

# Audit Report

## **Oakland County Health Division WIC Program**

October 1, 2001 – September 30, 2002



Office of Audit

Quality Assurance and Review Section

August 2004



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GOVERNOR

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DEPARTMENT OF COMMUNITY HEALTH  
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August 17, 2004

George J. Miller, M.A.  
Manager/Health Officer  
Oakland County Health Division  
1200 N. Telegraph Road, Dept. 432  
Pontiac, Michigan 48341-0432

Dear Mr. Miller:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Oakland County Health Division WIC Program for the period October 1, 2001 through September 30, 2002.

The final report contains the following: description of agency; funding methodology; purpose and objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and corrective action plans. The conclusions, findings, and recommendations are organized by audit objective. The corrective action plans include the agency's paraphrased response to the Preliminary Analysis.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in cursive script that reads "Debra S. Hallenbeck".

Debra S. Hallenbeck, Manager  
Quality Assurance and Review  
Office of Audit

cc: Alethia Carr, Director, WIC Division  
James B. Hennessey, Director, Office of Audit  
David Figg, Audit Manager, Office of Audit

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## **DESCRIPTION OF AGENCY**

The Oakland County Health Division (Health Division) is governed under the Public Health Code, Act 368 of 1978. The Health Division is a Special Revenue Fund of Oakland County, and the administrative office is located in Pontiac, Michigan. The Health Division operates under the legal supervision and control of the Board of Commissioners of Oakland County. The Health Division provides community health program services to the residents of Oakland County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, Sexually Transmitted Disease Control, Infectious Disease Control, Tuberculosis Control, Adolescent Health, Child Health, Childhood Lead, Family Planning, Maternal and Infant Support, Substance Abuse, and Women Infants and Children (WIC) Supplemental Food Program.

## **FUNDING METHODOLOGY**

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

Grant funding from MDCH for the WIC Program is federal funding under federal catalog number 10.557, and is first source funding, subject to performance requirements. That is, reimbursement from MDCH is based upon the understanding that a certain level of performance (measured in caseload established by MDCH) must be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

## **PURPOSE AND OBJECTIVES**

The purpose of this audit was to assess the WIC Program internal controls and financial reporting, and to determine the MDCH share of WIC Program costs. The following were the specific objectives of the audit:

1. To assess the Health Division's effectiveness in establishing and implementing internal controls over the WIC Program.
2. To assess the Health Division's effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Division.

## SCOPE AND METHODOLOGY

We examined the Health Division's records and activities for the fiscal period October 1, 2001 to September 30, 2002. We performed our review procedures in September 2003. Our review procedures included the following:

- Reviewed the most recent Oakland County Single Audit report for any WIC Program concerns.
- Completed the internal control questionnaire.
- Reconciled the WIC Program Financial Status Report (FSR) to the accounting records.
- Reviewed payroll expenditures.
- Tested a sample of expenditures for program compliance, and policy and approval procedures.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed building space/lease costs for proper reporting and compliance with Federal Requirements.
- Reviewed WIC equipment inventory records.
- Reviewed WIC coupon inventory controls.

Our audit did not include a review of program content or quality of services provided.

## CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

### INTERNAL CONTROLS

**Objective 1:** To assess the Health Division's effectiveness in establishing and implementing internal controls over the WIC Program.

**Conclusion:** The Health Division was generally effective in establishing and implementing internal controls over the WIC Program. No internal control exceptions were noted.

### FINANCIAL REPORTING

**Objective 2:** To assess the Health Division's effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

**Conclusion:** The Health Division generally reported their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we noted exceptions with the cost of space reporting (Finding 1) and contractual cost reporting (Finding 2).

## **Finding**

### **1. Underreported Cost of Space**

The Health Division underreported the cost of space for the WIC Program.

The Health Division reported the budgeted amount of Space Cost of \$99,109; however, the actual WIC Program Space Cost was \$105,787.

MDCH Grant budgeting and reporting instructions require that cost allocations result in a representative reporting of costs for affected programs. Space Cost was therefore increased by \$6,678 on the attached Statement of MDCH Grant Program Revenues and Expenditures. This adjustment does not affect the WIC Program grant funds since the grant funds were already fully spent.

