

# Audit Report

## **Ionia County Health Department WIC Program**

October 1, 2007 – September 30, 2008



Office of Audit  
Quality Assurance and Review Section  
November 2009



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November 5, 2009

Lisa McCafferty, R.S., M.P.H., Health Officer  
Ionia County Health Department  
175 East Adams Street  
Ionia, Michigan 48846

Dear Ms. McCafferty:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Ionia County Health Department WIC Program for the period October 1, 2007 through September 30, 2008.

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  
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 Ionia 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 Ionia County, and the administrative office is located in Ionia, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Ionia County. The Health Department provides community health program services to the residents of Ionia County. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Sexually Transmitted Disease Control, Children's Special Health Care Services, Medicaid Outreach, Maternal and Infant Health, Bioterrorism/Emergency Preparedness/Pandemic Flu, 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, 2007 to September 30, 2008. Our review procedures included the following:

- Reviewed the most recent Ionia 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.
- Reviewed WIC 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 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 their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we noted an exception with under-reported central service cost (Finding 1).

## **Finding**

### **1. Under-Reported Central Service Cost in the Indirect Cost Pool**

The Health Department under-reported central service cost in the indirect cost pool.

The Health Department included \$100,373 of central service cost in the indirect cost pool based on the calendar year 2005 cost allocation plan. The amount reported should have been based on three months of the 2005 plan ( $\$100,373 \times 25\% = \$25,093$ ) plus nine months of the 2006 plan ( $\$221,755 \times 75\% = \$166,316$ ) for a total of \$191,409. The under-reported central service cost in the indirect cost pool resulted in an under-reported indirect cost allocation to WIC of \$16,019.

Per 2 CFR Part 225 (formerly Office of Management and Budget Circular A-87), Appendix A, General Principles for Determining Allowable Costs, Section C. 3. - Allocable Costs - a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

The under-reported indirect cost does not affect the WIC Program grant funding, as shown on the attached Statement of MDCH Grant Program Revenues and Expenditures, since the WIC funds were already fully spent. However, there may be other Health Department programs that could recover additional Federal grant funds if their share of additional eligible costs were reported. Also, it is important to recognize the total actual cost incurred in operating individual programs.

## **Recommendation**

We recommend that the Health Department report central service cost allocations based on the correct base year cost allocation plans.

## **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, 2008, is \$223,629. 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.

**Ionia County Health Department  
WIC Supplemental Food Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/07 - 9/30/08**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$223,629	\$223,629 <sup>1</sup>	\$0	\$223,629
Local and Other Funds	\$20,376	\$26,878	\$16,019	\$42,897
<b>TOTAL REVENUES</b>	\$244,005	\$250,507	\$16,019	\$266,526
<b>EXPENDITURES:</b>				
Salary and Wages	\$102,600	\$124,929	\$0	\$124,929
Fringe Benefits	\$33,940	\$45,374	\$0	\$45,374
Equipment	\$0	\$0	\$0	\$0
Supplies	\$4,275	\$3,593	\$0	\$3,593
Travel	\$700	\$477	\$0	\$477
Communications	\$0	\$0	\$0	\$0
Space Cost	\$12,108	\$11,363	\$0	\$11,363
Other Expense	\$1,784	\$517	\$0	\$517
Admin. - Indirect Cost	\$65,577	\$58,220	\$16,019 <sup>2</sup>	\$74,239
Nursing Administration	\$23,021	\$6,034	\$0	\$6,034
<b>TOTAL EXPENDITURES</b>	\$244,005	\$250,507	\$16,019	\$266,526

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

<sup>2</sup> See Finding 1

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Under-Reported Central Service Cost

The Health Department under-reported central service cost in the indirect cost pool.

**Recommendation:** Report central service cost allocations based on the correct base year cost allocation plans.

**Comments:** While the Health Department acknowledges that the split year allocations are the most accurate, the difference from year to year is not significant enough to warrant the additional work involved in tracking the cost over two years. Also, the amount of cost is paid by the department once per year and the county accounting system does not allow for split payments.

**Corrective Action:** The Health Department will study the feasibility of split year service cost allocations.

**Anticipated  
Completion Date:** 9/30/10 (For FY 09/10)

**MDCH Response:** No comment.