

Audit Report

District Health Department #4 WIC Program

October 1, 2008 – September 30, 2009



Office of Audit
Quality Assurance and Review Section
September 2010



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GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

September 24, 2010

John D. Bruning, R.S., M.S.P.H., M.B.A.
Administrative Health Officer
District Health Department #4
100 Woods Circle
Alpena, Michigan 49707

Dear Mr. Bruning:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the District Health Department #4 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, 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.

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

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 District Health Department #4 (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Alpena County, and the administrative office is located in Alpena, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of the counties of Alpena, Cheboygan, Montmorency and Presque Isle. The Health Department provides community health program services to the residents of these four counties. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, AIDS/HIV Prevention, Medicaid Outreach, Breast and Cervical Cancer Control Program, Children's Special Health Care Services, Bioterrorism/Emergency Preparedness/Pandemic Flu, Child Health, Family Planning, 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 review 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 review:

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, 2008 to September 30, 2009. Our review procedures included the following:

- Reviewed the most recent Alpena County Single Audit 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.

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 effective in establishing and implementing internal controls over the WIC Program. However, we noted an exception with lease agreements (Finding 1).

Finding

1. Lease Agreements Not Current

Two of the building lease agreements are not current.

The Health Department lease for space in the Presque Isle County courthouse has not been updated since 2004. Also, the 20-year lease for the Cheboygan County space was not formally amended to reflect the increase in monthly payments from \$6,312.33 to \$6,700.00.

Maintaining current lease agreements protects all parties involved in the event of disputes over cost or usage.

Recommendation

We recommend that the Health Department execute current lease agreements for all facilities.

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 reported its WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

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, 2009, is \$283,314. 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.

**District Health Department #4
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	\$283,314	\$283,314 ¹	\$0	\$283,314
Local and Other Funds	\$53,354	\$38,535	\$0	\$38,535
TOTAL REVENUES	\$336,668	\$321,849	\$0	\$321,849
EXPENDITURES:				
Salary and Wages	\$147,359	\$155,516	\$0	\$155,516
Fringe Benefits	\$78,100	\$70,819	\$0	\$70,819
Contractual	\$0	\$0	\$0	\$0
Supplies	\$3,700	\$3,059	\$0	\$3,059
Travel	\$3,800	\$3,901	\$0	\$3,901
Communications	\$2,200	\$2,644	\$0	\$2,644
Space Cost	\$17,000	\$22,002	\$0	\$22,002
Other Expense	\$4,500	\$2,310	\$0	\$2,310
Indirect Cost	\$44,457	\$51,007	\$0	\$51,007
Nursing Admin.	\$35,552	\$10,591	\$0	\$10,591
TOTAL EXPENDITURES	\$336,668	\$321,849	\$0	\$321,849

¹ Actual MDCH payments provided on a performance reimbursement basis.

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: Lease Agreements Not Current

Two of the building lease agreements are not current.

Recommendation: Execute current lease agreements for all facilities.

Comments: The Health Department recognizes that the current lease payment of \$6,700 per month for the Cheboygan County office is different than the lease agreement currently on file. No other terms of the lease have been changed and the 20-year lease remains in effect. The lease terms and rental amount for the Presque Isle County facility have not changed since last documented in 2004.

Corrective Action: Lessors for the Presque Isle County and Cheboygan County facilities have been contacted. Requests for updated lease agreements or notification/acknowledgement letters indicating validity of the lease agreement terms and current rental amounts have been made. The Health Department intends to have current documentation associated with the leases for the Presque Isle and Cheboygan County facilities on file.

**Anticipated
Completion Date:** December 1, 2010

MDCH Response: No comment.