

Audit Report

Washtenaw 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 28, 2011

Richard Fleece, Health Officer
Washtenaw County Public Health
555 Towner
P.O. Box 0915
Ypsilanti, Michigan 48197-0915

Dear Mr. Fleece:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Washtenaw County Health Department 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 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

Enclosure

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

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DESCRIPTION OF AGENCY

The Washtenaw 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 Washtenaw County, and the administrative office is located in Ypsilanti, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Washtenaw County. The Health Department provides community health program services to the residents of Washtenaw County. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease Control, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Children's Special Health Care Services, Tobacco Reduction, Bioterrorism/Emergency Preparedness/Pandemic Flu, Medicaid Outreach, 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 Washtenaw 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 generally effective in establishing and implementing internal controls over the WIC Program. However, we identified one internal control exception relating to employee time certifications (Finding 1).

Finding

1. Lack of Required Employee Time Certifications

The Health Department did not have semi-annual certifications for one employee that worked solely on the WIC program during fiscal year end 2010.

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). According to OMB Circular A-87, Appendix B, Section 8.h.:

- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.*

The Health Department is responsible for maintaining periodic certifications for employees working 100% on a single Federal award, but this was not obtained for one employee working solely on the WIC Program.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure maintenance of semi-annual certifications for all employees who work solely on a single Federal award.

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 identified one financial reporting exception relating to the administration cost allocation (Finding 2).

Finding

2. Administration Cost Pool Not Adjusted by Applicable Credits

The Health Department did not properly exclude four revenue items from the administration cost pool when determining the allocation of administration costs.

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). According to Appendix A, Section C., of OMB Circular A-87:

- 1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:...i. Be the net of all applicable credits.*
- 4. Applicable credits.*

- a. *Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.*

The Health Department allocated total administration expenditures of \$1,389,064 to various Health Department Programs, and did not net out four revenue items totaling \$16,871 that represent applicable credits. The revenue items offset or reduce the administration expense items that are allocable as indirect costs. When properly applying the applicable credits, the administration allocation to the WIC Program declines by approximately \$1,600. However, an adjustment is not being proposed due to the level of local funding and no impact on MDCH Grant funds.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that applicable credits are properly offset against the administration expenditure cost pool when determining the allocation of administration costs.

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 \$854,430. 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.

**Washtenaw 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 - CPBC	\$854,430	\$854,430 ¹	\$0	\$854,430
Local Funds - Other	\$44,721	\$25,296	\$0	\$25,296
Other (Non-LPHO)		\$431	\$0	\$431
TOTAL REVENUES	\$899,151	\$880,157	\$0	\$880,157
EXPENDITURES:				
Salary and Wages	\$395,879	\$359,616	\$0	\$359,616
Fringe Benefits	\$171,902	\$177,386	\$0	\$177,389
Equipment	\$0	\$0	\$0	\$0
Contractual	\$146,000	\$119,216	\$0	\$119,216
Supplies	\$14,155	\$44,908	\$0	\$44,908
Travel	\$1,650	\$3,904	\$0	\$3,904
Communications	\$3,199	\$5,072	\$0	\$5,072
Space Cost	\$0	\$0	\$0	\$0
Other Expense	\$9,972	\$8,683	\$0	\$8,683
Admin O/H Cost Rate #1	\$8,191	\$5,969	\$0	\$5,969
Admin O/H Cost Rate #2	\$152,395	\$152,699	\$0	\$152,699
Community Health Administration	\$0	\$0	\$0	\$0
Other Cost Distributions: Nursing	(\$4,192)	\$2,704	\$0	\$2,704
TOTAL EXPENDITURES	\$899,151	\$880,157	\$0	\$880,157

¹ Actual MDCH payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: Lack of Required Employee Time Certifications

The Health Department did not have semi-annual certifications for one employee that worked solely on the WIC program during fiscal year end 2010.

Recommendation: Implement policies and procedures to ensure maintenance of semi-annual certifications for all employees who work solely on a single Federal award.

Comments: The Health Department understands the importance of accurate semi-annual certifications.

Corrective Action: The Health Department will begin including a copy of position control report for each program as part of semi-annual certification. This will eliminate any opportunity for human error of leaving an individual off the certification form.

Anticipated Completion Date: Immediately.

MDCH Response: None.

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: Administration Cost Pool Not Adjusted by Applicable Credits

The Health Department did not properly exclude four revenue items from the administration cost pool when determining the allocation of administration costs.

Recommendation: Implement policies and procedures to ensure that applicable credits are properly offset against the administration expenditure cost pool when determining the allocation of administration costs.

Comments: The Health Department understands the importance of accurate financial reporting. Please note that in accordance with the CPBC agreement the Health Department is not able to record any expenditure if there is no budget for the expenditure. Final amendments to adjust budgets are due to MDCH in July. There are often times when the Health Department has changes being implemented right up to September.

Corrective Action: The Health Department made staffing adjustments in August 2010 so that the person who generates the budget is the same person who generates the draft FSR. By moving toward this staffing model, it has ensured that if an actual expense is not budgeted it may be identified quarterly during the FSR process. Once identified, the Health Department can request an amendment (provided it is prior to the deadline set by MDCH for requesting amendments). Should the deadline for requesting amendments have passed, the Health Department will create an attachment file in eGrams to indicate what actual expenses/revenues need to be reported as recently instructed by MDCH. The Health Department's concern with this format is that attachments do not automatically print when running a .pdf report from eGrams.

**Anticipated
Completion Date:** Completed.

MDCH Response: None.