

# **PERFORMANCE AUDIT REPORT**

## **Review of Grants Made to the Family Planning Clinic in Pittsburg, Kansas**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
April 1991**





# **PERFORMANCE AUDIT REPORT**

## **REVIEW OF GRANTS MADE TO THE FAMILY PLANNING CLINIC IN PITTSBURG, KANSAS**

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### **OBTAINING AUDIT INFORMATION**

This audit was conducted by Randy Tongier, Financial-Compliance Audit Manager, of the Division's staff. If you need any additional information about the audit's findings, please contact Mr. Tongier at the Division's offices.

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## **REVIEW OF GRANTS MADE TO THE FAMILY PLANNING CLINIC IN PITTSBURG, KANSAS**

### **Summary of Legislative Post Audit's Findings**

The Department of Health and Environment makes grants to local health departments for a number of health related programs. These grants take the form of contracts between the State Department and the local departments. For fiscal year 1990, the Department awarded the Crawford County Health Department \$24,750 for a Family Planning program and \$13,111 for a Healthy Start program. For fiscal year 1991, the Department awarded the County Health Department \$27,000 for the Family Planning program and \$3,987 for an AIDS Health Education/Risk Reduction program. All of these programs were administered by the Family Planning Clinic in Pittsburg, Kansas.

The State Department of Health and Environment recently became aware of allegations that an officer of the Crawford County Health Department was maintaining a bank or savings account outside of the Crawford County fiscal system, and that this official may have been misusing State grant moneys. The allegations related to the programs administered by the Family Planning Clinic in Pittsburg, Kansas. As a result of these allegations, the Department of Health and Environment requested an audit of this situation. This 100-hour audit determined whether State grants moneys had been properly handled.

**Is the Crawford County Health Department depositing State grant moneys in a savings or bank account outside the county fiscal system?** No State grant moneys were deposited in a savings or bank account outside the county fiscal system. However, until recently the Family Planning Clinic was not a part of the Crawford County Health Department, as it appeared to be from the grant documents and financial records. In addition, the Clinic's arrangement with Crawford County for the County to process and pay its payroll and other bills has resulted in considerable confusion and in a lack of adherence to two provisions of the grant contract. One provision calls for establishment and maintenance of an accounting system that records and reports receipts, obligations, and disbursements of grant and matching funds, including income derived from grant services. The other provision calls for single audit coverage of the organization in accordance with federal requirements.

**If State grant moneys have been deposited in an account outside the county fiscal system, have these grant moneys been misused?** No State grant moneys were deposited in a savings or bank account outside the county fiscal system. In addition, State grant moneys were spent for the purposes provided for in the grant contracts.

The report recommends that the Department of Health and Environment work with the federal granting agency to ensure that any deficiencies regarding previous audit coverage of grants made to the Family Planning Clinic in Pittsburg are resolved. We would be happy to discuss this recommendation or any other items in the report with legislative committees, individual legislators, or other State officials.

A handwritten signature in cursive script, appearing to read 'M. Williams', with a long horizontal flourish extending to the right.

Meredith Williams  
Legislative Post Auditor

## **REVIEW OF GRANTS MADE TO THE FAMILY PLANNING CLINIC IN PITTSBURG, KANSAS**

The Department of Health and Environment makes grants to local health departments for a number of health related programs. These grants take the form of contracts between the State Department and the local departments. For fiscal years 1990 and 1991, the Department awarded the Crawford County Health Department program grants totaling \$37,861 and \$30,897, respectively, for programs administered by the Family Planning Clinic in Pittsburg, Kansas.

