

# Audit Report

## Shiawassee County Health Department WIC Program

October 1, 2001 – September 30, 2002



Office of Audit  
Quality Assurance and Review Section  
January 2004



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GOVERNOR

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January 6, 2004

George J. Pichette, J. D.  
Health Officer  
Shiawassee County Health Department  
310 N. Shiawassee Street  
Corunna, Michigan 48817

Dear Mr. Pichette:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Shiawassee County Health Department 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 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, and the Office of Audit's response to those comments where necessary.

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 Shiawassee 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 Shiawassee County and the Administrative Office is located in Corunna, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is appointed by the Board of Commissioners of Shiawassee County. The Health Department provides community health program services to the residents of Shiawassee County. These services include: AIDS/HIV prevention; Community Health Assessment; Children with Special Health Care Services (CSHCS); Family Planning; Immunizations; Sudden Infant Death Syndrome (SIDS); Women Infants and Children (WIC) Supplemental Food Program; Adolescent Health; Breast and Cervical Cancer Control; Bioterrorism-incurred costs & planning; food service sanitation; general communicable disease control; hearing screening; maternal and child outreach, enrollment, and coordination; maternal and infant health; sexually transmitted disease control; vaccine handling; and vision screening.

## **FUNDING METHODOLOGY**

The Health Department services are funded from local appropriations, fees and collections, and grant programs. 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, 2001 to September 30, 2002. We performed our review procedures in April 2003. Our review procedures included the following:

- Reviewed the most recent Shiawassee 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 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 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 found exceptions relating to the equipment inventory (Finding 1), expired contracts (Finding 2), and a misclassified expenditure (Finding 3).

#### **Finding**

##### **1. Incomplete Equipment Inventory List**

The Health Department's equipment inventory list does not include the funding source/program designation, location, cost, and acquisition/disposal dates for each item of equipment on the inventory list.

Good internal controls over the accountability, security, and proper accounting of equipment inventory include maintaining an equipment listing that includes the funding source/program designation, location, cost, and acquisition/disposal dates. The program designation for each item of equipment on the inventory list would be helpful in tracking the existence and use of assets in performing annual inventories. Also, in identifying Agency Support Indirect Cost, since only equipment items purchased with local funds are eligible for depreciation expense, the funding source should be included to assist with the preparation of the depreciation schedule. Without the inclusion of fundamental information, certain equipment items could be erroneously included in or omitted from the depreciation computation.

### **Recommendation**

We recommend that the Health Department revise the inventory list to include the funding source/program designation, location, cost, and acquisition/disposal dates for each item of equipment on the inventory list.

### **Finding**

#### **2. Expired Contracts**

The Health Department did not have current contracts with the Registered Dietician, or the City of Durand to operate the WIC Program at the Durand City Hall.

A written contract between the City of Durand and the Health Department expired on October 24, 1995, and was not renewed. The agreement permitted the Health Department reasonable usage of space to operate the WIC Program at the Durand City Hall on a one-day per week basis. The Health Department continues to use the space at the Durand City Hall without a contract that specifies the rights and responsibilities of each party.

In addition, the Health Department failed to renew an expired contract with the Registered Dietician. The contract expired on March 27, 2001.

Without legal contracts for services and building usage, the Health Department puts itself at risk of not receiving appropriate services from the contractors, paying more for a service than originally agreed since the price of the service was not in writing, and encountering disputes over building usage issues.

Signed contracts will help ensure all parties involved perform their commitments in full as specified in the contract.

### **Recommendation**

We recommend the Health Department renew their contracts with the City of Durand and the Registered Dietician, and develop a contract monitoring system that ensures appropriate steps are taken to update and renew contracts as necessary.

## **Finding**

### **3. Misclassified Expenditure**

The Health Department misclassified the cost for dry cleaning nursing garments as space cost.

Misclassifying expenditures diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control.

