



POLICY: The fiscal operations of local WIC programs shall be audited and reviewed for compliance with federal and state guidelines.

PURPOSE: To ensure that local WIC programs are conducting financial operations properly, presenting financial reports fairly, and complying with requirements for the expenditure of WIC program funds. To follow the audit and review schedule mandated by federal regulations.

RELEVANT REGULATIONS: 7 CFR §246.19 (b) State agency responsibilities
7 CFR §246.20 Audits
7 CFR §3015 Implements OMB circulars
7 CFR §3016 Implements OMB circulars
P.L. §89-642 Child Nutrition Act of 1966 17-62 (11/6/92, p 33)
Biennial review requirement
P.L. §98-502 Single Audit Act
OMB A-87 Cost principles for state and local governments
OMB A-102 Grants and cooperative agreements with state and local governments
OMB A-110 Grants and agreements with institutions of higher education, hospitals, and other nonprofit organizations
OMB A-122 Cost principles for nonprofit organizations
OMB A-128 Audits of state and local governments
OMB A-133 Audits of institutions of higher education and other nonprofit Organizations

DEFINITIONS: *Audit* A complete review of accounting operations and procedures performed by a certified public accountant.

Fiscal review A review of accounting operations performed by an OHD business services staff member, focusing on compliance with major federal requirements for management of funds.

BACKGROUND: 1.0 The Single Audit Act of 1984 (Public Law 98-502) requires that agencies receiving more than \$25,000 in federal funds from one source or more than \$100,000 in federal funds from all sources during a fiscal year be audited by an independent auditor.

General federal auditing requirements

- 1.1 Local agencies are responsible for arranging this audit.
- 1.2 Agencies that receive more that \$100,000 must be audited in OMB A-133 for nonprofit organizations.
- 1.3 Agencies that receive between \$25,000 and \$100,000 must be audited in accordance with OMB A-128 or OMB A-133 or in accordance with federal laws and regulations governing the programs for which they receive funds.

FISCAL REVIEW OF LOCAL PROGRAMS, cont.

- WIC fiscal review***
- 2.0 The Child Nutrition Act of 1966, which authorizes the WIC program, requires state WIC programs to review local WIC programs at least biennially. This includes reviewing fiscal operations. Oregon Health Division business services staff reviews fiscal operations of local WIC programs in connection with the biennial monitoring review by OHD program staff.
 - 3.0 Local WIC programs administered by local governments or tribes must be in conformance with:
 - 3.1 P.L. §98-502 Single audit act
 - 3.2 OMB §A-87 Cost principles for state and local governments
 - 3.3 OMB §A-102 Grants and cooperative agreements with state and local governments
 - 3.4 OMB §A-128 Audits of state and local governments

- WIC fiscal regulations***
- 4.0 Local WIC programs administered by nonprofit organizations must be in conformance with:
 - 4.1 P.L. §98-502 Single audit act
 - 4.2 OMB §A-122 Cost principles for nonprofit organizations
 - 4.3 OMB §A-110 Grants and agreements with institutions of higher education, hospitals and other nonprofit organizations.
 - 4.4 OMB §A-133 Audits of institutions of higher education and other nonprofit organizations.

- PROCEDURES:**
- 5.0 Local programs receiving more than \$25,000 in federal funds must Arrange to have a yearly audit by an independent authority (a CPA) in accordance with generally accepted government auditing standards covering financial and compliance audits.

The independent authority audits all agency programs, including WIC. Guidelines for this audit are found in OMB-128 for local governments and tribes, OMB A-133 for non-profit organizations.

- General agency audit and state review***
- 5.1 The local agency arranges for the results of the agency-wide independent audit to be sent to the state auditor identified as contact for the county.
 - 5.1.1 The State auditor designates a State Agency to review the independent audit findings to ensure compliance with appropriate state and federal regulations.
 - 5.1.2 The reviewing agency sends copies of his or her review of the independent audit to the Oregon Health Division Business Services Section for every county that receives OHD funds.
 - 5.1.3 If the reviewer identifies problems with an OHD-funded program, OHD Business Services Section follows up with the local agency to determine a corrective action plan.

FISCAL REVIEW OF LOCAL PROGRAMS, cont.

*(General agency
audit and state
review:)*

EXAMPLE: Serene County arranges for its annual audit by an independent CPA. The CPA sends the results of that audit to the state agency responsible for reviewing Serene County.

Upon reviewing Serene County's audit, the reviewer discovers that the Serene County WIC program is being over billed for indirect costs. The reviewer sends a letter detailing that finding to the State Auditor with a copy to Oregon Health Division (OHD), which funds the WIC program. The OHD-Business Services staff works with Serene County to correct the over billing.