The State Department of Health and Environment recently became aware of allegations that an officer of the Crawford County Health Department was maintaining a bank or savings account outside of the Crawford County fiscal system, and that this official may have been misusing State grant moneys. The allegations related to the programs administered by the Family Planning Clinic in Pittsburg. As a result of these allegations, the Department of Health and Environment requested an audit of this situation. To address this request, the Chair of the Legislative Post Audit Committee authorized the Legislative Division of Post Audit to conduct a special, 100-hour audit of this situation. The audit answers the following questions:

- 1. Is the Crawford County Health Department depositing State grant moneys in a savings or bank account outside the county fiscal system?**
- 2. If State grant moneys have been deposited in an account outside the county fiscal system, have these grant moneys been misused?**

To answer these questions, we interviewed Crawford County and Family Planning Clinic officials, reviewed the grant applications and contracts, reviewed and tested grant receipt and expenditure records together with the applicable supporting documentation, and reviewed grant financial reports submitted by the Family Planning Clinic to the Kansas Department of Health and Environment. Our review was limited to fiscal year 1990 and fiscal year 1991 through the end of March. In conducting this audit, we followed all applicable government auditing standards set forth by the U. S. General Accounting Office.

We found that no State grant moneys were deposited in a bank or savings account outside the county fiscal system. In addition, we found that State grant moneys were spent for the purposes provided for in the grant contracts. However, until very recently the Family Planning Clinic was not a part of the Crawford County Health Department, as it appeared to be from the grant documents and financial records. The Clinic's arrangement with Crawford County for the County to process and pay its payroll and other bills has resulted in considerable confusion and in a lack of adherence to two provisions of the grant contract. One provision calls for establishment and maintenance of an accounting system that records and reports receipts, obligations, and disbursements of grant and matching funds, including income derived from grant services. The other provision calls for single audit coverage of the organization in accordance with federal requirements.



## **Is the Crawford County Health Department Depositing State Grant Moneys in a Savings or Bank Account Outside the County Fiscal System?**

Our review focused on State grant moneys distributed to the Family Planning Clinic in Pittsburg, Kansas. For fiscal year 1990, these moneys comprised \$24,750 for the Family Planning Program and \$13,111 for the Healthy Start Program. For fiscal year 1991 through the end of March, these moneys comprised \$24,000 for the Family Planning Program and \$3,409 for the AIDS Health Education/Risk Reduction Program. All these moneys were deposited in and paid from the Crawford County Treasury.

In reviewing the receipt and deposit of State grant moneys, we became aware that the way grant-related documents were prepared, together with the arrangement for receipt and payment of State grant and Clinic moneys, resulted in confusion about the nature of the Family Planning Clinic and a lack of adherence to two provisions of the grant contract.

### **Although Grant-Related Documents Gave the Appearance That the Family Planning Clinic Was Part of the Crawford County Health Department, This Was Not the Case**

The grant-related documents submitted by the Family Planning Clinic, the Crawford County Health Department, and Crawford County to the State Department of Health and Environment, including grant applications and contracts, periodic reports, and annual audit reports, seemed to indicate that the Family Planning Clinic in Pittsburg was part of the Crawford County Health Department. For example, the grant contracts were between the State Department of Health and Environment and the Crawford County Health Department, and State warrants were made payable to the Crawford County Health Department. Further, quarterly reports submitted to the State Department showed the Crawford County Health Department as the grantee.

Our review of the actual situation in Crawford County disclosed, however, that during almost the entire audit period, the Family Planning Clinic was a private, not-for-profit organization. According to Crawford County Commission Resolution No. 91-199, adopted March 5, 1991, the Family Planning Clinic has operated as a not-for-profit corporation or as an unincorporated association since its inception. That same resolution merged the Family Planning Clinic into the Crawford County Health Department effective March 5.

Apparently, there had been some confusion about the prior status of the Clinic based on a motion adopted by the Crawford County Commission on May 22, 1987, which accepted "the Family Services group" into the Crawford County Health Department. However, according to the Crawford County Fiscal Clerk, in reviewing a question about insurance coverage of the Family Planning Clinic, the County Com-

mission's legal counsel determined that the prior motion did not have the intent to make the Clinic a part of the County Health Department.

**Because of the Way the State Grants Were Handled,  
Two Requirements of the Grant Contracts Were Not Met**

The grant contracts between the Kansas Department of Health and Environment and the Crawford County Health Department call for an accounting system that records and reports grant program receipts, payments, and obligations, and an annual, single audit performed in accordance with federal requirements. Neither of these two requirements were met.

