

Audit Report

Oakwood Taylor Teen Health Center
Family Planning Program

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review
September 2014



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

September 10, 2014

Jeff Cook, CTRS, Director
Oakwood Health Care System
Taylor Teen Health Center
15500 Lundy Parkway
Dearborn, MI 48126

Dear Mr. Cook:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Oakwood Taylor Teen Health Center 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, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; Corrective Action Plans; and Comments and Recommendations. The conclusions and findings are organized by audit objective. The Corrective Action Plans, and Comments and Recommendations 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:

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
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DESCRIPTION OF AGENCY

The Oakwood Healthcare, Inc. / Taylor Teen Health Center (The Health Center) is organized as a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Health Center's administrative office is located in Dearborn, Michigan. The Taylor Teen Health Center is located in Taylor, Michigan and is a subsidiary of Oakwood Healthcare, Inc. The Health Center provides health program services including Family Planning Program services to residents of Southern Wayne County.

FUNDING METHODOLOGY

The Family Planning Program services are 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 provides the Health Center with grant funding monthly, based on Financial Status Reports, in accordance with the terms and conditions of the grant agreement and budget.

The Family Planning Program was funded by MDCH Grant Funds and First and Third Party Fees and Collections. 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.

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 Center's effectiveness in establishing and implementing internal controls over the Family Planning Program.
2. To assess the Health Center'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.
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 Center.

SCOPE AND METHODOLOGY

We examined the Health Center's Family Planning Program records and activities for the fiscal period October 1, 2012 to September 30, 2013. Our review procedures included the following:

- 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 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 Center's effectiveness in establishing and implementing internal controls over the Family Planning Program.

Conclusion: The Health Center was generally effective in establishing and implementing internal controls over the Family Planning Program. However, we noted an exception with the lack of a cost analysis in determining fees for the Family Planning Program (Finding #1).

Finding

1. Lack of Cost Analysis in Determining Fee Schedule

The Health Center did not use a cost analysis in developing their current fee schedule as required.

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 a program.

Recommendation

We recommend that the Health Center complete a cost analysis and use the cost analysis in developing the fee schedule that is designed to recover the reasonable costs of providing services.

FINANCIAL REPORTING

Objective 2: To assess the Health Center'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 Center generally 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. However, we noted exceptions with the lack of complete expense reporting (Finding #2, and Comment and Recommendation #1) and incomplete personnel activity reports (Finding #3).

Finding

2. Total Salary and Wages Not Reported

The Health Center removed allocable and allowable Family Planning Program salary and wages from reported expenditures so total expenditures would not exceed budgeted and available resources.

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

The Health Center reclassified Family Planning Program salary and wages of \$4,068 in June 2013 and an additional \$1,269 in August 2013 to another program so total expenditures for the Family Planning Program would not exceed the budgeted and available resources, which consisted of MDCH Grant Funds and First and Third Party Fees and Collections. The Health Center had not budgeted any local funding, so this could not be reported on the E-Grants system.

An adjustment to include all allocable and allowable Family Planning Program salary and wages is included on the attached MDCH Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Health Center implement policies and procedures to ensure that total expenditures are reported on the FSRs in accordance with the MDCH contract, which may involve a budget revision with MDCH to ensure total expenditures may be reported.

Finding

3. Incomplete Personnel Activity Reports

The Health Center's hand-written, signed time records do not reflect the distribution of activity of each employee as required.

The three employees who worked in the Family Planning Program during the month tested (August 2013) provided hand-written time records which were approved by their supervisor. However, these records did not provide the distribution of activity of each employee. Rather, salaries and wages were simply distributed based on open clinic days.

OMB Circular A-122 (located at 2 CFR Part 230), Appendix B, Section 8.m. states:

Support of salaries and wages.

