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December 21, 2018

Carol Austerberry, RS, MS, MPA  
Division Director / Health Officer  
Wayne County Department of Health, Veterans & Community Wellness  
33030 Van Born Rd.  
Wayne, MI 48184

Dear Ms. Austerberry:

Enclosed is our final report from the Michigan Department of Health and Human Services (MDHHS) audit of the Wayne County Department of Health, Veterans & Community Wellness Local Maternal and Child Health Programs 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, Findings and Recommendations; Statements of Grant Program Revenues and Expenditures; Corrective Action Plans; and a Comment and Recommendation. The Corrective Action Plans and Comment and Recommendation include the agency's response to the Preliminary Analysis.

Final reports are posted for public viewing on MDHHS's 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.

Sincerely,

A handwritten signature in cursive script, reading "Debra S. Hallenbeck".

Debra S. Hallenbeck, Director  
Audit Division

Attachment

cc: Kamau Kheperu, Finance Director, Wayne County  
Pam Myers, Director, Bureau of Audit, MDHHS  
Carrie Tarry, MPH, Director, Division of Child & Adolescent Health, MDHHS  
Bryce Wooton, Auditor, Population Health and Community Services Section, MDHHS

# Audit Report

Wayne County  
Health, Veterans, and Community Wellness  
Local Maternal and Child Health Programs

October 1, 2016 – September 30, 2017



Bureau of Audit  
Audit Division  
December 2018

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## **DESCRIPTION OF AGENCY**

The Charter County of Wayne operates under a Home Rule Charter that provides for government by a legislative branch, comprised of fifteen elected commissioners; and an executive branch, headed by an elected chief executive officer (County Executive). The County Executive is the County's chief administrator and manages the County's executive departments, including Health, Veterans and Community Wellness. Wayne County's Department of Health, Veterans, and Community Wellness (WCDHVCW) is governed under the Public Health Code, Act 368 of 1978. WCDHVCW's mission is to coordinate and administer health, educational, youth, veteran, senior and social services to residents and communities in Wayne County. WCDHVCW is a Special Revenue Fund of Wayne County and the administrative office is located in Detroit, Michigan.

## **FUNDING METHODOLOGY**

WCDHVCW's Local Maternal and Child Health (LMCH) Programs were funded from local funds, Federal funds, and grant programs from MDHHS. MDHHS provided WCDHVCW with monthly grant funding based on Financial Status Reports in accordance with the terms and conditions of the grant agreement and budgets. The LMCH Programs were funded by Federal funding under Federal catalog number 93.994.

## **PURPOSE AND OBJECTIVES**

The purpose of this review was to assess WCDHVCW's financial reporting and to determine the MDHHS shares of cost for the LMCH Programs according to the agreement and applicable regulations. The following were the specific objectives of the review:

1. To assess WCDHVCW's effectiveness and accuracy in reporting its financial activity to MDHHS for the Local Maternal and Child Health Programs in accordance with applicable MDHHS requirements and the agreement, applicable federal requirements, and generally accepted accounting principles.
2. To determine the MDHHS shares of cost for the Local Maternal and Child Health Programs in accordance with applicable MDHHS requirements and the agreement, and applicable federal requirements; and any balance due.

## SCOPE AND METHODOLOGY

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

- Reviewed the Grant Agreement, Budget, and Program Assurances.
- Reconciled Financial Status Reports (FSRs) to accounting records.
- Reviewed quarterly FSR filings to MDHHS for accurate and timely reporting.
- Verified cost distributions were appropriate and represent actual costs incurred.
- Reviewed salary and fringe benefit reporting for accuracy and adequate supporting documentation.
- Reviewed contractual cost reporting for proper supporting documentation and timely reporting.
- Reviewed the indirect cost allocation methodology for compliance with requirements.
- Reviewed the LMCH Outcome & Expenditure Reporting to verify reported expenditures represent actual expended funds.

Our review did not include a review of program content or quality of services provided.

## CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

### FINANCIAL REPORTING

**Objective 1:** To assess WCDHVCW's effectiveness and accuracy in reporting its financial activity to MDHHS for the Local Maternal and Child Health Programs in accordance with applicable MDHHS requirements and the agreement, applicable federal requirements, and generally accepted accounting principles.

**Conclusion:** WCDHVCW was not effective and accurate in reporting its financial activity to MDHHS for the Local Maternal and Child Health Programs in accordance with applicable MDHHS requirements and the agreement, applicable federal requirements, and generally accepted accounting principles. We identified the following exceptions: other cost distributions improperly based on budget (Finding 1), inaccurate source of funds reporting (Finding 2), delayed cost reporting (Finding 3), payroll distributions inappropriately based on budget allocations (Finding 4), improper distribution of county central service costs (Finding 5), indirect cost allocation inaccuracies (Finding 6), late FSR filings (Finding 7), and inaccurate LMCH outcome & expenditure reporting (Finding 8).

