

Audit Report

Macomb County Health Department WIC Program

October 1, 2008 – September 30, 2009



Office of Audit
Quality Assurance and Review Section
November 2010



JENNIFER M. GRANHOLM
GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

November 1, 2010

Steven C. Gold, M.P.H.
Director / Health Officer
Macomb County Health Department
43525 Elizabeth Road
Mt. Clemens, Michigan 48043

Dear Mr. Gold:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Macomb County Health Department 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 Macomb 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 Macomb County, and the administrative office is located in Mt. Clemens, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Macomb County. The Health Department provides community health program services to the residents of Macomb County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease Control, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Bioterrorism/Emergency Preparedness/Pandemic Flu, Children's Special Health Care Services, Child Health, Medicaid Outreach, 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 period October 1, 2008 to September 30, 2009. Our review procedures included the following:

- Reviewed the most recent Macomb 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 generally 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 indirect cost (Finding 1).

Finding

1. Under-Reported Indirect Costs

The Health Department under-reported indirect cost for the WIC Program.

The Health Department reported total direct WIC Program cost and limited the amount of reported indirect cost to the remaining amount of the grant. As a result, indirect cost was under-reported by \$56,414. However, total actual expenditures must be reported according to the contract.

Per the MDCH Grant Agreement, Part II, Section IV, D. Financial Status Report Submission – “FSR’s must report total actual program expenditures regardless of the source of funds.”

Per 2 CFR Part 225 (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 adjustment for additional unreported indirect cost, which was locally funded, is reflected in the attached Statement of MDCH Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Health Department report actual total WIC costs including total indirect cost.

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 \$1,163,267. 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.

**Macomb County Health Department
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	\$1,163,267	\$1,163,267 ¹	\$0	\$1,163,267
Local and Other Funds	\$0	\$30	\$56,414	\$56,444
TOTAL REVENUES	\$1,163,267	\$1,163,297	\$56,414	\$1,219,711
EXPENDITURES:				
Salary and Wages	\$645,205	\$654,927	\$0	\$654,927
Fringe Benefits	\$364,200	\$362,004	\$0	\$362,004
Contractual	\$14,000	\$12,758	\$0	\$12,758
Supplies	\$53,020	\$40,567	\$0	\$40,567
Travel	\$14,870	\$10,400	\$0	\$10,400
Communications	\$2,514	\$12,129	\$0	\$12,129
County Central Services	\$2,000	\$0	\$0	\$0
Space Cost	\$2,000	\$0	\$0	\$0
Other Expense	\$16,349	\$11,403	\$0	\$11,403
Indirect Cost	\$49,109	\$59,109	\$56,414 ²	\$115,523
TOTAL EXPENDITURES	\$1,163,267	\$1,163,297	\$56,414	\$1,219,711

¹ Actual MDCH payments provided on a performance reimbursement basis.

² Reported indirect cost limited to the total grant amount - Finding 1.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Under-Reported Indirect Cost

The Health Department under-reported indirect cost for the WIC Program.

Recommendation: Report actual total WIC Program costs including indirect cost.

Comments: None.

Corrective Action: The Health Department will begin to report total WIC program expenses regardless of the source of funds starting with fiscal year 2009-2010.

**Anticipated
Completion Date:** Final FY 2009-2010 FSR.

MDCH Response: No comment.