

Audit Report

Community Action Agency, Inc. (Region II)
WIC Program

October 1, 2008 – September 30, 2009



Office of Audit
Quality Assurance and Review Section
July 2010



JENNIFER M. GRANHOLM
GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

July 23, 2010

Marsha A. Kreucher
Chief Executive Officer
Community Action Agency, Inc. (Region II)
1214 Greenwood Ave.
Jackson, Michigan 49203

Dear Ms. Kreucher:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Community Action Agency, Inc. (Region II) WIC Program for the period October 1, 2008 through September 30, 2009.

The final report contains the following: description of agency; funding methodology; purpose and objectives; scope and methodology; conclusions, and Statement of MDCH Grant Program Revenues and Expenditures. No exceptions were noted during our review.

Thank you for the cooperation extended our auditors.

Sincerely,

A handwritten signature in cursive script that reads 'Debra S. Hallenbeck'.

Debra S. Hallenbeck, Manager
Quality Assurance and Review
Office of Audit

cc: Stan Bien, Director, WIC Division
Pam Myers, Director, Office of Audit
David Figg, Audit Manager, Office of Audit

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DESCRIPTION OF AGENCY

The Community Action Agency, Inc. – Region II (“Agency”) is organized as a not-for-profit agency, under the provisions of 501(c)(3) of the Internal Revenue Code. The Agency’s Administrative Office is located in Jackson, Michigan. The Agency operates under the legal supervision and control of its Board of Directors.

The Agency operates a variety of programs in Education, Community Development, Housing, Economic Self-Sufficiency, and Health & Nutrition in Jackson, Lenawee and Hillsdale Counties. Programs in Lenawee County include the Women Infants and Children (WIC) Supplemental Food Program.

FUNDING METHODOLOGY

The Agency receives funding from various sources including: U.S. Department of Health and Human Services, U.S. Department of Agriculture, U.S. Department of Housing and Urban Development, U.S. Department of Energy, U.S. Department of Labor, U.S. Department of Education, Family Independence Agency, Federal Emergency Management Agency, Michigan Department of Education, Michigan Department of Career Development, United Way Agencies, Michigan State Housing Development Authority, LifeWays, Jackson Community Foundation, various school districts, private contributors, and 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, 2008 to September 30, 2009. Our review procedures included the following:

- Reviewed the most recent Community Action Agency, Inc. 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.

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 internal control exceptions were noted.

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. No financial reporting exceptions were noted.

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, 2009, is \$304,003. 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.

Community Action Agency - (Region II)
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/08 - 9/30/09

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$304,003	\$304,003 ¹	\$0	\$304,003
Local and Other Funds	\$59,725	\$67,286	\$0	\$67,286
TOTAL REVENUES	\$363,728	\$371,289	\$0	\$371,289
EXPENDITURES:				
Salary and Wages	\$187,534	\$188,680	\$0	\$188,680
Fringe Benefits	\$64,573	\$72,492	\$0	\$72,492
Contractual	\$0	\$0	\$0	\$0
Supplies	\$4,962	\$5,250	\$0	\$5,250
Travel	\$3,055	\$3,213	\$0	\$3,213
Space Cost and Other	\$66,040	\$62,739	\$0	\$62,739
Indirect Cost - 14.9%	\$37,564	\$38,915	\$0	\$38,915
TOTAL EXPENDITURES	\$363,728	\$371,289	\$0	\$371,289

¹ Actual MDCH payments provided on a performance reimbursement basis.