
Kalamazoo County Health and Community Services Department

Women, Infants, and Children Program

For the Period October 1, 2017 – September 30, 2018

Audit Report – Issued October 2019

State of Michigan
Department of Health and Human Services
Bureau of Audit
Audit Division





STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

October 10, 2019

Mr. James Rutherford, Health Officer
Kalamazoo County Health and Community Services Department
311 E. Alcott Street
Kalamazoo, Michigan 49001

Dear Mr. Rutherford:

This is our audit report of the Women, Infants, and Children (WIC) Program administered by the Kalamazoo County Health and Community Services Department for the period October 1, 2017, through September 30, 2018.

The Michigan Department of Health and Human Services (MDHHS) is committed to ensuring high standards of integrity and accountability for public funds. To that end, we periodically perform audits to assess the agency's compliance with fiscal reporting and other requirements contained in MDHHS agreements, and policies and procedures; and Federal regulations.

The report includes the Executive Summary, Exception, Recommendation, Corrective Action, Statements of Audited Grant Revenues and Expenses, Federal and State Grant Award Information, and Scope and Methodology.

Final reports are posted for public viewing on the [MDHHS website](#).

Thank you for the cooperation extended throughout the audit process.

Sincerely,

A handwritten signature in black ink that reads "Shannah M. Havens".

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

c: Debra Hallenbeck, MDHHS, Audit
Steven Tadazak, MDHHS, Audit
Christina Herring, MDHHS, WIC
Cecilia Hutson, MDHHS, WIC

Kelly Voegeding, MDHHS, WIC
Denise Ulrich, Kalamazoo County
Kathy Richter, Kalamazoo County
Jason Pechawer, Kalamazoo County

TABLE OF CONTENTS

| | |
|--|---|
| Executive Summary | 1 |
| Exceptions, Recommendations, and Corrective Actions | |
| 1. Internal Service Fund Working Capital Reserve Exceeds Allowable Amount (Repeat)..... | 2 |
| Statements of Audited Grant Revenues and Expenses | |
| WIC Resident Services | 4 |
| WIC Breastfeeding | 5 |
| Federal and State Grant Award Information..... | 6 |
| Scope and Methodology..... | 7 |
| Glossary of Abbreviations and Terms | 8 |

EXECUTIVE SUMMARY

Below is a summary of exceptions and the Health Department's corrective action plan.

| | |
|------------------------------|--|
| Exception 1 Page 2 | Internal Service Fund Working Capital Reserve Exceeds Allowable Amount Repeat Exception [FY 2016, Exception 1] |
| Criteria | Title 2 CFR Part 200, Appendix V, Section G |
| Amount to be Returned | \$-0- |
| Corrective Action | Addressed within 2018 Maximus CAP |
| Completion Date | 10/09/2019 |
| Person Responsible | Tim Meeker, Finance Director, Kalamazoo County |

Exception 1
Internal Service Fund Working Capital Reserve Exceeds Allowable Amount
Repeat Exception [FY 2016, Exception 1]

Condition

Kalamazoo County had one Internal Service Fund with a working capital reserve that exceeded the allowable amount established by 2 CFR Part 200.

Criteria

Title 2 CFR Part 200, Appendix V, Section G states that Internal Service Funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to another. A working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable.

Exception

Kalamazoo County charges most departments (including the Health Department) for numerous expenses using Internal Service Funds. The funds are used to finance the cost of providing numerous services for their departments. Based on the December 31, 2017, financial statements, the County had accumulated an excess balance for one Internal Service Fund.

The following represents an analysis of Kalamazoo County’s Internal Service Fund for the year ended December 31, 2016, for the fund that exceeded the allowable limit:

| Fund | (A) 2 CFR Part 200 Adjusted Retained Earnings | (B) 60-Day Operating Expenses | (C) Excess [A – B] | (D) Months of Excess [(C / B) x 2] |
|------------|--|-------------------------------------|--------------------------|---|
| Technology | \$ 209,728 | \$ 96,007 | \$ 113,721 | 2.4 |

Reductions are needed to achieve compliance with Federal cost principles for the funds above with excess working capital reserves. As a result of excess working capital reserves, Federal programs are over-charged for services provided through the Internal Service Funds.

Recommendation

We again recommend that Kalamazoo County devise a plan to ensure that the Internal Service Fund working capital reserve is reduced to the allowable limit (60 days cash expenses) by the fiscal year ending 2020 by either cash refunds or adjustment to future billing rates/allocations.

Agency Corrective Action Plan

This issue has already been addressed as outlined in the prior year Corrective Action Plan and can be validated in the attached 12/31/2018 Maximus Cost Allocation Plan.

Completion Date

10/9/19

Responsible Individual(s)

Tim Meeker, Finance Director, Kalamazoo County

**Kalamazoo County Health Department
WIC Resident Services Program
Statement of Audited Grant Revenues and Expenses
10/01/2017 - 09/30/2018**

| | BUDGETED | REPORTED | AUDITED | AUDIT ADJUSTMENT | EXCEPTION REFERENCE |
|--|---------------------|--------------------|---------------------|------------------|---------------------|
| REVENUES | | | | | |
| MDHHS Grant | \$ 1,095,588 | \$1,095,588 | \$ 1,095,588 | \$ - | |
| Fees and Collections - 1st and 2nd Party | \$ - | \$ - | \$ - | \$ - | |
| Fees and Collections - 3rd Party | \$ 100 | \$ - | \$ - | \$ - | |
| Federal Cost Based Reimbursement | \$ - | \$ - | \$ - | \$ - | |
| Required Match - Local | \$ - | \$ - | \$ - | \$ - | |
| Local Funds - Other | \$ 84,274 | \$ 26,237 | \$ 26,237 | \$ - | |
| Total Revenues | \$ 1,179,962 | \$1,121,825 | \$ 1,121,825 | \$ - | |
| EXPENSES | | | | | |
| Salaries and Wages | \$ 585,200 | \$ 572,806 | \$ 572,806 | \$ - | |
| Fringe Benefits | \$ 208,300 | \$ 204,567 | \$ 204,567 | \$ - | |
| Contractual Services | \$ - | \$ - | \$ - | \$ - | |
| Supplies and Materials | \$ 63,500 | \$ 34,500 | \$ 34,500 | \$ - | |
| Travel | \$ 16,000 | \$ 5,001 | \$ 5,001 | \$ - | |
| Communication | \$ 13,000 | \$ 10,642 | \$ 10,642 | \$ - | |
| Space Costs | \$ 93,800 | \$ 89,536 | \$ 89,536 | \$ - | |
| Other | \$ 2,888 | \$ 7,441 | \$ 7,441 | \$ - | |
| Indirect Costs | \$ - | \$ - | \$ - | \$ - | |
| Other Costs Distributions | \$ 197,274 | \$ 197,274 | \$ 197,274 | \$ - | |
| Total Expenses | \$ 1,179,962 | \$1,121,767 | \$ 1,121,767 | \$ - | |

| Kalamazoo County Health Department WIC Breastfeeding Program Statement of Audited Grant Revenues and Expenses 10/01/2017 - 09/30/2018 | | | | | |
|---|------------------|------------------|------------------|---------------------|------------------------|
| | BUDGETED | REPORTED | AUDITED | AUDIT ADJUSTMENT | EXCEPTION REFERENCE |
| REVENUES | | | | | |
| MDHHS Grant | \$ 87,863 | \$ 78,607 | \$ 78,607 | \$ - | |
| Fees and Collections - 1st and 2nd Party | \$ - | \$ - | \$ - | \$ - | |
| Fees and Collections - 3rd Party | \$ - | \$ - | \$ - | \$ - | |
| Federal Cost Based Reimbursement | \$ - | \$ - | \$ - | \$ - | |
| Required Match - Local | \$ - | \$ - | \$ - | \$ - | |
| Local Funds - Other | \$ - | \$ - | \$ - | \$ - | |
| Total Revenues | \$ 87,863 | \$ 78,607 | \$ 78,607 | \$ - | |
| EXPENSES | | | | | |
| Salaries and Wages | \$ 44,000 | \$ 39,313 | \$ 39,313 | \$ - | |
| Fringe Benefits | \$ 12,500 | \$ 10,924 | \$ 10,924 | \$ - | |
| Contractual Services | \$ - | \$ - | \$ - | \$ - | |
| Supplies and Materials | \$ 3,100 | \$ 4,098 | \$ 4,098 | \$ - | |
| Travel | \$ 2,100 | \$ 802 | \$ 802 | \$ - | |
| Communication | \$ 3,300 | \$ 748 | \$ 748 | \$ - | |
| Space Costs | \$ 8,500 | \$ 7,922 | \$ 7,922 | \$ - | |
| Other | \$ 5,563 | \$ - | \$ - | \$ - | |
| Indirect Costs | \$ - | \$ - | \$ - | \$ - | |
| Other Costs Distributions | \$ 8,800 | \$ 8,800 | \$ 8,800 | \$ - | |
| Total Expenses | \$ 87,863 | \$ 72,607 | \$ 72,607 | \$ - | |

FEDERAL AND STATE GRANT AWARD INFORMATION

| | |
|---------------------------------|--|
| Program Title | WIC Resident Services |
| Federal Agency | U.S. Department of Agriculture |
| Federal Sub-Tier | Food and Nutrition Service |
| Federal Program Title | Women, Infants, and Children (WIC) Supplemental Nutrition Program |
| CFDA Number | 10.557 |
| MDHHS Agreement No. | E20180853 |
| MDHHS Agreement Period | 10/01/2017 – 09/30/2018 |
| Exception(s) Related to Program | 1 |
| Amount to be Returned | \$-0- |
| Exception(s) for Return Amount | Not Applicable |

| | |
|---------------------------------|--|
| Program Title | WIC Breastfeeding |
| Federal Agency | U.S. Department of Agriculture |
| Federal Sub-Tier | Food and Nutrition Service |
| Federal Program Title | Women, Infants, and Children (WIC) Supplemental Nutrition Program |
| CFDA Number | 10.557 |
| MDHHS Agreement No. | E20180853 |
| MDHHS Agreement Period | 10/01/2017 – 09/30/2018 |
| Exception(s) Related to Program | 1 |
| Amount to be Returned | \$-0- |
| Exception(s) for Return Amount | Not Applicable |

SCOPE AND METHODOLOGY

We examined the Health Department's records and activities for the period October 1, 2017, through September 30, 2018.

Our audit procedures included the following:

- Reviewed the most recent Single Audit and Financial Statement Audit Reports for any WIC Program related concerns.
- Reviewed the most recent WIC Program site visit reports from the Program staff.
- 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.

GLOSSARY OF ABBREVIATIONS AND TERMS

| | |
|-------|--|
| CFDA | Catalog of Federal Domestic Assistance |
| CFR | Code of Federal Regulations |
| FSR | Financial Status Report |
| MDHHS | Michigan Department of Health and Human Services |
| WIC | Women, Infants, and Children |
| WICBF | Women, Infants, and Children Breastfeeding |