## **Finding**

### **1. Other Cost Distributions Improperly Based on Budget**

WCDHVCW improperly distributed costs to and from the LMCH Programs at budgeted amounts rather than actual cost amounts.

WCDHVCW's contact with MDHHS requires the FSRs report total actual program expenditures. The contract also requires compliance with Title 2 CFR 200. Title 2 CFR 200.302 requires the Health Department to have a financial management system that is sufficient to permit the preparation of reports required by the terms and conditions of the Federal award; and the financial management system must provide for accurate, current, and complete disclosure of the financial results of the Federal award.

During our review of Other Cost Distributions, we noted that the distributions were based strictly on the budgeted dollar amounts instead of a proper allocation of actual costs incurred. It should be noted, however, that while distributions were improperly based on budget, there was no overall duplicate reporting of costs. The over-distributions were due to programs not expending total budgeted costs. Following are the business units (BUs) that were overallocated to the noted LMCH Programs:

#### ***Infant Immunization Initiatives (Immunization Action Plan) (BU 60507) –***

<b>LMCH Program</b>	<b>Actual Other Cost Distributions</b>	<b>Other Cost Distributions per FSR</b>	<b>Over Distributed Amount</b>
Direct Services Children	\$99,418	\$134,177	\$34,759

#### ***Immunization Vaccine Quality Assurance (BU 60159) –***

<b>LMCH Program</b>	<b>Actual Other Cost Distributions</b>	<b>Other Cost Distributions per FSR</b>	<b>Over Distributed Amount</b>
Enabling Services Women	\$77,893	\$90,160	\$12,267

#### ***Healthy Families America (BU 60158) –***

<b>LMCH Program</b>	<b>Actual Other Cost Distributions</b>	<b>Other Cost Distributions per FSR</b>	<b>Over Distributed Amount</b>
Enabling Services Women	\$92,954	\$94,000	\$1,046
Public Health Functions	\$990	\$1,000	\$10

***Infant Safe Sleep (direct portion of BU 60186) –***

<b>LMCH Program</b>	<b>Actual Other Cost Distributions</b>	<b>Other Cost Distributions per FSR</b>	<b>Over Distributed Amount</b>
Enabling Services Women	\$525	\$1,000	\$475
Public Health Functions	\$4,716	\$9,000	\$4,284

Based on the above identified improper distributions, we determined that Other Cost Distributions were overstated for three of the four LMCH Programs as follows: \$34,759 for Direct Services Children, \$13,788 for Enabling Services Women, and \$4,294 for Public Health Functions; which is a combined total of \$52,841 for the LMCH Programs. Adjustments reflecting the change in Other Cost Distributions for the LMCH Programs are shown on the attached Statements of Grant Program Revenues and Expenditures.

**Recommendation**

We recommend that WCDHVCW implement procedures and controls to ensure that all distributions properly reflect actual costs to ensure compliance with the MDHHS contract and Federal regulations.

**Finding**

**2. Inaccurate Source of Funds Reporting**

WCDHVCW did not collect all available revenues related to the Direct Services Children Program, and inaccurately reported program funds on the Direct Services Children Program and Enabling Services Children Program FSRs.

WCDHVCW's contract with MDHHS states, "State funding is first source (after fees and other earmarked sources)." The MDHHS contract also requires reasonable efforts to collect fees, where applicable, and to report these; and the exclusion from reimbursable expenditures of any underrecoveries of otherwise available fees resulting from failure to bill for eligible services. WCDHVCW's contract with the Wayne Regional Educational Service Agency (Wayne RESA) for providing Early On services related to the Direct Services Children Program states, "6. ...Reimbursement is based on actual service delivery documented by service logs...10. Wayne RESA will provide a total sum of \$294,100 (364 students x \$700 + \$40,000 base) to WCDHVCW based on the number of completed IFSPs...according to the following schedule: \$100,000 to be paid within 45 days following initiation of this agreement. An additional \$100,000 to be paid within 120 days. The remaining payment of \$94,100 will be paid following the receipt of the actual cost report. Administration costs may not exceed 15%. The amount will be prorated [in] the minimum number of children are not served."



