

**REPORT ON THE
COMPREHENSIVE AUDIT**

**PLACER COUNTY HEALTH & HUMAN SERVICES
AUBURN, CALIFORNIA**

**CONSOLIDATED HEALTH CONTRACT
MATERNAL, CHILD AND ADOLESCENT HEALTH
PROGRAMS – AGREEMENT NO. 07-65036**

FISCAL YEAR ENDED JUNE 30, 2010

**Audits Section - Sacramento
Financial Audits Branch
Audits and Investigations
Department of Health Care Services**

**Section Chief: Steven Gary
Audit Supervisor: Jeff Sandman
Auditor: Bill Potts**



State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

August 10, 2012

Richard J. Burton, M.D., Director
Placer County Health & Human Services
3091 County Center Drive
Auburn, CA 95603

The claims for expenditures for services provided by the Placer County Department of Health and Human Services under the Maternal, Child and Adolescent Health Programs, Agreement No. 07-65036, for the fiscal year ended June 30, 2010, have been reviewed by the Financial Audits Branch of the California Department of Health Care Services. In addition, a limited review was made of the program's management and operational procedures.

Except as set forth in the following paragraph, our review was made in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States. Accordingly, our review included such tests of the accounting records and other review procedures as we considered necessary under the circumstances.

The financial statements of the County of Placer for the year ended June 30, 2010, were examined by other auditors. Their audit report dated December 28, 2010, expressed an unqualified opinion on those statements.

The scope of our review was limited to specific contract or program requirements relating to financial compliance and did not include sufficient work to determine whether financial statements present fairly the financial position and the results of the financial operations. We have not duplicated the work performed by the other auditors.

As noted in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial position referred above. Consequently, no financial statements are presented.

This Audit Report includes:

1. Executive Summary of Findings
2. Introduction
3. Scope of Review
4. Program Compliance
5. Fiscal Findings
6. Financial Schedules

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The report concludes that an amount of \$23,050 is due the State. You will be receiving an invoice from the State for this amount.

Please address action taken on the recommendations and any questions to Cathy Palmer, Contract Liaison, at (916) 552-9097, or Dale Price, MCAH Contract Manager, at (916) 650-0357.

Original Signed By

Steven Gary, Chief
Audits Section – Sacramento
Financial Audits Branch

Certified

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Placer County Health and Human Services
Maternal, Child and Adolescent Health Programs
Agreement No. 07-65036
Fiscal Year Ended June 30, 2010

I. EXECUTIVE SUMMARY OF FINDINGS

The following information is a summary of our findings/observations related to the Maternal, Child and Adolescent Health Program (MCAH), and the Adolescent Family Life Program (AFLP):

1. The amounts of \$22,240 (MCAH) and \$810 (AFLP) are due to the State (See Fiscal Findings, Section V and Schedule A).
2. Percentages used to calculate non-enhanced and enhanced Title XIX matching amounts on program invoices were in excess of the Time-Study Data Report percentages; those calculations, together with the allocation errors of cost pool salary totals, resulted in overcharges of invoiced amounts (See Fiscal Findings, Section V).
3. The Consolidated Health Claim submitted for reimbursement quarterly by Placer County to the State Department of Public Health, Center for Infectious Diseases, contained the standard MCAH invoice detail pages and the Time-Study Data Report. However, neither the MCAH invoice detail pages or the Time-Study Report were transmitted by the Center for Infectious Diseases to the MCAH contract manager in order to permit review of the entire invoice for any errors (See Fiscal Findings, Section V).
4. Progress and accomplishments in meeting stated contract/program goals and objectives are described in the annual reports for the programs; those reports were received and reviewed by State program staff (See Program Compliance, Section IV).

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II. INTRODUCTION

A. DESCRIPTION OF PROGRAM

Maternal, Child and Adolescent Health (MCAH) Programs, including the Adolescent Family Life Program (AFLP), established on the state level in 1973, are to be funded by a Federal Title V Block Grant as well as by Federal Medicaid funds (Title XIX), the state General Fund, and provider funds. The mission of the MCAH/Office of Family Planning Division is to assure that mothers, infants, children, adolescents, and pregnant women in California receive a variety of services to protect and improve their health. To accomplish its goals, the Division maintains partnerships and agreements with state, federal, and local agencies in the public and private sectors.

B. DESCRIPTION OF AGENCY

Placer County Department of Health and Human Services (PLACER), an organization of Placer County, is dedicated, in part, to implementing MCAH/AFLP Programs to assess, plan, evaluate and improve access to comprehensive MCAH/AFLP services for mothers, children, adolescents and pregnant women.

