

Audit Report

Lapeer County Health Department
WIC and WIC Breastfeeding Programs

October 1, 2011 – September 30, 2012



Office of Audit
Quality Assurance and Review
February 2014



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
OFFICE OF AUDIT
400 S. PINE, LANSING, MI 48933

JAMES K. HAVEMAN
DIRECTOR

February 5, 2014

Stephanie Simmons, RN, MPA, Director/ Health Officer
Lapeer County Health Department
1800 Imlay City Road
Lapeer, MI 48446

Dear Ms. Simmons:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the WIC Program for the period October 1, 2011 through September 30, 2012.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statements of MDCH Grant Program Revenues and Expenditures; and Corrective Action Plan. The conclusions and findings are organized by audit objective. The Corrective Action Plan includes the agency's paraphrased response to the Preliminary Analysis.

As noted on Page 3 of the Audit Report, an amount of \$1,495 is due back to MDCH for the WIC Program for overstated Administrative Overhead expenditures. Please send a check payable to the State of Michigan for \$1,495 to the following address by **February 28, 2014**:

Lisa Halverson, Manager
Revenue Operations Section, Accounting Division
Michigan Department of Community Health
P.O. Box 30437
Lansing, MI 48909

Thank you for the cooperation extended throughout this audit process.

Sincerely,

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

Enclosure

cc: Pam Myers, Director, Office of Audit, MDCH
Stan Bien, Director, WIC Division, MDCH
Lisa Halverson, Manager, Revenue Operations Section, Accounting Division, MDCH
Keith Rubley, Auditor, Office of Audit, MDCH

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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. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease Control, Sexually Transmitted Disease Control, Breast and Cervical Cancer Control Prevention, Tobacco Reduction, Women Infant and Children Supplemental Food Program (WIC), Bioterrorism Readiness, Medicaid Outreach, Children's Special Health Care Services, and Maternal Infant Health Program.

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, and is first source funding subject to performance requirements. That is, reimbursement from MDCH is based upon the understanding that a certain level of performance (measured in caseload established by MDCH) must be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

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 WIC Programs 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 share of costs 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, 2011 to September 30, 2012. Our review procedures included the following:

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

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. No exceptions were noted in our review.

FINANCIAL REPORTING

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

Conclusion: The Health Department generally reported their WIC Programs financial activities to MDCH in accordance with applicable Department of Community Health requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, unsupported additional administrative overhead costs were reported (Finding 1).

Finding

1. Overstated Administrative Overhead

The Health Department inappropriately reported Administrative Overhead costs for the WIC Program that exceeded the Health Department's calculated amount and the amount included in the Health Department's general ledger without any documented support or explanation.

OMB Circular A-87 (located at 2 CFR Part 225), Appendix A, Section C. states:

Basis Guidelines

- 1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:*
 - b. Be allocable to the Federal awards under the provisions of 2 CFR Part 225.*
 - j. Be adequately documented.*

The amount of Administrative Overhead costs reported on the WIC FSR was \$1,495 more than the amount appropriately calculated by the Health Department and the amount included in the general ledger.

Adjustments to remove the \$1,495 in overstated Administrative Overhead are shown on the attached Statement of MDCH Grant Program Revenues and Expenditures.

Recommendation

We recommend that the Health Department implement policies and procedures to ensure total actual costs that are adequately supported are reported on future FSRs.

MDCH SHARE OF COSTS AND BALANCE DUE

Objective 3: To determine the MDCH share of costs 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, 2012, was \$299,006 for WIC Resident and \$32,500 for WIC Breastfeeding. The Health Department owes MDCH a balance of \$1,495 after considering revenues and allowable expenditures as shown on the attached Statements of MDCH Grant Program Revenues and Expenditures.

Lapeer County Health Department
WIC Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/11 - 9/30/12

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$325,101	\$300,501 1	(\$1,495) 2	\$299,006
Fees 1st & 2nd Party	\$0	\$0	\$0	\$0
Other Revenue	\$0	\$0	\$0	\$0
Local Funds Other	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$325,101	\$300,501	(\$1,495)	\$299,006
EXPENDITURES:				
Salary & Wages	\$175,637	\$167,839	\$0	\$167,839
Fringe Benefits	\$48,048	\$49,455	\$0	\$49,455
Supplies	\$27,393	\$12,531	\$0	\$12,531
Travel	\$400	\$1,120	\$0	\$1,120
Communications	\$1,064	\$204	\$0	\$204
County-City Central Services	\$18,074	\$16,314	\$0	\$16,314
Space Cost	\$15,662	\$15,660	\$0	\$15,660
Other Costs	\$1,800	\$1,777	\$0	\$1,777
Admin Overhead	\$37,023	\$35,601	(\$1,495) 2	\$34,106
TOTAL EXPENDITURES	\$325,101	\$300,501	(\$1,495)	\$299,006

1 Actual MDCH payments provided on a performance reimbursement basis.

2 Overstated Administrative Overhead (Finding 1).

**Lapeer County Health Department
WIC Breastfeeding Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/11 - 9/30/12**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$32,500	\$32,500 ¹	\$0	\$32,500
Fees 1st & 2nd Party	\$0	\$0	\$0	\$0
Other Revenue	\$0	\$0	\$0	\$0
Local Funds Other	\$284	\$0	\$0	\$0
TOTAL REVENUES	\$32,784	\$32,500	\$0	\$32,500
EXPENDITURES:				
Salary & Wages	\$18,780	\$19,164	\$0	\$19,164
Fringe Benefits	\$3,208	\$3,208	\$0	\$3,208
Supplies	\$250	\$367	\$0	\$367
Travel	\$1,000	\$341	\$0	\$341
Communications	\$50	\$7	\$0	\$7
County-City Central Services	\$2,546	\$2,576	\$0	\$2,576
Space Cost	\$2,772	\$2,772	\$0	\$2,772
Other Costs	\$100	\$135	\$0	\$135
Admin Overhead	\$4,078	\$3,930	\$0	\$3,930
TOTAL EXPENDITURES	\$32,784	\$32,500	\$0	\$32,500

¹ Actual MDCH payments provided on a performance reimbursement basis.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Overstated Administrative Overhead**

The Health Department inappropriately reported Administrative Overhead costs for the WIC Program that exceeded the Health Department's calculated amount and the amount included in the Health Department's general ledger without any documented support or explanation.

Recommendation: Implement policies and procedures to ensure total actual costs that are adequately supported are reported on future FSRs.

Corrective Action: Policies and procedures have been implemented to ensure total actual costs that are reported are adequately supported on future FSRs.

**Anticipated
Completion Date:** Immediately

MDCH Response: None