

Audit Report

Livingston County Department of Public Health
WIC Program

October 1, 2014 – September 30, 2015



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



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

August 5, 2016

Dianne McCormick, RS, MSA, Director/Health Officer
Livingston County Department of Public Health
2300 E. Grand River Ave., Suite 102
Howell, Michigan 48843-7578

Dear Ms. McCormick:

Enclosed is our final report from the Michigan Department of Health and Human Services audit of the Livingston County Department of Public Health 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, findings and recommendations; Statement of Grant Program Revenues and Expenditures; and Corrective Action Plans. The conclusions, findings, and recommendations are organized by audit objective. The Corrective Action Plans include the agency's paraphrased response to the Preliminary Analysis, and the Bureau of Audit, Reimbursement, and Quality Assurance's response to those comments where necessary.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in blue ink that reads "Debra S. Hallenbeck".

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
Barton Maas, Financial Officer, Livingston County Department of Public Health

TABLE OF CONTENTS

	Page
Description of Agency	1
Funding Methodology.....	1
Purpose and Objectives.....	1
Scope and Methodology	1
 <u>Conclusions, Findings, and Recommendations</u>	
<u>Financial Reporting</u>	2
1. Salaries and Fringes Reported on FSR Not in Agreement with Final General Ledger	2
2. Distribution of Salaries Not Based on Personnel Activity Reports	3
3. Administration Indirect Cost Allocation Inaccuracies.....	4
4. All Indirect Costs and County Central Services Costs Not Reported.....	6
5. Personal & Preventive Health Services (PPHS) Allocation Inaccuracies	7
6. Internal Service Fund Working Capital Reserve Exceeds Allowable Amount	8
<u>MDHHS Share of Costs</u>	9
Statement of Grant Program Revenues and Expenditures – WIC	10
Statement of Grant Program Revenues and Expenditures – WIC Breastfeeding	11
Corrective Action Plans	12

DESCRIPTION OF AGENCY

The Livingston County Department of Public Health (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Livingston County, and the administrative office is located in Howell, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is appointed by the Board of Commissioners of Livingston County. The Health Department provides community health program services to the residents of Livingston County.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Health and Human Services (MDHHS) provided the Health Department with grant funding monthly, based on Financial Status Reports, in accordance with the terms and conditions of each grant agreement and budget. The WIC Program was funded by MDHHS Grant Funds and Other Local Funds. 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 Health Department'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 Health Department.

SCOPE AND METHODOLOGY

We examined the Health Department'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 Health Department Single Audit report for any WIC Program concerns.
- Reviewed the completed Subrecipient Questionnaire.
- Reconciled the WIC Program Financial Status Reports (FSRs) to the accounting records.
- Reviewed a sample of payroll expenditures.
- Tested a sample of expenditures for program compliance and adherence to policy and approval procedures.

- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed building space/lease costs for proper reporting and compliance with Federal requirements.
- Reviewed WIC equipment inventory.

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 Health Department'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 Health Department did not report its WIC Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles. We identified the following exceptions: the FSR did not agree with the general ledger (Finding 1), the distribution of salaries was not based on personnel activity reports (Finding 2), the indirect cost allocations had errors and omissions (Findings 3, 4, and 5), and an internal service fund exceeded the 60 day working capital reserve limit (Finding 6).

Finding

1. Salaries and Fringes Reported on FSR Not in Agreement with Final General Ledger

The Health Department added a salary and fringe benefit accrual to the WIC Program FSR, but this accrual was not recorded in the general ledger.

The Health Department's accounting records related to salaries and fringes are on the cash basis. However, for FSR reporting purposes, the Health Department added a salary and fringe benefit accrual to the WIC Program FSR. By adding the accrual to the FSR, without it also being recorded in the general ledger, the Health Department may erroneously double report expenditures, since the accrual was reported on the FYE 2015 FSR, and also reported on the cash basis on the general ledger in FYE 2016.

The MDHHS Grant Agreement, Part II, Section III. A. Compliance with Applicable Laws states:

The Grantee will comply with applicable federal and state laws, guidelines, rules and regulations in carrying out the terms of this agreement. The Grantee will also comply with all applicable general administrative requirements such as OMB Circulars covering cost principles, grant/agreement principles, and audits in carrying out the terms of this agreement.

According to OMB Circular A-87, Appendix A, Section C:

1. *Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:*
 - g. *Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles.*

The Financial Status Report (FSR) Form Preparation Instructions state, in part:

The Financial Status Report is to be prepared reporting expenditures on a cash or accrued basis and revenue on an accrued basis...

