

Audit Report

St. Clair County Health Department WIC Program

October 1, 2009 – September 30, 2010



Office of Audit
Quality Assurance and Review Section
February 2012



RICK SNYDER
GOVERNOR

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

OLGA DAZZO
DIRECTOR

February 3, 2012

Annette Mercatante, MD, Health Officer & Medical Director
St. Clair County Health Department
3415 28th Street
Port Huron, Michigan 48060

Dear Ms. Mercatante:

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, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and Corrective Action Plans. The conclusions, findings, and recommendations are organized by audit objective. The Corrective Action Plans include 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 St. Clair 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 St. Clair County, and the administrative office is located in Port Huron, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of St. Clair County. The Health Department provides community health program services to the residents of St. Clair 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 Outreach, Bioterrorism/Emergency Coordination, Family Planning, Tobacco Reduction 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, 2009 to September 30, 2010. Our review procedures included the following:

- Reviewed the most recent St. Clair 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, indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- 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 the Health Department equipment inventory record system.

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. However, we noted one exception regarding the lack of reporting County overhead costs on the FSR (Finding 1).

Finding

1. County Overhead Costs Not Reported on FSR

The Health Department incurred overhead costs from the County, but did not report them on the FSR.

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 County-Wide Cost Allocation Plans, prepared by Maximus, showed costs allocable to all County Departments including the Health Department. However, the Health Department did not report any of the allocable County costs on the FSR as required by contract.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that the proper amount of County overhead expenses are reported on future FSR’s.

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, 2010 is \$615,611. 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.

**St. Clair County Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/09 - 9/30/10**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$624,281	\$615,611 ¹	\$0	\$615,611
Local and Other Funds	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$624,281	\$615,611	\$0	\$615,611
EXPENDITURES:				
Salary and Wages	\$353,148	\$324,233	\$0	\$324,233
Fringe Benefits	\$136,247	\$133,931	\$0	\$133,931
Capital Expenditures	\$11,375	\$9,447	\$0	\$9,447
Contractual Costs	\$4,459	\$0	\$0	\$0
Supplies	\$36,830	\$76,142	\$0	\$76,142
Travel	\$3,550	\$1,613	\$0	\$1,613
Communications	\$4,000	\$1,854	\$0	\$1,854
Space Cost	\$1,950	\$1,925	\$0	\$1,925
Other Expense	\$300	\$97	\$0	\$97
Indirect Cost	\$72,422	\$66,369	\$0	\$66,369
TOTAL EXPENDITURES	\$624,281	\$615,611	\$0	\$615,611

¹ Actual MDCH payments provided on a performance reimbursement basis.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: County Overhead Costs Not Reported on FSR

The Health Department incurred overhead costs from the County, but did not report them on the FSR.

Recommendation: Implement policies and procedures to ensure that the proper amount of County overhead expenses is reported on future FSRs.

Comments: We spoke with the county's external auditor, Stewart, Beauvais & Whipple (SBW), regarding the aforementioned finding. They stated the County does not enforce its cost allocation upon its departments; therefore, the Health Department (HD) has not been subjected to budgeting and expensing said cost.

Corrective Action: Since the HD is part of the County audit and the County has a December 31 year end, the external auditor, SBW, will assist in capturing the County cost allocation and allowing the HD to report it on the FSR. The process will occur through the HD Indirect Expense allocation as recommended by SBW. This will ensure all programs receive its share of the County cost allocation by an approved allocation methodology.

**Anticipated
Completion Date:** Fiscal Year 2012

MDCH Response: None