

**MATERNAL, CHILD AND
ADOLESCENT HEALTH PROGRAM**

FEB 01 2008

**CA. DEPARTMENT OF PUBLIC
HEALTH SACRAMENTO**

**REPORT
ON THE
COMPREHENSIVE AUDIT**

**MERCED COUNTY DEPARTMENT OF PUBLIC HEALTH
MERCED, CALIFORNIA**

**MATERNAL, CHILD AND ADOLESCENT HEALTH
ADOLESCENT FAMILY LIFE PROGRAM
CONTRACT NO. 200524**

FISCAL PERIOD: JULY 1, 2005 THROUGH JUNE 30, 2006

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

**Section Chief: Michael Harrold
Audit Supervisor: Kathy Atkins
Auditor: Lisa Merrill**



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



SANDRA SHEWRY
Director

ARNOLD SCHWARZENEGGER
Governor

JAN 29 2008

John Volanti, MPH
Public Health Director
Merced County Department of Public Health
260 East 15th Street
Merced, CA 95340-6216

Dear Mr. Volanti:

The claims for expenditures for services provided by Merced County Department of Public Health, under the Maternal Child and Adolescent Health Program, Contract No. 200524, for the fiscal period of July 1, 2005 through June 30, 2006 have been audited by the Financial Audits Branch of the Department of Health Care Services.

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

The financial statements of Merced County Department of Public Health for the fiscal year ended June 30, 2006, were examined by other auditors whose report dated January 22, 2007, 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 the 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.

The program audit was conducted during the months of April and May, 2007. The exit

conference was held on July 26, 2007 at which time the results of the engagement were discussed.

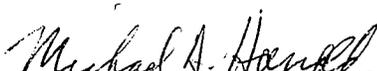
This Audit Report includes the:

1. Executive Summary of Findings
2. Introduction
3. Scope of Review
4. Contract Compliance
5. Fiscal Findings
6. Systems and Procedures
7. Schedules
8. Contractor Response to Adjustments/Findings
9. State Program Response to Adjustments/Findings

The report concludes that \$3,584 is due the State and \$9,394 is due the Federal government, for a total of \$12,978. You will be receiving an invoice in that amount from the Department's Accounting Section.

If you disagree with the amount due, you may appeal by writing to Chief Administrative Appeals, Office of Legal Services, Department of Health Care Services, 1029 J Street, Suite 200, MS 0017, Sacramento, CA 95814. This written notice of disagreement must be received by the Department within sixty (60) calendar days from the day you receive this letter. A copy of this notice should be sent to the Assistant Chief Counsel, Appeals and Suspension Section, Office of Legal Services, Department of Health Care Services, 1501 Capitol Avenue, Suite 5001, MS 0010, P.O. Box 997413, Sacramento, CA 95899-7413. The procedures that govern this hearing are contained in Welfare and Institutions Code, Section 14171, and Title 22 California Code of Regulations, Section 51016, et seq.

If you should have any further question, please contact Cheryl Wong, Contract Manager, at (916) 650-0340.


Michael A. Harrold, Chief
Audits Section – Fresno
Financial Audits Branch

Certified

John Volanti
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I. EXECUTIVE SUMMARY OF FINDINGS

The following information is a summary of our findings:

CONTRACT COMPLIANCE

A. Contract Requirements

1. The Agency records indicate that the agency reimbursed and invoiced its mileage to reflect the Federal Rates. See Section IV - 1 for further details.
2. The Agency participates in the Federal Financial Participation (FFP) time studies as required by contract. Audits found a few occasions where the Agency had errors in transferring the information from the FFP allocation summaries to the contractor's invoices submitted to the State. See Section IV - 2 and Section V - 2 for further details.

B. Contract Objectives

Agency appears to be in compliance with the contract objectives with one exception. The Agency exceeded the Months Of Service (MOS) caseload maximum of 40 clients per social worker, for one social worker in the 2nd quarter of the contract period. See Section IV for further details.

FISCAL FINDINGS

1. Audits review of the Agency's salaries found them to be allocated properly to the invoices based on the FFP time study with the following exception: The time spent for three of the employees reviewed was found to be for other programs. See Section V - 1 for further details.
2. The Agency participated in the FFP time studies as required by contract on an on-going base. Audits found the Agency in compliance with the requirements of the FFP studies, with one exception. The FFP summary allocation for the program manager in the 4th quarter was transferred incorrectly to the invoice submitted to the State. See Section V - 2 for further details.
3. Audits found that the Agency reimbursed and invoiced mileage for personal use of vehicles based on the Federal rate.

Audits found that the Agency invoiced fleet mileage at a rate greater than the contracted rate of \$0.34 per mile, which at times included daily rental charges

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and operations and maintenance charges. Audits reviewed fleet mileage for all four quarters for both the MCAH and AFLP programs. See Section V – 3 for further details.

4. During the contract period the Agency participated in three programs under the MCH umbrella, the MCAH, AFLP and ASPPP programs. Audits found the Agency billed ASPPP mileage to the AFLP program. See Section V – 4 for further details.

SYSTEMS AND PROCEDURES

An independent audit was performed on the County of Merced during the contract period. The report states that the independent auditor noted no matters involving internal control over financial reporting. See Section VI for further details.

