



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HEALTH & HUMAN SERVICES
BUREAU OF AUDIT
P.O. Box 30815; LANSING, MICHIGAN 48909

NICK LYON
DIRECTOR

November 20, 2018

Ms. Eileen Chiang, Chief Financial Officer
Family Health Center, Inc.
117 Patterson Street
Kalamazoo, Michigan 49007

Dear Ms. Chiang:

Attached is our final report from the Michigan Department of Health and Human Services audit of Family Health Center Inc. WIC Program for the period October 1, 2016 through September 30, 2017.

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 the agency's response to the audit findings.

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.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in black ink that reads "Shannah M. Havens".

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

Enclosure

cc: Debra Hallenbeck, Director, Audit Division
Christina Herring, Director, WIC Division
Brittany LaRue, Manager, Financial Management and FMNP Unit
Kelly Voegeding, Financial Analyst, WIC Division
Benjamin Stap, Controller, Family Health Center, Inc.

Audit Report

Family Health Center, Inc.
WIC Program

October 1, 2016 – September 30, 2017



Bureau of Audit
Audit Division
November 2018

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. Total Actual Program Expenditures Not Reported on Final FSR	2
2. Insufficient Documentation to Support All WIC Expenditures	3
3. Unallowable Expenditures Allocated to WIC Program (Repeat)	4
<u>MDHHS Share of Costs</u>	4
Statement of Grant Program Revenues and Expenditures – WIC	5
Statement of Grant Program Revenues and Expenditures – WIC Breastfeeding	6

DESCRIPTION OF AGENCY

The Family Health Center, Inc. ("Agency") is organized as a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Agency's administrative office is located in Kalamazoo, Michigan. The Agency operates under the legal supervision and control of its Board of Directors.

The Agency provides community health program services including the Women Infants, and Children (WIC) Supplemental Food Program to the residents of Kalamazoo County.

FUNDING METHODOLOGY

The Agency receives funding from various sources including: U.S. Department of Health and Human Services, and from grant programs administered through the Michigan Department of Health and Human Services (MDHHS). MDHHS grant funding is reimbursed 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 Agency's effectiveness in reporting its 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 Agency.

SCOPE AND METHODOLOGY

We examined the Agency's records and activities for the fiscal period October 1, 2016 to September 30, 2017. Our review procedures included the following:

- Reviewed the most recent Agency 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 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 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 Agency's effectiveness in reporting its WIC Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Agency was generally effective in reporting 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 found the following exceptions: total actual program expenditures not reported on final FSR (Finding 1), insufficient supporting documentation for charges to federal awards (Finding 2), and unallowable expenditures allocated to WIC program (Finding 3) (Repeat).

Finding

1. Total Actual Program Expenditures Not Reported on Final FSR

The Agency did not report total actual program expenditures on its WIC Program Final FSR.

Title 2 CFR 200.302(b) states, "The financial management system of each non-Federal entity must provide for the following... (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 200.327 Financial reporting and 200.328 Monitoring... (3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by source documentation." Also, the MDHHS grant agreement Part IV. Financial Requirements, Section C. Financial Status Report Submission states, "The monthly FSRs must reflect total actual program expenditures, regardless of the source of funds."

During our review, we noted that the Agency did not report total WIC Program expenditures on the final FSR. The electronic grant reporting system would not allow the Agency to report over the contractually allowed budget deviation allowance of 15% for the other cost line item. Consequently, \$57,210 of costs were not reported on the final FSR. A budget amendment should have been obtained to allow proper reporting. Adjustments reflecting the actual activity of the WIC Program are shown on the attached Statement of Grant Program Revenues and Expenditures to match actual activity of the Agency.

Agency Response:

The Agency agrees with the finding and recommendation.

Finding

2. Insufficient Documentation to Support All WIC Program Expenditures

The Agency did not retain sufficient documentation to support all its WIC Program expenditures reported on its FSRs.

Title 2 CFR 200.302(a) states, "...non-Federal entity's financial management systems ...must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award." It also states in Section 302(b)(3) that, "Records that identify adequately the source and application of funds for federally-funded activities. These records must...be supported by source documentation." In addition, it states in Title 2 CFR 200.333 states, "Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report."

