

Audit Report

Detroit Urban League WIC Program

October 1, 2001 – September 30, 2002



Office of Audit
Quality Assurance and Review Section
October 2004



JENNIFER M. GRANHOLM
GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

October 15, 2004

N. Charles Anderson
President/CEO
Detroit Urban League, Inc.
208 Mack Avenue
Detroit, Michigan 48201

Dear Mr. Anderson:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Detroit Urban League, Inc. 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 a 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

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 Detroit Urban League (“Agency”) is organized as a not-for-profit agency, under the provisions of 501(c)(3) of the Internal Revenue Code. The Agency operates under the legal supervision and control of its Board of Directors. The Agency’s administrative office is located in Detroit, Michigan.

The Agency provides various program services to the residents of the City of Detroit. The principle programs of the Agency include: the Child and Adult Care Food Program, Senior-in-Community-Service Program, Women Infants and Children (WIC) Supplemental Food Program, Weatherization Program, Respect Life – Male/Female Program, Career Development Training, African American Achievement Program, and Parenting 2000 Program.

FUNDING METHODOLOGY

The Agency funds its services through fundraising campaigns, individual donations, the City of Detroit Department of Human Services and other City of Detroit Programs, as well as from grant programs 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 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 Agency’s effectiveness in establishing and implementing internal controls over the WIC Program.
2. To assess the Agency’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 Agency.

SCOPE AND METHODOLOGY

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

- Reviewed the most recent Detroit Urban League Single Audit report for any WIC Program concerns.
- Completed an internal control questionnaire.
- Reconciled the 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 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 and general Agency 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 Agency's effectiveness in establishing and implementing internal controls over the WIC Program.

Conclusion: The Agency was effective in establishing and implementing internal controls over the WIC Program. No exceptions were noted in this area.

FINANCIAL REPORTING

Objective 2: To assess the Agency'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 Agency 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 regarding the lack of a year-end payroll accrual (Finding 1).

Finding

1. **No Year-End Payroll Accrual**

The Agency did not report a fiscal year-end accrual for payroll expenses.

Under Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, Attachment A, allowable costs are to be determined in accordance with Generally Accepted Accounting Principles, which includes a year-end accrual of payroll expense. The net effect for fiscal year 2001/2002 was immaterial, and no adjustment was made on the Statement of MDCH Grant Program Revenues and Expenditures.

Recommendation

We recommend the Agency report a fiscal year-end payroll accrual.

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 Agency.

Conclusion: The MDCH obligation under the WIC Program for fiscal year ended September 30, 2002, is \$502,773. 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.

Detroit Urban League
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/01 - 9/30/02

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$595,114	\$502,773 ¹	\$0	\$502,773
Local Funds	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$595,114	\$502,773	\$0	\$502,773
EXPENDITURES:				
Salary and Wages	\$363,930	\$321,261	\$0	\$321,261
Fringe Benefits	\$104,076	\$83,662	\$0	\$83,662
Equipment	\$0	\$0	\$0	\$0
Contractual	\$19,038	\$5,355	\$0	\$5,355
Supplies	\$5,450	\$4,992	\$0	\$4,992
Travel	\$6,000	\$3,158	\$0	\$3,158
Communications	\$0	\$0	\$0	\$0
Space Cost	\$0	\$0	\$0	\$0
Other Expense	\$4,423	\$4,575	\$0	\$4,575
Indirect Cost	\$92,197	\$79,770	\$0	\$79,770
TOTAL EXPENDITURES	\$595,114	\$502,773	\$0	\$502,773

¹ Actual MDCH payments. MDCH funding was provided on a performance reimbursement basis.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: No Year-End Payroll Accrual

The Agency did not report a fiscal year-end accrual for payroll expenses.

Recommendation: Report a fiscal year-end payroll accrual.

Comments: The Agency agrees with this finding.

Corrective Action: Effective with the October 1, 2002 – September 30, 2003 program period, the agency reported a fiscal year end payroll accrual.

Anticipated

Completion Date: Immediately.

MDCH Response: No comment.