

# Audit Report

## **Shiawassee County Health Department WIC Program**

October 1, 2012 – September 30, 2013



Office of Audit  
Quality Assurance and Review Section  
April 2014



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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH  
OFFICE OF AUDIT  
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JAMES K. HAVEMAN  
DIRECTOR

April 28, 2014

George J. Pichette, JD, Director/Health Officer  
Shiawassee County Health Department  
149 E. Corunna Ave., 2nd Floor  
Corunna, MI 48817

Dear Mr. Pichette:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the WIC program for the period of October 1, 2012 through September 30, 2013.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; Statement 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.

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: Pam Myers, Director, Office of Audit  
Stan Bien, Director, WIC Program  
Mike Gribbin, Senior Auditor, Office of Audit

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## **DESCRIPTION OF AGENCY**

The Shiawassee 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 Shiawassee County, and the administrative office is located in Corunna, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Shiawassee County. The Health Department provides community health program services to the residents of Shiawassee County. These services include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, General Communicable Disease Control, AIDS/HIV Prevention, Children's Special Health Care Services, Bioterrorism/Emergency Preparedness/Pandemic Flu, Medicaid Outreach, 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, 2012 to September 30, 2013. Our review procedures included the following:

- Reviewed the most recent Shiawassee County Single Audit report for any WIC Program concerns.
- Reviewed the completed 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.

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 generally reported their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. We noted one exception regarding the allocation of fringe benefits (Finding 1).

## **Finding**

### **1. Fringe Benefits Allocated Based On Budgeted FTEs (Repeat)**

The Health Department allocates fringe benefits based on budgeted FTEs rather than the actual time spent on each program.

The Health Department's contract with MDCH (Part II, Section III, Part A.) requires compliance with OMB Circular A-87 (located at 2 CFR Part 225). For costs to be allowable under Federal awards, costs must be allocated in accordance with relative benefits received, and must conform to any limitations or exclusions set forth in OMB Circular A-87. According to OMB Circular A-87, Appendix B, Section 8.d.:

- (2) 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, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: they are provided under established written leave policies; the costs are **equitably allocated to all related activities**, including Federal awards; and, the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.*
- (5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance.....shall be **allocated to Federal awards and all other activities in a manner consistent with the benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.***

The Health Department allocates fringe benefits (including leave time) for each employee based on a budgeted full time equivalent (FTE) percentage that is based on the anticipated amount of time expected to work on each Health Department program during the upcoming year. For the Health Department to ensure that fringe benefits are allocated equitably, they should analyze and update these percentages at least once every quarter based on actual time worked.

## **Recommendation**

We recommend that the Health Department implement policies and procedures to ensure that all fringe benefits are allocated according to the relative benefits received.

## **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, 2013, is \$334,438. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC grant program funding.

**Shiawassee County Health Department  
WIC Supplemental Food Program  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/12 - 9/30/13**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$334,438	\$334,438 <sup>1</sup>	\$0	\$334,438
Local and Other Funds	\$15,772	\$82	\$0	\$82
<b>TOTAL REVENUES</b>	\$350,210	\$334,520	\$0	\$334,520
<b>EXPENDITURES:</b>				
Salary and Wages	\$135,812	\$133,441	\$0	\$133,441
Fringe Benefits	\$67,657	\$61,225	\$0	\$61,225
Contractual	\$400	\$271	\$0	\$271
Supplies	\$5,950	\$5,078	\$0	\$5,078
Travel	\$1,000	\$958	\$0	\$958
Communications	\$1,200	\$1,259	\$0	\$1,259
County Central Service Cost	\$31,348	\$33,491	\$0	\$33,491
Space Cost	\$0	\$0	\$0	\$0
Other Expense	\$1,300	\$1,116	\$0	\$1,116
Indirect Cost	\$105,543	\$97,681	\$0	\$97,681
<b>TOTAL EXPENDITURES</b>	\$350,210	\$334,520	\$0	\$334,520

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Fringe Benefits Allocated Based On Budgeted FTEs (Repeat)

The Health Department allocates fringe benefits based on budgeted FTEs rather than the actual time spent on each program.

**Recommendation:** Implement policies and procedures to ensure that all fringe benefits are allocated according to the relative benefits received.

**Health Department**

**Comments:** The Health Department agrees with this finding.

**Corrective Action:** The Health Department will calculate the fringe benefit allocation once a quarter based on actual time spent in each program.

**Anticipated**

**Completion Date:** This process will begin following the 3<sup>rd</sup> quarter of FY 2014.

**MDCH Response:** None.