C. SITE LOCATION

PLACER'S office is located at 11484 B Avenue in Auburn.

D. FUNDING SOURCES

Placer County is primarily funded by taxes, grants, and service fees.

E. CONSOLIDATED HEALTH CONTRACT

In 1966, legislation (SB 1866) was passed allowing Placer County to partner with the State to pilot an integrated, comprehensive system for county health and human services. This legislation was renewed in 2001 with the passage of AB 308. As a result, PLACER and the California Department of Health Services (now known as the Department of Health Care Services) initially partnered to develop a model framework for a consolidated contract, scope of work, administrative approach, and reporting system.

There were eight federal/state programs administrated through the State Department of Public Health, including MCAH and AFLP, and three programs administrated through the Department of Health Care Services, which were accounted for in the Placer County Consolidated Health Contract during fiscal year 2009-10. The consolidated reimbursement claims were submitted quarterly to the State.

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II. INTRODUCTION

F. CONSOLIDATED HEALTH CONTRACT (continued)

As stated in the Consolidated Health Contract-County Management Procedures manual, the components of the Contract are based on the “best practices” in public health and contracting, allowing staff to focus more holistically on individual, family, and community needs.

As such, the scope of work is based on ten cited essential public health services. A national work group comprised of representatives from local, state, and national public health organizations developed this framework. The essential public health services cited are:

- Monitor health status to identify community health problems
- Diagnose and investigate health problems and hazards in the community
- Inform, educate, and empower people about health issues
- Mobilize community partnerships to identify and solve health problems
- Develop policies/plans that support individual and community health efforts
- Enforce laws and regulations that protect health and ensure safety
- Link people to needed personal health services and assure the provision of health care when otherwise unavailable
- Assure a competent public health and personal health care workforce
- Evaluate effectiveness, accessibility, and quality of personal and population-based health services
- Research for new insights and innovative solutions to health problems

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III. SCOPE OF REVIEW

The audit review consisted of two parts:

1. A review of the financial records to ensure the existence of proper documentation and the propriety of claims submitted to the State for reimbursement for the fiscal year ended June 30, 2010.
2. A cursory review of compliance with the agreement and regulatory program requirements.

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IV. PROGRAM COMPLIANCE

The examination included a review to determine if PLACER conducted the MCAH and AFLP programs in compliance with Consolidated Health Contract terms and applicable regulatory requirements. The following is a summary of findings/observations relating to this portion of the audit.

A. PROGRAM REQUIREMENTS

PLACER submitted the required Annual Reports for the Consolidated Health Program, which included MCAH and AFLP, for the fiscal year to describe the programs' progress/accomplishments relative to the program goals listed in the Introduction, Section II, of this audit report.

B. PROGRAM GOALS/OBJECTIVES

The Annual Reports for fiscal year 2009-10 described progress and achievements concerning Program goals/objectives stated for the programs. The annual reports were received and reviewed by State MCAH program staff.

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V. FISCAL FINDINGS

The following discusses the fiscal findings/observations of our review of PLACER. The line item expense amounts are included in Schedule A of this report.

Reimbursed Expenditures

There are variances between reimbursed and audited amounts. Reimbursed expenditures totaled \$457,347 for MCAH, and \$160,779 for AFLP.

MCAH audited expenditures of \$435,107 are \$22,240 less than reimbursed expenditures.

AFLP audited expenditures of \$159,969 are \$810 less than reimbursed expenditures.

Consolidated Health Claim

The quarterly Consolidated Health Claim submitted by PLACER is modeled after the federally approved Welfare Administrative Claim. This model was approved for use in Placer County by HCFA, the federal Health Care Financing Administration (currently named CMS-Children's Medical Services).

This consolidated health claim differs from the normal MCAH claim in that the invoiced line item expenses of Personnel Costs and of Operating Expenses are no longer directly incurred program amounts. These amounts are now derived from cost pools comprised of the health organization's total salaries/benefits and total operating expenses; whereby, each pool's total cost is allocated to the individual programs based on each program's ratio of time study hours to the total time study hours for all programs.

However, there are still a number of Direct Charges: these are expenses which can be identified to a specific program; such expenses should be deducted from the cost pool and directly charged to the identified programs.

The Consolidated Health Claim submitted quarterly by PLACER to the State Department of Public Health, Center for Infectious Diseases, included the following pages:

1. MCAH standard invoice detail pages: Summary, Personnel, Operating Expenses and Other Expenses/Costs.
2. Time-Study Data Report for Summary of FFP.

However, neither the MCAH standard invoice detail pages or the Time-Study Data Report were transmitted by the Center for Infectious Diseases to the MCAH contract manager in order to permit review of the entire invoice for any errors. As a result, the MCAH contract manager, for instance, did not see the incorrect time-study percentages shown on the MCAH quarter 4 invoice Personnel Detail Page (see finding below).

