

Audit Report

Huron County Health Department WIC Program

October 1, 2010 – September 30, 2011



Office of Audit
Quality Assurance and Review Section
June 2012



RICK SNYDER
GOVERNOR

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

OLGA DAZZO
DIRECTOR

June 4, 2012

Gretchen Tenbusch, RN, MSA
Huron County Health Department
1142 S. Van Dyke
Bad Axe, Michigan 48413

Dear Ms. Tenbusch:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the WIC Program for the period October 1, 2010 through September 30, 2011.

The final report contains the following: description of agency; funding methodology; purpose; 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 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

Enclosure

cc: Stan Bien, Director, WIC Division
Pam Myers, Director, Office of Audit
Michael Gribbin, Auditor, Office of Audit

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DESCRIPTION OF AGENCY

The Huron 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 Huron County, and the administrative office is located in Bad Axe, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Huron County. The Health Department provides community health program services to the residents of Huron County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Sexually Transmitted Disease Control, Medicaid Outreach, Maternal & Infant Health, Children's Special Health Care Services, Breast and Cervical Cancer Control Program, Tobacco Reduction, Bioterrorism/Emergency Preparedness/Pandemic Flu, 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 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, 2010 to September 30, 2011. Our review procedures included the following:

- Reviewed the most recent Huron 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.

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. 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 its WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. We noted one financial reporting exception regarding the indirect allocation (Finding 1)

Finding

1. Insurance Refund Not Offset Against Indirect Cost Pool

The Health Department did not apply a credit received from an insurance refund to the indirect cost pool.

According to OMB Circular A-87 (located at 2 CFR Part 225), Appendix A, Section C.1.i, for costs to be allowable, they must “Be the net of all applicable credits.” Applicable credits are receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Insurance refunds is given as a specific example in OMB Circular A87 with instructions that they should be credited as a cost reduction or cash refund.

The Health Department received credits from their Liability insurance provider in the amount of \$16,354. This amount should have been deducted from the total Administration expenses in the calculation of the Indirect Cost Rate. We recalculated the indirect rate to be 22.99% when we applied the credit to Administration expenses. The Health Department had used 24.16% as its indirect rate. This caused a variance of \$1,159 in the WIC Program and an immaterial difference in the WIC Breastfeeding Program. The variance in the WIC Program is offset by another adjustment to report all supplies costs that were not originally reported due to MDCH system limitations. Accordingly, there is no impact on MDCH funding.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that all appropriate credits are deducted from the Administration cost pool when calculating the indirect allocation in the future.

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, 2011 is \$156,341. The MDCH obligation under the WIC Breastfeeding Program for fiscal year ended September 30, 2011 is \$45,815. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting MDCH grant program funding.

**Huron County Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/10 - 9/30/11**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$156,341	\$156,341 ¹	\$0	\$156,341
Local and Other Funds	\$375	\$374	\$3,062	\$3,436
TOTAL REVENUES	\$156,716	\$156,715	\$3,062	\$159,777
EXPENDITURES:				
Salary and Wages	\$63,927	\$65,707	\$0	\$65,707
Fringe Benefits	\$34,753	\$33,014	\$0	\$33,014
Supplies	\$15,688	\$13,328	\$4,221 ²	\$17,549
Travel	\$1,242	\$1,109	\$0	\$1,109
Communications	\$0	\$0	\$0	\$0
Space Cost	\$13,195	\$12,163	\$0	\$12,163
Other Expense	\$1,735	\$1,783	\$0	\$1,783
Indirect Cost	\$20,723	\$23,852	(\$1,159) ³	\$22,693
Nursing Admin.	\$5,453	\$5,759	\$0	\$5,759
TOTAL EXPENDITURES	\$156,716	\$156,715	\$3,062	\$159,777

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Due to system limitations of E-Grams.

³ Overstated Indirect Costs (Finding 1).

**Huron County Health Department
WIC Breastfeeding/Peer Counseling Project
Statement of MDCH Grant Program Revenues and Expenditures
10/1/10 - 9/30/11**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$48,750	\$45,815 ¹	\$0	\$45,815
Local and Other Funds	\$54	\$54	\$0	\$54
TOTAL REVENUES	\$48,804	\$45,869	\$0	\$45,869
EXPENDITURES:				
Salary and Wages	\$26,788	\$24,920	\$0	\$24,920
Fringe Benefits	\$7,590	\$6,879	\$0	\$6,879
Supplies	\$3,389	\$2,810	\$0	\$2,810
Travel	\$848	\$633	\$0	\$633
Communications	\$0	\$0	\$0	\$0
Space Cost	\$405	\$416	\$0	\$416
Other Expense	\$665	\$665	\$0	\$665
Indirect Cost	\$7,219	\$7,689	\$0	\$7,689
Nursing Admin.	\$1,900	\$1,857	\$0	\$1,857
TOTAL EXPENDITURES	\$48,804	\$45,869	\$0	\$45,869

¹ Actual MDCH payments provided on a performance reimbursement basis.

Corrective Action Plan

Finding Number: 1

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Finding: Insurance Refund Not Offset Against Indirect Cost Pool

The Health Department did not apply a credit received from an insurance refund to the indirect cost pool.

Recommendation: Implement policies and procedures to ensure that all insurance credits are deducted from the Administration cost pool when calculating the indirect allocation in the future.

Comments: None.

Corrective Action: The Health Department will deduct all insurance credits from the Administration cost pool when calculating the indirect allocation. This will be effective for FY 2011-2012.

Anticipated

Completion Date: FY 2011-2012.

MDCH Response: None.