1. *...The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph 8.m.(2) of this appendix, except when a substitute system has been approved...*
2. *Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards.....Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:*
 - (a) *The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.*
 - (b) *Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.*
 - (c) *The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.*

Recommendation

We recommend that the Health Center adopt policies and procedures to ensure distributions of salaries and wages are supported by personnel activity reports that meet the requirements of the Federal cost 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 Health Center.

Conclusion: The MDCH obligation under the Family Planning Program for fiscal year ended September 30, 2013 is \$60,899. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting Family Planning Program grant funding.

**Oakwood Taylor Teen Health Center
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	\$60,899	\$60,899 ¹	\$0	\$60,899
Fees & Collections	\$56,000	\$23,847	\$0	\$23,847
Other Revenue	\$0	\$0	\$0	\$0
Local Funds Other	\$0	\$0	\$5,337 ²	\$5,337
TOTAL REVENUES	\$116,899	\$84,746	\$5,337	\$90,083
EXPENDITURES:				
Salary & Wages	\$55,314	\$48,439	\$5,337 ²	\$53,776
Fringe Benefits	\$12,722	\$10,826	\$0	\$10,826
Contractual	\$10,250	\$0	\$0	\$0
Supplies	\$26,300	\$16,007	\$0	\$16,007
Travel	\$2,000	\$0	\$0	\$0
Other Expenses	\$10,313	\$9,474	\$0	\$9,474
TOTAL EXPENDITURES	\$116,899	\$84,746	\$5,337	\$90,083

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Addition of reversed salary and wages (Finding 2).

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: **Lack of Cost Analysis in Determining Fee Schedule**

The Health Center did not use a cost analysis in developing their current fee schedule as required.

Recommendation: Complete a cost analysis and use the cost analysis in developing the fee schedule that is designed to recover the reasonable costs of providing services.

Comments: The Health Center is in the process of obtaining technical assistance to complete a cost analysis in order to meet the Family Planning Program guidelines.

Corrective Action: A cost analysis will be completed once technical assistance is obtained.

**Anticipated
Completion Date:** February 1, 2015

MDCH Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: **Total Salary and Wages Not Reported**

The Health Center removed allocable and allowable salary and wages from reported expenditures so total expenditures would not exceed budgeted and available resources.

Recommendation: Implement policies and procedures to ensure that total expenditures are reported on the FSRs in accordance with the MDCH contract, which may involve a budget revision with MDCH to ensure total expenditures may be reported.

Comments: Total expenditures will be reported on all FSRs. Budgets will be amended to reflect the change.

Corrective Action: Policies and procedures will be updated to reflect the above change. A local funding amount will be added to the budget and all salary and wages will be reported.

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

MDCH Response: None

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: Incomplete Personnel Activity Reports

The Health Center's hand-written, signed time records do not reflect the distribution of activity of each employee as required.

Recommendation: Adopt policies and procedures to ensure distributions of salaries and wages are supported by personnel activity reports that meet the requirements of the Federal cost principles.

Comments: In service communication to all staff has taken place to reflect the addition of accurate distribution of staff activity on all time sheets.

Corrective Action: Family Planning work hours will be identified on all time sheets outlining the days and hours worked in the program.

**Anticipated
Completion Date:** August 17, 2014

MDCH Response: None

Comments and Recommendations

1. Neither Space Cost Nor Indirect Overhead Allocated to Family Planning Program (Repeat)

The Health Center did not report any space cost or indirect overhead cost for the Family Planning Program. The Health Center's contract with MDCH requires reporting of "total actual program expenditures, regardless of the source of funds." OMB Circular A-122 states that the total cost of an award is the sum of the allowable direct and allocable indirect costs. Space and indirect overhead costs are allowable. This was also cited in MDCH's FYE 2011 audit of the Health Center. Management's response was that space cost would be listed in the FYE 2013 budget, and the Health Center would implement policies to report all allowable costs on FSRs.

We again recommend that the Health Center implement policies and procedures that would ensure all allowable costs are appropriately reported on FSRs to MDCH.

Management Response:

Effective October 1, 2014, all allowable costs will be reported on FSRs.