**State grant moneys for the programs operated by the Family Planning Clinic were handled in such a way that no single accounting system covered all aspects of the program.** The programs operated by the Family Planning Clinic were funded through State grants and through fees collected for services provided. The State grant moneys were sent to the Crawford County Treasurer and deposited in the County Treasury. The Clinic deposited the fees it collected for services provided in its own bank account.

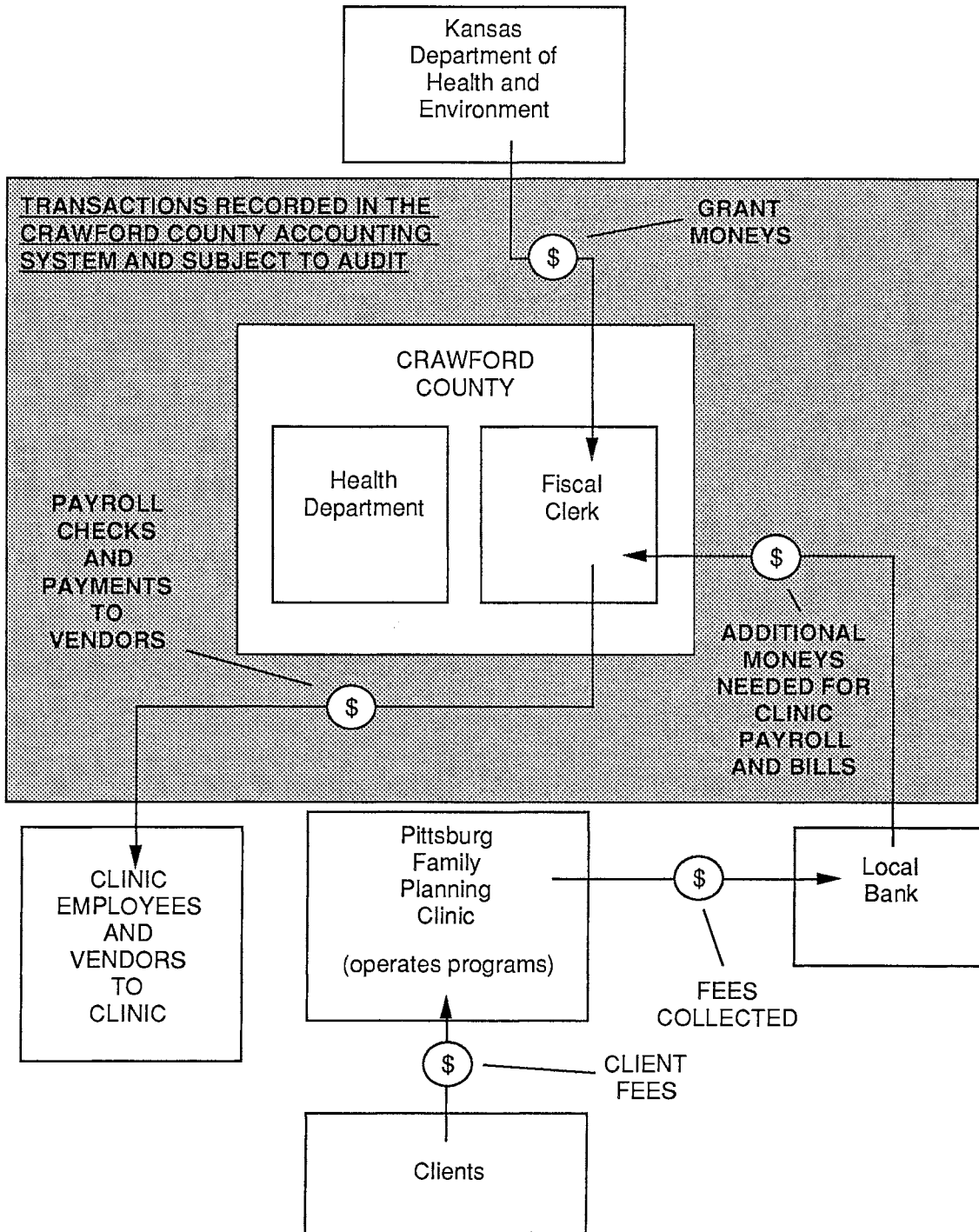
Through its fiscal clerk, Crawford County provided "bill payment" services for the Clinic, which included both payroll and other bills. The fiscal clerk notified the Clinic of the amount needed in addition to the State grant moneys on hand in the County Treasury to pay the Clinic's bills, and the Clinic transferred the amount needed from its local bank account to the County Treasury. This arrangement is presented graphically on following page.

