



**RICK SNYDER**  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HEALTH & HUMAN SERVICES  
BUREAU OF AUDIT  
LEWIS CASS BUILDING  
320 SOUTH WALNUT • LANSING, MICHIGAN 48933

**NICK LYON**  
DIRECTOR

June 25, 2018

Kathy Haskins, BSN, MPH  
Director/Health Officer  
Lapeer County Health Department  
1800 Imlay City Road  
Lapeer, Michigan 48446

Dear Ms. Haskins:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Lapeer County Health Department WIC Program for the period October 1, 2015 through September 30, 2016.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions, and Findings; Statements of Grant Program Revenues and Expenditures; and Corrective Action Plans. The Corrective Action Plans include the agency's response to the Preliminary Analysis.

Final reports are posted for public viewing on the MDHHS website at:  
[http://www.michigan.gov/mdhhs/0,5885,7-339-73970\\_43164-151236--,00.html](http://www.michigan.gov/mdhhs/0,5885,7-339-73970_43164-151236--,00.html).

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in black ink, reading "Shannah M. Havens".

Shannah M. Havens, CPA, CISA  
Audit Section Manager  
Population Health and Community Services Section  
Audit Division

cc: Debra Hallenbeck, Director, Audit Division  
Brittany LaRue, Manager, Financial Management & FMNP Unit  
Matthew Tompkins, Auditor, Population Health and Community Services Section  
Wendy Pierce, Director of Finance, Lapeer County Health Department  
Lynette Biery, Administrator, Bureau of Family Health Services  
Christina Herring, Director, WIC Division

# Final Report

Lapeer County Health Department  
WIC Program

October 1, 2015 – September 30, 2016



Bureau of Audit  
Audit Division  
June 2018

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## **DESCRIPTION OF AGENCY**

The Lapeer County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Lapeer County, and the administrative office is located in Lapeer, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Lapeer County. The Health Department provides community health program services to the residents of Lapeer 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 Women, Infants, and Children (WIC) Programs were 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 cost 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, 2015 through September 30, 2016. 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 Report (FSR) to the accounting records.

- Reviewed a sample of payroll expenditures.
- Tested a sample of expenditures for program compliance and adherence to policy and approval procedure.
- 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.

## **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 generally reported its WIC Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we identified the following exception: internal service fund working capital reserve exceeded allowable limit (Finding 1).

#### **Finding**

##### **1. Internal Service Fund Working Capital Reserve Exceeded Allowable Limit**

Lapeer County had one Internal Service Fund with working capital reserve that exceeded the allowable limit established by 2 CFR 200.

Lapeer County charges most Departments (including the Health Department) for numerous expenses using internal service funds. The funds are used to finance the cost of providing numerous services for their departments. Based on the December 31, 2015 financial statements, the County had accumulated excess balances for one internal service fund.

Title 2 CFR Part 200, Appendix V, Sections 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.

The following represents an analysis of Lapeer County's Internal Service Fund for the Year Ended December 31, 2015 for the fund that exceeded the allowable limit:

<b>Fund</b>	<b>2 CFR Part 200 Adjusted Retained Earnings (A)</b>	<b>60-Day Operating Expenses (B)</b>	<b>Excess (C) (A – B)</b>	<b>Months of Excess (D) ((C / B) x 2)</b>
Workers Comp	\$47,322	\$17,208	\$30,114	3.5

Reduction is needed to achieve compliance with Federal cost principles for the fund above with the excess working capital reserve.

### **Recommendation**

We recommend that Lapeer County devise a plan to ensure the Internal Service Fund working capital reserve is reduced to the allowable limit (60 days cash expenses) by FYE 2019 by either cash refunds or adjustments to future billing rates/allocation.

## **MDHHS SHARES OF COSTS AND BALANCE DUE**

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

**Conclusion:** The MDHHS obligation under the WIC Programs for fiscal year ended September 30, 2016, was \$331,714 for WIC Resident and \$25,831 for WIC Breastfeeding. The attached Statements of MDHHS Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments.

**Lapeer County Health Department  
WIC - Resident Services  
Statement of Grant Program Revenues and Expenditures  
10/1/15 - 9/30/16**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$331,714	\$331,714 <sup>1</sup>		\$331,714
Local Funds - Other	\$1	\$8,282		\$8,282
<b>TOTAL REVENUES</b>	\$331,715	\$339,996	\$0	\$339,996
<b>EXPENDITURES:</b>				
Salary & Wages	\$192,123	\$197,694		\$197,694
Fringe Benefits	\$46,531	\$58,549		\$58,549
Supplies & Materials	\$17,300	\$10,120		\$10,120
Travel	\$1,800	\$1,063		\$1,063
Communication	\$1,229	\$198		\$198
County-City Central Services	\$12,993	\$11,967		\$11,967
Space Costs	\$15,351	\$16,627		\$16,627
Other	\$9,550	\$7,354		\$7,354
Indirect Costs	\$34,838	\$36,423		\$36,423
<b>TOTAL EXPENDITURES</b>	\$331,715	\$339,996	\$0	\$339,996

<sup>1</sup> Actual MDHHS payments.

**Lapeer County Health Department  
 WIC - Breastfeeding  
 Statement of Grant Program Revenues and Expenditures  
 10/1/15 - 9/30/16**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$25,831	\$25,831 <sup>1</sup>		\$25,831
Local Funds - Other	\$796	\$434		\$434
<b>TOTAL REVENUES</b>	<b>\$26,627</b>	<b>\$26,265</b>	<b>\$0</b>	<b>\$26,265</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$19,089	\$17,242		\$17,242
Fringe Benefits	\$1,461	\$1,318		\$1,318
Supplies & Materials	\$200	\$282		\$282
Travel	\$200	\$189		\$189
Communication	\$149			\$0
County-City Central Services	\$1,576	\$2,915		\$2,915
Space Costs	\$1,061	\$1,144		\$1,144
Other	\$175	\$527		\$527
Indirect Costs	\$2,716	\$2,649		\$2,649
<b>TOTAL EXPENDITURES</b>	<b>\$26,627</b>	<b>\$26,265</b>	<b>\$0</b>	<b>\$26,265</b>

<sup>1</sup> Actual MDHHS payments.



## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** **Internal Service Fund Working Capital Reserve Exceeded Allowable Limit**

Lapeer County had one Internal Service Fund which had working capital reserves that exceeded the allowable limit established by 2 CFR 200.

**Recommendation:** Devise a plan to ensure the Internal Service Fund working capital reserves are reduced to the allowable limit (60 days cash expenses) by FYE 2019 by either cash refunds or adjustments to future billing rates/allocations.

**Comments:** See Explanation under "Corrective Action" just below.

**Corrective Action:** Lapeer County is self-insured for Workers' Compensation for claims up to an annual aggregate amount of \$500,000.00

Under the rules stated allowable limit (60 days cash expenses) if the County were fortunate enough to go a full year without any employee injuries and thus claim payout, we would not be allowed to have any amount in the fund. Should a County employee suffer a major accident, such as we experienced December of 2016, with claims not being paid until 2017 (and we are still paying them) which will definitely exceed the \$500,000.00, the County would have a major deficit in that fund with no resources to pay the claims.

Therefore, the County will work toward building a reserve of \$500,000.00 in the Workers' Compensation Fund through chargebacks to all funds/programs based on number of employees in those funds/programs. Once the reserve is met, the County will adjust the chargebacks to meet the 60 days cash expenses limits.

**Person Responsible  
For Implementation:** Craig Horton, County Finance

**Anticipated  
Completion Date:** See Corrective Action above

**MDHHS Response:** None