



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

January 29, 2019

Rebecca A. Burns, M.P.H., R.S., Health Officer
Branch-Hillsdale-St. Joseph Community Health Agency
570 Marshall Road
Coldwater, Michigan 49036

Dear Ms. Burns:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Branch-Hillsdale-St. Joseph Community Health Agency Women, Infants, and Children (WIC) Program for the period October 1, 2016 through September 30, 2017.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions, Findings, and Recommendations; Statements of Grant Program Revenues and Expenditures; and Comments and Recommendations. The Comments and Recommendations include the agency's response to the Preliminary Analysis.

Final reports are posted for public viewing on the MDHHS website at:
http://www.michigan.gov/mdhhs/0,5885,7-339-73970_43164-151236--,00.html.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Shannah M. Havens, CPA, CISA
Audit Section Manager
Population Health and Community Services Programs Section
Audit Division

Attachment

cc: Debra Hallenbeck, Director, Audit Division
Christina Herring, Director, WIC Division
Brittany LaRue, Manager, Financial Management and FMNP Unit
Kelly Voegeding, Financial Analyst, WIC Division
Bryce Wooton, Auditor, Population Health and Community Services Programs Section
Yvonne Atwood, Director of Personal Health and Disease Prevention, Branch-Hillsdale-St. Joseph Community Health Agency
Theresa Fisher, Director of Administrative Services, Branch-Hillsdale-St. Joseph Community Health Agency
Jeff Macklin, Accountant, Branch-Hillsdale-St. Joseph Community Health Agency

Audit Report

Branch-Hillsdale-St. Joseph Community Health Agency

Women, Infants, and Children Program

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division

January 2019

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DESCRIPTION OF AGENCY

The Branch-Hillsdale-St. Joseph Community Health Agency (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Branch County, which is the reporting entity, and the administrative office is located in Coldwater, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is appointed by the Board of Commissioners of Branch, Hillsdale, and St. Joseph Counties. The Health Department provides community health program services to the residents of Branch, Hillsdale, and St. Joseph Counties.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Health and Human Services (MDHHS) provided 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.

The Women, Infants, and Children (WIC) Program was funded by MDHHS Grant Funds, Fees and Collections, and Other Local Funds. Grant funding from MDHHS for the WIC Program was federal funding under federal catalog number 10.557.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Health Department's financial reporting and to determine the MDHHS shares of cost according to the agreements, and program standards and regulations. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.
2. To determine the MDHHS shares of cost in accordance with MDHHS requirements and agreements, Federal standards and program standards, 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, 2016 to September 30, 2017. Our review procedures included the following:

- Reviewed the most recent Health Department's Single Audit and Financial Statement Audit Reports for any WIC Program related concerns.
- Reviewed the Grant Agreement, Budgets, and Program Specific Assurances and Requirements.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Subrecipient Questionnaire.
- Reconciled the WIC Program Financial Status Reports (FSRs) and MDHHS payment schedules to the accounting records.
- Tested a selection of payroll and non-payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines, and approval procedures.
- Reviewed building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed equipment purchases over \$2,500 for the WIC Program.
- 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

FINANCIAL REPORTING

Objective 1: To assess the Health Department's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.

Conclusion: The Health Department was effective and accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.

MDHHS SHARES OF COST AND BALANCE DUE

Objective 2: To determine the MDHHS shares of cost in accordance with MDHHS requirements and agreements, Federal standards and program standards, and any balance due to or due from the Health Department.

Conclusion: The MDHHS obligations for fiscal year ended September 30, 2017 are \$884,957 for the WIC Resident Services Grant and \$73,535 for the WIC Breastfeeding Grant. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. No audit adjustments were made.

Branch/Hillsdale/St. Joseph Community Health Agency
WIC Resident Services
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$894,164	\$884,957 ¹		\$884,957
Fees & Collections - 3rd Party	\$7,500	\$16,427		\$16,427
TOTAL REVENUES	\$901,664	\$901,384	\$0	\$901,384
EXPENDITURES:				
Salary & Wages	\$408,292	\$403,481		\$403,481
Fringe Benefits	\$168,052	\$162,887		\$162,887
Supplies & Materials	\$18,744	\$13,342		\$13,342
Travel	\$12,000	\$8,992		\$8,992
Communication	\$3,500	\$3,186		\$3,186
Space Costs	\$39,488	\$35,019		\$35,019
All Others	\$54,850	\$79,985		\$79,985
Indirect Costs	\$141,838	\$137,288		\$137,288
Other Costs Distributions	\$54,900	\$57,204		\$57,204
TOTAL EXPENDITURES	\$901,664	\$901,384	\$0	\$901,384

¹ Actual MDHHS payments.