During our review of the LMCH Direct Services Children Program funds, we noted that WCDHVCW's cost report to Wayne RESA only showed \$261,145 in costs, but documented support showed \$277,399 in costs. Since the minimum number of children (students) were not served, the Wayne RESA reimbursement amount should have been prorated to a maximum reimbursement of \$275,900 (337 children (students) x \$700 + \$40,000 base). However, reimbursement from Wayne RESA was shorted \$14,755 due to the inaccurate cost report. Additionally, WCDHVCW could have reported the remaining \$30,983 of LMCH Grant funds before using Local funds. See the table below for source of fund adjustments:

<b><u>DIRECT SERVICES CHILDREN</u></b>			
Fund Description	Funds Reported on DSC FSR	Funds Adjustment Amount	Funds s/h/b Reported on FSR
RESA	261,145.37	14,754.63	275,900.00
MCH	657,952.00	30,983.00	688,935.00
Local	90,495.63	(45,737.63)	44,758.00
			<u>\$1,009,593.00</u>

During our review of the LMCH Enabling Services Children Program funds, we noted that WCDHVCW could have reported the remaining \$30,446 of LMCH Grant funds before using Local funds. See the table below for source of fund adjustments:

<b><u>ENABLING SERVICES CHILDREN</u></b>			
Fund Description	Funds Reported on ESC FSR	Funds Adjustment Amount	Funds s/h/b Reported on FSR
MCH	85,054	30,446	115,500
Local	77,347	(30,446)	46,901
			<u>\$162,401</u>

The fiscal year end 2017 Grant funding period is closed and any additional LMCH Grant funding that could have been reported and received is no longer available.

### **Recommendation**

We recommend that WCDHVCW implement procedures and controls to ensure the proper collection and reporting of sources of funds to ensure compliance with the MDHHS contract.

## **Finding**

### **3. Delayed Cost Reporting**

WCDHVCW's quarterly FSRs did not reflect current period actual expenditures.

WCDHVCW's contract with MDHHS requires the submission of quarterly FSRs that report total actual program expenditures. WCDHVCW has specified their method of accounting as modified accrual, which means expenditures are recognized in the period the associated liability is incurred. The contract also requires compliance with Title 2 CFR 200. Title 2 CFR 200.402 defines the total cost of Federal awards as the sum of allowable direct and allocable indirect costs less any applicable credits. Additionally, Title 2 CFR 200.302 requires the Health Department to have a financial management system that is sufficient to permit the preparation of reports required by the terms and conditions of the Federal award; and the financial management system must provide for accurate, current, and complete disclosure of the financial results of the Federal award.

We reviewed quarterly costs reported to MDHHS for the four LMCH Programs. During our review, we noted the following delays in cost reporting related to the LMCH Programs:

#### ***Direct Services Children***

- Salary & wages and fringe benefits were not reported to MDHHS until the 4<sup>th</sup> quarter FSR.
- Operating expenditures (supplies and materials, travel, county central services, and all others) were not reported to MDHHS until the 3<sup>rd</sup> quarter FSR.
- Contractual costs were not reported in the correct quarter with all 1<sup>st</sup> quarter contractual costs not reported until the 2<sup>nd</sup> quarter FSR, some 2<sup>nd</sup> quarter contractual costs not reported until the 3<sup>rd</sup> quarter FSR, and some 3<sup>rd</sup> quarter contractual costs not reported until the 4<sup>th</sup> quarter FSR. (WCDHVCW received quarter-end reporting from SEMHA within 17 to 30 days prior to MDHHS's filing deadlines as noted in Finding 7 below).
- Indirect costs were not reported to MDHHS until the 4<sup>th</sup> quarter FSR.
- Other cost distributions did not begin until the 2<sup>nd</sup> quarter FSR.

#### ***Enabling Services Children***

- Indirect costs were not reported to MDHHS until the 4<sup>th</sup> quarter FSR.
- Other cost distributions were not reported to MDHHS until the 4<sup>th</sup> quarter FSR.

#### ***Public Health Functions***

- No program costs were reported until the other cost distributions occurred on the 4<sup>th</sup> quarter FSR.

## **Recommendation**

We recommend that WCDHVCW implement procedures and controls to ensure timely cost reporting to ensure compliance with Federal regulations and the MDHHS contract.

## **Finding**

### **4. Payroll Distributions Inappropriately Based on Budget Allocations**

WCDHVCW distributed employees' payroll costs to the LMCH Enabling Services Children Program based on budget allocations.

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...(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."

During our audit, we noted that WCDHVCW requires employees to document actual time worked on a program or multiple programs, and distributes employees' salaries and wages to programs based on actual work performed. However, the payroll costs related to the LMCH Enabling Services Children Program are recorded in BU 60109 along with three other programs (Education & Outreach, Lead Prevention, and Lead Intervention) and during our review of employee time records, we noted that time sheets do not reflect which of the programs within BU 60109 the actual work was performed. Rather, time sheets indicate actual work performed in BU 60109 and then WCDHVCW distributes payroll costs to Enabling Services Children, Lead Prevention, and Lead Intervention (Education & Outreach has no WCDHVCW employees, only SEMHA employees) based on the budgeted funding. Since time records do not fully show actual activity of employees, WCDHVCW is unable to properly conduct an analysis of actual activity to determine if any adjustments are necessary.

## **Recommendation**

We recommend that WCDHVCW implement sufficient procedures and controls to ensure payroll costs are properly allocated to benefitting programs based on actual activity to ensure compliance with Federal regulations.

