

Audit Report

Ionia County Health Department WIC Program

October 1, 2009 – September 30, 2010



Office of Audit
Quality Assurance and Review Section
November 2011



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
OFFICE OF AUDIT
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OLGA DAZZO
DIRECTOR

November 15, 2011

Lisa McCafferty, R.S., M.P.H., Health Officer
Ionia County Health Department
175 East Adams Street
Ionia, Michigan 48846

Dear Ms. McCafferty:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Ionia WIC Program for the period October 1, 2009 through September 30, 2010.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and corrective action plan. The conclusions, findings, and recommendations are organized by audit objective. The corrective action plan includes 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

Enclosure

cc: Stan Bien, Director, WIC Division
Pam Myers, Director, Office of Audit
Matt Hiatt, Auditor, Office of Audit
Mike Gribbin, Auditor, Office of Audit

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DESCRIPTION OF AGENCY

The Ionia County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Ionia County, and the administrative office is located in Ionia, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Ionia County. The Health Department provides community health program services to the residents of Ionia County. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Sexually Transmitted Disease Control, Children's Special Health Care Services, Medicaid Outreach, Maternal and Infant Health, Bioterrorism/Emergency Preparedness/Pandemic Flu, and Women Infants and Children (WIC) Supplemental Food Program.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Community Health (MDCH) provides the Health Department 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 Department's effectiveness in establishing and implementing internal controls over the WIC Program.
2. To assess the Health Department'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 Department.

SCOPE AND METHODOLOGY

We examined the Health Department's records and activities for the fiscal period October 1, 2009 to September 30, 2010. Our review procedures included the following:

- Reviewed the most recent Ionia 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 WIC equipment inventory records.

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 Department's effectiveness in establishing and implementing internal controls over the WIC Program.

Conclusion: The Health Department was 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 Department'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 Department 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 an exception with fringe benefit allocations (Finding 1).

Finding

1. Fringe Benefits Not Equitably Allocated

The Health Department did not properly allocate employee leave time to the WIC Program.

The Health Department’s contract with MDCH (Part II, Section III, Part A.) requires compliance with OMB Circular A-87 (located at 2 CFR Part 225). For costs to be allowable under Federal awards, costs must be allocated in accordance with relative benefits received, and must conform to any limitations or exclusions set forth in OMB Circular A-87. According to OMB Circular A-87, Appendix B, Section 8.d.:

- (2) *The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: they are provided under established written leave policies; **the costs are equitably allocated to all related activities**, including Federal awards; and, the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.*

The Health Department allocates leave time (personal time, vacation, holiday, floating holiday, and funeral leave) for each employee based on a budgeted full time equivalent (FTE) percentage that is based on the anticipated amount of time they are expected to work on each Health Department program during the upcoming year. Leave hours are multiplied by the budgeted FTE percentage to allocate costs to each Health Department program. When comparing budgeted FTE percentages for the WIC Program employees to the actual percentage of time worked on the WIC Program, significant differences were noted as follows:

| Employee ID | Leave Allocation % to WIC | Actual WIC Time % |
|--------------------|----------------------------------|--------------------------|
| 1039 | 50% | 28.35% |
| 1006 | 100% | 58.83% |
| 1075 | 0% | 21.24% |
| 1161 | 100% | 82.96% |
| 1027 | 100% | 96.86% |
| 1099 | 0% | 11.38% |
| 1012 | 0% | 35.68% |
| 1159 | 100% | 55.82% |

When applying the actual percentage of time worked on the WIC Program to leave hours and applicable rates of pay, we noted that the WIC Program was overcharged \$1,600 by using the budgeted FTE percentages. Accordingly we conclude that fringe benefits are not being equitably allocated to all related activities in accordance with relative benefits received.

A financial adjustment is not being proposed due to the overall net impact for the Health Department.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that allocation percentages are updated at least quarterly so leave time is equitably allocated to all benefitting programs.

MDCH SHARE OF COSTS

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 Department.

Conclusion: The MDCH obligation under the WIC Program for fiscal year ended September 30, 2010 is \$259,094. 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.

Ionia County Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/09 - 9/30/10

| | BUDGETED | REPORTED | AUDIT ADJUSTMENT | ALLOWABLE |
|-------------------------------|------------------|------------------------|-----------------------------|------------------|
| REVENUES: | | | | |
| MDCH Grant | \$259,094 | \$259,094 ¹ | \$0 | \$259,094 |
| Local Funds and Other Funds | \$0 | \$607 | \$0 | \$607 |
| TOTAL REVENUES | \$259,094 | \$259,701 | \$0 | \$259,701 |
| EXPENDITURES: | | | | |
| Salary and Wages | \$101,610 | \$111,367 | \$0 | \$111,367 |
| Fringe Benefits | \$41,400 | \$47,105 | \$0 | \$47,105 |
| Equipment | \$0 | \$0 | \$0 | \$0 |
| Contractual | \$0 | \$0 | \$0 | \$0 |
| Supplies | \$9,477 | \$5,675 | \$0 | \$5,675 |
| Travel | \$700 | \$1,125 | \$0 | \$1,125 |
| Communications | \$500 | \$0 | \$0 | \$0 |
| Space Cost | \$13,711 | \$12,994 | \$0 | \$12,994 |
| Other Expense | \$1,008 | \$567 | \$0 | \$567 |
| County/City Central Services | \$46,126 | \$41,377 | \$0 | \$41,377 |
| Admin. - Indirect Cost | \$27,773 | \$30,173 | \$0 | \$30,173 |
| Public Health Admin (Nursing) | \$16,789 | \$9,318 | \$0 | \$9,318 |
| TOTAL EXPENDITURES | \$259,094 | \$259,701 | \$0 | \$259,701 |

¹ Actual MDCH payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Fringe Benefits Not Equitably Allocated**

The Health Department did not properly allocate employee leave time to the WIC Program.

Recommendation: Implement policies and procedures to ensure that allocation percentages are updated at least quarterly so leave time is equitably allocated to all benefitting programs.

Comments: The Health Department agrees with the finding.

Corrective Action: The Health Department will update percentage allocations of leave time quarterly.

**Anticipated
Completion Date:** 12-31-11

MDCH Response: None.