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# Western Michigan University

Women, Infants, and Children Program

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

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Audit Report – Issued January 2020

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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

January 27, 2020

Ms. Betty McKain, Director / Financial Officer  
Western Michigan University  
1903 West Michigan Avenue  
Kalamazoo, Michigan 49008

Dear Ms. McKain:

This is our audit report of the Women, Infants, and Children (WIC) Program administered by Western Michigan University 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, Exceptions, Recommendations, Corrective Actions, 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  
Bryce Wooton, MDHHS, Audit  
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Robert Bensley, Western Michigan University

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## EXECUTIVE SUMMARY

Below is a summary of exceptions and the Western Michigan University's corrective action plan.

<b>Exception 1</b>	<b>Improper Allocation of Direct Expenditures</b>
<b>Criteria</b>	Title 2 CFR 200.405(d)
<b>Amount to be Returned</b>	\$-0-
<b>Corrective Action</b>	Retain FNS data and make any necessary adjustments to the cost allocation at FYE if the variance is greater than 5%.
<b>Completion Date</b>	July 1, 2020
<b>Person Responsible</b>	Robert Bensley, Principal Investigator

<b>Exception 2</b>	<b>Non-Compliant Allocation of Salaries and Wages</b>
<b>Criteria</b>	Title 2 CFR 200.430(i) (1)
<b>Amount to be Returned</b>	\$-0-
<b>Corrective Action</b>	Collect additional documentation for the basis of distributing the salary of the administrative assistance and other employees.
<b>Completion Date</b>	July 1, 2020
<b>Person Responsible</b>	Robert Bensley, Principal Investigator

## **Exception 1**

### **Improper Allocation of Direct Expenditures**

#### **Background**

Western Michigan University (University) developed, maintains, and supports WICHealth.org, a multistate-funded web-based nutritional education program for state WIC agencies. The web-based system provides parent-child feeding and adult nutrition resources to WIC clients and WIC Program staff throughout the United States. The University has partnered with 28 states and two tribal organizations to provide nutritional education to almost 500,000 WIC clients each year.

#### **Condition**

The University did not implement a sufficient allocation policy to support its WIC Program direct expenditures.

#### **Criteria**

Title 2 CFR 200.403 states, "...costs must meet the following general criteria in order to be allowable under Federal awards...(a) Be necessary and reasonable for the performance of the Federal award and be allocated thereto under these principles." Also, Title 2 CFR 200.405 Allocable Costs states, "(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received... (c) Any cost allocable to a particular Federal award under the principles provided for in this Part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons... (d) If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined...the costs may be allocated or transferred to benefitted projects on any reasonable documented basis."

#### **Exception**

During our review, we noted that the University allocated direct expenditures to the various states funding the WICHealth.org education system based on the availability in each state's contracted grant funding with the University, instead of properly allocating expenditures to the states based on a reasonable documented basis that provides proportional benefits.

#### **Recommendation**

We recommend that the University implement policies and procedures to ensure that all allocated direct expenditures are based on a reasonable documented basis to ensure compliance with Federal regulations.

### University Response

Western Michigan University develops the budget for the Women, Infants, and Children Program using the most current USDA Food and Nutrition Service (FNS) data for client usage at the time the proposal is submitted.

Since the percent of client usage does not vary significantly throughout the year, the expenses for the WIC program are based on the FNS data at the beginning of the contract period. It would be an undue effort or cost to adjust for the client usage when the variance is no more than 5% throughout the year.

Western Michigan University has reasonably documented the cost allocation by reviewing the FNS data as information is released.

### Agency Corrective Action Plan

In the future as documentation we will retain FNS data at the end of each year and make any necessary adjustments to the cost allocation if the variance is greater than 5% (ex: 24% at start and 18% at end).

#### **Completion Date**

July 1, 2020

#### **Responsible Individual**

Robert Bensley, Principal Investigator

### **Exception 2 Non-Compliant Allocation of Salaries and Wages**

#### Condition

The University improperly used predetermined percentages to allocate salaries and wages and did not adjust costs to reflect accurate, allowable, and properly allocated costs.

#### 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...(vii) Support the distribution of the employee's salary and wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. (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 University charged salaries and wages to the multiple states funding the WICHealth.org education system based on either funding availability in each state's contract or availability in each employee's budgeted salaries and wages per state. Also, the University charged the Executive Director's and Administrator's salaries and wages to the WIC Programs based on predetermined allocation percentages of 25% and 75%, respectively, with no supporting documentation for the calculation of the percentages. Additionally, we noted that for one of the pay periods tested, the Administrator's salary was allocated to the WIC Programs using an allocation rate of 86.25%, instead of 75%. Furthermore, records that fully support the distribution of the employee's salary or wages among specific activities or cost objectives were not provided for the Executive Director or Administrator.

Compensation can be allocated to benefitting programs using budget estimates for interim purposes, but 2 CFR 200 requires an adjustment, so the final amount charged is accurate, allowable, and properly allocated. During our review of employee time records, we noted that time sheets state the total hours worked during that pay period and are simply allocated to benefitting programs based on budget estimates. No reasonable documented basis was established to ensure final amounts charged are accurate, allowable, and properly allocated.

### **Recommendation**

We recommend that the University adopt policies and procedures to ensure that all charged salaries and wages are based on records that accurately reflect the work performed, and budget estimates are only used for interim accounting purposes with appropriate adjustments as required by Federal regulations.

### **Agency Corrective Action Plan**

Western Michigan University does keep time sheets for hourly employees. We will collect additional documentation for the basis of distributing the salary of the administrative assistant and other employees.

#### **Completion Date**

July 1, 2020

#### **Responsible Individual**

Robert Bensley, Principal Investigator

**Western Michigan University**  
**WIC Internet Based Nutrition Program**  
**Statement of Audited Grant Revenues and Expenses**  
**10/01/2017 - 09/30/2018**

	BUDGETED	REPORTED	AUDITED	AUDIT ADJUSTMENT	EXCEPTION REFERENCE
<b>REVENUES</b>					
MDHHS Grant	\$ 224,316	\$ 224,316	\$ 224,316	\$ -	
<b>Total Revenues</b>	<b>\$ 224,316</b>	<b>\$ 224,316</b>	<b>\$ 224,316</b>	<b>\$ -</b>	
<b>EXPENSES</b>					
Salaries and Wages	\$ 71,585	\$ 80,015	\$ 80,015	\$ -	
Fringe Benefits	\$ 27,249	\$ 28,774	\$ 28,774	\$ -	
Contractual Services	\$ 82,066	\$ 72,111	\$ 72,111	\$ -	
Indirect Costs	\$ 43,416	\$ 43,416	\$ 43,416	\$ -	
<b>Total Expenses</b>	<b>\$ 224,316</b>	<b>\$ 224,316</b>	<b>\$ 224,316</b>	<b>\$ -</b>	



### FEDERAL AND STATE GRANT AWARD INFORMATION

<b>Program Title</b>	<b>WIC Internet Based Nutrition</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.	E20182537
MDHHS Agreement Period	10/01/2017 – 09/30/2018
Exception(s) Related to Program	1, 2
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 University'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 University'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 Fiscal Questionnaire.
- Reconciled the WIC Program Financial Status Report (FSR) and MDHHS payment schedule 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 indirect cost 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