



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES

LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

July 31, 2019

Ms. Lynn Woelffer, BS, Director of Finance
Public Health Delta and Menominee Counties
2920 College Avenue
Escanaba, Michigan 49829

Dear Ms. Woelffer:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Public Health Delta and Menominee Counties Family Planning and Women, Infants, and Children (WIC) Programs for the period October 1, 2016 through September 30, 2017.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions, Findings, and Recommendations; Statements of Grant Program Revenues and Expenditures; and Comments and Recommendations. The Comments and Recommendations include the agency's response to the Preliminary Analysis.

Final reports are posted for public viewing on the MDHHS website at:
http://www.michigan.gov/mdhhs/0,5885,7-339-73970_43164-151236--,00.html.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Shannah M. Havens, CPA, CISA
Audit Section Manager
Population Health and Community Services Programs Audit Section
Audit Division

Attachment

cc: Debra Hallenbeck, Director, Audit Division
Dawn Shanafelt, Director, Division of Maternal and Infant Health
Deanna Charest, Manager, Reproductive and Preconception Health Unit
Steve Utter, Financial Analyst, Division of Maternal and Infant Health
Christina Herring, Director, WIC Division
Kelly Voegeding, Financial Analyst, Financial Management & FMNP Unit
Bryce Wooton, Senior Auditor, Population Health and Community Services Audit Program

Audit Report

Public Health Delta and Menominee Counties

Family Planning Program
and
Women, Infants, and Children Program

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division

July 2019

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DESCRIPTION OF AGENCY

The Public Health Delta and Menominee Counties (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Delta County, and the administrative office is located in Escanaba, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of the counties of Delta and Menominee. The Health Department provides community health program services to the residents of Delta and Menominee counties.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Health and Human Services (MDHHS) provided the Health Department with grant funding monthly, based on Financial Status Reports (FSRs), in accordance with the terms and conditions of each grant agreement and budget.

The Family Planning Program was funded by MDHHS Grant Funds, Fees and Collections and Other Revenue. Grant funding from MDHHS for the Family Planning Program is federal funding under federal catalog numbers 93.217 and 93.994 and is subject to performance requirements. That is, reimbursement from MDHHS is based upon the understanding that a certain level of performance (measured in caseload established by MDHHS) 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 Women, Infants, and Children (WIC) Program was funded by MDHHS grant funds and Other Local Funds. Grant funding from MDHHS for the WIC Program is federal funding under federal catalog number 10.557.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Health Department's financial reporting and to determine the MDHHS shares of cost according to the agreements, and program standards and regulations. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, federal standards, program standards and generally accepted accounting principles.
2. To determine the MDHHS shares of cost in accordance with MDHHS requirements and the agreements, Federal standards and program standards, 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 period October 1, 2016 to September 30, 2017. Our audit procedures included the following:

- Reviewed the most recent Health Department's Single Audit and Financial Statement Audit Reports for any Family Planning Program or WIC Program related concerns.
- Reviewed the most recent Family Planning Program site visit reports from the Program staff.
- Reviewed the Grant Agreement, Budgets, and Program Specific Assurances and Requirements.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Fiscal Questionnaire.
- Reconciled the Family Planning Program and WIC Program FSRs and MDHHS payment schedules to the accounting records.
- Tested a selection of payroll and non-payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines and approval procedures.
- Reviewed building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed Family Planning Program billings, 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

FINANCIAL REPORTING

Objective 1: To assess the Health Department's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.

Conclusion: The Health Department was effective and accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.

MDHHS SHARES OF COST AND BALANCE DUE

Objective 2: To determine the MDHHS shares of cost in accordance with MDHHS requirements and agreements, Federal standards and program standards and any balance due to or due from the Health Department.

Conclusion: The MDHHS obligations for fiscal year ended September 30, 2017 are \$61,653 for the Family Planning Grant, \$257,151 for the WIC Resident Services Grant, and \$23,521 for the WIC Breastfeeding Grant. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. There were no adjustments as a result of the audit.

**Public Health Delta & Menominee Counties
Family Planning Services
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$61,653	\$61,653 ¹		\$61,653
Fees & Collections - 1st & 2nd Party	\$10,000	\$11,776		\$11,776
Fees & Collections - 3rd Party	\$50,000	\$41,787		\$41,787
Federal Cost Based Reimbursement	\$100,000	\$85,631		\$85,631
Local Funds - Other	\$33,275	\$586		\$586
TOTAL REVENUES	\$254,928	\$201,433	\$0	\$201,433
EXPENDITURES:				
Salary & Wages	\$112,645	\$88,267		\$88,267
Fringe Benefits	\$38,299	\$36,558		\$36,558
Supplies & Materials	\$36,000	\$27,528		\$27,528
Travel	\$625	\$503		\$503
Communication	\$800	\$631		\$631
Other	\$25,000	\$18,269		\$18,269
Indirect Costs	\$48,302	\$37,955		\$37,955
Other Costs Distributions	(\$6,743)	(\$8,278)		(\$8,278)
TOTAL EXPENDITURES	\$254,928	\$201,433	\$0	\$201,433
¹ Actual MDHHS payments.				

Public Health Delta & Menominee Counties
WIC Resident Services
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$257,151	\$257,151 ¹		\$257,151
Local Funds - Other	\$21,155	\$15,637		\$15,637
TOTAL REVENUES	\$278,306	\$272,788	\$0	\$272,788
EXPENDITURES:				
Salary & Wages	\$146,638	\$133,946		\$133,946
Fringe Benefits	\$28,667	\$35,793		\$35,793
Supplies & Materials	\$4,000	\$4,120		\$4,120
Travel	\$2,000	\$2,723		\$2,723
Communication	\$1,200	\$1,104		\$1,104
Other	\$1,200	\$1,172		\$1,172
Indirect Costs	\$55,041	\$51,612		\$51,612
Other Costs Distributions	\$39,560	\$42,318		\$42,318
TOTAL EXPENDITURES	\$278,306	\$272,788	\$0	\$272,788
¹ Actual MDHHS payments.				

