

Audit Report

Downriver Community Services WIC Program

October 1, 2009 – September 30, 2010



Office of Audit
Quality Assurance and Review Section
December 2011



RICK SNYDER
GOVERNOR

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

OLGA DAZZO
DIRECTOR

December 1, 2011

Mike Baranowski, Chief Financial Officer
Downriver Community Services
P.O. Box 430
New Haven, Michigan 48048

Dear Mr. Baranowski:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the WIC Program for the period October 1, 2009 through September 30, 2010.

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

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

Enclosure

cc: Stan Bien, Director, WIC Division
Pam Myers, Director, Office of Audit
Michael Gribbin, Auditor, 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>	3
<u>MDCH Share of Costs and Balance Due</u>	3
Statement of MDCH Grant Program Revenues and Expenditures.....	4

DESCRIPTION OF AGENCY

Downriver Community Services (“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 New Haven, Michigan. The Agency operates under the legal supervision and control of its Board of Directors.

The Agency operates community health centers located in New Haven, Algonac, and Port Huron. Program services include: Teen Assistance, Homeless Assistance, Maternal Infant Health Program, General Clinical Services, and the Women Infants and Children (WIC) Supplemental Food Program.

FUNDING METHODOLOGY

The Agency receives funding from various sources including the United States Department of Health and Human Services, 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, 2009 to September 30, 2010. We performed our review procedures in November 2011. Our review procedures included the following:

- 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 building space/lease costs for proper reporting and compliance with Federal Requirements.
- Reviewed WIC equipment inventory and general Agency equipment inventory records.

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 findings 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 reported their 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 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, 2010, is \$458,251. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and eligible costs.

**Downriver Community Services
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/09 - 9/30/10**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ELIGIBLE
REVENUES:				
MDCH Grant	\$482,714	\$458,251 ¹	\$0	\$458,251
Local and Other Funds	\$0	\$4,937	\$0	\$4,937
TOTAL REVENUES	\$482,714	\$463,188	\$0	\$463,188
EXPENDITURES:				
Personal Services:				
Salary and Wages	\$293,300	\$277,336	\$0	\$277,336
Fringe Benefits	\$89,814	\$93,204	\$0	\$93,204
Equipment	\$0	\$0	\$0	\$0
Contractual	\$0	\$0	\$0	\$0
Supplies	\$28,250	\$20,099	\$0	\$20,099
Travel	\$3,650	\$3,648	\$0	\$3,648
Space, Communications & Other	\$67,700	\$68,901	\$0	\$68,901
Indirect Cost	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	\$482,714	\$463,188	\$0	\$463,188

¹ Actual MDCH payments.