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V. FISCAL FINDINGS

Time-Study Data Report for Summary of FFP: These quarterly time-study data reports contained the composite computer calculated percentages for the Title XIX unmatched and matched categories.

The unmatched and matched (enhanced/non-enhanced) percentages used on the MCAH and AFLP Personnel Detail Pages are summary percentages for the entire staff, and are not individual percentages for each staff member who recorded time on the program, but rather the percentages (and wages) are calculated by the time-study computer program using the staff's time-study forms; accordingly, the percentages and wages invoiced are composite/weighted average figures for all staff that charged the individual program.

FINDING – Use of Erroneous Time-Study Percentages for Invoicing, and Errors in Allocations of Cost Pool Salaries/Indirect Costs

The percentages used to calculate non-enhanced and enhanced Title XIX matching amounts were in excess of the Time-Study Data Report percentages and those calculations, together with allocation errors of the cost pool salaries total in quarters 3 and 4, resulted in overcharges of invoiced amounts, as discussed below.

Use of prescribed FFP time-study procedures produced the Time-Study Data Report for Summary of FFP which contains the table: Percentage Model for Distribution of Staff Time, and the instruction "These percentages should be used on the invoice for this quarterly invoice period."

Comparisons of MCAH Time-Study total matching percentages for invoiced personnel costs shown on the Personnel Detail Page in quarters 3 and 4 are as follows:

<u>Personnel Costs:</u>		<u>Matching % Totals</u>	
<u>Quarter</u>	<u>Sub-Program</u>	<u>Time-Study</u>	<u>Invoice</u>
3	MG	22.00%	32.00%
4	MG	22.00	92.00
4	MM	80.29	90.00
4	MP	72.95	91.41
4	FIMR	0.00	100.00

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V. FISCAL FINDINGS

The allocation errors of the cost pool salaries total in quarters 3 and 4 were due to the input of erroneous totals into allocation tables, resulting in the allocation of misstated salaries and wages and indirect costs (10% of wages) to programs. These costs were allocated to all participating programs according to their ratio of time study hours to the total time study hours for all the programs. Over-allocated salaries/wages did not affect personnel costs because the allocated salaries and benefits cost pool amounts established total personnel costs. The over-allocated indirect costs for all the programs totaled \$25,567 in quarter 3 and \$24,433 in quarter 4.

MCAH - Net audit adjustment of \$22,240 made to paid amounts is detailed as follows:

Personnel: \$27,366 – Reduce amount due to the use of matching (enhanced/non-enhanced) percentages in excess of the Time-Study Data Report percentages in quarters 3 and 4. These errors resulted in overcharges on invoices for quarter 3 of \$1,832 (Enhanced) and for quarter 4 of \$25,534 (\$16,589/Non-Enhanced and \$8,944/Enhanced).

Operating Expenses: (\$3,812 net) – Increase by \$4,250 (Non-Enhanced) to allowable “% personnel matched” amount in quarter 4: allowable at 64.83% vs. 25.00% invoiced. Reduce by \$438 (Non-Enhanced) to allowable “% personnel matched” amount on quarter 3 invoice: allowable at 66.78% vs. 68.21% invoiced.

Indirect Costs: (\$1,314 net) – Increase by \$2,179 (Non-Enhanced) to allowable “% personnel matched” amount on quarter 4 invoice: allowable at 64.83% vs. 20.00% invoiced, net of reduction for the cost pool salaries allocation error. Reduce by \$865 (Non-Enhanced) for the cost pool salaries allocation error which resulted in overcharged indirect costs in quarter 3.

AFLP - Audit adjustment of \$810 made to paid amounts is detailed as follows:

Indirect Costs: Reduce by \$810 (Title V) for the cost pool salaries allocation error which resulted in overcharged indirect costs in quarter 3.

RECOMMENDATIONS

1. The percentages used to calculate Enhanced and Non-Enhanced Title XIX matching amounts for program invoicing should not be in excess of the Time-Study Data Report percentages.
2. Salary totals used in cost pool indirect allocations to participating programs should be verified to the Time Study salary total shown on the Consolidated Claim-Salaries Only Summary schedule before finalizing the reimbursement claims submitted to the State.

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VI. SYSTEMS AND PROCEDURES

The management of PLACER is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future fiscal periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We have not made a study and evaluation of the provider's system of internal accounting controls due to the limited scope detailed in Section III of this report. As a result, our Limited Contract Expenditure Review placed no reliance on the internal control system. The review was performed by expanding substantive tests to ensure the fair presentation of Program costs.