II. INTRODUCTION

A. DESCRIPTION OF PROGRAM

The Maternal, Child and Adolescent Health Program (MCAH), established on the State level in 1973, is funded by a Federal Title V Block Grant as well as by Federal Medicaid funds (Title XIX), State General Fund, and the State Cigarette and Tobacco Products Surtax Fund. The mission of the MCH Branch is to assure that infants, children, adolescents, and pregnant women in California receive a variety of services to protect and improve their health. To accomplish its goals, the Branch maintains partnerships, contracts, and agreements with State, Federal and local agencies in both the public and private sectors.

B. DESCRIPTION OF AGENCY

The Merced County Department of Health provides the assessment of needs, coordination of effort at the State and Local level, and planning to assure systems of care that achieve the health objectives set by the State for the provision of quality maternal and child health services.

C. SITE LOCATION

The program administration offices are located in the Merced County Department of Public Health 260 East 15th Street. A clinic is located at the administrative site. Clinic outreach sites are located throughout the county.

D. FUNDING SOURCE

The MCAH program is funded by the following sources: MCAH Federal Title V Block Grant Funds, State General Funds, Agency General Funds, Title XIX Medicaid Federal Financial Participation and Special Funds, e.g., funding received by the MCAH Branch for special projects. The MCAH program is additionally funded by "First Steps Project".

E. CONTRACT GOALS AND OBJECTIVES

The purpose of the Maternal, Child and Adolescent Health contract is to assure that pregnant women and their children can obtain quality maternal and child health services.

The Agency must work toward achieving the following goals:

Goal 1: All children born healthy to healthy mothers.

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Goal 2: No health status disparities among racial/ethnic, gender, economic and regional groups.

Goal 3: A safe and healthy environment for women, children and their families.

Goal 4: Equal access for all women, children and their families to appropriate and needed care within an integrated and seamless environment.

The Agency must accomplish the following objectives:

Objective 1: The Agency will operate an MCAH Program under the direction of an approved MCAH Director in accordance with the State MCAH Branch Policies and Procedures.

Objective 2: Under the direction of the MCAH Director, the Agency must provide a coordinated local effort to improve outreach and case finding activities for pregnant women and children including care coordination activities stressing early and continuous perinatal infant, and child care.

Objective 3: The Agency must provide skilled professional expertise, appropriate to the population needs of the jurisdiction, in identifying, coordinating, and expanding health and human services for pregnant women and children through collaborative planning, development, and assurance of quality perinatal services.

Objective 4: Address priority unmet needs identified in the local Community Health Assessment and MCAH Plan; continue to monitor MCAH needs and make modifications to the local Plan in order to achieve the desired outcome of improved maternal, child, and adolescent health.

The Agency appears to be in compliance with the goals and objectives of the Maternal, Child and Adolescent Health Program.

The purpose of the Adolescent Family Life Program is to focus on the prevention of unplanned pregnancy, promotion of positive birth outcomes, improvements of the economic, health and social well being of adolescents, others and children.

The following goals and objectives have been developed for Adolescent Family Life Program (AFLP) grantees:

AFLP Goal 1 – To define, coordinate and integrate systems of care that support and assist pregnant and parenting adolescents and their children.

Objective 1: AFLP agency will establish and/or actively participate in local collaboratives designed to establish, sustain, and enhance comprehensive systems of care for children, adolescents

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and their families.

Objective 2: In accordance with the AFLP Standards, the AFLP agency will collaborate with a network of local service providers to assure that appropriate and necessary community services are available to clients.

AFLP Goal 2 – To enhance the health, educational achievement, economic, personal and societal integration and independence of pregnant and parenting adolescents through case management.

Objective 1: In accordance with AFLP Standards, AFLP agency will provide the Months of Service (MOS) as specified under Performance Requirements to eligible adolescents and their children who are not enrolled in Cal-Learn.

Objective 2: AFLP agency will maintain and utilize an updated program Standards Implementation Document (SID) that incorporates the AFLP Standards and MCAH Branch AFLP Policies and Procedures.

Objective 3: AFLP agency will maintain sufficient staff to administer the program and provide case management services in accordance with AFLP Standards and MCAH Branch Policies and Procedures.

Objective 4: AFLP agency will maintain qualified staff to administer the program and provide case management services in accordance with AFLP Standards and MCAH Branch Policies and Procedures.

AFLP Goal 3 – To promote implementation of the State MCAH 5-Year Plan and attainment of its goals and objectives as specified in the California MCAH Priorities.

Objective 1: Promote primary and preventive health care utilization by pregnant and parenting adolescents and their children.

The Agency appears to be in compliance with the goals of the MCAH Adolescent Family Life Program (AFLP) with one exception. See Section IV for details on the Objectives and Findings.

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III. SCOPE OF REVIEW

The Financial Audit Section's review consisted of the following:

1. A review of the contractor's compliance with the program's requirements in relation to the goals and objectives of each program.
2. A review of the financial records to ensure the existence of proper documentation of actual costs and the propriety of claims submitted to the State for reimbursement with the applicable statutes, regulations, terms and conditions/provisions of the State Contract.
3. A review of the Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards.

