

# Audit Report

## **Monroe County Health Department WIC & Family Planning Programs**

October 1, 2010 – September 30, 2011



Office of Audit  
Quality Assurance and Review Section  
March 2012



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GOVERNOR

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

March 14, 2012

Harry Grenawitzke, RS, MPH, DAAS, Health Officer/Director  
Monroe County Health Department  
2353 S. Custer Road  
Monroe, MI 48161

Dear Mr. Grenawitzke:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Monroe County Health Department Family Planning and WIC Programs for the period October 1, 2010 through September 30, 2011.

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; Corrective Action Plans; and Comments and Recommendations. The conclusions, findings, and recommendations are organized by audit objective. The Corrective Action Plans include the agency's paraphrased response to the Preliminary Analysis, and the Office of Audit's response to those comments where necessary. The Comments and Recommendations section includes areas where we believe there are opportunities for the agency to further strengthen internal controls or to increase operating efficiencies.

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  
Paulette Dobyne Dunbar, Manager, Division of Family and Community Health  
Michael Gribbin, Auditor, Office of Audit  
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## **DESCRIPTION OF AGENCY**

The Monroe 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 Monroe County, and the administrative office is located in Monroe, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Monroe County. The Health Department provides community health program services to the residents of Monroe County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Substance Abuse, AIDS/HIV Prevention, Children's Special Health Care Services, Family Planning, Maternal and Child Health, Medicaid Outreach, 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 administered through the Michigan Department of Community Health (MDCH), which consist of federal and state funds. 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.

The Family Planning Program was funded by MDCH Grant Funds, First and Third Party Fees and Collections, Local and Other Revenue. Grant funding from MDCH for the Family Planning Program is federal funding under federal catalog number 93.217, and is 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.

The WIC Program was funded by MDCH Grant Funds, and Other Local Funds. 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.

## **PURPOSE AND OBJECTIVES**

The purpose of this audit was to assess the Family Planning Program and WIC Program internal controls and financial reporting, and to determine the MDCH shares of Family Planning Program and 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 Family Planning and WIC Programs.
2. To assess the Health Department's effectiveness in reporting their Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH shares of cost for the Family Planning and WIC Programs 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, 2010 to September 30, 2011, including SEMHA activities. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any Family Planning Program or WIC Program concerns.
- Completed an internal control questionnaire.
- Reconciled the Family Planning Program and WIC Program Financial Status Report (FSR) to the accounting records.
- Reviewed a sample of payroll expenditures.
- Tested a sample of expenditures for program compliance and adherence to policy and approval procedures.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed Family Planning Medical Supply inventory records.
- Reviewed Family Planning billing and collection of fees, and collection of donations.

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 Family Planning and WIC Programs.

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

## **FINANCIAL REPORTING**

**Objective 2:** To assess the Health Department's effectiveness in reporting their Family Planning Program and 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 its Family Planning Program and WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. One exception was noted regarding the under reporting of expenditures for the WIC Program (Finding 1).

### **Finding**

#### **1. Understated Expenses for the WIC Program**

The Health Department understated their salaries & wages, fringes, travel, indirect, and other expenses for the WIC Program for the fiscal year 2011 by a total of \$43,215.

The Health Department's contract with MDCH (Part II, Section IV, Part D.) requires that Financial Status Reports (FSRs) be prepared in accordance with MDCH's FSR Instructions and that they report total actual program expenditures.

Southeastern Michigan Health Association (SEMHA) performs accounts payable services for the Health Department. One of their tasks is to compute a monthly salary amount for each program. The invoice for August 2011 arrived at the Health Department on October 3, 2011. The Health Department did not accrue this amount before the September 30, 2011 fiscal year end on the FSR. The Health Department expensed the salaries of \$20,516 for August 2011 for the WIC Program in October 2011 and therefore did not report this expense on the FSR. Also, the invoice included expenses for fringes (\$6,953), Travel (\$154), and All Other Expenses (\$1,381) for the WIC Program.