Given that the Clinic's fees for services were deposited in a local bank account and not recorded in the County's financial records, except as transfers from the Clinic, and given that the State grant moneys deposited in the County Treasury were not recorded in the Clinic's checkbook, it appears there was no accounting system that recorded all program receipts and payments.

**The County's annual single audit did not cover all aspects of the program.** The grant contracts call for an audit in accordance with federal requirements. Such an audit would cover all program receipts and payments. The only audit coverage provided for these grants was Crawford County's annual single audit, which was conducted by a certified public accounting firm. According to the firm's audit working papers, the audit covered the State grants made to the Family Planning Clinic that were deposited in the County Treasury, but it did not cover the fees the Clinic collected and spent in operating its programs. Accordingly, the audit coverage provided did not meet the federal requirements.

**Once the Family Planning Clinic has been merged into the Crawford County Health Department, the accounting system and audit requirements of the grant contract should be met by the County's normal procedures.** The reason the grant contracts' provisions were not met was the fragmented accounting for the

**How Grant Moneys Paid to the  
Pittsburg Family Planning Clinic Were Handled  
Prior to March 1991**



programs administered by the Family Planning Clinic. Once the Clinic's financial operations have been merged with the County's, that fragmentation should cease. As is the case with all federal financial assistance, Crawford County should ensure that it can separately identify the receipts and payments associated with each federal program.

### **Recommendation**

The Kansas Department of Health and Environment should work with the federal granting agency to ensure that any deficiencies regarding previous audit coverage of grants made to the Family Planning Clinic in Pittsburg are resolved.

**If State Grant Moneys Have Been Deposited in  
An Account Outside the County Fiscal System,  
Have These Grant Moneys Been Misused?**

Although State grant moneys were not deposited in an account outside the county fiscal system, we did test the use of the State grant moneys and determined that they had not been misused.

**State Grants to the Family Planning Clinic In Pittsburgh  
Were Used in Accordance with the Grant Contract Provisions and  
Applicable Federal Requirements**

Neither the grant contract nor the applicable federal requirements specified any particular limits on the use of State grant moneys. Rather, they were to be used in the operation of the Family Planning, Healthy Start, and AIDS Health Education/Risk Reduction Programs. During the audit period, grant moneys were used in the operation of those programs and charged to the following categories:

**Fiscal Year 1990**

	<u>Family Planning</u>	<u>Healthy Start</u>
Salaries	\$ 24,000	\$ 11,441
Travel	0	1,604
Supplies	0	15
Capital Equipment	750	0
Other	0	51
	<u>          </u>	<u>          </u>
<b>TOTALS</b>	<b><u>\$ 24,750</u></b>	<b><u>\$ 13,111</u></b>

**Fiscal Year 1991 (through March)**

	<u>Family Planning</u>	<u>Health Education Risk Reduction</u>
Salaries	\$ 21,000	\$ 2,707
Travel	0	125
Supplies	0	90
	<u>          </u>	<u>          </u>
<b>TOTALS</b>	<b><u>\$ 21,000</u></b>	<b><u>\$ 2,922</u></b>

We tested a sample of payroll and other disbursements charged to the programs and noted no misuse of grant moneys. Our samples included \$21,688 charged to the Family Planning Program, \$1,023 charged to the Healthy Start Program, and \$1,413 charged to the AIDS Health Education/Risk Reductions Program.



## **APPENDIX A**

### **Agency Responses**

We provided a copy of the draft audit report to the Department of Health and Environment and the Crawford County Fiscal Clerk. Their responses are included in this Appendix.