## **Finding**

### **5. Improper Distribution of County Central Service Costs**

WCDHVCW improperly charged County Central Service Costs to the LMCH Enabling Services Children Program.

Title 2 CFR 200.402 states, “The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.” Title 2 CFR 200.403 also states, “Except where otherwise authorized by statute, 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 allocable thereto under these principles.” Furthermore, 2 CFR 200.405 (a) states, “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 objectives in accordance with relative benefits received.”

During our review of the LMCH Enabling Services Children Program, we noted that all direct and indirect program costs are recorded in the accounting records of BU 60109. These costs are distributed from BU 60109 to four separate programs: Enabling Services Children, Lead Prevention, Lead Intervention, and Education & Outreach. The BU 60109 costs were said to be distributed to the four programs based on funding, however, support was not provided for the actual methodology. Furthermore, BU 60109 County Central Service Costs were improperly distributed 100% to the Enabling Services Children Program instead of properly distributing these costs to the four programs based on an equitable allocation methodology. Since the distribution methodology could not be verified and due to the level of local funding used to support this program, no adjustment will be made to reflect the proper amount of County Central Service Costs that should have been charged to the Enabling Services Children Program.

## **Recommendation**

We recommend that WCDHVCW implement procedures and controls to ensure that all program costs are equitably distributed to ensure compliance with Federal regulations.

## **Finding**

### **6. Indirect Cost Allocation Inaccuracies**

WCDHVCW's indirect cost allocation had inaccuracies.

Title 2 CFR 200, Appendix VII regarding the Simplified Method states, “a. Where a non-Federal entity's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (1) classifying the non-Federal entity's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable

distribution base... c. The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, subcontracts in excess of \$25,000, participant support costs, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.”

Our review of indirect costs confirmed that WCDHVCW used total salaries, wages, and fringes benefits as the distribution base to allocate its Health Administration (BU 60186) indirect cost pool. Additionally, our audit noted that the Infant Safe Sleep Program has direct costs (which includes salary & wages, fringe benefits, contractual, and all others) that are recorded in BU 60186 accounting records but are removed from the indirect cost pool prior to the allocation. However, WCDHVCW does not properly include the direct salaries, wages, and fringe benefits associated with Infant Safe Sleep when calculating its distribution base and therefore, Infant Safe Sleep is not included in the indirect allocation of Health Administration costs. Furthermore, our audit noted that WCDHVCW reported indirect costs on the Infant Safe Sleep FSR by simply reporting 50% of the budgeted indirect costs for the Infant Safe Sleep Program (budgeted \$4,500 x 50% = \$2,250 reported indirect costs). Since WCDHVCW did not include Infant Safe Sleep in the calculated distribution base nor deduct the reported \$2,250 of Infant Safe Sleep indirect costs from the Health Administration cost pool, all other benefitting programs received disproportionate amounts, and \$2,250 was double reported. Adjustments are not being made due to immateriality.

### **Recommendation**

We recommend that WCDHVCW revise the indirect cost allocation methodology to properly include all benefitting programs in the distribution base to ensure an equitable allocation of indirect costs to ensure compliance with Federal regulations.

### **Finding**

#### **7. Late FSR Filings**

WCDHVCW did not ensure timely filing of FSRs.

WCDHVCW's contract with MDHHS requires the submission of quarterly FSRs within 30 days after the close of the fiscal quarters and a final FSR within 75 days of year end that report total actual program expenditures in accordance with MDHHS's FSR Instructions. The contract also requires compliance with Title 2 CFR 200. Title 2 CFR 200.302 requires the Health Department to have a financial management system that is sufficient to permit the preparation of reports required by the terms and conditions of the Federal award; and the financial management system must provide for accurate, current, and complete disclosure of the financial results of the Federal award.

During our audit, we noted that of the 16 FSRs (quarterly and final) for the four LMCH Programs, 16 (100%) were submitted late, and the lateness ranged from 2 to 59 days late. Monthly FSR filings from SEMHA for the Direct Services Children Program were delinquent 80% of the time, by exceeding the 10-day timeframe by 2 to 36 days in 4 of the 5 FSRs filed. However, quarter-end reporting by SEMHA to WCDHVCW was 17 to 30 days prior to MDHHS's filing deadlines, providing sufficient time for WCDHVCW's FSR preparation for MDHHS. WCDHVCW appears to be the primary reason for the significant lateness of FSR filings.

### **Recommendation**

We recommend that WCDHVCW implement procedures and controls to ensure timely FSR reporting to ensure compliance with Federal regulations and the MDHHS contract.

### **Finding**

#### **8. Inaccurate LMCH Outcome & Expenditure Reporting**

WCDHVCW's MDHHS LMCH Grant Program Year End Report did not accurately reflect actual expended LMCH funds.

