

**OCT 09 2008**

**CA. DEPARTMENT OF PUBLIC  
HEALTH SACRAMENTO**

**REPORT  
ON THE  
LIMITED REVIEW**

**COUNTY OF HUMBOLT  
EUREKA, CALIFORNIA  
MATERNAL CHILD AND ADOLESCENT HEALTH PROGRAM  
CONTRACT NO. 200512**

**FISCAL PERIOD ENDED  
JUNE 30, 2006**

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

**Section Chief: Louise Wong  
Audit Supervisor: Jesse Duran  
Auditor: John Uribe**



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



ARNOLD SCHWARZENEGGER  
Governor

JUL 18 2008

Susan Buckley  
MCAH Director/Program Manager  
Humboldt County Health and Human Services/ Public Health Branch  
908 Seventh Street  
Eureka, CA 95501

Dear Ms Buckley:

The claims for expenditures for services provided by County of Humboldt, Department of Health and Human Services, under the Maternal, Child and Adolescent Health (MCAH) Program, Contract No. 200512, for the fiscal period of July 1, 2005 through June 30, 2006, have been reviewed by the Financial Audits Branch of the Department of Health Services. In addition, a 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 Humboldt County for the year ended June 30, 2006, were examined by other auditors whose report dated January 10, 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.

This Audit Report includes the:

1. Executive Summary of Findings
2. Program Compliance
3. Fiscal Findings
4. Systems and Procedures
5. Schedules

The report concludes that no additional amount is due the State or Contractor.

If you should have any further question, please contact Joelyene Browne, Contract Manager, at (916)650-0397.



Louise Wong, Chief  
Audits Section – Richmond  
Financial Audits Branch

Certified

cc: Joelyene Browne  
Contract Manager  
California Department of Public Health  
Maternal, Child, and Adolescent Health Program  
1615 Capital Avenue, Suite 73.560 - MS 8300  
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I. EXECUTIVE SUMMARY OF FINDINGS

The following information is a summary of our findings:

A. CONTRACT COMPLIANCE

- 1) Maternal, Child and Adolescent Health (MCAH) Policy and Procedure Manual 2006, Administration Invoices, General Policy and Requirements, Page 3 states, in part, "All invoices are to be submitted quarterly....Invoices must be submitted with 45 calendar days after the close of the billing period...The final invoice... must be postmarked no later than 90 calendar days after the...fiscal year end...."

The Contractor submitted all quarterly invoices late to MCAH. (Refer to Section IV. A)

- 2) In order to claim Federal Financial Participation (FFP), the Contractor must maintain documentation to support their activities known as a time study. The time studies determine the percentage of time an employee spends on each program. (Refer to Section IV. B)

We reviewed the Contractor's time studies for May 2006 for all nine of their employees. The following variances were identified:

- a. In two out of nine (22%) time studies, the Weekly Time Chart indicates the employee took unpaid leave; while on the Weekly Time Study for FFP, this was recorded as Code 12 - paid time off. If the employee took unpaid leave, the activity should not be recorded on the time study.
- b. In one time study, activities related to program specific administration and defined as non-enhanced, such as reviewing materials, collecting information, and entering data, were incorrectly recorded as enhanced. If services are rendered to particular programs or specific activities performed warrant the recording of unique function codes on the Time Study, then the employee must provide sufficient information to distinguish the different activities performed.
- c. According to the County's time study policy, employees are instructed to give the completed time study to the program supervisor. The program supervisors are instructed to review, sign off, and give the completed time studies to the analyst within two weeks after the last day of the time study month. Eight of the nine (89%) time studies were furnished to the analyst one week beyond the due date.

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B. FISCAL FINDINGS

The amounts claimed by the Contractor were properly documented in their supporting records. (Refer to Section V. A)

1) Travel Expense Review

Fourth quarter travel costs were traced to employee travel claims. The Contractor reimbursed employees using their personal automobile for business travel at a rate of 44.5 cents per mile.

According to the State of California Department of Personnel Administration (DPA), the mileage reimbursement rate for personal vehicles was 34 cents per mile during the contract period.