## **Recommendation**

We recommend that the Health Division implement review procedures to ensure that actual WIC Program Space Cost is reported on the Financial Status Reports.

## **Finding**

### **2. Prior Year Contractual Cost**

The Health Division included prior year costs in the reported Contractual Costs.

Reported Contractual Costs included \$29,925 related to prior fiscal year services from August and September 2001.

Per Office of Management and Budget (OMB) Circular A-87, Attachment B, a cost is allowable for Federal reimbursement only to the extent of benefits received. Contractual Service cost for the prior year ending September 2001 was not eligible to be reported to the fiscal year 2001-2002 grant. Contractual Cost was therefore reduced by \$29,925 on the attached Statement of MDCH Grant Program Revenues and Expenditures. This adjustment does not affect the WIC grant funds since the grant funds were fully spent on eligible expenditures.

## **Recommendation**

We recommend that the Health Division implement review procedures to ensure that Contractual Costs are reported in the correct fiscal year.

## **MDCH SHARE OF COSTS AND BALANCE DUE**

**Objective 3:** To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Division.

**Conclusion:** The MDCH obligation under the WIC Program for fiscal year ended September 30, 2002, is \$1,363,608. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC grant program funding.

**Oakland County Health Division**  
**WIC Supplemental Food Program**  
**Statement of MDCH Grant Program Revenues and Expenditures**  
**10/1/01 - 9/30/02**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$1,363,608	\$1,363,608 <sup>1</sup>	\$0	\$1,363,608
Local Funds	\$166,341	\$133,873	(\$23,247)	\$110,626
<b>TOTAL REVENUES</b>	<b>\$1,529,949</b>	<b>\$1,497,481</b>	<b>(\$23,247)</b>	<b>\$1,474,234</b>
<b>EXPENDITURES:</b>				
Salary and Wages	\$696,562	\$670,025	\$0	\$670,025
Fringe Benefits	\$285,923	\$266,376	\$0	\$266,376
Equipment	\$0	\$0	\$0	\$0
Contractual	\$150,000	\$179,925	(\$29,925) <sup>3</sup>	\$150,000
Supplies	\$31,800	\$21,777	\$0	\$21,777
Travel	\$7,918	\$7,774	\$0	\$7,774
Communications	\$10,000	\$9,137	\$0	\$9,137
County Central Service Cost	\$74,811	\$71,961	\$0	\$71,961
Space Cost	\$99,109	\$99,109	\$6,678 <sup>2</sup>	\$105,787
Other Expense	\$14,723	\$13,312	\$0	\$13,312
Administrative Overhead	\$144,131	\$113,154	\$0	\$113,154
Miscellaneous Distribution	\$15,423	\$44,931	\$0	\$44,931
<b>TOTAL EXPENDITURES</b>	<b>\$1,530,400</b>	<b>\$1,497,481</b>	<b>(\$23,247)</b>	<b>\$1,474,234</b>

<sup>1</sup> Actual MDCH payments.

<sup>2</sup> Recomputed Space Cost allocation to WIC (Finding 1).

<sup>3</sup> To Adjust Contractual Cost for Cost Belonging to the Prior Year (Finding 2).

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Underreported Cost of Space

The Health Division underreported the cost of space for the WIC Program.

**Recommendation:** Implement review procedures to ensure that actual WIC Program Space Cost is reported on the Financial Status Reports.

**Comments:** The Health Division agrees with this finding. The reported cost represented prior year cost because the actual costs were not yet known.

**Corrective Action:** The lag in calculating the cost of space has been corrected.

**Anticipated**

**Completion Date:** Immediately.

**MDCH Response:** No comment.

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 3

**Finding:** Prior Year Contractual Cost

The Health Division included prior year costs in the reported Contractual Costs.

**Recommendation:** Implement review procedures to ensure that Contractual Costs are reported in the correct fiscal year.

**Comments:** The Health Division agrees with this finding. The late recording of expenditures attributable to the prior fiscal year occurred due to a lag in billing from the subcontractor.

**Corrective Action:** This subcontractor has since become acclimated to Oakland County's billing and payment requirements.

### Anticipated

**Completion Date:** Immediately.

**MDCH Response:** No comment.