IV. CONTRACT COMPLIANCE

The examination included a review to determine if Merced County Department of Public Health conducted the program in compliance with Maternal, Child and Adolescent Health Program terms and applicable regulatory requirements. The following is a summary of findings relating to this portion of the audit.

A. CONTRACT REQUIREMENTS

1. The contract requires that Agency reimbursement for necessary travel and per diem expenses is at the rate established by the Department of Personnel Administration for State employees.

Findings

The Agency records in the general ledger and reimburses mileage and per diem expenses at the County rate which, mirrors the Federal rates. However, the Agency did not make the appropriate adjustments to bring the travel – mileage rates in line with the State rates before claiming the expenses on the quarterly invoices. See Section V for further detail.

The Agency has a fleet of vehicles in which the staff uses to service the clients of the program. The mileage expense is determined by a rate for O & M (Operating and Maintenance) and FSR (Fleet Service Replacement). The rates are variable rates depending on the monthly mileage of each fleet vehicle. Audits found the rates to vary from \$ 0.33 to over \$1 per mile. The mileage is invoiced to the State at the variety of rates for each vehicle from the agencies DPW – Fleet Management report. See Section V for further detail.

The travel and per diem expenses for lodging were invoiced at the State rate in the sample reviewed.

Audits found, in the sample reviewed, that the Agency invoiced \$30 for lunches for travel less than 24 hours. Due to the immateriality Audits will not recover meal expense.

Recommendation:

Audits recommends the Agency bill at the rates established by the State travel reimbursement policy. See Section V for detail.

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2. The contract states that the documentation for the Federal Financial Participation (FFP) time study must "account for all time, each work day, in the period being studied. It must also clearly differentiate the time spent in each function code for each program." In addition to the time study forms, supplemental documentation is required to support the information recorded on the time study forms.

Findings

The FFP time studies accounted for all time in each workday for the period being studied. The time spent in each function code was clearly differentiated. Secondary documentation was sufficiently detailed in the cases sampled to support the time study. Audits found a non-enhance percentage reported on an invoice to be greater than the percentage allocation from the FFP study on one employee for one invoice reviewed.

Audits noted that the percentage of time in the program for the Community Health Specialist for the 1st quarter invoices state 100% of time to program. The FFP summary report for the 1st quarter states she spent 59.93% of her time in MCH/Local and 40.07% in other programs. However, the proper salary amount was included on line 4 of the 1st quarter MCAH invoice.

Recommendation

Audits recommend that the Agency be cautious when inputting percentage allocations from the FFP summary to the invoice. See Section V for further details.

B. CONTRACT OBJECTIVES

The contract specified that the Agency must work toward accomplishing the following objectives and goals: **MCAH Objective 1 – MCAH Objective 4 and AFLP Goal 1- Goal 3.**

Nothing came to the attention of the auditor to indicate that the contractor has not complied with the contract goals and objective as outline in the contract scope of work with the following exception:

AFLP Goal 2 – To enhance the health, educational achievement, economic, personal and societal integration and independence of pregnant and parenting adolescents through case management.

Objective 1 – In accordance with AFLP Standards, AFLP grantee/agency will provide the Months of Service (MOS) as specified under Performance Requirements to eligible adolescents and their children who are not enrolled in Cal-Learn.

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Objective 2 – AFLP Agency will maintain and utilize an updated program Standards Implementation Document (SID) that incorporates the AFLP Standards and MCAH Branch AFLP Policies & Standards.

Objective 3 – AFLP Agency will maintain sufficient staff to administer the program and provide case management services in accordance with AFLP Standards and MCAH Branch AFLP Policies & Procedures.

Objective 4 – AFLP Agency will maintain qualified staff to administer the program and provide case management services in accordance with AFLP Standards and MCAH Branch AFLP Policies & Procedures.

Findings

The Agency exceeded their contracted months of service by 3.5% for the year and maintained a waiting list of 36 adolescents wanting service. The agency had no updates to the Standards Implementation Document during the reporting period. The agency maintained a caseload of less than 40 clients per case manager with one exception. A case manager had a total caseload of 41 clients at the end of the 2nd quarter. By the end of the 3rd quarter she was down to 30 clients most likely due to the discontinuation of the ASPPP program. The agency provided timely reports of aggregate caseload and case manager counts. The agency identified training and technical assistance needs of staff and provided training and assistance as needed.

Recommendations

The Agency needs to develop a plan to shift or transfer clients between case managers when caseloads are nearing the maximum of 40 clients per month.

Further, based on our examination, nothing came to our attention to indicate that the Merced County Maternal and Child Health Program has not complied with the material terms and conditions of the contract beyond the findings noted above.

V. FISCAL FINDINGS

The following is a discussion of the fiscal findings relating to the Audits and Investigations' examination of Merced County Maternal, Child and Adolescent Health Program. The details of these amounts are included in Schedule A and B of this report.

1. Review of the personnel costs, including salaries and benefits for both the MCAH and AFLP program were performed. The policy and procedures state that expenses billed should not exceed actual costs for the time spent in a particular program.