2) Working Capital Ratio

Based on the County of Humboldt's Comprehensive Annual Financial Report for FYE June 30, 2006, the working capital current ratio is 8.76 to 1. A working capital ratio of greater than one is considered favorable. (Refer to Schedule C)

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## 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 MCAH 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 Humboldt County Department of Health and Human Services, Public Health Branch is committed to promoting community health, disease and injury prevention and a healthy human environment. The Public Health Branch is divided into nine divisions as follows:

- Health Education
- Maternal, Child and Adolescent Health
- Women, Infants and Children's Nutrition
- Health Officer/Medical Director
- Nursing
- Planning and Support
- Fiscal/Business Services
- Environmental Health
- Laboratory

The Maternal Child and Adolescent Health (MCAH) Program provides management oversight for all MCAH, Child Health and Disability Prevention and California Children Services programs. The local MCAH allocation provides for general Maternal Child Adolescent Health activities such as community health assessment, assuring health services are provided to vulnerable populations and the Comprehensive Perinatal Services Program. MCAH activities are 100% State and Federal funded; the 2005-2006 allocation from the State is essentially unchanged from 2004-2005.

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Other programs are prevention-based programs, prioritized according to documented target population needs such as children's oral health, injury prevention, perinatal substance use, newborn risk assessment, child death review and others.

MCAH program objectives are to complete the Title V Needs Assessment and Priority Problem Planning for MCAH target populations, women of childbearing age, infants, children and teens, and thus assure ongoing Title V funding.

Other program objectives are to coordinate activities and projects with the Department of Health and Human Services and community partners to maximize family outcomes.

C. SITE LOCATION

For the fiscal period of review, the MCAH program services were conducted at 317 Second Street, Eureka, CA 95501. As of June 2007, the MCAH program operates at a new location: 908 Seventh Street, Eureka, CA 95501.

D. FUNDING SOURCE

The expenditures for the Department of Health and Human Service's MCAH program are included in the financial statement of Humboldt County. The financial statements of the County of Humboldt were audited by the county's independent auditors, and the Schedule of Expenditures of Federal Awards was presented as required by OMB Circular A-133, that information is summarized in Exhibit 1-A.

Exhibit 1-A

Schedule of Expenditure of Federal Awards	Disbursements/ Expenditures
<b>Federal Grantor/Pass - Through Grantor Program Title:</b>	
Total U.S. Department of Agriculture	16,642,949
Total U.S. Department of Commerce	213,316
Total U.S. Department of Housing and Urban Development	3,739,969
Total U.S. Department of Interior	97,927
Total U.S. Department of Justice	1,186,064
Total U.S. Department of Labor	2,442,195
Total U.S. Department of Transportation	3,767,126
Total Environmental Protection Agency	424,729
Total U.S. Department of Education	165,168
Total U.S. Department of Health and Human Services	34,003,595
Total U.S. Department of Homeland and Security	3,040,237
<b>Total Expenditure of Federal Awards</b>	<b>65,723,275</b>

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E. CONTRACT GOALS AND OBJECTIVES

The Humboldt County Public Health Branch is committed to promoting community health, disease and injury prevention and a healthy human environment.

The goals of the Maternal, Child and Adolescent Health (MCAH) grant are:

1. All children born healthy to healthy mothers.
2. No health status disparities among racial/ethnic, gender, economic and regional groups.
3. A safe and healthy environment for women, children and their families.
4. Equal access for all women, children and their families to appropriate and needed care within an integrated and seamless system.

The objectives of the grant are:

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.
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.
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.
4. Address unmet priority 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.

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### III. SCOPE OF REVIEW

The Financial Audit Section's review of the County of Humboldt Department of Health and Human Services was restricted to the Maternal, Child and Adolescent Health (MCAH) program.

The audit consisted of the review of the financial records to ensure the existence of proper documentation and the propriety of claims submitted to the State for reimbursement. Such review included substantive testing:

- To determine that payments are for services rendered;
- To determine that payments are for actual costs;
- To determine that payments reflect amounts billed to the State;
- To determine that payments are allowable contract expenditures;
- To determine that payments are within budgeted amounts.

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IV. CONTRACT COMPLIANCE

Our examination included a review to determine if the County of Humboldt Department of Health and Human Services (Contractor) conducted the program in compliance with Maternal, Child and Adolescent Health (MCAH) program terms and applicable regulatory requirements. The following is a summary of our findings.