State of Kansas

XXXXXXXXXXXXXXXXXXXX  
Mike Hayden, Governor  
Joan Finney, Governor

Department of Health and Environment

Office of the Secretary

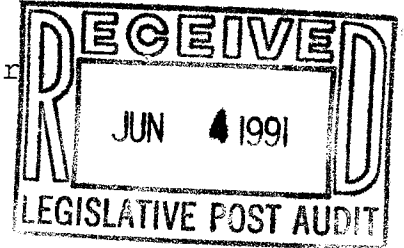
Stanley C. Grant, Ph.D., Acting Secretary

Landon State Office Bldg., Topeka, KS 66612-1290

(913) 296-1522  
FAX (913) 296-6231

May 31, 1991

Mr. Meredith Williams, Legislative Post Auditor  
Legislative Division of Post Audit  
109 West 9th, Suite 301 Mills Building  
Topeka, KS 66612-1285



Dear Mr. Williams:

We have reviewed your draft copy of the performance audit report, Review of Grants Made to the Family Planning Clinic in Pittsburg, Kansas and believe it accurately relates information determined during the audit. We appreciate the professional manner in which the audit was conducted.

After the audit report has been released to the Legislative Post Audit Committee, we will proceed to work with the Crawford County Health Department and Crawford County Officials to make the following changes together with other items that may come to our attention during this process:

- o Either the Family Planning Clinic in Pittsburg will become a part of the County Health Department or a formal contractual subgrantee relationship will be initiated that passes grant requirements on to the subgrantee.
- o If the Family Planning Clinic in Pittsburg provides services for the Crawford County Health Department as a subgrantee, the audit of the County Health Department will include a review of subgrantee grant compliance.

Thank you for conducting an audit for us to determine the validity of allegations presented to our Department by an interested Kansas citizen, and for providing information to us about areas where changes in operating procedures are necessary.

Sincerely,

Stanley C. Grant, PhD  
Acting Secretary

OFFICE OF  
**BOARD OF COUNTY COMMISSIONERS**

CRAWFORD COUNTY, KANSAS

GIRARD, KANSAS 66743

EARL McCOLM  
First District

PATRICK BARONE  
Second District

ANTHONY PICHLER  
Third District

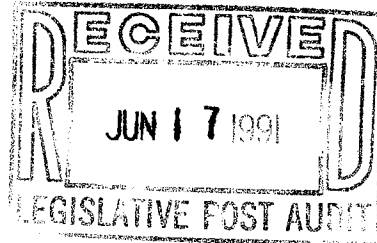
DAN BRUNETTI  
County Clerk

STEVE HOGARD  
Deputy

Kevin F. Mitchelson  
County Counselor  
P.O. Box 610  
Pittsburg, KS 66762  
(316) 231-4650

June 10, 1991

Ms. Meredith Williams  
Legislative Post Auditor  
State of Kansas--Legislative Division  
of Post Audit  
Suite 301, Mills Building  
109 West Ninth Street  
Topeka, Kansas 66612-1285



Re: Family Planning Clinic--Pittsburg, Kansas

Dear Ms. Williams:

In response to your letter of May 24, 1991, please be advised that the only comment the Board of County Commissioners of Crawford County would make in response to the draft of your Performance Audit Report would be to point out that, since the consolidation of the Family Planning Clinic into the Crawford County Health Department, the accounts for the Family Planning Clinic are shown as a separate line item in the Health Department budget. We concur with your determination that the County's normal procedures will cover the accounting system and audit requirements of the grant contract. The grant program receipts and disbursements of grant monies previously were appropriately handled in the County's normal procedures.

We were also pleased to find that you do not find any misuse of any grant monies.

Very best regards, ,

Kevin F. Mitchelson  
County Counselor  
Crawford County, Kansas

KFM:ik

cc: Mr. P. Daniel Brunetti  
County Clerk  
Wesley H. Hall, M.D., Director  
Crawford County Health Department  
Mrs. Joan Westoff, Fiscal Clerk

