

Audit Report

Sanilac County Health Department WIC Program

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review Section
April 2014



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

April 15, 2014

Dianna Schafer, MPA, Health Officer
Sanilac County Health Division
171 Dawson Street
Sandusky, MI 48471

Dear Ms. Schafer:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the WIC Program for the period October 1, 2012 through September 30, 2013.

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 Comments and Recommendations including the Health Department's response. The conclusions and findings are organized by audit objective.

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
Keith Rubley, Auditor, Office of Audit

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DESCRIPTION OF AGENCY

The Sanilac 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 Sanilac County, and the administrative office is located in Sandusky, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Sanilac County. The Health Department provides community health program services to the residents of Sanilac County. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, STD Prevention, Children's Special Health Care Services, Bioterrorism/Emergency Preparedness/Pandemic Flu, Maternal and Infant Health, Medicaid Outreach, 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, 2012 to September 30, 2013. Our review procedures included the following:

- Reviewed the most recent Sanilac County Single Audit report for any WIC Program concerns.
- Reviewed the completed 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 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

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, 2013, is \$179,972. 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.

Sanilac County Health Department
WIC Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$179,972	\$179,972 ¹	\$0	\$179,972
Fees 1 st & 2 nd Party	\$0	\$0	\$0	\$0
Other Revenue	\$0	\$0	\$0	\$0
Local Funds Other	\$263	\$1,263	\$0	\$1,263
TOTAL REVENUES	\$180,235	\$181,235	\$0	\$181,235
EXPENDITURES:				
Salary & Wages	\$74,535	\$78,990	\$0	\$78,990
Fringe Benefits	\$38,106	\$39,323	\$0	\$39,323
Supplies	\$5,299	\$3,665	\$0	\$3,665
Travel	\$894	\$790	\$0	\$790
Communications	\$1,004	\$750	\$0	\$750
Space Cost	\$11,967	\$13,069	\$0	\$13,069
Other Costs	\$3,817	\$734	\$0	\$734
Admin Overhead	\$44,613	\$43,914	\$0	\$43,914
TOTAL EXPENDITURES	\$180,235	\$181,235	\$0	\$181,235

¹ Actual MDCH payments provided on a performance reimbursement basis.

Comments and Recommendations

Travel Policy and Travel Vouchers

During the review of travel vouchers, it was noted that the travel vouchers do not indicate departure, arrival and return times. While this is not an issue regarding reimbursement for mileage only, it becomes important when employees are being reimbursed for meals. Although the current travel policy states to be reimbursed for meals the employee must travel outside of the county, the policy does not address the times the meals can be reimbursed.

Recommendation

We recommend the Health Department amend their travel policy to include time frames for reimbursing meals; and to include departure, arrival and return times on the travel vouchers.

Management Response

The Health Department revised the Travel Lodging and Meal Reimbursement Policy to include specific times meal reimbursement is applicable, and added times to the employee travel voucher. Board of Health approval is expected at the April 22, 2014 meeting.

Allocation of Leave Time

During the review of payroll, it was noted that leave time is not being equitably allocated to all related activities. OMB Circular A-87, Appendix B, Section 8 d. (2) states: *“The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: They are provided under established written leave policies; the costs are equitably allocated to all related activities, including Federal awards; and the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the government unit.”* Employees are currently allocating leave time based on their individual judgment, rather than using an allocation methodology that has been documented and approved by management that ensures an equitable allocation based on actual activity of the employee.

Recommendation

We recommend the Health Department adopt a policy to ensure the leave time allocation is based on documented current actual activity or documented historical activity that is updated periodically (at least quarterly).

Management Response

The Health Department revised the Human Resources – Employee Paid Time Off Policy to require the reporting of leave time to the same program/RU with the number of hours normally scheduled to work in the program. Board of Health approval is expected at the April 22, 2014 meeting.