WCDHVCW's contract with MDHHS requires the utilization of all report forms and reporting formats that were required by MDHHS at the effective date of the contract. The MDHHS LMCH Grant Program Year End Report requires completion of the work plan submitted with the FY 17 budget application or amendment, numbers of individuals served and **actual expended funds** in the Fiscal Year 2016-2017 MCH programming.

During our review of the MDHHS LMCH Grant Program Year End Report, we noted the follow inaccuracies related to each of the LMCH Programs:

<b><i>Direct Services Children</i></b>			
<b>Program (BU)</b>	<b>Actual Expended Funds</b>	<b>Expended Funds per LMCH Year End Report</b>	<b>Over/(Under) Reported Amount</b>
Immunization Action Plan (60120 and 60507)	\$235,718	\$270,477	\$34,759
Early On Developmental Screening (60103)	\$243,386	\$219,904	(\$23,482)
Lead Testing (60514)	\$7,002	\$6,499	(\$503)

<b><i>Enabling Services Children</i></b>			
<b>Program (BU)</b>	<b>Actual Expended Funds</b>	<b>Expended Funds per LMCH Year End Report</b>	<b>Over/(Under) Reported Amount</b>
Lead (60109)	\$114,000	\$83,554	(\$30,446)

<b><i>Enabling Services Women</i></b>			
<b>Program (BU)</b>	<b>Actual Expended Funds</b>	<b>Expended Funds per LMCH Year End Report</b>	<b>Over/(Under) Reported Amount</b>
Healthy Families America (60158)	\$92,954	\$94,000	\$1,046
Immunization Vaccine Quality Assurance (60159)	\$77,893	\$90,160	\$12,267
Infant Safe Sleep (direct portion of 60186)	\$525	\$1,000	\$475

<b><i>Public Health Functions</i></b>			
<b>Program (BU)</b>	<b>Actual Expended Funds</b>	<b>Expended Funds per LMCH Year End Report</b>	<b>Over/(Under) Reported Amount</b>
Healthy Families America (60158)	\$990	\$1,000	\$10
Infant Safe Sleep (direct portion of 60186)	\$4,716	\$9,000	\$4,284
Lead Testing (60514)	\$500	\$1,000	\$500

In total, we determined there was a \$10,774 over-reporting for Direct Services Children, \$30,446 under-reporting for Enabling Services Children, \$13,788 over-reporting for Enabling Services Women, and \$4,794 over-reporting for Public Health Functions; which is a net total of \$1,090 under-reporting of LMCH funds. No adjustments will be made relating to the MDHHS LMCH Grant Program Year End Report since it has no impact on funds provided.

### **Recommendation**

We recommend that WCDHVCW implement procedures and controls to ensure that the MDHHS LMCH Grant Program Year End Report reflects actual expended LMCH funds to ensure compliance with the MDHHS LMCH Grant Program Year End Report requirements.

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

**Objective 2:** To determine the MDHHS shares of cost for the Local Maternal and Child Health Programs in accordance with applicable MDHHS requirements and the agreement, and applicable federal requirements; and any balance due.

**Conclusion:** The MDHHS obligations under the LMCH Programs for fiscal year ended September 30, 2017 are as follows: \$688,935 for Direct Services Children, \$115,500 for Enabling Services Children, \$177,372 for Enabling Services Women, and \$31,706 for Public Health Functions. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made adjustments which impacted LMCH Program grant funds, increasing grant funds in two programs and decreasing grant funds in two programs with a net increase of \$43,347. However, since the FYE 2017 grant year is closed, no additional funds will be provided.



**Wayne County Department of Health, Veterans, and Community Wellness**  
**LMCH - Direct Services Children**  
**Statement of Grant Program Revenues and Expenditures**  
**10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
LMCH Grant	\$688,935	\$657,952 <sup>1</sup>	\$30,983 <sup>3</sup>	\$688,935
Federal or State (Non MDHHS)	\$294,100	\$261,145	\$14,755 <sup>3</sup>	\$275,900
Local Funds - Other	\$78,953	\$90,496	(\$80,497) <sup>2, 3</sup>	\$9,999
<b>TOTAL REVENUES</b>	<b>\$1,061,988</b>	<b>\$1,009,593</b>	<b>(\$34,759)</b>	<b>\$974,834</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$41,576	\$41,973		\$41,973
Fringe Benefits	\$25,324	\$24,721		\$24,721
Cap. Exp. For Equip & Fac.	\$6,300	\$0		\$0
Contractual	\$419,346	\$368,177		\$368,177
Supplies & Materials	\$4,000	\$517		\$517
Travel	\$0	\$310		\$310
County-City Central Services	\$0	\$3,215		\$3,215
All Others	\$14,200	\$428		\$428
Indirect Costs	\$125,693	\$144,703		\$144,703
Other Costs Distributions	\$425,549	\$425,549	(\$34,759) <sup>2</sup>	\$390,790
<b>TOTAL EXPENDITURES</b>	<b>\$1,061,988</b>	<b>\$1,009,593</b>	<b>(\$34,759)</b>	<b>\$974,834</b>
<sup>1</sup> Actual MDHHS payments. <sup>2</sup> Other Cost Distributions Improperly Based on Budget (Finding 1) <sup>3</sup> Inaccurate Source of Funds Reporting (Finding 2)				