Findings

Many of the MCAH staff works on several different programs, which are funded separately. The FFP study would normally differentiate between the programs of the MCAH and other programs. Review of MCAH staff salary found salaries from other programs billed to the MCAH program.

The contractor billed 100% of a Community Health Specialist salary to the MCAH program. The FFP summary report states that she spent 98.14% of time in MCAH and 1.86% in other programs. The 1.86% of time in other programs amounts to \$172.50 of salary cost billed in error.

The contractor billed 100% of a Public Health Nurse salary to the MCAH program. The FFP summary report states that she spent 96.86% of time in MCAH and 3.14% in AFLP. The 3.14 % in the other program amounts to \$373 of salary cost billed in error.

The other program costs of \$173 and \$373 include \$177 of Agency cost. ($\$173 + \$373 = \546 less $\$177 = \368) Since Agency cost cannot be recovered, Audits determined the Federal and State portion based on FFP percentage distribution.

Based on the FFP percentage distribution, Audits determined the Federal portion to be \$294 and State portion to be \$75 of the salaries reviewed above totaling \$368.

The contractor submitted documentation subsequent to the exit conference regarding the deputy director. Audits accepts the contractor explanation and documents. No recovery to be proposed for the Deputy Director. See section VIII for further details.

The contractor submitted further explanation and documentation for the benefits

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being greater than the actual costs. Audits accepts the contractor's explanation and documents as to the reason for the appearance of overpayment of benefits.

Recommendation

Audits proposes program recover \$368 of salary cost billed attributed to other programs – See section VIII - contractor's response, for further details.

2. As noted in the contract requirements, it is required for the contractor to participate in FFP Time Studies as a requirement for enhanced and non-enhanced funding. Based on the FFP Time Studies a percentage allocation is made to determine the salary and benefit allocation as well as the amount of salary and benefit to be allocated to matched and non-matched funds.

Findings

Audits found that the Agency "time studies" on a continuous basis. Audits found the Agency complied with the FFP regulations based on the time studies reviewed. However, Audits found one instance where the incorrect percentage allocation from the FFP summary was forwarded to the personnel section of the invoice.

Audits found the non-enhanced percentage for the Program Manager, in the 4th quarter was greater on the invoice than what was indicated on the FFP summary allocation distribution worksheet. The reported distribution of staff time for non-enhanced funding was 51.91%, however the FFP summary stated 46.31% a difference of 5.6%. The percentage distribution for the enhanced funding of 11.79% was less than the FFP summary of 14.05% a difference of 2.26%. Audits allowed the 2.26% to be added to the non-enhanced funding for a total of 48.57%. Audits then took the difference of the reported non-enhanced percentage of 51.91% to the audited of 48.57% and moved the 3.34% or \$714 to non-matched funding. Audits determined that of the \$714 of non-matched funds, \$431 was attributed to agency funding. The Program does not agree with the Auditor's FFP analysis for the Program Manager. The Program submitted a statement supporting its position. The Program does not wish to recover the \$431 found in the Auditor's analysis.

Recommendations

Audits proposes that the program recover \$431 of MCAH non-matched funds billed to non-enhance funding. The MCAH program does not wish to recover. (See Section IX for Program's response)

3. The State travel reimbursement policy states that the contractor is to reimburse mileage expense at a maximum of \$0.34 per mile and that gasoline and

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automobile repair are not to be reimbursed.

Findings

The County's travel reimbursement policy states that employees are to be reimbursed at the rate for the Internal Revenue Service. The Federal mileage rate during the contract period was greater than the contracted State mileage rate of \$0.34 per mile.

Audits found from the reviewed mileage logs that the Agency invoiced an employee's personal vehicle mileage at the Federal rate. Based on the reviewed employee mileage logs, Audits proposes to recover \$209 of MCAH mileage expense and \$28 of AFLP mileage expense.

As noted in the contract requirements, the Agency invoiced the fleet mileage at a variety of rates, based on the monthly mileage of a fleet vehicle. The contractor based reimbursement of mileage on two factors, O & M (Operation and Maintenance) and FSR (Fleet Service Replacement). The FSR is an accumulation of funds so that when a vehicle needs to be retired it can be replaced with a new vehicle. A vehicle driven less than 400 miles per month will have a much higher mileage rate than a vehicle driven over 1,000 mile per month. The reason for this is to create an average rate for reimbursement. This method appears to be a type of funded depreciation.

Audits determined the total fleet mileage for each program and than multiplied the mileage by the contracted State mileage rate of \$0.34 per mile. Total fleet mileage included mileage from the contractor's Monthly mileage reports, Pool car log sheets, and Cash/Revenue Expenditure Transfers.

Total allowable mileage expense for **MCAH** – 14,165 miles @ \$0.34 = \$4,816
Total allowable mileage expense for **AFLP** – 46,741 miles @ \$0.34 = \$15,892

The total audited **MCAH** fleet mileage expense of \$4,816 less the reported mileage expense of \$9,409 equals a proposed recovery of \$4,593.

The total audited **AFLP** fleet mileage expense of \$15,892 less the reported mileage expense of \$23,746 equals a proposed recovery of \$7,854. The proposed mileage recoveries above includes agency expense. Since Agency funds cannot be recovered, Audits will determine the State and Federal portion based on the FFP percentage distributions.