A. TIMELY SUBMISSION OF QUARTERLY EXPENDITURE INVOICES

Maternal, Child and Adolescent Health (MCAH) Policy and Procedure Manual 2006, Administration Invoices, General Policy and Requirements, Page 3 states, in part, "All invoices are to be submitted quarterly....Invoices must be submitted with 45 calendar days after the close of the billing period...The final invoice... must be postmarked no later than 90 calendar days after the...fiscal year end...."

The Contractor submitted all quarterly invoices late to MCAH as follows:

<u>Billing Period</u>	<u>Due Date</u>	<u>Cover Letter Date</u>	<u>Number of Days Late</u>
07/01/05 – 09/30/05	11/14/05	12/28/06	409
10/01/05 – 12/31/05	02/14/06	12/28/06	317
01/01/06 – 03/31/06	05/15/06	12/28/06	227
04/01/06 – 06/30/06	09/28/06	12/28/06	91

Recommendation:

The Contractor must submit the expenditure invoices to MCAH on a timely basis to comply with the MCAH Allocation Plan and Budget billing instructions (i.e., on a quarterly basis, and within 45 calendar days following the end of the billing period). Failure to do so may delay payment, and even result in the invoices not being honored.

B. FEDERAL FINANCIAL PARTICIPATION (FFP) TIME STUDY REVIEW

Maternal Child and Adolescent Health (MCAH) allocation funding is a combination of Federal Title V, Title XIX, State General Fund, and local funds. Title XIX funds are partially matched by federal funds, hence, the term Federal Financial Participation. Only certain Medi-Cal administrative activities qualify for FFP. These activities must be connected with these two goals:

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- Assisting individuals eligible for Medi-Cal to enroll in the Medi-Cal program  
  
and/or
- Assisting individuals on Medi-Cal to access Medi-Cal services.

1. TIME STUDY REVIEW

In order to claim FFP, the Contractor must maintain documentation to support their activities known as a time study. The time studies determine the percentage of time an employee spends on each program (i.e. MCAH, CCS, CHDP).

We reviewed the time studies for May 2006 for all nine employees. The following variances were identified:

- a. In two out of nine (22%) time studies, the Weekly Time Chart indicates the employee took unpaid leave; while on the Weekly Time Study for FFP, this was recorded as Code 12 - paid time off. If the employee took unpaid leave, the activity should not be recorded on the time study.
- b. In one time study, activities related to program specific administration and defined as non-enhanced, such as reviewing materials, collecting information, and entering data, were incorrectly recorded as enhanced. If services are rendered to particular programs or specific activities performed warrant the recording of unique function codes on the Time Study, then the employee must provide sufficient information to distinguish the different activities performed.
- c. According to the County's time study policy, employees are instructed to give the completed time study to the program supervisor. The program supervisors are instructed to review, sign off, and give the completed time studies to the analyst within two weeks after the last day of the time study month. Eight of the nine (89%) time studies were furnished to the analyst one week beyond the due date.

Recommendation:

The Contractor should maintain adequate documentation to support their FFP activities.

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2. SECONDARY DOCUMENTATION REVIEW

The FFP user's guide states, in part, "Secondary documentation clearly identifies the...activity...provided." In one of the time studies, the employee provided a description of activities or services performed on the Weekly Time Chart, but on the secondary documentation, function codes were recorded. As a result, no substantiation was provided to support the claimed activities reported on the time study.

The FFP user's guide states, in part, "Secondary documentation to support Time Study claimed activities is a must...All Time study documents including secondary documents must be kept for a minimum of three (3) years from the date of the last invoice or payment." For one employee, secondary documentation was not furnished during audit review.

Recommendation:

The Contractor should also ensure that Secondary documentation adhere to the following guidelines:

- Must support the information on the time study.
- Provide sufficient information to distinguish different activities and programs.
- Link client specific activities to a case/client file.
- The reason for a function code should be supported in the documentation.
- Clearly identifies the clients or entity for which the activity or services is provided.