According to the FSR Form Preparation Instructions the Health Department must choose to report expenditures on a cash or accrued basis, but cannot report using both.

Adjustments decreasing WIC Program salaries by \$6,812 and decreasing WIC Program fringes by \$2,752 are shown on the attached Statement of Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure expenditures are consistently reported using the same basis, and to ensure the FSR reported expenditures agree with accounting records.

Finding

2. Distribution of Salaries Not Based on Personnel Activity Reports

The Health Department adjusted salary allocations to the WIC Program for two staff members based on a three week time study, but this substitute system for distributing salaries had not been approved.

The MDHHS Grant Agreement, Part II, Section III. A. Compliance with Applicable Laws states:

The Grantee will comply with applicable federal and state laws, guidelines, rules and regulations in carrying out the terms of this agreement. The Grantee will also comply with all applicable general administrative requirements such as OMB Circulars covering cost principles, grant/agreement principles, and audits in carrying out the terms of this agreement.

OMB Circular A-87, Appendix B, subsection 8. h. (4) states:

Where employees work multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8. h (5) of this appendix unless a statistical sampling system (see subsection 8. h. (6) of this appendix) or other substitute system has been approved by the cognizant Federal agency.

The Health Department requires employees to record their daily time per program on time sheets, and this information is entered into a system that distributes salaries and wages to benefitting programs. However, two employees did not code certain activities that related to the WIC Program to the WIC Program for at least the last three quarters of the fiscal year. Once this was realized in November 2015, the Health Department conducted a three week time study and made adjustments based on the time study moving salary and fringe benefit expense from other programs to the WIC Program. Consequently, the distribution of the employees' salaries was not based on personnel activity reports as required, but a substitute system that had not been approved.

The Health Department changed its process since this was discovered. Employees use electronic time entry on a daily basis. Additionally, biweekly meetings are held to assure appropriate coding, and any needed corrections are completed within one month with supporting documentation retained.

An adjustment is not included in the report since the activities that had been coded incorrectly were related to the WIC Program and should appropriately be reported as WIC Program costs. The three week time study was likely the best way to identify the appropriate adjustment.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure proper coding of employee time and the proper distribution of employee salaries and wages that complies with applicable Federal cost principles.

Finding

3. Administration Indirect Cost Allocation Inaccuracies

The Health Department did not accurately compute the administration indirect cost allocation resulting in a misstatement of indirect costs for programs.

The MDHHS Grant Agreement, Part II, Section III. A. Compliance with Applicable Laws states:

The Grantee will comply with applicable federal and state laws, guidelines, rules and regulations in carrying out the terms of this agreement. The Grantee will also comply with all applicable general administrative requirements such as OMB Circulars covering cost principles, grant/agreement principles, and audits in carrying out the terms of this agreement.

OMB Circular A-87, Appendix A, states the following with respect to allowable and indirect costs:

C. Basic Guidelines

- 1. To be allowable under Federal awards, costs must meet the following general criteria:*
 - b. Be allocable to Federal awards...*

- i. *Be the net of all applicable credits...*
 - 3. *Allocable costs*
 - b. *All activities which benefit from the governmental unit's indirect cost...will receive an appropriate allocation of indirect costs.*
 - 4. *Applicable credits*
 - a. *Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs...*
- F. *Indirect Costs*
- 1. *...Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.*

In our review of the administration indirect cost allocation computation, we noted inaccuracies in the distribution base and the cost pool, which are explained below:

- A. The distribution base, which is salaries and fringes of benefitting programs, had the following inaccuracies:
 - 1. Administration salaries and fringes were included in the distribution base, which had the effect of allocating administration costs back to the administration cost center rather than benefitting programs.
 - 2. The salaries and fringes adjustment (described in Finding 2 and impacting several program areas) was not factored into the distribution base to ensure an equitable allocation to all benefitting programs.
 - 3. Salaries and fringes for two programs were significantly overstated due to a formula error in the spreadsheet.
 - 4. Salaries and fringes for two programs were limited to a portion of the year rather than the entire year.
 - 5. Two programs were excluded from the distribution base, but are benefitting programs that need to be included in the allocation.
- B. The administration cost pool was not the net of all applicable credits as required. All Health Plan revenues were not entirely excluded.

After the correction of the above inaccuracies, we determined that administration indirect costs were understated. Adjustments increasing indirect costs for the WIC Program and the WIC Breastfeeding Program are shown on the attached Statements of Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure that all indirect allocations are documented and recorded properly.