During our review, we noted that five (25%) of 20 direct expenditures and eight (15%) of 53 indirect cost pool expenditures did not have sufficient source documentation to support that the expenditures complied with federal regulations and the terms and conditions of the federal award. For example, we noted a direct expenditure Travel Expense Form that documented lodging for the WIC Team to attend a conference for \$2,175.60; however, no lodging receipt(s) were provided to support the cost. We also noted a reimbursement payment to staff member for a Lactation Consultant Exam of which there was no receipt or email confirmation provided to support that the employee actually paid for the exam. In addition, we noted that employee reimbursements for food did not always include itemized receipts. We further noted during our indirect cost pool expenditures testing that no vendor invoice was provided to support a payment for \$16,800. Instead, only an email to the vendor with a copy of the invoice in the body of the email explaining when the invoice would be paid was provided. Lastly, we noted a reimbursement to an employee for a conference based on a PayPal receipt with no additional documentation to support that the reimbursement was for an actual conference and a payment to Best Buy for IT supplies without an actual Best Buy receipt.

Adjustments were not made to disallow the costs since the amount would have no impact on grant funds due to the level of local funding.

Agency Response:

The Agency agrees with the finding and recommendation.

Finding

3. Unallowable Expenditures Allocated to WIC Program (Repeat)

The Agency allocated unallowed expenditures to the WIC Program.

Title 2 CFR 200.434(a) Contributions and donations states, “Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable.” Also, Title 2 CFR 200.445(a) Goods or Services for personal use states, “Costs of goods or services for personal use of the non-Federal entity’s employees are unallowable regardless of whether the cost is reported as taxable income to the employee.”

During our review, we noted two (4%) of 53 sampled administration expenditures that were partially allocated to the WIC program were deemed unallowable. One expenditure was a \$500 donation to a local church and the other expenditure was \$1,451 worth of Christmas presents for employees. Adjustments were not made because the amount would have no impact on grant funds due to the level of local funding.

Agency Response:

The Agency agrees with the finding and recommendation.

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 Agency.

Conclusion: The MDHHS obligations under the WIC Program and WIC Breastfeeding Program for fiscal year ended September 30, 2017 are \$619,146 and \$23,618; respectively. The audit adjustments shown on the attached Statement of Grant Program Revenues and Expenditures had no impact on MDHHS funding.

Family Health Center, Inc.
WIC
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$619,146	\$619,146 ¹		\$619,146
Local Funds - Other	\$231,164	\$272,135	\$57,210 ²	\$329,345
TOTAL REVENUES	\$850,310	\$891,281	\$57,210	\$948,491
EXPENDITURES:				
Salary & Wages	\$565,240	\$593,105		\$593,105
Fringe Benefits	\$128,049	\$121,955		\$121,955
Supplies & Materials	\$4,000	\$2,083		\$2,083
Travel	\$8,250	\$7,651		\$7,651
Other	\$144,771	\$166,487	\$57,210 ²	\$223,697
Indirect Costs	\$0	\$0		\$0
TOTAL EXPENDITURES	\$850,310	\$891,281	\$57,210	\$948,491

¹ Actual MDHHS payments

² Total Program Expenditures Not Reported on Final FSR (Finding 1)

Family Health Center, Inc.
WIC Breastfeeding
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$36,163	\$23,618 ¹		\$23,618
Local Funds - Other	\$0	\$0		\$0
TOTAL REVENUES	\$36,163	\$23,618	\$0	\$23,618
EXPENDITURES:				
Salary & Wages	\$22,407	\$16,036		\$16,036
Fringe Benefits	\$2,396	\$1,912		\$1,912
Supplies & Materials	\$3,100	\$0		\$0
Travel	\$2,675	\$627		\$627
Other	\$5,585	\$5,043		\$5,043
Indirect Costs	\$0	\$0		\$0
TOTAL EXPENDITURES	\$36,163	\$23,618	\$0	\$23,618

¹ Actual MDHHS payments