**Branch/Hillsdale/St. Joseph Community Health Agency
 WIC Breastfeeding
 Statement of Grant Program Revenues and Expenditures
 10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$73,535	\$73,535 ¹		\$73,535
Local Funds - Other	\$0	\$1,159		\$1,159
TOTAL REVENUES	\$73,535	\$74,694	\$0	\$74,694
EXPENDITURES:				
Salary & Wages	\$34,136	\$37,776		\$37,776
Fringe Benefits	\$6,106	\$6,577		\$6,577
Supplies & Materials	\$6,124	\$1,101		\$1,101
Travel	\$2,000	\$1,766		\$1,766
Space Costs	\$6,183	\$5,638		\$5,638
All Others	\$4,492	\$5,728		\$5,728
Indirect Costs	\$9,904	\$10,751		\$10,751
Other Costs Distributions	\$4,590	\$5,356		\$5,356
TOTAL EXPENDITURES	\$73,535	\$74,694	\$0	\$74,694

¹ Actual MDHHS payments.

Comments and Recommendations

1. Incomplete Budgeting and Reporting of Total Program Expenditures

The Health Department did not fully budget and report all its WIC Breastfeeding Program expenditures. The MDHHS grant agreement, Part II, Section IV Financial Requirements, Subsection C. Financial Status Report Submission, states, "The monthly FSRs must reflect total actual program expenditures, regardless of the source of funds." Also, Title 2 CFR 200.302(b) regarding Financial management states, "The financial management system of each non-Federal entity must provide for the following... (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements..." During our review, we noted that the Health Department did not include communication costs in its budget and, as a result, did not report these expenditures on its WIC Breastfeeding Program's FSR. Complete budgeting and reporting of all costs will ensure compliance with requirements and provide an accurate depiction of costs to carry out the program for future funding and budgeting decision. Grant funds were fully exhausted so there is no grant impact or adjustment. We recommend that the Health Department implement sufficient controls and procedures to ensure that the budget includes all costs and its FSRs report total expenditures and source of funds to ensure compliance with Federal regulations and the Grant agreement.

Management's Response: The Branch-Hillsdale-St. Joseph Community Health Agency has ensured that a communications budget has been added to the WIC Breastfeeding Program and is allocating associated costs to it.

**Person Responsible
for Implementation:** Jeff Macklin, Accountant

**Anticipated
Completion Date:** October 1, 2018

2. Understated Administrative Indirect Costs

The Health Department did not include space costs in its total administrative indirect cost pool calculation. The MDHHS grant agreement, Part II, Section IV Financial Requirements, Subsection C. Financial Status Report Submission, states, "The monthly FSRs must reflect total actual program expenditures, regardless of the source of funds." Title 2 CFR 200.402 regarding Composition of costs states, "The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits." Also, in Title 2 CFR 200.302(b) states, "The financial management system of each non-Federal entity must provide for the following...(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements..." During our review, we noted that the Health Department excluded \$130,234 in space

costs from its total administrative indirect cost pool calculation and, as a result, under allocated \$26,284 in indirect costs to the WIC Program and under allocated \$2,059 to the WIC Breastfeeding Program. Grant funds were fully exhausted so there is no grant impact or adjustments. Subsequent to our review, the Health Department agreed with this comment and corrected its calculation process to include space costs in its total administrative indirect cost pool. The Health Department stated that they properly allocated all administrative indirect costs to all benefitting programs for fiscal year 2018. We recommend that the Health Department establish proper controls to ensure that all allowed costs are included in its administrative indirect cost pool to ensure that benefitting programs reflect total expenditures to ensure compliance with Federal regulations and the Grant agreement.

Management's Response: The Branch-Hillsdale-St. Joseph Community Health Agency has made this correction in FY 2018 and will continue with the correct indirect allocation.

**Person Responsible
for Implementation:** Jeff Macklin, Accountant

**Anticipated
Completion Date:** September 30, 2018