Based on the FFP percentage distribution from the contractor's invoices, Audits determined the Federal, State, and Agency allocation from the proposed recoveries above.

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- MCAH Travel – Federal - \$3,497
- MCAH Travel – State - \$1,305
- MCAH Travel – Agency - \$209
- AFLP Travel – Mileage – Federal - \$5,276
- AFLP Travel – Mileage – State - \$2,085
- AFLP Travel – Mileage – Agency - \$493

Recommendation

Audits proposes that the program recover \$4,802 of **MCAH** mileage expense, \$3,497 Federal funds and \$1,305 State funds, billed at a rate greater than the contracted State rate.

Audits proposes that the program recover \$7,361 of **AFLP** mileage expense, \$5,276 Federal funds and \$2,085 State funds, billed at a rate greater than the contracted State rate.

4. The Agency participated in three programs under the MCAH umbrella. The MCAH, AFLP and ASPPP program. Each program has its own funding source and is to bill separately.

Findings

Audits found the contractor billed mileage of \$607 allocated the ASPPP (Adolescent Sibling Pregnancy Prevention) program to the AFLP – Travel. The Federal, State, and Agency funding allocations were determined by Audits as follows:

- AFLP Travel – Federal - \$327
- AFLP Travel – State - \$119
- AFLP Travel – Agency - \$161

Recommendation

Audits proposes the program recover \$446 of AFLP travel expense, \$327 Federal funds and \$119 State funds, of “other program” expense billed to AFLP program.

Further, based on our examination, nothing came to our attention to indicate that the Merced County Maternal and Child Health Program has not complied with the material terms and conditions of the contract beyond the findings noted above.

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VI. SYSTEMS AND PROCEDURES

The management of Merced County Maternal and Child Health Program 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 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 internal control structure for the following reasons:

The Merced County Maternal and Child Health Program, as a part of the Merced County Department of Public Health, is subject to an annual audit by an independent CPA firm. Our review of internal controls was limited to reviewing the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards. This report states that the independent auditor noted no matters involving the internal control over financial reporting and its operation that they considered to be material weaknesses. However, they did note other matters, which were reported to management of the County in a separate letter.

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VII. SCHEDULES

Schedules of financial data have been included in this report to summarize the amounts claimed and paid under the contractual agreement. If any adjustments have been proposed to the claimed amounts they are reflected in these schedules and discussed in the Fiscal Findings Section V of this report as well as in the Explanation of Audit Adjustments. See schedule A – MCAH program, schedule B – AFLP program and schedule C – Explanation of Audit Adjustments.

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VIII. CONTRACTOR RESPONSE TO ADJUSTMENTS/FINDINGS

Subsequent to the exit conference the contractor submitted a response to the findings discussed in this report. A copy of this response is included as Attachment A.

Revisions to the findings in this report have been made where appropriate and sufficient documentation was provided. In those cases where revisions have been made, they have been discussed in the respective sections of this report.

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IX. STATE PROGRAM RESPONSE TO ADJUSTMENTS/FINDINGS

A draft copy of this report was submitted to the Maternal and Child Health program for their review prior to the report being finalized and released to the contractor.

Subsequent to their review, the Maternal, Child and Adolescent Health Program submitted a response to the findings discussed in this report. A copy of this response is included as Attachment B.

Revisions were made to this report as a result of the State Program's response.

The Contract Manager disagreed with the FFP study analysis for the counties program manager, in that "The Agencies at their discretion can bill down from enhanced matched funding to matched non-enhanced funding. Based on MCAH Fiscal Policies and Procedures, FY 07/08, Invoices Section, Requirements, p.55." Based on this recommendation from MCAH, no adjustment is proposed.

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SUMMARY OF AUDITED CONTRACT EXPENDITURES

Budgeted Categories	<u>Contract Amount</u>	<u>Over/Under Expended</u>	<u>Total Paid</u>	<u>Audit Adjustment</u>	<u>Audited Amount Paid and/or Payable **</u>
Personnel (Adj 1-2)	\$ 317,330	\$ (53,489)	\$ 263,841	\$ (369)	\$ 263,472
Operating Expenses (Adj 3-4)	27,680	(8,607)	19,073	(4,802)	14,271
Capital Expenditures (Adj)	-	-	-	-	-
Other Costs (Adj)	-	-	-	-	-
Indirect Costs (Adj)	-	-	-	-	-
Total Expenditures	<u>\$ 345,010</u>	<u>\$ (62,096)</u>	<u>\$ 282,914</u>	<u>\$ (5,171)</u>	<u>\$ 277,743</u>

**See Section V for Explanation

**Merced County Department of Public Health
Maternal, Child and Adolescent Health - AFLP Program
Contract No. 200524
Contract Period : July 1, 2005 through June 30, 2006**