**Wayne County Department of Health, Veterans, and Community Wellness**  
**LMCH - Enabling Services Children**  
**Statement of Grant Program Revenues and Expenditures**  
**10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
LMCH Grant	\$115,500	\$85,054 <sup>1</sup>	\$30,446 <sup>2</sup>	\$115,500
Local Funds - Other	\$77,737	\$77,347	(\$30,446) <sup>2</sup>	\$46,901
<b>TOTAL REVENUES</b>	\$193,237	\$162,401	\$0	\$162,401
<b>EXPENDITURES:</b>				
Salary & Wages	\$65,944	\$50,401		\$50,401
Fringe Benefits	\$40,712	\$31,793		\$31,793
Supplies & Materials	\$1,840	\$39		\$39
Travel	\$3,000	\$192		\$192
County-City Central Services	\$0	\$1,765		\$1,765
All Others	\$874	\$138		\$138
Indirect Costs	\$80,367	\$77,573		\$77,573
Other Costs Distributions	\$500	\$500		\$500
<b>TOTAL EXPENDITURES</b>	\$193,237	\$162,401	\$0	\$162,401

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

<sup>2</sup> Inaccurate Source of Funds Reporting (Finding 2)

**Wayne County Department of Health, Veterans, and Community Wellness**  
**LMCH - Enabling Services Women**  
**Statement of Grant Program Revenues and Expenditures**  
**10/1/16 - 9/30/17**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
LMCH Grant	\$191,160	\$191,160 <sup>1</sup>	(\$13,788) <sup>2</sup>	\$177,372
<b>TOTAL REVENUES</b>	\$191,160	\$191,160	(\$13,788)	\$177,372
<b>EXPENDITURES:</b>				
Other Costs Distributions	\$191,160	\$191,160	(\$13,788) <sup>2</sup>	\$177,372
<b>TOTAL EXPENDITURES</b>	\$191,160	\$191,160	(\$13,788)	\$177,372

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

<sup>2</sup> Other Cost Distributions Improperly Based on Budget (Finding 1)

**Wayne County Department of Health, Veterans, and Community Wellness**  
**LMCH - Public Health Functions**  
**Statement of Grant Program Revenues and Expenditures**  
**10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
LMCH Grant	\$36,000	\$36,000 <sup>1</sup>	(\$4,294) <sup>2</sup>	\$31,706
<b>TOTAL REVENUES</b>	\$36,000	\$36,000	(\$4,294)	\$31,706
<b>EXPENDITURES:</b>				
Contractual	\$15,000	\$15,000		\$15,000
Other Costs Distributions	\$21,000	\$21,000	(\$4,294) <sup>2</sup>	\$16,706
<b>TOTAL EXPENDITURES</b>	\$36,000	\$36,000	(\$4,294)	\$31,706

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

<sup>2</sup> Other Cost Distributions Improperly Based on Budget (Finding 1)

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** **Other Cost Distributions Improperly Based on Budget**

WCDHVCW improperly distributed costs to and from the LMCH Programs at budgeted amounts rather than actual cost amounts.

**Recommendation:** Implement procedures and controls to ensure that all distributions properly reflect actual costs to ensure compliance with the MDHHS contract and Federal regulations.

**Comments:** WCDHVCW concurs with the recommendation.

**Corrective Action:** The County has broadened its chart of accounts in order to provide better tracking of its expenditures. In particular, the County has established sub-accounts to capture all revenue and expenditures for LMCH Programs. Also, the County has enhanced its time and activity software (Sword Solution) making it easier for employees to allocate their time electronically. Implementation of the new sub-accounts and enhancement of Sword Solution has allowed the County to distribute actual expenses properly.

**Person Responsible  
for Implementation:** Kamau Kheperu

**Anticipated  
Completion Date:** October 1, 2018

**MDHHS Response:** None

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 4

**Finding:** **Inaccurate Source of Funds Reporting**

WCDHVCW did not collect all available revenues related to the Direct Services Children Program, and inaccurately reported program funds on the Direct Services Children Program and Enabling Services Children Program FSRs.

**Recommendation:** Implement procedures and controls to ensure the proper collection and reporting of sources of funds to ensure compliance with the MDHHS contract.

