



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

March 1, 2019

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

Dear Ms. McCormick:

Attached is our final report from the Michigan Department of Health and Human Services audit of the Livingston County Department of Public Health Women, Infants, and Children (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, Findings, and Recommendations; Statements of Grant Program Revenues and Expenditures; and Corrective Action Plan. The Corrective Action Plan includes the Health Department'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.

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 Programs Section
Audit Division

Attachment

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
Bryce Wooton, Auditor, Population Health and Community Services Programs Section
Barton Maas, Financial Services Coordinator, Livingston County Department of Public Health

Audit Report

Livingston County Department of Public Health

Women, Infants, and Children Program

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division

March 2019

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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 Women, Infants, and Children (WIC) Program was funded by MDHHS Grant Funds and Other Local Funds. Grant funding from MDHHS for the WIC Program was federal funding under federal catalog number 10.557.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the Health Department's financial reporting and to determine the MDHHS shares of cost according to the agreements, and program standards and regulations. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.
2. To determine the MDHHS shares of cost in accordance with MDHHS requirements and agreements, Federal standards and program standards, 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 period October 1, 2016 to September 30, 2017. Our review procedures included the following:

- Reviewed the most recent Health Department's Single Audit and Financial Statement Audit Reports for any WIC Program related concerns.
- Reviewed the Grant Agreement, Budgets, and Program Specific Assurances and Requirements.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Subrecipient Questionnaire.
- Reconciled the WIC Program Financial Status Reports (FSRs) and MDHHS payment schedules to the accounting records.
- Tested a selection of payroll and non-payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines, 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 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 and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles.

Conclusion: The Health Department was generally effective and accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards, and generally accepted accounting principles. We identified the following exception: non-compliant fringe benefit distributions (Finding 1).

Finding

1. Non-Compliant Fringe Benefit Distributions

The Health Department did not properly allocate its employees' fringe benefit expenditures for employees working on multiple activities.

Title 2 CFR 200.431(b) for Fringe benefits specific to leave states, “The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if... (2) The costs are equitably allocated to all related activities, including Federal awards.”

During our review, we noted that the Health Department charged employee leave time based on the employees’ budgeted percentage. If an employee is absent, leave time hours are allocated to programs based on this budgeted percentage for the absent time period, instead of properly allocating the leave time to all programs that the employee actually worked.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure that all fringe benefit distributions are based on records that accurately reflect the work performed to ensure compliance with Federal regulation.

MDHHS SHARES OF COST AND BALANCE DUE

Objective 2: To determine the MDHHS shares of cost in accordance with MDHHS requirements and agreements, Federal standards and program standards, and any balance due to or due from the Health Department.

Conclusion: The MDHHS obligations for fiscal year ended September 30, 2017 are \$316,351 for the WIC Resident Services Grant and \$23,730 for the WIC Breastfeeding Grant. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. No audit adjustments were made.

**Livingston County Department of Public Health
WIC Resident Services
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$316,351	\$316,351 ¹		\$316,351
Local Funds - Other	\$41,013	\$31,389		\$31,389
TOTAL REVENUES	\$357,364	\$347,740	\$0	\$347,740
EXPENDITURES:				
Salary & Wages	\$185,321	\$179,226		\$179,226
Fringe Benefits	\$69,477	\$70,208		\$70,208
Supplies & Materials	\$3,200	\$4,290		\$4,290
Travel	\$3,216	\$762		\$762
Communication	\$2,103	\$2,048		\$2,048
Space Costs	\$9,512	\$6,770		\$6,770
All Others	\$19,047	\$18,758		\$18,758
Indirect Costs	\$39,952	\$41,077		\$41,077
Other Costs Distributions	\$25,536	\$24,601		\$24,601
TOTAL EXPENDITURES	\$357,364	\$347,740	\$0	\$347,740

¹ Actual MDHHS payments.

**Livingston County Department of Public Health
WIC Breastfeeding
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$23,730	\$23,730 ¹		\$23,730
Local Funds - Other	\$9,308	\$8,132		\$8,132
TOTAL REVENUES	\$33,038	\$31,862	\$0	\$31,862
EXPENDITURES:				
Salary & Wages	\$17,424	\$17,303		\$17,303
Fringe Benefits	\$3,049	\$3,104		\$3,104
Supplies & Materials	\$75	\$14		\$14
Travel	\$526	\$328		\$328
Communication	\$317	\$315		\$315
Space Costs	\$1,486	\$1,042		\$1,042
All Others	\$2,730	\$2,603		\$2,603
Indirect Costs	\$3,237	\$3,361		\$3,361
Other Costs Distributions	\$4,194	\$3,792		\$3,792
TOTAL EXPENDITURES	\$33,038	\$31,862	\$0	\$31,862

¹ Actual MDHHS payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 2

Finding: **Non-Compliant Fringe Benefit Distributions**

The Health Department did not properly allocate its employees' fringe benefit expenditures for employees working on multiple activities.

Recommendation: Implement policies and procedures to ensure that all fringe benefit distributions are based on records that accurately reflect the work performed to ensure compliance with Federal regulation.

Comments: The Health Department has adopted a new policy regarding the allocation of the fringe expenditures associated with paid time off. This will now be manually adjusted on a quarterly basis to align with actual hours worked.

Corrective Action: The process for adjusting paid time off will be done for all quarters beginning with Q1 of FYE 2019, and will continue quarterly thereafter. This adjustment will be completed before any FSRs are submitted.

Person Responsible for Implementation: Barton Maas, Financial Services Coordinator

Anticipated Completion Date: Currently in process; to continue.