The correction in Salaries & Fringes for August 2011 also resulted in a change in indirect allocations. Once the August salaries & fringes were added to the cost distribution base and recalculated, the indirect allocation for the WIC Program increased by \$8,096. Also, we recalculated the Community Director Allocation expense (Other Cost Distributions), which resulted in an increase of \$6,115 for the WIC Program.

In total, the amount of expenses being added to the WIC Program FSR as a result of the August 2011 SEMHA invoice is \$43,215. The impact on indirect expense for the other programs is minor. Therefore, no adjustment will be made to the indirect expenses for the other programs. Adjustments for the WIC Program are shown on the attached Statement of MDCH Grant Program Revenues and Expenditures.

**Recommendation**

We recommend that the Health Department adopt policies and procedures to ensure all allowable costs are reported on the applicable year FSR. Additionally, we recommend that the Health Department revise their FYE 2011 FSR to include the additional \$43,215 in costs for the WIC Program, and take action to ensure the FYE 2011 costs paid in FYE 2012 are not included on the FYE 2012 FSR.

**MDCH SHARES OF COST AND BALANCE DUE**

**Objective 3:** To determine the MDCH shares of cost for the Family Planning and WIC Programs 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 Family Planning Program for fiscal year ended September 30, 2011 is \$99,596 and under the WIC Program is \$555,958. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made one adjustment that affects WIC funding regarding the understatement of expenditures of \$43,215 (Finding 1) resulting in additional funding of \$17,736 allowable to the Health Department.

**Monroe County Health Department  
WIC Supplemental Food Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/10 - 9/30/11**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$555,958	\$538,222	\$17,736 <b>2</b>	\$555,958 <b>1</b>
Local and Other Funds	\$130,880	\$0	\$25,479 <b>2</b>	\$25,479
Fees & Collections	\$7,400	\$4,733	\$0	\$4,733
<b>TOTAL REVENUES</b>	<b>\$694,238</b>	<b>\$542,955</b>	<b>\$43,215</b>	<b>\$586,170</b>
<b>EXPENDITURES:</b>				
Salary and Wages	\$330,936	\$244,286	\$20,516 <b>2</b>	\$264,802
Fringe Benefits	\$98,000	\$81,566	\$6,953 <b>2</b>	\$88,519
Supplies	\$13,154	\$15,933	\$0	\$15,933
Travel	\$3,000	\$2,271	\$154 <b>2</b>	\$2,425
Communications	\$1,800	\$1,648	\$0	\$1,648
County Central Service Cost	\$0	\$0	\$0	\$0
Space Cost	\$3,200	\$660	\$0	\$660
Other Expense	\$26,685	\$19,487	\$1,381 <b>2</b>	\$20,868
Indirect Cost - Admin.	\$156,274	\$119,414	\$8,096 <b>2</b>	\$127,510
Other Cost Distributions	\$61,189	\$57,690	\$6,115 <b>2</b>	\$63,805
<b>TOTAL EXPENDITURES</b>	<b>\$694,238</b>	<b>\$542,955</b>	<b>\$43,215</b>	<b>\$586,170</b>