**Comments:** WCDHVCW concurs with the recommendation.

**Corrective Action:** The County is clear that the priority of funding allocation is as follows:

1. Fees & Collections;
2. Other Earmarked Funding (i.e. Wayne County RESA Grant);
3. Federal/State Funding (i.e. LMCH Funding); then
4. Local Funding.

In addition, the County has broadened its chart of accounts in order to provide better tracking of its expenditures. In particular, the County has established sub-accounts to capture all revenue and expenditures for LMCH Programs. Also, the County has enhanced its time and activity software (Sword Solution) making it easier for employees to allocate their time electronically. Implementation of the new sub-accounts and enhancement of Sword Solution has allowed the County to distribute actual expenses properly.

**Person Responsible  
for Implementation:** Kamau Kheperu

**Anticipated  
Completion Date:** October 1, 2018

**MDHHS Response:** None

## Corrective Action Plan

**Finding Number:** 3

**Page Reference:** 6

**Finding:** Delayed Cost Reporting

WCDHVCW's quarterly FSRs did not reflect current period actual expenditures.

**Recommendation:** Implement procedures and controls to ensure timely cost reporting to ensure compliance with Federal regulations and the MDHHS contract.

**Comments:** WCDHVCW concurs with the recommendation.

**Corrective Action:** The County has broadened its chart of accounts in order to provide better tracking of its expenditures. In particular, the County has established sub-accounts to capture all revenue and expenditures for LMCH Programs. Also, the County has enhanced its time and activity software (Sword Solution) making it easier for employees to allocate their time electronically. Implementation of the new sub-accounts and enhancement of Sword Solution has allowed the County to distribute actual expenses properly. In addition, the County has informed its staffing agency (SEMHA) that the County should receive their invoice by the 5<sup>th</sup> of each month. This process would allow County staff to verify and allocate expenditures by the 10<sup>th</sup> of each month. The above process should ensure that all transactions are incorporated in the monthly financial close and ensure timely FSR submissions.

**Person Responsible for Implementation:** Kamau Kheperu



**Anticipated  
Completion Date:**     October 1, 2018

**MDHHS Response:**     None

## Corrective Action Plan

**Finding Number:** 4

**Page Reference:** 7

**Finding:** **Payroll Distributions Inappropriately Based on Budget Allocations**

WCDHVCW distributed employees' payroll costs to the LMCH Enabling Services Children Program based on budget allocations.

**Recommendation:** Implement sufficient procedures and controls to ensure payroll costs are properly allocated to benefitting programs based on actual activity to ensure compliance with Federal regulations.

**Comments:** WCDHVCW concurs with the recommendation.

**Corrective Action:** The County has broadened its chart of accounts in order to provide better tracking of its expenditures. In particular, the County has established sub-accounts to capture all revenue and expenditures for LMCH Programs. Also, the County has enhanced its time and activity software (Sword Solution) making it easier for employees to allocate their time electronically. Implementation of the new sub-accounts and enhancement of Sword Solution has allowed the County to distribute actual expenses properly. In addition, the County has informed its staffing agency (SEMHA) that the County should receive their invoice by the 5<sup>th</sup> of each month. This process would allow County staff to verify and allocate expenditures by the 10<sup>th</sup> of each month. The above process should ensure that all transactions are incorporated in the monthly financial close and ensure timely FSR submissions.

**Person Responsible  
for Implementation:** Kamau Kheperu

**Anticipated  
Completion Date:** October 1, 2018

**MDHHS Response:** None

## Corrective Action Plan

**Finding Number:** 5

**Page Reference:** 8

**Finding:** **Improper Distribution of County Central Service Costs**

WCDHVCW improperly charged County Central Service Costs to the LMCH Enabling Services Children Program.

**Recommendation:** Implement procedures and controls to ensure that all program costs are equitably distributed to ensure compliance with Federal regulations.

**Comments:** WCDHVCW concurs with the recommendation.

**Corrective Action:** The County has broadened its chart of accounts in order to provide better tracking of its expenditures. In particular, the County has established sub-accounts to capture all revenue and expenditures for LMCH Programs. Also, the County has enhanced its time and activity software (Sword Solution) making it easier for employees to allocate their time electronically. Implementation of the new sub-accounts and enhancement of Sword Solution has allowed the County to distribute actual expenses properly.

**Person Responsible for Implementation:** Kamau Kheperu

**Anticipated Completion Date:** October 1, 2018

**MDHHS Response:** None

## Corrective Action Plan

**Finding Number:** 6

**Page Reference:** 8

**Finding:** Indirect Cost Allocation Inaccuracies

WCDHVCW's indirect cost allocation had inaccuracies.

**Recommendation:** Revise the indirect cost allocation methodology to properly include all benefitting programs in the distribution base to ensure an equitable allocation of indirect costs to ensure compliance with Federal regulations.