Finding

4. All Indirect Costs and County Central Services Costs Not Reported

The Health Department does not allocate all indirect costs and County Central Services costs to benefitting programs.

When the Health Department calculated indirect costs, it failed to include County Central Services costs and the National Accreditation costs in the cost pool. Over \$300,000 of indirect costs were not allocated to benefitting programs.

The MDHHS contract (Part II, Section IV, Part D) requires that FSRs report total actual program expenditures regardless of the source of funds.

The MDHHS Grant Agreement, Part II, Section III. A. Compliance with Applicable Laws states:

The Grantee will comply with applicable federal and state laws, guidelines, rules and regulations in carrying out the terms of this agreement. The Grantee will also comply with all applicable general administrative requirements such as OMB Circulars covering cost principles, grant/agreement principles, and audits in carrying out the terms of this agreement.

According to OMB Circular A-87, Appendix A.:

C. Basic Guidelines

3. Allocable costs

- a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.*
- b. All activities which benefit from the governmental unit's indirect cost...will receive an appropriate allocation of indirect costs.*

D. Composition of Cost

- 1. Total cost. The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.*

F. Indirect Costs

- 1. ...Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.*

Adjustments to add appropriate indirect costs and County Central Services costs are included on the attached Statements of Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure total actual program expenditures are reported on the FSR in compliance with the contract.

Finding

5. Personal & Preventive Health Services (PPHS) Allocation Inaccuracies

The Health Department did not accurately compute the PPHS indirect cost allocation resulting in a misstatement of indirect costs for programs.

The MDHHS Grant Agreement, Part II, Section III. A. Compliance with Applicable Laws states:

The Grantee will comply with applicable federal and state laws, guidelines, rules and regulations in carrying out the terms of this agreement. The Grantee will also comply with all applicable general administrative requirements such as OMB Circulars covering cost principles, grant/agreement principles, and audits in carrying out the terms of this agreement.

OMB Circular A-87, Appendix A, states the following with respect to allowable and indirect costs:

C. Basic Guidelines

- 1. To be allowable under Federal awards, costs must meet the following general criteria:*
 - b. Be allocable to Federal awards...*
- 3. Allocable costs*
 - b. All activities which benefit from the governmental unit's indirect cost...will receive an appropriate allocation of indirect costs.*

F. Indirect Costs

- 1. ... Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.*

In our review of the PPHS indirect cost allocation computation, we noted inaccuracies in the distribution base and the cost pool, which are explained below:

- A. The distribution base (total hours worked in cost centers receiving a PPHS allocation) is based on 4th quarter information only instead of the entire fiscal year, which does not ensure an equitable distribution for the entire year. This is a repeat issue from the last MDHHS audit.
- B. The PPHS cost pool total was incorrect due to an accidental adjustment removing expenditures from the PPHS cost center that related to another cost center.

C. The PPHS cost pool total was incorrect due to an incorrect administration indirect cost allocation to PPHS (noted in Finding 3). The administration indirect cost amount allocated to PPHS was \$54,553, but should have only been \$22,228.

D. The PPHS cost pool total was incorrect due to not allocating all indirect costs and County Central Services costs to benefitting programs (Finding 4). After adding all indirect costs and County Central Services costs, the administration indirect cost amount allocated to PPHS increased \$13,457.

Adjustments decreasing Other Costs Distributed for the WIC Program and the WIC Breastfeeding Program are shown on the attached Statements of Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Health Department adopt policies and procedures to ensure that all indirect allocations are documented and recorded properly.

Finding

6. Internal Service Fund Working Capital Reserve Exceeds Allowable Amount

A Livingston County Internal Service Fund had a working capital reserve that exceeded the allowable amount established by OMB Circular A-87 as of December 31, 2014.

Livingston County charges most departments (including the Health Department) for several expenses using internal service funds. The funds are used to finance the cost providing services for their departments. Based on the December 31, 2014 financial statements, the County had accumulated excess balances for one of their internal service funds.

OMB Circular A-87 (located at 2 CFR Part 225), Appendix C, Sections G.3. and G.4. require comparisons of the charges to the actual allowable costs, and adjustments by one of several methods. Additionally, OMB Circular A-87, Appendix C, Section G.2., allows for the establishment and maintenance of a reasonable level of working capital reserve for internal service funds. According to OMB Circular A-87, a working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable.