**WIC biennial
fiscal review**

- 6.0 Public Law 102-518, the Child nutrition Act, requires the state WIC program to review local WIC programs at least once every two years. Fiscal operations are one part of this review.
- 6.1 The fiscal review is conducted by OHD business services staff and, if possible, is scheduled contemporaneous with the WIC or agency review. OHD business services staff reviews health division programs, including the WIC program, for compliance to state and federal guidelines. See ♦320.4: On-Site Review.
- 6.2 OHD business services staff summarizes results of the fiscal review in a letter sent to the local program. A copy of the letter is forwarded to the state WIC program manager.
- 6.3 The local program completes a plan for corrective action as necessary, which is approved by the OHD business services staff and the Oregon WIC program staff.
- 6.4 State staff follows up to ensure corrective measures are taken. Failure to implement corrective measures could result in a decision to discontinue funds. ★

REFERENCES:

- 1.0 The best source for up-to-date OMB Circulars is to order them from the Office of Management and Budget in Washington, D.C.
- 2.0 The current Code of Federal Regulations (CFR) is available in any public or university library that is a government documents repository. Copies of 7 CFR 3015 and 3016 can also be ordered from the Office of Finance and Management in Washington, D.C.

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ON-SITE REVIEW

Name of Subrecipient: _____ Date: _____

1. Payroll Expenses:

- a. Have payroll charges been allocated in accordance with the requirements of A-87? _____
 - (1) Certificate for those working solely on single Fed. award? _____
 - (2) Reflects actual activity? _____
 - (3) Account for total activities? _____ Explain _____
 - (4) Time/activity reports signed by Employee? _____
- b. Describe the payroll timing process. _____
- c. Are time/activity reports driving the payroll as charged to the grant? _____
- d. Are nutrition ed., administration and other special breakouts consistently charged as shown in the time/activity reports? _____
- e. If there are in-kind contributions, document them.
- f. Are time/activity reports signed by the employee and the direct supervisor? _____

2. Allocated/assigned Costs:

What types of costs are charged (allocated) to Fed. programs from other departments. Please list the basis of charges.

Rent _____	Utilities _____
Insurance _____	Info Svcs _____
Accounting _____	County Fiscal _____
Mail Room _____	Motor Pool _____
Other _____	Other _____

3. Indirect Costs:

Does subrecipient charge indirect costs to Fed. programs?

- a. What is the rate? _____%
- b. Are indirect charges allocated to all programs equally? _____
- c. Does the Health Division have a copy of the agreement? _____
- d. How does recipient prevent double charging of costs to Fed. grants?
Explain: _____

4. Cash Handling:

- a. Does subrecipient promptly deposit all cash? _____
- b. Does subrecipient use accounts receivable? Describe procedures for handling payments not received at time of service.

- c. What is the writeoff procedure? _____
- d. Are there branch offices? _____ What are their cash handling procedures? _____
- e. How are WIC manual vouchers secured? _____
- f. Is a log kept of WIC manual vouchers? _____

5. Accounting System:

- a. Are separate accounts maintained for each grant and contract? Discuss.

- b. Is there a system of budgetary controls to preclude obligations in excess of grant total?

- c. Is there a system to prevent charges to the wrong grant period?

- d. Does the accounting system provide for payables/encumbrances? If not, what other system are they using?

FISCAL REVIEW OF LOCAL PROGRAMS, cont.

e. Are there written procedures established for accounting controls?

f. Do family planning and MCH fees stay with the program?

If not, is there a General Fund appropriation back to the programs in at least the amount of the fees collected? _____

6. Purchasing, Equipment, and Inventory:

- a. Are procurement procedures in writing? _____
- b. What is the definition of capital outlay? _____
- c. Has capital equipment been purchased which would be subject to acquisition standards of A-87 (>\$5,000)? If so, is it appropriately inventoried? _____
- c. Describe procedures established for disposing of equipment and supplies purchased with Federal Funds.

- e. Is there a physical inventory taken annually? _____ When was the last one taken? _____

7. Invoicing:

- a. Are procedures in place to prevent invoices being presented and paid twice? _____
Describe: _____

- b. How are partial shipments paid for? _____
- c. Are receipts for prepaid items retained for audit? _____ How? _____

8. Other Direct Allowable Costs:

- a. Review of specific charges to accounts (WIC and other major programs) to determine that costs claimed are appropriate under A-887 and A-122.

9. Subrecipient Monitoring:

- a. Does recipient pass through federal funds to subrecipients? _____ If so, what are the monitoring procedures?

- b. List subrecipients and amount of federal funds disbursed. _____

10. Prior Review Findings and Recommendations:

- a. What response has been made to recommendations from the previous audit?

11. Local Agency Comments:

- a. How can the State help them with financial management, including counter productive rules, forms, etc.?

12. On-Site Review Recommendations:

