
VHS – Children’s Hospital of Michigan

Women, Infants, and Children Program

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

Audit Report – Issued December 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

December 13, 2019

Ms. Lisa Hutchings, Chief Financial Officer
VHS – Children’s Hospital of Michigan
3901 Beaubien Street
Detroit, Michigan 48201

Dear Ms. Hutchings:

This is our audit report of the Women, Infants, and Children (WIC) Program administered by the VHS – Children’s Hospital of Michigan 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, Statement 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, MBA
Audit Section Manager
Public Health and Community Services Programs Section
Audit Division

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EXECUTIVE SUMMARY

Below is a summary of exceptions and VHS – Children’s Hospital of Michigan’s corrective action plan.

Exception 1 Page 2	Predetermined Percentage Used to Distribute Salaries
Criteria	Title 2 CFR 200.430(i)
Amount to be Returned	\$-0-
Corrective Action	The Dietitians have created a monthly time activity log in order to track the actual number of hours worked on WIC related patient visits, consults, and follow-ups.
Completion Date	November 19, 2019
Person Responsible	Lisa M. Hutchings, CFO, Children’s Hospital of Michigan

Exception 1

Predetermined Percentage Used to Distribute Salaries

Condition

The VHS – Children’s Hospital of Michigan (Hospital) improperly used a predetermined percentage to distribute the salary for its WIC employee and did not adjust costs to reflect the activity actually performed.

Criteria

Title 2 CFR 200.430(i) (1) states, “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated... (viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed; (B) Significant changes in the corresponding work activity are identified and entered into the records in a timely manner...; and (C) The non-Federal entity’s system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.”

Exception

During our review, we noted that the Hospital directly charged the salary for the WIC Program Dietitian at a predetermined rate of 20%. We also noted that there is no process in place to compare the predetermined percentage with actual activity to ensure that the salary was properly distributed to the WIC program. Compensation can be allocated to benefitting programs using a predetermined budgeted percentage for interim purposes, but 2 CFR 200 requires an adjustment to actual.

Recommendation

We recommend that the Hospital adopt procedures to ensure that charged compensation is based on records that accurately reflect the actual work performed, and any use of predetermined percentages are only used for interim accounting purposes with appropriate adjustments as required by Federal regulations.

Agency Response and Corrective Action Plan

The Dietitians have created a monthly time activity log in order to track the actual number of hours worked on WIC related patient visits, consults, and follow-ups. The assigned dietitian will email the activity log to the Contracts and Grants Manager who will review, sign, and date. The log will then be submitted to the Chief Financial Officer (CFO) on a monthly basis by the 5th of every month for the prior month. (For example, the November log will be emailed by December 5th.) The CFO will then review in order to ensure that actual hours are logged per week. Should the hours fall short of or exceed the budgeted 8 hours allocated, the CFO will submit an email request to the Contracts and Grants

Manager requesting that a payroll adjustment is made by the grant accounting team. The Contracts and Grants Manager will then email the supporting details to the team requesting the adjustment to payroll for that pay period and follow-up to ensure that the request has been completed.

Completion Date

November 19, 2019

Responsible Individual(s)

Lisa M. Hutchings, CFO, Children’s Hospital of Michigan

VHS - Children's Hospital of Michigan WIC Special Supplemental Program Statement of Audited Grant Revenues and Expenses 10/01/2017 - 09/30/2018					
	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
REVENUES					
MDHHS Grant	\$ 11,745	\$ 8,452	\$ 8,452	\$ -	
Fees and Collections - 1st and 2nd Party	\$ -	\$ -	\$ -	\$ -	
Fees and Collections - 3rd Party	\$ -	\$ -	\$ -	\$ -	
Federal Cost Based Reimbursement	\$ -	\$ -	\$ -	\$ -	
Required Match - Local	\$ -	\$ -	\$ -	\$ -	
Local Funds - Other	\$ -	\$ -	\$ -	\$ -	
Total Revenues	\$ 11,745	\$ 8,452	\$ 8,452	\$ -	
EXPENSES					
Salaries and Wages	\$ 9,428	\$ 6,936	\$ 6,936	\$ -	
Fringe Benefits	\$ 2,497	\$ 1,516	\$ 1,516	\$ -	
Contractual Services	\$ -	\$ -	\$ -	\$ -	
Supplies and Materials	\$ -	\$ -	\$ -	\$ -	
Travel	\$ -	\$ -	\$ -	\$ -	
Communication	\$ -	\$ -	\$ -	\$ -	
Space Costs	\$ -	\$ -	\$ -	\$ -	
Other	\$ -	\$ -	\$ -	\$ -	
Indirect Costs	\$ -	\$ -	\$ -	\$ -	
Other Costs Distributions	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ 11,925	\$ 8,452	\$ 8,452	\$ -	

FEDERAL AND STATE GRANT AWARD INFORMATION

Program Title	WIC Special Supplemental Program
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.	E20180306
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
See the Statement of Audited Grant Revenues and Expenses for line item adjustment details for exceptions.	

SCOPE AND METHODOLOGY

We examined the Hospital’s records and activities for the fiscal year 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 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 Fiscal Questionnaire.
- Reconciled the Financial Status Report (FSR) and MDHHS payment schedule to the accounting records.
- Tested a selection of payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines, and approval procedures.

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 Program