

Audit Report

Mid-Michigan Community Action Agency, Inc.
WIC Program

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review Section
November 2014



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
OFFICE OF AUDIT
400 S. PINE; LANSING, MI 48933

NICK LYON
DIRECTOR

November 12, 2014

Jill Sutton, Executive Director
Mid-Michigan Community Action Agency
1574 E. Washington Road
Farwell, Michigan 48622-0768

Dear Ms. Sutton:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Mid-Michigan Community Action Agency WIC and WIC Breastfeeding Programs for the period October 1, 2012 through September 30, 2013.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statements of MDCH Grant Program Revenues and Expenditures; and Comments and Recommendations. The conclusions, findings, and recommendations are organized by audit objective. The Comments and Recommendations include the agency's 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
Keith Rubley, Auditor, Office of Audit

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DESCRIPTION OF AGENCY

Mid-Michigan Community Action Agency, Inc. (“Agency”) is organized as a not-for-profit agency under the provisions of 501(c)(3) of the Internal Revenue Code. The Agency’s Administrative Office is located in Farwell, Michigan. The Agency operates under the legal supervision and control of its Board of Directors. The Agency provides program services in the counties of Bay, Clare, Gladwin, Mecosta, Midland, and Osceola. These services include weatherization; emergency shelter; food and utility assistance; Head Start; the Women, Infants, and Children (WIC) Supplemental Food Program, WIC Peer Counseling; and other programs for the purpose of assisting low income individuals.

FUNDING METHODOLOGY

The Agency receives funding primarily from federal and state government grants including the WIC Program and WIC Breastfeeding Program grants administered through the Michigan Department of Community Health (MDCH). MDCH grant funding is reimbursed monthly, based on Financial Status Reports, in accordance with the terms and conditions of the grant agreement and budget. Grant funding from MDCH for the WIC Programs is federal funding under federal catalog number 10.557.

PURPOSE AND OBJECTIVES

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

1. To assess the Agency’s effectiveness in establishing and implementing internal controls over the WIC and WIC Breastfeeding Programs.
2. To assess the Agency’s effectiveness in reporting their WIC and WIC Breastfeeding Programs’ 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 shares of cost for the WIC and WIC Breastfeeding Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Agency.

SCOPE AND METHODOLOGY

We examined the Agency's records and activities for the fiscal period October 1, 2012 to September 30, 2013. Our review procedures included the following:

- Reviewed the most recent Mid-Michigan Community Action Agency, Inc. Single Audit report for any WIC Program, or WIC Breastfeeding Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the WIC Program and WIC Breastfeeding Program Financial Status Reports (FSRs) to the accounting records.
- Reviewed a sample of payroll expenditures.
- Tested a sample of expenditures for program compliance, and policy and approval procedures.
- Reviewed space/lease cost and other expense allocations for reasonableness, and an equitable methodology.

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 Agency's effectiveness in establishing and implementing internal controls over the WIC and WIC Breastfeeding Programs.

Conclusion: The Agency was effective in establishing and implementing internal controls over the WIC and WIC Breastfeeding Programs. No internal control exceptions were noted.

FINANCIAL REPORTING

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

Conclusion: The Agency was effective in reporting their WIC and WIC Breastfeeding Programs' financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

MDCH SHARES OF COST AND BALANCE DUE

Objective 3: To determine the MDCH shares of cost for the WIC and WIC Breastfeeding Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Agency.

Conclusion: The MDCH obligation for fiscal year ended September 30, 2013 under the WIC Program is \$309,067 and under the WIC Breastfeeding/Peer Counseling Program is \$38,695. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs for each program.

Mid-Michigan Community Action Agency
WIC Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$333,603	\$309,067 ¹	\$0	\$309,067
Other Revenue	\$0	\$0	\$0	\$0
Local Funds Other	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$333,603	\$309,067	\$0	\$309,067
EXPENDITURES:				
Salary & Wages	\$173,872	\$158,679	\$0	\$158,679
Fringe Benefits	\$67,113	\$38,779	\$0	\$38,779
Supplies	\$7,895	\$17,187	\$0	\$17,187
Travel	\$4,085	\$3,784	\$0	\$3,784
Other Costs	\$80,638	\$90,638	\$0	\$90,638
TOTAL EXPENDITURES	\$333,603	\$309,067	\$0	\$309,067

¹ Actual MDCH payments.

Mid-Michigan Community Action Agency
WIC Breastfeeding Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$38,695	\$38,695 ¹	\$0	\$38,695
Fees 1 st & 2 nd Party	\$0	\$0	\$0	\$0
Other Revenue	\$0	\$0	\$0	\$0
Local Funds Other	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$38,695	\$38,695	\$0	\$38,695
EXPENDITURES:				
Salary & Wages	\$21,202	\$18,943	\$0	\$18,943
Fringe Benefits	\$9,023	\$8,919	\$0	\$8,919
Supplies	\$751	\$1,132	\$0	\$1,132
Travel	\$854	\$475	\$0	\$475
Other Expense	\$6,865	\$9,226	\$0	\$9,226
TOTAL EXPENDITURES	\$38,695	\$38,695	\$0	\$38,695

¹ Actual MDCH payments.

Comments and Recommendations

1. Under Reported Employee Health Insurance

The Agency did not allocate health insurance costs for part-time WIC employees to the WIC Program as allowed. OMB Circular A-122 (located at CFR Part 230), Appendix B, Section 8. g (2), states, “Fringe benefits in the form of employer contributions or expenses for...employee insurance...shall be distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the individuals or group of employees whose salaries and wages are chargeable to such awards and other activities.” In the one month tested, we determined that the WIC Program was under charged approximately \$100.

Recommendation

We recommend the Agency adopt policies and procedures to ensure all fringe benefits are equitably allocated to the programs in which the employees’ salaries and wages are charged.

Agency Response

The Agency has implemented the accounting software’s benefits tab in which each employee’s benefit charges including health insurance are distributed to each grant at the same rate of that employee’s wages. This insures that all fringe benefits are equitably allocated to all applicable programs.