According to Maximus's analysis of the Livingston County Internal Service Funds for the Year Ended December 31, 2014, cash expenses for the Car Pool Fund were \$1,022,868. The net position after allowable adjustments as of December 31, 2014 for the Car Pool Fund was \$448,235. The 60 day operating expense equates to \$170,478. Accordingly, the working capital reserve exceeded the allowable amount by \$277,757; excess of 3.3 months. Reductions are needed to achieve compliance with OMB Circular A-87.

Recommendation

We recommend that Livingston County devise a plan to ensure the Internal Service Funds working capital reserves are reduced to the allowable limit (60 days cash expenses) by FYE 2017 by either cash refunds or adjustments to future billing rates/allocations.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS shares of costs for the WIC and WIC Breastfeeding Programs in accordance with applicable MDHHS requirements and agreements, and any balance due to or due from the Health Department.

Conclusion: The MDHHS obligations under the WIC and WIC Breastfeeding Programs for fiscal year ended September 30, 2015, are \$317,730 and \$23,038, respectively. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made adjustments but none affected WIC grant program funding.

**Livingston County Department of Public Health
WIC Resident Services
Statement of Grant Program Revenues and Expenditures
10/1/14 - 9/30/15**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	317,730	317,730 ¹	0	317,730
Local Funds - Other	54,356	98	30,252 ^{2,3,4,5}	30,350
TOTAL REVENUES	372,086	317,828	30,252	348,080
EXPENDITURES:				
Salary & Wages	178,712	158,265	(6,812) ²	151,453
Fringe Benefits	72,200	56,917	(2,752) ²	54,165
Supplies & Materials	3,250	2,652		2,652
Travel	1,300	1,424		1,424
Communication	3,327	3,150		3,150
Space Costs	7,788	4,840		4,840
All Other	26,159	25,408		25,408
Indirect Costs	45,118	37,108	40,343 ^{3,4}	77,451
Other Costs Distributions	34,232	28,064	(527) ^{4,5}	27,537
TOTAL EXPENDITURES	372,086	317,828	30,252	348,080

¹ Actual MDCH payments.

² FSR and G.L. Do Not Reconcile (Finding 1)

³ Incorrect Indirect Cost Allocation (Finding 3) - \$11,135 Increase After Corrections

⁴ AC and County Central Services Costs (Finding 4) - \$29,208 Increase to Indirect Costs After Corrections
\$2,546 Increase to Other Cost Distr. After Corrections

⁵ Incorrect PPHS Other Indirect Costs Allocation (Finding 5) - \$3,073 Decrease After Corrections

**Livingston County Department of Public Health
WIC Breastfeeding
Statement of Grant Program Revenues and Expenditures
10/1/14 - 9/30/15**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	23,038	23,038 ¹	0	23,038
Local Funds - Other	10,572	5,011	1,119 ^{2,3,4,5}	6,130
TOTAL REVENUES	33,610	28,049	1,119	29,168
EXPENDITURES:				
Salary & Wages	13,802	12,997		12,997
Fringe Benefits	5,576	2,049		2,049
Supplies & Materials	75	0		
Travel	175	11		11
Communication	489	451		451
Space Costs	1,145	746		746
All Other	3,830	3,514		3,514
Indirect Costs	3,484	2,833	2,835 ^{2,4}	5,668
Other Costs Distributions	5,034	5,448	(1,716) ^{3,4,5}	3,732
TOTAL EXPENDITURES	33,610	28,049	1,119	29,168

¹ Actual MDCH payments.

² Incorrect Indirect Cost Allocation (Finding 3) - \$697 Increase to Indirect Costs After Corrections

³ Original PPHS Other Indirect Cost Allocation does not reconcile to FSR - \$248 Decrease to FSR Amt.

⁴ AC and County Central Services Costs (Finding 4) - \$2,138 Increase to Indirect Costs After Corrections
\$345 Increase to Other Cost Distr. After Corrections

⁵ Incorrect PPHS Other Indirect Costs Allocation (Finding 5) - \$1,813 Decrease After Corrections

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: Salaries and Fringes Reported on FSR Not in Agreement with Final General Ledger

The Health Department added a salary and fringe benefit accrual to the WIC Program FSR, but this accrual was not recorded in the general ledger.

Recommendation: Adopt policies and procedures to ensure expenditures are consistently reported using the same basis, and to ensure the FSR reported expenditures agree with accounting records.

Comments: The Health Department has adopted new methods for FSR reporting, and accounting procedures. The majority of the findings will be remedied with the 3rd and 4th quarter FSRs.