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VII. SCHEDULES

A schedule of financial data has been included in this report to summarize the amounts claimed/paid under the agreement. Adjustments have been proposed to adjust paid amounts to audited amounts.

SCHEDULE A

Placer County Health and Human Services
 Maternal, Child and Adolescent Health Programs
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Summary of Audited Program Expenditures

MATERNAL, CHILD AND ADOLESCENT HEALTH PROGRAM

(1)	(2)	(3)	(4)	(5)
Budgeted Categories	Contract Amount	Amount Paid	Audited Expense	Amount Due State
				(3 – 4)
1. Personnel	\$ 478,636	\$ 379,884	\$ 352,518	\$ 27,366
2. Operating Expenses	37,983	* 57,750	61,562	(3,812)
3. Other Costs	3,000	* 3,896	3,896	-0-
4. Indirect Costs	19,680	15,817	17,131	(1,314)
5. Total Expenditures	<u>\$ 539,299</u>	<u>\$ 457,347</u>	<u>\$ 435,107</u>	<u>\$ 22,240</u>

Funding:

Title V	\$ 106,138	\$ 106,138	\$ 106,138	\$ -0-
Title XIX-Non-Enhanced	210,999	161,728	150,264	11,464
Title XIX-Enhanced	<u>222,162</u>	<u>189,481</u>	<u>178,705</u>	<u>10,776</u>
Total Funding	<u>\$ 539,299</u>	<u>\$ 457,347</u>	<u>\$ 435,107</u>	<u>\$ 22,240</u>

*Note: Line-item shifts are allowed up to 15% of the total contract amount.

SCHEDULE A

Placer County Health and Human Services
 Maternal, Child and Adolescent Health Programs
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Summary of Audited Program Expenditures

ADOLESCENT FAMILY LIFE PROGRAM

(1)	(2)	(3)	(4)	(5)
Budgeted Categories	Contract Amount	Amount Paid	Audited Expense	Amount Due State
				(3 – 4)
1. Personnel	\$ 133,662	\$ 125,244	\$ 125,244	\$ -0-
2. Operating Expenses	23,604	* 23,903	23,903	-0-
3. Other Costs	-0-	-0-	-0-	-0-
4. Indirect Costs	3,550	*11,652	10,842	810
5. Total Expenditures	<u>\$ 160,816</u>	<u>\$ 160,799</u>	<u>\$ 159,989</u>	<u>\$ 810</u>
<u>Funding:</u>				
Title V	\$ 76,981	\$ 76,964	\$ 76,154	\$ 810
Title XIX-Non-Enhanced	50,410	50,410	50,410	-0-
Title XIX-Enhanced	<u>33,425</u>	<u>33,425</u>	<u>33,425</u>	<u>-0-</u>
Total Funding	<u>\$ 160,816</u>	<u>\$ 160,799</u>	<u>\$ 159,989</u>	<u>\$ 810</u>

*Note: Line-item shifts are allowed up to 15% of the total contract amount

Contractor Name					Fiscal Period	Contract Number		Adjustments
Placer County Health & Human Services					July 1, 2009 to June 30, 2010	07-65036		4
Report References					Program	As Paid/ Reimbursed	Increase (Decrease)	As Audited
Adj. No.	Audit Report		Invoice or Claim					
	Schedule	Line	Form #	Line				
1	A	1			Personnel	\$379,884	(\$27,366)	\$352,518
2	A	2			Operating Expenses	\$57,750	\$3,812	\$61,562
3	A	4			Indirect Costs	\$15,817	\$1,314	\$17,131
4	A	5			Total Expenditures	\$ 457,347	\$ (22,240)	\$ 435,107
<p>To adjust paid expenses to incurred, allowable expenses in accordance with the Contract (Exhibit B A1), Placer County H.H.S. Consolidated Health Contract Procedures Manual, and Federal Financial Procedures.</p>								

Contractor Name				Fiscal Period		Contract Number		Adjustments	
Placer County Health & Human Services				July 1, 2009 to June 30, 2010		07-65036		2	
Report References					Program				
Adj. No.	Audit Report		Invoice or Claim		Explanation of Audit Adjustments	As Paid/ Reimbursed	Increase (Decrease)	As Audited	
	Schedule	Line	Form #	Line					
1	A	4			Indirect Costs	\$11,652	(\$810)	\$10,842	
2	A	Total			Total Expenses	\$160,799	(\$810)	\$159,989	
<p>To adjust paid expenses to incurred, allowable expenses in accordance with the Contract (Exhibit B A1), & Placer County H.H.S. Consolidated Health Contract Procedures Manual.</p>									