**1** Actual MDCH payments provided on a performance reimbursement basis.

**2** Understated Expenses from August 2011 SEMHA Invoice (Finding 1)

**Monroe County Health Department  
Family Planning Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/10 - 9/30/11**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$99,596	\$99,596 <sup>1</sup>	\$0	\$99,596
Fees 1st & 2nd Party	\$8,000	\$5,465	\$0	\$5,465
Fees & Collections - 3rd Party	\$70,000	\$71,374	\$0	\$71,374
MCH Block Grant	\$19,682	\$19,682 <sup>1</sup>	\$0	\$19,682
Local Funds Other	\$249,272	\$182,607	\$0	\$182,607
<b>TOTAL REVENUES</b>	<b>\$446,550</b>	<b>\$378,724</b>	<b>\$0</b>	<b>\$378,724</b>
<b>EXPENDITURES:</b>				
Salary and Wages	\$173,136	\$153,530	\$0	\$153,530
Fringe Benefits	\$61,443	\$53,154	\$0	\$53,154
Contractual	\$0	\$0	\$0	\$0
Supplies	\$64,100	\$37,216	\$0	\$37,216
Travel	\$2,800	\$1,586	\$0	\$1,586
Communications	\$1,050	\$863	\$0	\$863
Central Services	\$0	\$0	\$0	\$0
Other Expenses	\$26,058	\$21,275	\$0	\$21,275
Indirect Costs	\$85,466	\$75,743	\$0	\$75,743
Other Cost Distributions	\$32,497	\$35,357	\$0	\$35,357
<b>TOTAL EXPENDITURES</b>	<b>\$446,550</b>	<b>\$378,724</b>	<b>\$0</b>	<b>\$378,724</b>

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Understated Expenses for the WIC Program

The Health Department understated their salaries & wages, fringes, travel, indirect, and other expenses for the WIC Program for the fiscal year 2011 by a total of \$43,215.

**Recommendation:** Adopt policies and procedures to ensure all allowable costs are reported on the applicable year FSR. Additionally, revise the FYE 2011 FSR to include the additional \$43,215 in costs for the WIC Program, and take action to ensure the FYE 2011 costs paid in FYE 2012 are not included on the FYE 2012 FSR.

**Comments:** The FSR has been revised and resubmitted to MDCH. The Health Department has a policy in place to assure timely processing of invoices and reporting in the correct year.

**Corrective Action:** Resubmit FSR and assure procedures are followed. Policy MCHD 1.1 addresses this issue.

**Anticipated  
Completion Date:** 3/12/12

**MDCH Response:** None

## **Comments and Recommendations**

### **1. Fringe Benefit Allocation Percents Require More Frequent Updating**

The Health Department is required to comply with OMB Circular A-87. According to OMB Circular A-87, fringe benefits must be equitably allocated to all related activities. The Health Department expenses fringe benefits to each department based on budgeted percentages for each program that are updated annually based on work performed. We recommend the Health Department implement policies and procedures to ensure the fringe benefit allocation percentages are updated every 3 months to ensure equitable allocations.

#### **Management's Response:**

The County's procedure is to allocate fringe rates annually, but they have developed a special form for the Health Department to update the fringe rates on a quarterly basis based on actual time worked. The Health Department will start doing this quarterly beginning in 2012.

### **2. Approval Signatures and Dates Needed on Support for Direct Expenditures**

The Health Department is required to comply with the Code of Federal Regulations when administering Federal grants. According to the Code of Federal Regulations, "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes." All invoices are approved by the Finance Director. The invoices are then copied and stored. On some copies of the invoices, the Finance Director did not sign or date showing approval of the expense. We recommend that the Finance Director sign and date all invoices showing approval of the expense to improve internal controls.

**Management's Response:**

Signatures are required for all vouchers prior to being accepted for payment. The signed originals are kept in the County Finance Department. The inventory clerk made copies of the voucher paperwork for the Health Department prior to receiving the Finance Administrator's signature. The Health Department has since corrected this timing issue and the copies housed at the Health Department now include the signatures as well.

**3. Lack of Periodic Inventory Verification**

The Health Department does not perform periodic inventory verifications once every two years as required by OMB Circular A-87. OMB Circular A-87, Appendix B, Section 11(h) states, "Physical inventories must be taken at least once every two years (a statistical sampling approach is acceptable) to ensure that assets exist, and are still in use." We recommend that the Health Department perform a periodic inventory verification once every 2 years.

**Management's Response:**

The Health Department conducts a periodic inventory of supplies and equipment. However, documentation has been lacking. In 2011, the Health Department purchased a supply module as part of the Electronic Health Record. The Health Department will be conducting a full inventory verification, and loading all supplies and equipment into the system in 2012. The Health Department will be able to document physical inventories in the supply module.