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V. FISCAL FINDINGS

The following is a discussion of the fiscal findings relating to our examination of the County of Humboldt Maternal Child and Adolescent Health Program. The details of these amounts are included in Schedules A and B of this report.

A. CLAIMED EXPENDITURES

The amounts claimed by the Contractor were properly documented in their supporting records.

1) Personnel Costs

The Contractor reported the proper amount of salary expenditure for reimbursement based upon the actual "percentage of time" servicing the MCAH program.

2) Fringe Benefits

The Contractor claimed actual benefits paid to employees reduced by the "percentage of time" servicing the MCAH program. The reported benefits represented 25.52% of personal costs claimed for reimbursement.

3) Travel Expense Review

Fourth quarter travel costs were traced to employee travel claims. The Contractor reimbursed employees using their personal automobile for business travel at a rate of 44.5 cents per mile.

According to the State of California Department of Personnel Administration (DPA), the mileage reimbursement rate for personal vehicles was 34 cents per mile during the contract period. Mileage covers gasoline, cost of maintenance, insurance, licensing and registration, depreciation, and all other costs associated with the operation of the vehicle.

Recommendation:

The Contractor should only bill the State for travel expenses in accordance with the Department of Personnel Administration guidelines.

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4) Building Rent Review

The Contractor leased the building located at 317 Second Street. The Contractor's method of allocating building costs is reasonable.

5) Other Operating Expense Review

Fourth quarter Other Operating Costs were traced to source documents. Expenditures supported by vendor invoices were applicable to the MCAH program.

B. WORKING CAPITAL RATIO

Based on the County of Humboldt's Comprehensive Annual Financial Report for FYE June 30, 2006, the working capital current ratio is 8.76 to 1. A working capital ratio of greater than one is considered favorable.

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VI. SYSTEMS AND PROCEDURES

Our study and evaluation was more limited than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

The contractor is covered under the Single Audit act of 1984. The most recent Single Audit available at the time of our audit was for the Fiscal Year Ended June 30, 2006. Our audit was performed by expanding audit tests to ensure fair presentation of program costs. As a result, we placed no reliance on the Contractor's internal control system during our audit. Our conclusion on the Contractor's fulfillment of its contractual obligations and the fair representation of program costs was based solely on our expanded substantive testing of reported expenses and review of the contract.

The results of our review are addressed in various sections of this audit report.

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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. No adjustments have been proposed. If any adjustments had been proposed to the claimed amounts they would be reflected in Schedule B and discussed in the Fiscal Findings Section of this report.

SCHEDULE A

COUNTY OF HUMBOLDT  
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 PUBLIC HEALTH BRANCH  
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MCAH PROGRAM 2005/2006 ALLOCATION PLAN AND BUDGET

	MCAH Budgeted	Maximum Payable	
		As Approved*	As Revised **
Total Title V	\$ 97,829	\$ 97,829	\$ 97,829
Total State General Funds	24,012	24,012	24,012
Total Agency General Fund	114,281	-	-
Total Matching Title XIX	182,817	182,817	171,658
	<u>\$ 418,939</u>	<u>\$ 304,658</u>	<u>\$ 293,499</u>

\* Based on original 2004/2005 MCAH Allocation Plan

\*\* Reported based on Budget Revision Request No. 1 (dated October 26, 2006)

## SCHEDULE B

COUNTY OF HUMBOLDT  
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## SUMMARY OF REVIEWED CONTRACT EXPENDITURES

<u>Budget Categories</u>	<u>Revised Contract Amount</u>	<u>Audit Adjustments</u>	<u>Audited Contract Amount</u>
Personnel	\$ 256,588	\$ -	\$ 256,588
Operating Costs	19,014	-	19,014
Capital Expenditures	-	-	-
Other Costs	4,020	-	4,020
Indirect Costs	<u>13,877</u>	<u>-</u>	<u>13,877</u>
Total Expenditures	\$ 293,499	\$ -	\$ 293,499

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## WORKING CAPITAL RATIO ANALYSIS

	<u>Description</u>	<u>As Reported</u>
1	Total Current Assets	\$452,926,043
2	Total Current Liability	51,684,637
3	Working Capital Ratio Line 1 / Line 2)	8.76 : 1
4	Minimum Working Capital	1 : 1