**Public Health Delta & Menominee Counties
WIC Breastfeeding
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$28,605	\$23,521 ¹		\$23,521
Local Funds - Other	\$1,180	\$0		\$0
TOTAL REVENUES	\$29,785	\$23,521	\$0	\$23,521
EXPENDITURES:				
Salary & Wages	\$19,666	\$15,915		\$15,915
Fringe Benefits	\$1,573	\$1,304		\$1,304
Supplies & Materials	\$500	\$578		\$578
Travel	\$1,000	\$243		\$243
Communication	\$150	\$195		\$195
Other	\$100	\$50		\$50
Indirect Costs	\$6,796	\$5,236		\$5,236
TOTAL EXPENDITURES	\$29,785	\$23,521	\$0	\$23,521
¹ Actual MDHHS payments.				

Comments and Recommendations

1. Non-Compliant Allocation of Cash Payments in Lieu of Insurance

Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Office of Population Affairs
Federal Program Title	Family Planning Services
CFDA Number	93.217
Project Title	Family Planning Program
Amount Due to MDHHS	\$ -0-
Repeat Finding	No

Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Health Resources and Services Administration (HRSA)
Federal Program Title	Maternal and Child Health Services Block Grant
CFDA Number	93.994
Project Title	Family Planning Program
Amount Due to MDHHS	\$ -0-
Repeat Finding	No

Federal Agency	U.S. Department of Agriculture
Federal Sub-Tier	Food and Nutrition Service
Federal Program Title	Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number	10.557
Project Title	Women, Infants, and Children (WIC)
Amount Due to MDHHS	\$ -0-
Repeat Finding	No

The Health Department did not properly allocate its monthly cash payments in lieu of insurance for employees working on multiple activities.

Title 2 CFR 200.430 for Compensation states, “(a) Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits... Costs of compensation are allowable to the extent that they satisfy the specific requirements of this Part, and that the total compensation for the individual employees: ...(3) Is determined and supported as provided in paragraph (i) of this section...” Title 2 CFR 200.430 (i) (1) states, “Charges to Federal awards...must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal

control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated...(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award."

The Health Department offers employees the option to forego hospitalization insurance and in lieu of this insurance pays the employee \$300 per month. During our salary and wage review, we noted that two (14%) of fourteen Family Planning staff and three (17%) of eighteen WIC Resident Services staff opted out of hospitalization insurance benefits for the \$300 monthly payment. However, the monthly cash payments were only allocated to benefitting programs the second payday of each month, and based solely on the second pay period's activity. Since the entire month's actual activity is not captured in the allocation of monthly cash payments in lieu of insurance benefits, the Health Department did not properly distribute costs among specific activities worked. No adjustments will be made since there appears to be no impact on grant funds.

We recommend that the Health Department implement policies and procedures to ensure that all cash payments in lieu of insurance benefits are allocated based on actual activity performed to ensure compliance with Federal regulations.

Management Response: Delta-Menominee will propose to allocate the \$300 cash in-lieu of health insurance amount over two payrolls each month. Currently, the Board of Health approved employees to manually indicate the second payroll. A revision will be brought to the Board for approval at the August 22, 2019 meeting.

**Person Responsible
for Implementation:** Lynn Woelffer

**Anticipated
Completion Date:** September 2019

2. Non-Compliant Allocation of Health and Dental Insurance Fringe Benefits

Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Office of Population Affairs
Federal Program Title	Family Planning Services
CFDA Number	93.217
Project Title	Family Planning Program
Amount Due to MDHHS	\$ -0-
Repeat Finding	No

Federal Agency	U.S. Department of Health and Human Services
Federal Sub-Tier	Health Resources and Services Administration (HRSA)
Federal Program Title	Maternal and Child Health Services Block Grant
CFDA Number	93.994
Project Title	Family Planning Program
Amount Due to MDHHS	\$ -0-
Repeat Finding	No

Federal Agency	U.S. Department of Agriculture
Federal Sub-Tier	Food and Nutrition Service
Federal Program Title	Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number	10.557
Project Title	Women, Infants, and Children (WIC)
Amount Due to MDHHS	\$ -0-
Repeat Finding	No

The Health Department did not properly allocate its monthly health and dental insurance premiums for employees working on multiple activities.

Title 2 CFR 200.431 states, “(a)...the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity... (c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker’s compensation insurance; pension plan costs; and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity’s accounting practices.”

During our fringe benefit review, we noted that the Health Department charged its employees' health and dental insurance monthly premiums to programs the first payday of each month, and based solely on the first pay period's activity. Since the entire month's actual activity is not captured in the allocation of monthly health and dental premiums, the Health Department did not properly allocate costs to awards in a manner consistent with the pattern of benefits attributable to the employees. However, we noted that the Health Department properly allocated its employees' monthly copayments each pay period based on actual activity. No adjustments will be made since there appears to be no impact on grant funds.

We recommend that the Health Department implement procedures and controls to ensure that health and dental insurance benefits are properly allocated to benefitting programs in a manner consistent with how salaries and wages are chargeable to such Federal awards and other activities to ensure compliance with Federal regulations.

Management Response: Delta-Menominee implemented this change in May 2019. The premiums for health, dental, and vision are now split over the first two payrolls of each month, evenly. Costs are then charged out consistently with salaries and wages and the other fringe benefits of retirement and FICA.

**Person Responsible
for Implementation:** Lynn Woelffer

**Anticipated
Completion Date:** May 2019