SUMMARY OF AUDITED CONTRACT EXPENDITURES

Budgeted Categories	<u>Contract Amount</u>	<u>Over/Under Expended</u>	<u>Total Paid</u>	<u>Audit Adjustment</u>	<u>Audited Amount Paid and/or Payable **</u>
Personnel (Adj)	\$ 371,108	\$ (8,633)	\$ 362,475		\$ 362,475
Operating Expenses (Adj 5-8)	32,289	(2,089)	30,200	(7,807)	22,393
Capital Expenditures (Adj)	-	-	-	-	-
Other Costs (Adj)	-	-	-	-	-
Indirect Costs (Adj)	-	-	-	-	-
Total Expenditures	<u>\$ 403,397</u>	<u>\$ (10,722)</u>	<u>\$ 392,675</u>	<u>\$ (7,807)</u>	<u>\$ 384,868</u>

**See Section V for Explanation

Schedule C

Contractor Name		Fiscal Period		Contract Number		Adjustments	
MERCED COUNTY DEPT. OF PUBLIC HEALTH		JULY 1, 2005 THROUGH JUNE 30, 2006		200524		8	
Report References				Explanation of Audit Adjustments			
Adj. No.	Audit Report Schedule	Invoice or Claim Form #	Line	As Reported	Increase (Decrease)	As Adjusted	
ADJUSTMENTS TO OTHER MATTERS							
1	A	1	N/A	1	Personnel	\$513,312	
					To recover \$294 of Federal fund salary expense for time spent in other programs.	(\$294)	
2	A	2	N/A	2	To recover \$75 of State fund salary expense for time spent in other programs.	(75)	\$512,943
					County of Merced, Maternal, Child and Adolescent Health Program Contract Number : 200524 Budget Period: July 1, 2005 through June 30, 2006 FFP MCH Policy and Procedures - Funding FFP MCH Policy and Procedures - Administration	(\$369)	
3	A	2	N/A	2	Operating Expenses	\$19,073	
					To recover \$3,497 of Federal fund mileage expense billed at a rate greater than the contracted State rate of \$0.34 per mile.	(\$3,497)	
4	A	2	N/A	2	To recover \$1,305 of State fund mileage expense billed at a rate greater than the contracted State rate of \$0.34 per mile.	(1,305)	\$14,271
					County of Merced, Maternal, Child and Adolescent Health Program Contract Number : 200524 Budget Period: July 1, 2005 through June 30, 2006 FFP MCH Policy and Procedures - Funding	(\$4,802)	

Schedule C

Contractor Name		Fiscal Period		Contract Number		Adjustments	
MERCED COUNTY DEPT. OF PUBLIC HEALTH		JULY 1, 2005 THROUGH JUNE 30, 2006		200524		8	
Report References							
Adj. No.	Audit Report Schedule	Line	Form #	Invoice or Claim Line	As Reported	Increase (Decrease)	As Adjusted
ADJUSTMENTS TO OTHER MATTERS							
5	B	2	N/A	2	\$32,900	(\$5,276)	
Operating Expenses							
6						(2,085)	
To recover \$5,276 of Federal fund mileage expense billed at a rate greater than the contracted State rate of \$0.34 per mile.							
To recover \$2,085 of State fund mileage expense billed at a rate greater than the contracted State rate of \$0.34 per mile.							
7						(327)	
To recover \$327 of Federal fund travel expense applicable to another program, billed to the AFLP program.							
8						(119)	
To recover \$119 of State fund travel expense applicable to another program, billed to the AFLP program.							
County of Merced, Maternal, Child and Adolescent Health Program							
Contract Number : 200524							
Budget Period: July 1, 2005 through June 30, 2006							
FFP MCH Policy and Procedures - Funding							
FFP MCH Policy and Procedures - Administration							
						(\$7,807)	\$25,093

Contractor Name: Merced County Department of Public Health
Contract Number: 200524
Maternal, Child and Adolescent Health Program
Contract Period July 1, 2005 through June 30, 2006

Attachment A

Attachment A



DEPARTMENT OF PUBLIC HEALTH

John Volanti, M.P.H.
Director of Public Health

Administration
260 E. 15th Street
Merced, CA 95340-6216
(209) 381-1200
(209) 381-1215 (FAX)
www.co.merced.ca.us/health

Equal Opportunity Employer

Lisa Merrill
State Department of Health Services
Financial Audits Branch
MS 2102
782 E Bullard Ave., Suite 101
Fresno, CA 93710-5856

Ms Merrill:

This letter is in response to our exit conference of July 26, 2007. We want to take this opportunity to clear up some misconceptions that impact the fiscal findings of the audit.

Fiscal Findings

2. a. In calculating B. Wetters time spent on MCH program, the calculation mistakenly identifies 'Management Time' as time spent performing management duties for the County. In reality, 'Management Time' represents paid time off. This is logged as job code 99010 in the County cost system. When the 68.5 hours of management time are added to the other non-productive time, this negates the recovery for B. Wetters. I have enclosed a copy of the page from the JOB MASTER FILE LIST that identifies "MANAGEMENT TIME" as "PAID TIME OFF".

2. b. When billing, the Department was deducting bilingual pay from salaries and adding it to benefits. While this did overstate benefits it understated salaries. Thus, the net effect of the error was zero. We have attached a worksheet using MCH time for M. Stanley as an example. On the left is the billing as submitted with the benefits adjustment. On the right is the billing as it would have come out without the adjustment. As you can see, the billed amount would be identical (highlighted cells). There was no over billing and this should negate the recovery for M. Stanley, H. Moua and K. Chao. This practice is no longer being followed by the Department.

