



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

NICK LYON
DIRECTOR

October 18, 2016

Warren C. Swartz, Jr., Tribal President
Keweenaw Bay Indian Community
16429 Beartown Road
Baraga, Michigan 49908

Dear Mr. Swartz:

Enclosed is our final report from the Michigan Department of Health and Human Services (MDHHS) audit of the Keweenaw Bay Indian Community WIC Program for the period October 1, 2014 through September 30, 2015.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions; Statement of Grant Program Revenues and Expenditures; and Comments and Recommendations. The Comments and Recommendations include the agency's paraphrased response to the Preliminary Analysis, and MDHHS's response.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Debra S. Hallenbeck, Manager
Quality Assurance and Review
Bureau of Audit, Reimbursement and Quality Assurance

Enclosure

cc: Stan Bien, Director, WIC Division
Pam Myers, Director, Bureau of Audit, Reimbursement and Quality Assurance
Bryce Wooton, Auditor, Quality Assurance and Review
Don Larson, Grant Accountant, Keweenaw Bay Indian Community

Audit Report

Keweenaw Bay Indian Community WIC Program

October 1, 2014 – September 30, 2015



Bureau of Audit, Reimbursement, and Quality Assurance
Quality Assurance and Review
October 2016

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DESCRIPTION OF AGENCY

The Keweenaw Bay Indian Community (The Tribe) is governed by the Tribal Council. The Tribe is located on the Keweenaw Bay Reservation in Baraga County, and the administrative office is located in Baraga, Michigan. The Tribe provides a wide variety of general governmental and grant activities including the Women, Infants, and Children (WIC) Supplemental Food Program.

FUNDING METHODOLOGY

The Tribe's services are funded from local sources and grant programs. The Michigan Department of Health and Human Services (MDHHS) provides the Tribe with grant funding monthly, based on Financial Status Reports, in accordance with the terms and conditions of the grant agreement and budget.

Grant funding from MDHHS for the WIC Program is federal funding under federal catalog number 10.557.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the WIC Program financial reporting, and to determine the MDHHS share of WIC Program costs. The following were the specific objectives of the audit:

1. To assess the Tribe's effectiveness in reporting their WIC Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles.
2. To determine the MDHHS share of costs for the WIC Program in accordance with applicable MDHHS requirements and agreements, and any balance due to or due from the Tribe.

SCOPE AND METHODOLOGY

We examined the Tribe's records and activities for the fiscal period October 1, 2014 to September 30, 2015. Our review procedures included the following:

- Reviewed the most recent Keweenaw Bay Indian Community Single Audit report for any WIC Program concerns.
- Reviewed the completed Subrecipient Questionnaire.
- Reconciled the WIC Program Financial Status Report (FSR) to the accounting records.
- Reviewed payroll expenditures.

- Tested a sample of expenditures for program compliance, and policy and approval procedures.

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 Tribe's effectiveness in reporting their WIC Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Tribe reported its WIC Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles. No financial reporting exceptions were noted.

MDHHS SHARE OF COSTS

Objective 2: To determine the MDHHS share of costs for the WIC Program in accordance with applicable MDHHS requirements and agreements, and any balance due to or due from the Tribe.

Conclusion: The MDHHS obligation under the WIC Program for fiscal year ended September 30, 2015, is \$66,672. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC grant program funding.

**Keweenaw Bay Indian Community
WIC Program
Statement of Grant Program Revenues and Expenditures
10/1/14 - 9/30/15**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
State Agreement	\$66,672	\$66,672 ¹	\$0	\$66,672
TOTAL REVENUES	\$66,672	\$66,672	\$0	\$66,672
EXPENDITURES:				
Salary & Wages	\$30,389	\$39,361	\$0	\$39,361
Fringe Benefits	\$17,565	\$8,870	\$0	\$8,870
Travel	\$7,950	\$5,031	\$0	\$5,031
Supplies & Materials	\$7,648	\$10,269	\$0	\$10,269
Contractual	\$3,120	\$3,140	\$0	\$3,140
TOTAL EXPENDITURES	\$66,672	\$66,672	\$0	\$66,672

¹ Actual MDHHS payments.

Comments and Recommendations

1. Facility and Administrative Expenses Not Allocated to WIC

The Tribe did not allocate facility or administrative expenses to WIC. Administrative and space costs have a direct benefit to WIC and these costs should be allocated to WIC. The Tribe should report WIC's share of these costs on the FSR and show that local funds were used to pay for these expenses. The MDHHS contract (Part II, Section IV, Part C) requires that FSRs report total actual program expenditures regardless of the source of funds. We recommend that the Tribe equitably allocate facility and administrative costs to the WIC Program, and report these costs on the FSR regardless of the funding source. We recommended this in the 2010-2011 WIC Program Audit and received a response stating that the Tribe does not agree with MDHHS regarding the necessity of allocating and reporting the applicable space and indirect expenses. However, the Tribe agreed to comply with the MDHHS requirements in the 2011-2012 fiscal year. The 2012-2013 WIC Program Audit verified that the Tribe had allocated a portion of indirect expenses and space costs to the WIC Program.

Agency Response: The Tribe does not agree with MDHHS regarding the necessity of allocating and reporting the applicable facility and administrative expenses to the WIC Program. Due to the limited amount of grant funding, administrative and facility expenses are paid for with Indian Health Service funding and third party funding as needed. The Tribe charges Indirect Costs (IDC) to each grant as funding allows. However, charging IDC to WIC decreases the amount of funding the Tribe can utilize for Program specific expenditures such as wages of the WIC Coordinator and Dietician, support of a Breastfeeding group, and program supplies. The burden of reporting on the facility and administrative expenditures by the Tribe far outweighs the benefit. There is no statutory requirement that the Tribe records a match for these expenses.

MDHHS Response: While there is no statutory requirement for match, the MDHHS contract requires that FSRs report total actual program expenditures. Accordingly, the FSR should include all costs related to operating the WIC Program.