

---

# Washtenaw County Public Health Department

Women, Infants, and Children Program

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

---

Audit Report – Issued November 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

November 21, 2019

Jimena Loveluck, Health Officer  
Washtenaw County Public Health Department  
555 Towner Street  
Ypsilanti, Michigan 48198

Dear Ms. Loveluck:

This is our audit report of the Women, Infants, and Children (WIC) Program administered by the Washtenaw County Public Health 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, MBA  
Audit Section Manager  
Public Health and Community Services Programs Section  
Audit Division

c: Debra Hallenbeck, MDHHS, Audit  
Steven Tadazak, MDHHS, Audit  
Christina Herring, MDHHS, WIC  
Cecilia Hutson, MDHHS, WIC  
Mary Conley, Washtenaw County  
Jennifer Brassow, Washtenaw County

# TABLE OF CONTENTS

Executive Summary .....	1
Exceptions, Recommendations, and Corrective Actions	
1. Internal Service Fund Working Capital Reserve Exceeds Allowable Amounts .....	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.

<b>Exception 1</b> Page 2	<b>Internal Service Fund Working Capital Reserve Exceeds Allowable Amount</b>
<b>Criteria</b>	Title 2 CFR Part 200, Appendix V, Section G
<b>Amount to be Returned</b>	\$-0-
<b>Corrective Action</b>	Excess reserves are temporary and are adjusted as needed.
<b>Completion Date</b>	11/13/2019
<b>Person Responsible</b>	Thomas Sweeney, Accounting Director, Washtenaw County Kelly Belknap, Chief Financial Officer, Washtenaw County

**Exception 1  
Internal Service Fund Working Capital Reserve Exceeds Allowable Amount**

**Condition**

Washtenaw County had one Internal Service Fund with working capital reserves 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**

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

The following represents an analysis of Washtenaw County’s Internal Service Funds for the year ended December 31, 2017 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]
General Services	\$ 247,096	\$ 81,489	\$ 165,607	4

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

**Recommendation**

We recommend that Washtenaw 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**

Washtenaw County has reviewed this matter and completed its own analysis of these funds with input from our auditors. Based on this along with our regular ongoing analysis, we believe that the unrestricted net position and working capital balance are appropriate in the circumstances. To the extent that there are potential excess reserves, these

excesses are temporary over the long-term and the related charges for series are regularly adjusted up or down, as applicable, as illustrated in the attached multiyear analysis schedules. Any alterations made to our internal billing rates are made prospectively so the effects of these changes on our working capital balances will not be apparent until future quarters.

Relative to the specific internal service cited in your report, the general services fund is operating on average (over five years) with about 69 days of working capital, slightly above the 60-day recommendation in the regulations. The County monitors the general services fund working capital and unrestricted net position on a quarterly basis and adjusts when appropriate in the circumstances.

We appreciate your finding regarding working capital reserves, and it allows us to assure you that Washtenaw County is maintaining focus on these areas and complying with federal regulations.

**Completion Date**

November 13, 2019

**Responsible Individual(s)**

Thomas Sweeney, Accounting Director

Kelly Belknap, Chief Financial Officer

<b>Washtenaw County Public Health Department</b> <b>WIC Resident Services Program</b> <b>Statement of Audited Grant Revenues and Expenses</b> <b>10/01/17 - 09/30/18</b>					
	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
<b>REVENUES</b>					
MDHHS Grant	\$ 972,466	\$ 972,466	\$ 972,466	\$ -	
Fees and Collections - 3rd Party	\$ 11,700	\$ 6,674	\$ 6,674	\$ -	
Local Funds - Other	\$ 220,255	\$ 18,536	\$ 18,536	\$ -	
<b>Total Revenues</b>	<b>\$ 1,204,421</b>	<b>\$ 997,676</b>	<b>\$ 997,676</b>	<b>\$ -</b>	
<b>EXPENSES</b>					
Salaries and Wages	\$ 550,161	\$ 472,306	\$ 472,306	\$ -	
Fringe Benefits	\$ 355,432	\$ 276,950	\$ 276,950	\$ -	
Supplies and Materials	\$ 13,650	\$ 15,480	\$ 15,480	\$ -	
Travel	\$ 7,500	\$ 8,692	\$ 8,692	\$ -	
Communication	\$ 5,500	\$ 10,804	\$ 10,804	\$ -	
County-City Central Services	\$ 135,839	\$ 107,538	\$ 107,538	\$ -	
Other	\$ 500	\$ 453	\$ 453	\$ -	
Other Costs Distributions	\$ 135,839	\$ 105,453	\$ 105,453	\$ -	
<b>Total Expenses</b>	<b>\$ 1,204,421</b>	<b>\$ 997,676</b>	<b>\$ 997,676</b>	<b>\$ -</b>	

<b>Washtenaw County Public Health Department                      WIC Breastfeeding Program                      Statement of Audited Grant Revenues and Expenses                      10/01/17 - 09/30/18</b>					
	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
<b>REVENUES</b>					
MDHHS Grant	\$ 115,166	\$ 115,166	\$ 115,166	\$ -	
Local Funds - Other	\$ 36,172	\$ 26,878	\$ 26,878	\$ -	
<b>Total Revenues</b>	<b>\$ 151,338</b>	<b>\$ 142,044</b>	<b>\$ 142,044</b>	<b>\$ -</b>	
<b>EXPENSES</b>					
Salaries and Wages	\$ 80,085	\$ 86,539	\$ 86,539	\$ -	
Fringe Benefits	\$ 34,867	\$ 18,387	\$ 18,387	\$ -	
Supplies and Materials	\$ 300	\$ 366	\$ 366	\$ -	
Travel	\$ 1,600	\$ 442	\$ 442	\$ -	
County-City Central Services	\$ 17,243	\$ 15,311	\$ 15,311	\$ -	
Other Costs Distributions	\$ 17,243	\$ 20,999	\$ 20,999	\$ -	
<b>Total Expenses</b>	<b>\$ 151,338</b>	<b>\$ 142,044</b>	<b>\$ 142,044</b>	<b>\$ -</b>	



### FEDERAL AND STATE GRANT AWARD INFORMATION

<b>Program Title</b>	<b>WIC Resident Services</b>
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.	E20182156
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.	

<b>Program Title</b>	<b>WIC Breastfeeding</b>
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.	E20182155
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 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 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