4. We have no further documentation to present with regards to this finding. We will be appealing and appreciate the opportunity to address the issue.

We appreciate your review of our concerns and hope you find the attached adequately explains our points.

Sincerely,

A handwritten signature in black ink that reads "John Volanti".

John Volanti, MPH
Public Health Director

STRIVING FOR EXCELLENCE



**Public
Health
Department**

	A	B	C	D	E	F	G	H	I
1	1st Quarter								
2	Actual Billed				Adjusted for Bilingual				
3		Local	MCH	Total			Local	MCH	Total
4	Salary	1,281	1,142.00	2,423.00	Salary		1,333.00	1,189.00	2,522.00
5	Benefits	769.64	686.36	1,456.00	Benefits		717.31	639.69	1,357.00
6	Total	2,050.64	1,828.36	3,879.00	Total		2,050.31	1,828.69	3,879.00
7									
8	2nd Quarter								
9	Actual Billed				Adjusted for Bilingual				
10		Local	MCH	Total			Local	MCH	Total
11	Salary	1,583.00	2,080.00	3,663.00	Salary		1,656.00	2,176.00	3,832.00
12	Benefits	1,067.72	1,403.28	2,471.00	Benefits		994.69	1,307.31	2,302.00
13	Total	2,650.72	3,483.28	6,134.00	Total		2,650.69	3,483.31	6,134.00
14									
15	3rd Quarter								
16	Actual Billed				Adjusted for Bilingual				
17		Local	MCH	Total			Local	MCH	Total
18	Salary	1,614.00	2,267.00	3,881.00	Salary		1,684.00	2,366.00	4,050.00
19	Benefits	1,127.23	1,583.77	2,711.00	Benefits		1056.96	1485.04	2,542.00
20	Total	2,741.23	3,850.77	6,592.00	Total		2,740.96	3,851.04	6,592.00
21									
22	4th Quarter								
23	Actual Billed				Adjusted for Bilingual				
24		Local	MCH	Total			Local	MCH	Total
25	Salary	1,883.00	2,557.00	4,440.00	Salary		1,965.00	2,670.00	4,635.00
26	Benefits	1,315.67	1,787.33	3,103.00	Benefits		1,232.99	1,675.01	2,908.00
27	Total	3,198.67	4,344.33	7,543.00	Total		3,197.99	4,345.01	7,543.00

COMMAND ==>

REPORT: FC-2140-1	VERSION: 070817	183734	HIERARCHY CODE: 521	SCROLL ==>	SCREEN	PAGE: 13
73	92050	00	STD.	00000 - 00000	00000 - 00000	CONTRA POSTING ACCRUED EXPENSES
73	92700	00	STD.	00000 - 00000	00000 - 00000	COST APPLIED BILLINGS
73	93000	00	STD.	00000 - 00000	00000 - 00000	LABOR CLEARING
73	93000	98	STD.	00000 - 00000	00000 - 00000	LABOR CLEARING
73	99001	00	STD.	00000 - 00000	00000 - 00000	PAID TIME OFF-HOLIDAY
73	99002	00	STD.	00000 - 00000	00000 - 00000	PAID TIME OFF-VACATION
73	99003	00	STD.	00000 - 00000	00000 - 00000	PAID TIME OFF-SICK LEAVE
73	99004	00	STD.	00000 - 00000	00000 - 00000	FAMILY SICK LEAVE
73	99005	00	STD.	00000 - 00000	00000 - 00000	JURY DUTY
73	99006	00	STD.	00000 - 00000	00000 - 00000	PAID TIME OFF-BEREAVEMENT
73	99007	00	STD.	00000 - 00000	00000 - 00000	PAID TIME OFF-MILITARY TIME
73	99008	00	STD.	00000 - 00000	00000 - 00000	PAID TIME OFF-WORKERS COMPENSATIC
73	99009	00	STD.	00000 - 00000	00000 - 00000	PAID TIME OFF-COMPENSATORY TIME
73	99010	00	STD.	00000 - 00000	00000 - 00000	PAID TIME OFF-MANAGEMENT TIME
73	99011	00	STD.	00000 - 00000	00000 - 00000	PAID TIME OFF-PERSONAL HOLIDAY
73	99012	00	STD.	00000 - 00000	00000 - 00000	SDI
73	99013	00	STD.	00000 - 00000	00000 - 00000	BUDGET REDUCTION HOURS

Contractor Name: Merced County Department of Public Health
Contract Number: 200524
Maternal, Child and Adolescent Health Program
Contract Period July 1, 2005 through June 30, 2006

Attachment B

Attachment B

Merrill, Lisa (DHCS-AI-FAB)

From: Wong, Cheryl (CDPH-CFH-MCAH-PAIS-AMF)
Sent: Friday, September 21, 2007 2:01 PM
To: Merrill, Lisa (DHCS-A&I-FAB)
Cc: Lyle, Sue (CDPH-CFH-MCAH-PAIS-AMF)
Subject: Response to Merced County #200524, FY 05/06, MCAH and AFLP Audit Exit Conference - Draft Report

Attachments: MCH1541SHARESC3_EXCHANGE_09182007-120115.PDF; Merced 200524 Audit Finding 3.xls



MCH1541SHARESC
_EXCHANGE_09182.



