

Audit Report

Branch-Hillsdale-St. Joseph Community Health Agency WIC Program

October 1, 2012 – September 30, 2013



Office of Audit
Quality Assurance and Review Section
March 2015



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
OFFICE OF AUDIT
400 S. PINE; LANSING, MI 48913

NICK LYON
DIRECTOR

March 17, 2015

Stephen R. Todd, RS, MPA, Health Officer
Branch-Hillsdale-St. Joseph Community Health Agency
570 Marshall Road
Coldwater, Michigan 49036

Dear Mr. Todd:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Branch-Hillsdale-St. Joseph Community Health Agency WIC Programs for the period October 1, 2013 through September 30, 2014.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions; Statements of MDCH Grant Program Revenues and Expenditures; and Comments and Recommendations. The Comments and Recommendations include the agency's response to the Preliminary Analysis.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in cursive script that reads "Debra S. Hallenbeck".

Debra S. Hallenbeck, Manager
Quality Assurance and Review
Office of Audit

Enclosure

cc: Stan Bien, Director, WIC Division
Pam Myers, Director, Office of Audit
Keith Rubley, Auditor, Office of Audit

TABLE OF CONTENTS

	Page
Description of Agency	1
Funding Methodology.....	1
Purpose and Objectives	1
Scope and Methodology	2
 <u>Conclusions, Findings, and Recommendations</u>	
Internal Controls	2
Financial Reporting.....	2
MDCH Share of Costs and Balance Due.....	3
Statement of MDCH Grant Program Revenues and Expenditures - WIC.....	4
Statement of MDCH Grant Program Revenues and Expenditures - WIC Breastfeeding.....	5
Comments and Recommendations.....	6

DESCRIPTION OF AGENCY

The Branch-Hillsdale-St. Joseph Community Health Agency (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Branch County, and the administrative office is located in Coldwater, Michigan. The Health Department operates under the legal supervision and control of the Board of Health, which is comprised of commissioners of the counties of Branch, Hillsdale, and St. Joseph. The Health Department provides community health program services to the residents of these three counties. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, Infectious Disease Control, Sexually Transmitted Disease Control, Area Agency on Aging, Children's Special Health Care Services (CSHCS), Emergency Preparedness/Pandemic Flu, Tobacco Control, Medicaid Outreach, Women Infants and Children (WIC) Supplemental Food Program and WIC Breastfeeding.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Community Health (MDCH) provides 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. Grant funding from MDCH for the WIC Programs is federal funding under federal catalog number 10.557.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the WIC Programs internal controls and financial reporting, and to determine the MDCH share of WIC Programs' costs. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness in establishing and implementing internal controls over the WIC Programs.
2. To assess the Health Department's effectiveness in reporting their financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH shares of cost for the WIC Programs in accordance with applicable MDCH 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, 2012 to September 30, 2013. Our review procedures included the following:

- Reviewed the most recent Health Department Single Audit report for any WIC Program concerns.
- Reviewed the completed internal control questionnaire.
- Reconciled the WIC Programs Financial Status Reports (FSRs) to the accounting records.
- Reviewed payroll expenditures.
- Tested a sample of expenditures for program compliance, and 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

INTERNAL CONTROLS

Objective 1: To assess the Health Department's effectiveness in establishing and implementing internal controls over the WIC Programs.

Conclusion: The Health Department was effective in establishing and implementing internal controls over the WIC Programs.

FINANCIAL REPORTING

Objective 2: To assess the Health Department's effectiveness in reporting their financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department reported its financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

MDCH SHARES OF COST AND BALANCE DUE

Objective 3: To determine the MDCH shares of cost for the WIC Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

Conclusion: The MDCH obligation under the WIC Program for fiscal year ended September 30, 2013 is \$923,544. The MDCH obligation under the WIC Breastfeeding Program for fiscal year ended September 30, 2013 is \$71,393. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC or WIC Breastfeeding grant program funding.

Branch - Hillsdale - St. Joseph District Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$923,544	\$923,544 ¹	\$0	\$923,544
Fees and Collections	\$5,500	\$0	\$0	\$0
Local Funding	\$0	\$5,983	\$0	\$5,983
TOTAL REVENUES	\$929,044	\$929,527	\$0	\$929,527
EXPENDITURES:				
Salary and Wages	\$450,398	\$431,756	\$0	\$431,756
Fringe Benefits	\$170,224	\$152,430	\$0	\$152,430
Supplies & Materials	\$14,553	\$61,307	\$0	\$61,307
Travel	\$12,000	\$12,829	\$0	\$12,829
Communications	\$3,700	\$3,245	\$0	\$3,245
Space Cost	\$33,388	\$35,590	\$0	\$35,590
Other Expense	\$45,016	\$38,185	\$0	\$38,185
Indirect Cost	\$140,571	\$139,036	\$0	\$139,036
Other Cost Distributions	\$59,194	\$55,149	\$0	\$55,149
TOTAL EXPENDITURES	\$929,044	\$929,527	\$0	\$929,527

¹ Actual MDCH payments.

Branch - Hillsdale - St. Joseph District Health Department
WIC Breastfeeding Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/12 - 9/30/13

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$71,393	\$71,393 ¹	\$0	\$71,393
Local and Other Funds	\$15,573	\$7,390	\$0	\$7,390
TOTAL REVENUES	\$86,966	\$78,783	\$0	\$78,783
EXPENDITURES:				
Salary and Wages	\$50,427	\$48,069	\$0	\$48,069
Fringe Benefits	\$4,473	\$4,256	\$0	\$4,256
Supplies & Materials	\$3,900	\$963	\$0	\$963
Travel	\$1,000	\$762	\$0	\$762
Communications	\$50	\$0	\$0	\$0
Space Cost	\$5,916	\$4,202	\$0	\$4,202
Other Expense	\$2,000	\$2,025	\$0	\$2,025
Indirect Cost	\$12,435	\$12,454	\$0	\$12,454
Other Cost Distributions	\$6,765	\$6,052	\$0	\$6,052
TOTAL EXPENDITURES	\$86,966	\$78,783	\$0	\$78,783

¹ Actual MDCH payments.

Comments and Recommendations

1. Under Reported Administrative Expenses in the Overhead Cost Allocation

The Health Department under reported Administrative expenses when calculating and allocating overhead expenses to the various programs. It appears that a portion of space cost was excluded when the Health Department determined the overhead rate. However, it could not be readily determined what costs were included or excluded from the cost pool.

Recommendation

We recommend the Health Department consider all applicable and allowable costs when determining the amount of overhead expenses to allocate to all programs, and adequately document the methodology and composition of costs included in the cost pool.

Management Response

We agree with the comment and recommendations and will implement them immediately.