Based on the Health Department's account structure, the misclassified cost would be more appropriately classified as Other Expenditures rather than Space Cost.

## **Recommendation**

We recommend the Health Department develop policies and procedures to ensure expenditures are classified in the appropriate accounts.

## **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. The only financial reporting exception was the misclassified expenditure (Finding 3) noted above. However, this had no impact on MDCH funding.

## **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 Health Department.

**Conclusion:** The MDCH obligation under the WIC Program for fiscal year ended September 30, 2002, is \$228,694. 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.

**Shiawassee County Health Department  
WIC Supplemental Food Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/01 - 9/30/02**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>QUESTIONED</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$228,694	\$228,694 <sup>1</sup>	\$0	\$228,694
Local Funds	\$54,866	\$56,815	\$0	\$56,815
<b>TOTAL REVENUES</b>	<b>\$283,560</b>	<b>\$285,509</b>	<b>\$0</b>	<b>\$285,509</b>
<b>EXPENDITURES:</b>				
Salary and Wages	\$ 107,309	\$ 104,116	\$0	\$ 104,116
Fringe Benefits	40,026	37,285	0	37,285
Equipment	0	0	0	0
Contractual	35,000	39,807	0	39,807
Supplies	15,025	15,831	0	15,831
Travel	1,600	1,569	0	1,569
Communications	3,110	3,682	0	3,682
County/City Central Services	18,788	20,553	0	20,553
Space Cost	3,350	3,176	0	3,176
Other Expense	1,175	2,138	0	2,138
Indirect Cost	37,884	38,113	0	38,113
Nursing Administration	20,293	19,238	0	19,238
<b>TOTAL EXPENDITURES</b>	<b>\$283,560</b>	<b>\$285,509</b>	<b>\$0</b>	<b>\$285,508</b>

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

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 2

**Finding:** Incomplete Equipment Inventory List

The Health Department's equipment inventory list does not include the funding source/program designation, location, cost, and acquisition/disposal dates for each item of equipment on the inventory list.

**Recommendation:** Revise the equipment inventory list to include the funding source/program designation, location, cost, and acquisition/disposal dates for each item of equipment on the inventory list.

**Agency Comments:** The inventory list presented to the auditor was confusing because it was in the format used for listing WIC equipment furnished to the Health Department by the MDCH WIC Division, and also included Health Department owned equipment. This format does not include certain fields of information that are not known by the Health Department for items furnished by MDCH/WIC. The recommended information is on file for equipment owned by the Health Department.

**Corrective Action:** Include only equipment purchased with WIC funds on the WIC inventory. Include disposal dates for obsolete WIC owned equipment.

### Anticipated

**Completion Date:** Immediately.

**MDCH Response:** While the recommended information is on file, we recommend including all pertinent information on the inventory list.

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 3

**Finding:** Expired Contracts

The Health Department did not have current contracts with the Registered Dietician, or the City of Durand to operate the WIC Program at the Durand City Hall.

**Recommendation:** Renew the contracts with the City of Durand and the Registered Dietician, and develop a monitoring system that ensures appropriate steps are taken to update and renew contracts as necessary.

**Agency Comments:** The Health Department agrees with this finding.

**Corrective Action:** The Health Department will renew the expired contracts. An Access database has been created to monitor contracts.

### Anticipated

**Completion Date:** Immediately.

**MDCH Response:** No comments.

## Corrective Action Plan

**Finding Number:** 3

**Page Reference:** 4

**Finding:** Misclassified Expenditure

The Health Department misclassified the cost for dry cleaning nursing garments as space cost.

**Recommendation:** Develop policies and procedures to ensure expenditures are classified in the appropriate accounts.

**Agency Comments:** The Health Department agrees that the dry cleaning costs were misclassified.

**Corrective Action:** The costs were reclassified. A list of accounts with a description of appropriate items to be charged to that account will be developed.

**Anticipated**

**Completion Date:** Immediately.

**MDCH Response:** No comments.