

Audit Report

Wayne County Health Department WIC Program

October 1, 2003 – September 30, 2004



Office of Audit
Quality Assurance and Review Section
October 2006



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GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

October 12, 2006

Anahid Kulwicki, D.N.S., R.N., Health Officer
Wayne County Health Department
33030 Van Born Road
Wayne, Michigan 48184

Dear Dr. Kulwicki:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Wayne County Health Department WIC Program for the period October 1, 2003 through September 30, 2004.

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 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, and the Office of Audit's response to those comments.

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

TABLE OF CONTENTS

	Page
Description of Agency.....	1
Funding Methodology	1
Purpose and Objectives	1
Scope and Methodology	2
<u>Conclusions, Findings, and Recommendations</u>	
<u>Internal Controls</u>	2
<u>Financial Reporting</u>	
1. Incorrect Accounting and Reporting of Medicaid Match.....	3
<u>MDCH Share of Costs</u>	4
Statement of MDCH Grant Program Revenues and Expenditures	5
Corrective Action Plan	6

DESCRIPTION OF AGENCY

The Wayne 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 Wayne County, and the administrative office is located in Wayne, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Wayne County. The Health Department provides community health program services to the residents of Wayne County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Tobacco Reduction, Children's Special Health Care Services, Childhood Lead Screening, Maternal and Infant Support, 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, 2003 to September 30, 2004. We performed our review procedures in August 2005. Our review procedures included the following:

- Reviewed the most recent Wayne 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 building space/lease costs for proper reporting and compliance with Federal Requirements.
- Reviewed WIC equipment inventory records 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. No internal control exceptions were noted.

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 noted an exception with accounting and reporting of Medicaid match (Finding 1).

Finding

1. Incorrect Accounting and Reporting of Medicaid Match

The Health Department overstated the WIC Program revenue and expenditure accounts as a result of County funds paid to the State to match Medicaid funds being passed through the WIC account.

The County provided \$1,658,434 of local funding to be used as matching funds for Medicaid payments via MDCH. The accounting and reporting of the revenue, and payment of this amount to the State of Michigan, was transacted through the WIC Program account, which overstated the WIC revenues and expenditures.

Per our consultation with Health Management Associates, Inc. of Lansing, the State's contractor that provides technical assistance regarding Medicaid special financing issues, the accounting and reporting of these matching funds should not flow through the WIC account, and also should not flow through the Health Fund. The County Treasurer should pay the matching funds directly to the State.

Other Expense and Local Revenue were therefore decreased by \$1,658,434 on the attached Statement of MDCH Grant Program Revenues and Expenditures. This adjustment does not affect the WIC grant funds.

Recommendation

We recommend that the County Treasurer pay Medicaid matching funds directly to the State, without recording it in the WIC account or the Health Fund.

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, 2004, is \$1,477,816. 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.

Wayne County Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/03 - 9/30/04

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$1,477,816	\$1,477,816 ¹	\$0	\$1,477,816
Local and Other Funds	\$2,736,563	\$4,007,058	(\$1,658,434) ²	\$2,348,624
TOTAL REVENUES	\$4,214,379	\$5,484,874	(\$1,658,434)	\$3,826,440
EXPENDITURES:				
Salary and Wages	\$1,209,358	\$1,214,843	\$0	\$1,214,843
Fringe Benefits	\$559,758	\$572,226	\$0	\$572,226
Equipment	\$0	\$0	\$0	\$0
Contractual	\$0	\$0	\$0	\$0
Supplies	\$31,252	\$21,733	\$0	\$21,733
Travel	\$14,600	\$23,953	\$0	\$23,953
Communications	\$0	\$0	\$0	\$0
County Central Service Cost	\$0	\$2,700	\$0	\$2,700
Space Cost	\$0	\$0	\$0	\$0
Other Expense	\$280,811	\$1,858,528	(\$1,658,434) ²	\$200,094
Indirect Cost	\$575,800	\$596,070	\$0	\$596,070
Clinic Administration	\$1,363,400	\$979,496	\$0	\$979,496
HPDC Administration	\$179,400	\$215,325	\$0	\$215,325
TOTAL EXPENDITURES	\$4,214,379	\$5,484,874	(\$1,658,434)	\$3,826,440

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

2 Remove Medicaid match funding transactions (finding #1).

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Incorrect Accounting and Reporting of Medicaid Match

The Health Department overstated the WIC Program revenue and expenditure accounts as a result of County funds paid to the State to match Medicaid funds being passed through the WIC account.

Recommendation: The County Treasurer pay Medicaid matching funds directly to the State without recording it in the WIC account or the Health Fund.

Comments: The Health Department agrees with the finding.

Corrective Action: Any future Medicaid match payments will be made out of the County's General Fund appropriations and not be reflected in the Health Fund.

Anticipated

Completion Date: October 1, 2006

MDCH Response: No comment.