

Audit Report

Muskegon County Health Department WIC Program

October 1, 2010 – September 30, 2011



Office of Audit
Quality Assurance and Review Section
October 2012



RICK SNYDER
GOVERNOR

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

JAMES K. HAVEMAN
DIRECTOR

October 17, 2012

Kenneth Kraus, MPA, Director/Health Officer
Muskegon County Health Department
209 E. Apple Avenue
Muskegon, Michigan 49442

Dear Mr. Kraus:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the WIC Program for the period October 1, 2010 through September 30, 2011.

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 section includes areas where we believe there are opportunities for the agency to further strengthen internal controls or to increase operating efficiencies, and includes 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
Michael Gribbin, Auditor, Office of Audit

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DESCRIPTION OF AGENCY

The Muskegon 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 Muskegon County, and the administrative office is located in Muskegon, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Muskegon County. The Health Department provides community health program services to the residents of Muskegon County. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Children's Special Health Care Services, Breast and Cervical Cancer Control, Tobacco Reduction, Maternal and Child Health, Childhood Lead, Medicaid Outreach, Bioterrorism/Emergency Preparedness/Pandemic Flu, and Women Infants and Children (WIC) Supplemental Food 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 Program 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 Program internal controls and financial reporting, and to determine the MDCH share of WIC Program 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 Program.
2. To assess the Health Department's effectiveness in reporting their WIC Program 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 Program 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, 2010 to September 30, 2011. Our review procedures included the following:

- Reviewed the most recent Muskegon County Single Audit report for any WIC Program concerns.
- Completed the internal control questionnaire.
- Reconciled the WIC Program Financial Status Report (FSR) 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 WIC 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 Program.

Conclusion: The Health Department was effective in establishing and implementing internal controls over the WIC Program. No internal control exceptions were noted.

FINANCIAL REPORTING

Objective 2: To assess the Health Department's effectiveness in reporting their WIC Program 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 their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. No financial reporting exceptions were noted.

MDCH SHARE OF COSTS

Objective 3: To determine the MDCH share of costs for the WIC Program 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, 2011, is \$1,112,734. The MDCH obligation under the WIC Breastfeeding Program is \$53,844. The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC grant program funding.

**Muskegon County Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/10 - 9/30/11**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$1,213,409	\$1,112,734 ¹	\$0	\$1,112,734
Fees & Collections – 1 st & 2 nd Party	\$200	\$1,217	\$0	\$1,217
TOTAL REVENUES	\$1,213,609	\$1,113,951	\$0	\$1,113,951
EXPENDITURES:				
Salary and Wages	\$521,478	\$493,313	\$0	\$493,313
Fringe Benefits	\$330,204	\$299,070	\$0	\$299,070
Contractual Dietician, Nutr.	\$10,813	\$10,943	\$0	\$10,943
Supplies	\$76,324	\$80,800	\$0	\$80,800
Travel	\$7,280	\$5,130	\$0	\$5,130
Communications	\$6,070	\$5,630	\$0	\$5,630
Space Costs	\$18,122	\$18,971	\$0	\$18,971
Other Expense	\$28,671	\$15,606	\$0	\$15,606
Other Cost Distributions	\$214,647	\$184,487	\$0	\$184,487
TOTAL EXPENDITURES	\$1,213,609	\$1,113,951	\$0	\$1,113,951

¹ Actual MDCH payments provided on a performance reimbursement basis.

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

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$65,000	\$53,844 ¹	\$0	\$53,844
Local and Other Funds	\$0	\$0	\$0	\$0
TOTAL REVENUES	\$65,000	\$53,844	\$0	\$53,844
EXPENDITURES:				
Salary and Wages	\$36,401	\$30,930	\$0	\$30,930
Fringe Benefits	\$7,592	\$7,837	\$0	\$7,837
Contractual Dietician, Nutr.	\$0	\$0	\$0	\$0
Supplies	\$5,056	\$2,652	\$0	\$2,652
Travel	\$1,961	\$1,331	\$0	\$1,331
Communications	\$1,323	\$741	\$0	\$741
Space Costs	\$271	\$0	\$0	\$0
Other Expense	\$1,868	\$1,328	\$0	\$1,328
Other Cost Distributions	\$10,528	\$9,026	\$0	\$9,026
TOTAL EXPENDITURES	\$65,000	\$53,844	\$0	\$53,844

¹ Actual MDCH payments provided on a performance reimbursement basis.

Comments and Recommendations

1. Request Documentation For Expenses From County Central Office

The Health Department occasionally incurs expenses that are billed through the County Central Office, but does not review and maintain documentation to support the expense. The County sends a journal entry to the Health Department detailing how much should be expensed for the month. The County Central Office does not send invoices to support the allocation to the Health Department. Examples of these expenses include property insurance and liability insurance. During the audit, support for these expenses was requested, but the Health Department Accounting Supervisor only had the journal entry given to her by the County. A follow-up request was sent to the County Central Office and we received support for the expenses. We recommend that the Health Department request, review, and maintain support for all expenses that originate at the County Central Office.

Management Response:

The Health Department agrees with this recommendation. The Health Department will request, review and maintain copies of the documents that support the expenses and/or charges that are originated at the County's Central Accounting Office. The Health Department will retroactively collect, review and maintain documentation to support the expenses for FY12. The Health Department anticipates that the new financial software system will allow the Health Department to access and review the documents that detail and support all FY13 and future expenditures, including the expenses that originated at the County's Central Accounting Office.

2. Document the Fringe Benefit Allocation Process

The Health Department's allocation to programs for fringe benefits is performed automatically by their accounting software, and the Health Department staff was unsure how the amounts were computed. We computed the total Health Insurance expense for one pay period. We used the employee time reports to allocate the fringe benefit expense if the employee worked on multiple programs. The amount we calculated and the amount expensed in the General Ledger reconciled with only a minor variance. We recommend, however, that the Health Department document the process the accounting software uses to allocate fringe benefits when an employee works on multiple programs.

Management Response:

The Health Department agrees with this recommendation. The Health Department has documented the process that the accounting software uses to allocate fringe benefits when an employee works in multiple programs; and they test, compare, and reconcile the calculations on a random basis. The Health Department has noted minor variances due to rounding, prior period adjustments, and retroactive pay, but they are able to balance with the General Ledger salary and fringe expenses. The Health Department anticipates that the new financial software (recently implemented by Muskegon County) will streamline and automatically adjust salary and fringe expenses for Health Department staff. The County will switch payroll processing and related expense calculations to the new financial system in January 2013. The Health Department will review and document the process the new accounting software uses to allocate fringe benefits upon implementation.