**Comments:** WCDHVCW concurs with the recommendation.

**Corrective Action:** The County has broadened its chart of accounts in order to provide better tracking of its expenditures. In particular, the County has established sub-accounts to capture all revenue and expenditures for LMCH Programs. Also, the County has enhanced its time and activity software (Sword Solution) making it easier for employees to allocate their time electronically. Implementation of the new sub-accounts and enhancement of Sword Solution has allowed the County to distribute actual expenses properly.

**Person Responsible  
for Implementation:** Kamau Kheperu

**Anticipated  
Completion Date:** October 1, 2018

**MDHHS Response:** None

## Corrective Action Plan

**Finding Number:** 7

**Page Reference:** 9

**Finding:** Late FSR Filings

WCDHVCW did not ensure timely filing of FSRs.

**Recommendation:** Implement procedures and controls to ensure timely FSR reporting to ensure compliance with Federal regulations and the MDHHS contract.

**Comments:** WCDHVCW concurs with the recommendation.

**Corrective Action:** The County has broadened its chart of accounts in order to provide better tracking of its expenditures. In particular, the County has established sub-accounts to capture all revenue and expenditures for LMCH Programs. Also, the County has enhanced its time and activity software (Sword Solution) making it easier for employees to allocate their time electronically. Implementation of the new sub-accounts and enhancement of Sword Solution has allowed the County to distribute actual expenses properly. In addition, the County has informed its staffing agency (SEMHA) that the County should receive their invoice by the 5<sup>th</sup> of each month. This process would allow County staff to verify and allocate expenditures by the 10<sup>th</sup> of each month. The above process should ensure that all transactions are incorporated in the monthly financial close and ensure timely FSR submissions.

**Person Responsible  
for Implementation:** Kamau Kheperu

**Anticipated  
Completion Date:**     October 1, 2018

**MDHHS Response:**     None

## Corrective Action Plan

**Finding Number:** 8

**Page Reference:** 10

**Finding:** **Inaccurate LMCH Outcome & Expenditure Reporting**

WCDHVCW's MDHHS LMCH Grant Program Year End Report did not accurately reflect actual expended LMCH funds.

**Recommendation:** Implement procedures and controls to ensure that the MDHHS LMCH Grant Program Year End Report reflects actual expended LMCH funds to ensure compliance with the MDHHS LMCH Grant Program Year End Report requirements.

**Comments:** WCDHVCW concurs with the recommendation.

**Corrective Action:** The County has broadened its chart of accounts in order to provide better tracking of its expenditures. In particular, the County has established sub-accounts to capture all revenue and expenditures for LMCH Programs. Also, the County has enhanced its time and activity software (Sword Solution) making it easier for employees to allocate their time electronically. Implementation of the new sub-accounts and enhancement of Sword Solution has allowed the County to distribute actual expenses properly. In addition, the County has informed its staffing agency (SEMHA) that the County should receive their invoice by the 5<sup>th</sup> of each month. This process would allow County staff to verify and allocate expenditures by the 10<sup>th</sup> of each month. The above process should ensure that all transactions are incorporated in the monthly financial close and ensure timely FSR submissions.



**Person Responsible  
for Implementation:** Kamau Kheperu

**Anticipated  
Completion Date:** October 1, 2018

**MDHHS Response:** None

## Comment and Recommendation

### 1. FSRs Not Supported by Separate Accounting Records

WCDHVCW does not keep separate LMCH Program accounting records. Title 2 CFR 200.302 states, “(a)...non-Federal entity’s financial management systems...must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to Federal statutes, regulations, and the terms and conditions of the Federal award. (b) 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.” During our review, we noted that LMCH Program costs are recorded and maintained in several business units. WCDHVCW does not have separate LMCH Program accounting records to support the FSRs. Instead, costs are distributed to/from LMCH Programs based on budgeted dollar amounts. We recommend that WCDHVCW implement sufficient procedures and controls to ensure FSRs are supported by accounting records that reflect actual program costs to ensure compliance with Federal regulations.

**Management Response:** WCDHVCW concurs with the recommendation. The County has broadened its chart of accounts in order to provide better tracking of its expenditures. In particular, the County has established sub-accounts to capture all revenue and expenditures for LMCH Programs. Also, the County has enhanced its time and activity software (Sword Solution) making it easier for employees to allocate their time electronically. Implementation of the new sub-accounts and enhancement of Sword Solution has allowed the County to distribute actual expenses properly. In addition, the County has informed its staffing agency (SEMHA) that the County should receive their invoice by the 5<sup>th</sup> of each month. This process would allow County staff to verify and allocate expenditures by the 10<sup>th</sup> of each month. The above process should ensure that all transactions are incorporated in the monthly financial close and ensure timely FSR submissions.

**Person Responsible  
for Implementation:** Kamau Kheperu

**Anticipated  
Completion Date:** October 1, 2018

**MDHHS Response:** None