

Audit Report

InterCare Community Health Network 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 5, 2011

Velma Hendershott, President & CEO
Intercare Community Health Network
50 Industrial Park Drive
Bangor, MI 49013

Dear Ms. Hendershott:

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; Statement of MDCH Grant Program Revenues and Expenditures; and Comments and Recommendations. The conclusions are organized by audit objective. The Comments and Recommendations section includes areas where we believe there are opportunities for the agency to further strengthen internal controls or to increase operating efficiencies, and 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
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

InterCare Community Health Network (“Network”) is organized as a not-for-profit agency, under the provisions of 501(c)(3) of the Internal Revenue Code. The Network’s Administrative Office is located in Bangor, Michigan. The Network operates under the legal supervision and control of its Board of Directors.

The Network operates community health centers located in Allegan, Berrien, Ottawa, Kent and Van Buren counties. Program services include: Medical, Dental, Prenatal & Obstetrical Services, Maternal and Infant Support Services, Breast and Cervical Cancer Control Program and the Women Infants and Children (WIC) Supplemental Food Program.

FUNDING METHODOLOGY

The Network 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 Network’s effectiveness in establishing and implementing internal controls over the WIC Program.
2. To assess the Network’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 Network.

SCOPE AND METHODOLOGY

We examined the Network's records and activities for the fiscal period October 1, 2009 to September 30, 2010. We performed our review procedures in September 2011. Our review procedures included the following:

- Reviewed the most recent InterCare Community Health Network 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 building space/lease costs for proper reporting and compliance with Federal Requirements.
- Reviewed WIC equipment inventory and general Network 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 Network's effectiveness in establishing and implementing internal controls over the WIC Program.

Conclusion: The Network was effective in establishing and implementing internal controls over the WIC Program. No findings were noted.

FINANCIAL REPORTING

Objective 2: To assess the Network'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 Network 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 Network.

Conclusion: The MDCH obligation under the WIC Program for fiscal year ended September 30, 2010, is \$2,226,180. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and eligible costs.

InterCare Community Health Network
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	\$2,226,180	\$2,226,180 ¹	\$0	\$2,226,180
Local and Other Funds	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$2,226,180	\$2,226,180	\$0	\$2,226,180
EXPENDITURES:				
Personal Services:				
Salary and Wages	\$1,388,754	\$1,324,891	\$0	\$1,324,891
Fringe Benefits	\$350,661	\$348,893	\$0	\$348,893
Equipment	\$0	\$0	\$0	\$0
Contractual	\$0	\$0	\$0	\$0
Supplies	\$49,440	\$56,602	\$0	\$56,602
Travel	\$40,321	\$40,546	\$0	\$40,546
Space, Communications & Other	\$397,004	\$455,248	\$0	\$455,248
Indirect Cost	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	\$2,226,180	\$2,226,180	\$0	\$2,226,180

¹ Actual MDCH payments.

Comments and Recommendations

1. Employees Credited for Additional Work Time by Supervisor Without Explanation

The Agency is required to comply with OMB Circular A-122. According to OMB Circular A-122, salaries and wages charged to awards must be supported by personnel activity reports reflecting an after-the-fact determination of the actual activity of each employee, and they must be signed by the employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee. For 11 of 53 time cards reviewed for one pay period, we noted that supervisors credited employees with additional time ranging from 15 minutes to 6 hours beyond the punched in time without an adequate explanation. The employees had punched in and out for the days so it did not appear that the employees were “Offsite and/or Unable to Punch” as commonly indicated in the Supervisor Edits section of the Time Card when additional time was credited. According to the Human Resources Manager, she assumes that the time added by the supervisor is for travel time or credit for working through lunch. We recommend that the Agency implement policies and procedures that require the supervisors to include a descriptive explanation for additional time credited to the employees on their time cards.

Management Response:

The Agency agrees with this recommendation. The Agency will implement policies and procedures to require a descriptive explanation for additional time credited to employees on their time cards. This will be completed within 90 days.

2. Time and Effort Reporting Policy References Incorrect Federal Circular

The Time and Effort Reporting Policy references OMB Circular A-21, which includes the principles for determining costs applicable to grants, contracts, and other agreements with *educational institutions*. Rather than OMB Circular A-21, the Time and Effort Reporting Policy should reference OMB Circular A-122, which is applicable to non-profit organizations. We recommend that the Agency revise their Time and Effort Reporting Policy so that it includes reference to the proper Federal Circular.

Management Response:

The Agency agrees with this recommendation. The Time and Effort reporting policy will be changed to reference OMB Circular A-122 instead of A-21. This change will be implemented immediately.