Merced 200524
Audit Finding 3....

Hi Lisa:

In the first attachment above, I am responding to the Draft Report on the management findings including the adjustment draft and summary of findings.

In the Draft Report, Adjustments To Other Matters, Schedule A, as enumerated:

Lines
1 & 2 Agree with auditor's finding for time spent in other programs outside of MCAH Programs unless Agency can prove otherwise.

3 Disagree to the finding. The Agencies at their digression can bill down from enhanced matched funding to matched non-enhance funding. Based on *MCAH Fiscal Policies and Procedures*, FY 07/08, Invoices Section, Requirements, p. 55. In the second attachment above, please note that for Jennifer Duda the Agency billed down a partial Enhanced Matching to a Non-Enhanced Matching which is fine, according to our policies and procedures manual.

The Agency used more of their funds than the federal funds they could have as stated in the Time Study for Jennifer Duda.

4 & 5 Agree with auditor's findings for fleet mileage in both MCAH & AFLP billed at State Reimbursement rate of \$.34/mile.

6, 7, 8 & 9 Agree with auditor's findings travel expense applicable to other program.

Thank you,
Cheryl Wong
Contract Manager
Maternal Child & Adolescent Health Program
Center For Family Health
CA Department of Public Health
1615 Capitol Avenue, MS 8305
P.O. Box 997420
Sacramento CA 95899-7420

(916) 650 - 0340 desk

(916) 650 - 0309 fax

E-mail: cheryl.wong@cdph.ca.gov

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State of California

Department of Health Services

Contractor Name		Fiscal Period		Contract Number		Adjustments		
MERCED COUNTY DEPT. OF PUBLIC HEALTH		JULY 1, 2005 THROUGH JUNE 30, 2006		200524		13		
Report References		Explanation of Audit Adjustments						
Adj. No.	Schedule	Line	Form #	Invoice or Claim	Line	As Reported	Increase (Decrease)	As Adjusted
ADJUSTMENTS TO OTHER MATTERS								
1	A	1	N/A	1	Personnel	\$513,312		
					To recover \$294 of Federal fund salary expense for time spent in other programs.		(\$294)	
2					To recover \$75 of State fund salary expense for time spent in other programs.		(75)	
3					To recover \$431 of Federal non-matched funds billed to non-enhanced funding.		(431)	(800)
					County of Merced, Maternal, Child and Adolescent Health Program Contract Number : 200524 Budget Period: July 1, 2005 through June 30, 2006 FFP MCH Policy and Procedures - Funding FFP MCH Policy and Procedures - Administration			
4	A	1	N/A	2	Operating Expenses	\$19,073		
					To recover \$3,497 of Federal fund mileage expense billed at a rate greater than the contracted State rate of \$0.34 per mile.		(\$3,497)	
5					To recover \$1,305 of State fund mileage expense billed at a rate greater than the contracted State rate of \$0.34 per mile.		(1,305)	
					County of Merced, Maternal, Child and Adolescent Health Program Contract Number : 200524 Budget Period: July 1, 2005 through June 30, 2006 FFP MCH Policy and Procedures - Funding		(\$4,802)	\$14,271

State of California

Department of Health Services

Contractor Name		Fiscal Period		Contract Number		Adjustments	
MERCED COUNTY DEPT. OF PUBLIC HEALTH		JULY 1, 2005 THROUGH JUNE 30, 2006		200524		13	
Report References							
Adj. No.	Audit Report	Invoice or Claim			As Reported	Increase (Decrease)	As Adjusted
	Schedule	Line	Form #	Line			
8	1	N/A		2	\$32,900		
6						Operating Expenses	
						To recover \$5,276 of Federal fund mileage expense billed at a rate greater than the contracted State rate of \$0.34 per mile.	(\$5,276)
7						To recover \$2,085 of State fund mileage expense billed at a rate greater than the contracted State rate of \$0.34 per mile.	(2,085)
8						To recover \$327 of Federal fund travel expense applicable to another program, billed to the AFLP program.	(327)
9						To recover \$119 of State fund travel expense applicable to another program, billed to the AFLP program.	(119)
							<u>(\$7,807)</u>
							\$25,093
County of Merced, Maternal, Child and Adolescent Health Program Contract Number : 200524 Budget Period: July 1, 2005 through June 30, 2006 FFP MCH Policy and Procedures - Funding FFP MCH Policy and Procedures - Administration							

Unmatched Funding Non-enhanced Matching Enhanced Matching

Employee	Total Wages	Title V	Agency \$	Fed/Agency 50/50	Fed/Agency 75/25
J Duda per T/S	21,300	6.58% \$ 1,402	29.73% \$ 6,332	48.87% \$ 10,409 Agency pays \$ 5,204	14.83% \$ 3,159 Agency pays \$ 790
J Duda per Q4	21,300	6.58% \$ 1,402	29.73% \$ 6,332	51.91% \$ 11,057 Agency pays \$ 5,528	11.79% \$ 2,511 Agency pays \$ 628