Corrective Action: The Health Department will implement policies and procedures to ensure expenditures are consistently reported using the same basis, and to ensure the FSR reported expenditures agree with accounting records. The Health Department will continue to review procedures to ensure compliance with all MDHHS contract guidelines and OMB Circular A-87.

**Anticipated
Completion Date:** No later than 9/30/2016

MDHHS Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 3

Finding: **Distribution of Salaries Not Based on Personnel Activity Reports**

The Health Department adjusted salary allocations to the WIC Program for two staff members based on a three week time study, but this substitute system for distributing salaries had not been approved.

Recommendation: Implement policies and procedures to ensure proper coding of employee time and the proper distribution of employee salaries and wages that complies with applicable Federal cost principles.

Comments: The Health Department has adopted new methods for FSR reporting, and accounting procedures. The majority of the findings will be remedied with the 3rd and 4th quarter FSRs.

Corrective Action: The Health Department will implement policies and procedures to ensure proper coding of employee time and proper distribution of employee salaries and wages that complies with applicable Federal cost principles. No future allocations will be based on anything but personnel activity logs. The Health Department will continue to review procedures to ensure compliance with all MDHHS contract guidelines and OMB Circular A-87.

**Anticipated
Completion Date:** No later than 9/30/2016

MDHHS Response: None

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: Administration Indirect Cost Allocation Inaccuracies

The Health Department did not accurately compute the administration indirect cost allocation resulting in a misstatement of indirect costs for programs.

Recommendation: Adopt policies and procedures to ensure that all indirect allocations are documented and recorded properly.

Comments: The Health Department has adopted new methods for FSR reporting, and accounting procedures. The majority of the findings will be remedied with the 3rd and 4th quarter FSRs.

Corrective Action: The Health Department will implement policies and procedures to ensure that all indirect allocations are documented and recorded properly. The Health Department will continue to review procedures to ensure compliance with all MDHHS contract guidelines and OMB Circular A-87.

**Anticipated
Completion Date:** No later than 9/30/2016

MDHHS Response: None

Corrective Action Plan

Finding Number: 4

Page Reference: 6

Finding: All Indirect Costs and County Central Services Costs Not Reported

The Health Department does not allocate all indirect costs and County Central Services costs to benefitting programs.

Recommendation: Implement policies and procedures to ensure that total actual program expenditures are reported on the FSR in compliance with the contract.

Comments: The Health Department has adopted new methods for FSR reporting, and accounting procedures. The majority of the findings will be remedied with the 3rd and 4th quarter FSRs.

Corrective Action: The Health Department will implement policies and procedures to ensure that total actual program expenditures are reported on the FSR in compliance with the contract. All indirect and County Central Services costs will be allocated to benefitting programs. The Health Department will continue to review procedures to ensure compliance with all MDHHS contract guidelines and OMB Circular A-87.

**Anticipated
Completion Date:** No later than 9/30/2016

MDHHS Response: None

Corrective Action Plan

Finding Number: 5

Page Reference: 7

Finding: Personal & Preventive Health Services (PPHS) Allocation Inaccuracies

The Health Department did not accurately compute the PPHS indirect cost allocation resulting in a misstatement of indirect costs for programs.

Recommendation: Adopt policies and procedures to ensure that all indirect allocations are documented and recorded properly.

Comments: The Health Department has adopted new methods for FSR reporting, and accounting procedures. The majority of the findings will be remedied with the 3rd and 4th quarter FSRs.

Corrective Action: The Health Department will implement policies and procedures to ensure that all indirect allocations are documented and recorded properly. The Health Department will continue to review procedures to ensure compliance with all MDHHS contract guidelines and OMB Circular A-87.

Anticipated Completion Date: No later than 9/30/2016

MDHHS Response: None

Corrective Action Plan

Finding Number: 6

Page Reference: 8

Finding: Internal Service Fund Working Capital Reserve Exceeds Allowable Amount

A Livingston County Internal Service Fund had a working capital reserve that exceeded the allowable amount established by OMB Circular A-87 as of December 31, 2014.

Recommendation: Devise a plan to ensure the Internal Service Funds working capital reserves are reduced to the allowable limit (60 days cash expenses) by FYE 2017 by either cash refunds or adjustments to future billing rates/allocations.

Comments: The Car Pool Fund's working capital does exceed the 60 day allowable limit. For the past several years, the Car Pool department has not charged administration costs to departments that use its services, therefore reducing its reserves.

Corrective Action: Livingston County will continue to reduce future billings to departments to bring the working capital reserves to within the 60 day allowable limit.

Anticipated

Completion Date: Currently in process; to continue.

MDHHS Response: None