear Ms. Ruedisueli

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the McKenzie Memorial Hospital Family Planning Program 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; and Statement of MDCH Grant Program Revenues and Expenditures. No exceptions were noted during our audit.

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: Paulette Dobynes Dunbar, Manager, Division of Family and Community Health
Jeanette Lightning, Manager, Reproductive Health Unit
Pam Myers, Director, Office of Audit
Keith Rubley, Auditor, Office of Audit
Steve Utter, Financial Analyst, Division of Family and Community Health

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>	
<u>Internal Controls</u>	2
<u>Financial Reporting</u>	2
<u>MDCH Share of Costs and Balance Due</u>	3
Statement of MDCH Grant Program Revenues and Expenditures	4

DESCRIPTION OF AGENCY

The McKenzie Memorial Hospital (The Hospital) is organized as a non-profit agency under the provisions of Section 501(c) (3) of the Internal Revenue Code. The Hospital provides health services including the Family Planning Program (through September 30, 2013) to residents of Sanilac County. The Family Planning Program operated under an Executive Director with reporting responsibilities to the Board of Directors of the Hospital. Beginning February 1, 2013, the Hospital subcontracted with the Sanilac County Health Department for Family Planning Program staffing and services at the Health Department location.

FUNDING METHODOLOGY

The Family Planning Program services were funded from local sources, fees and collections, and a grant program administered through the Michigan Department of Community Health (MDCH), which consists of federal and state funds. MDCH provided the Hospital 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 number 93.217, and was subject to performance requirements. That is, reimbursement from MDCH was 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 Hospital's effectiveness in establishing and implementing internal controls over the Family Planning Program.
2. To assess the Hospital'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 Hospital.

SCOPE AND METHODOLOGY

We examined the Hospital's Family Planning records and activities for the fiscal period October 1, 2012 to September 30, 2013. We performed our review procedures in February 2014. Our review procedures included the following:

- Reviewed the completed internal control questionnaires.
- 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/lease 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 Hospital's effectiveness in establishing and implementing internal controls over the Family Planning Program.

Conclusion: The Hospital was effective in establishing and implementing internal controls over the Family Planning Program. No exceptions were noted with respect to internal controls.

FINANCIAL REPORTING

Objective 2: To assess the Hospital's effectiveness in reporting 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.

Conclusion: The Hospital reported their Family Planning Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

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 Hospital.

Conclusion: The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2013 is \$59,814. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted and reported revenues and expenditures, and an adjustment relating to Medicaid and other insurance collections, which had no impact on MDCH funding.

**McKenzie Memorial Hospital
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	\$59,814	\$59,814 ¹	\$0	\$59,814
Fees & Collections	\$35,838	\$11,284	\$28,569 ²	\$39,853
Other Revenue	\$0	\$0	\$0	\$0
Local Funds Other	\$23,161	\$39,765	(\$28,569) ²	\$11,196
TOTAL REVENUES	\$118,813	\$110,863	\$0	\$110,863
EXPENDITURES:				
Salary and Wages	\$30,982	\$29,745	\$0	\$29,745
Fringe Benefits	\$19,209	\$18,442	\$0	\$18,442
Contractual	\$44,764	\$43,602	\$0	\$43,602
Supplies	\$16,294	\$11,891	\$0	\$11,891
Travel	\$0	\$0	\$0	\$0
Other Expenses	\$7,564	\$7,183	\$0	\$7,183
TOTAL EXPENDITURES	\$118,813	\$110,863	\$0	\$110,863

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Recorded Medicaid and other insurance collections as Local Funding.