

Department of Health

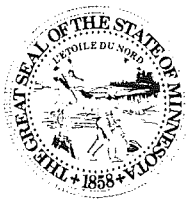
Women, Infants, and Children / Maternal and Child Health
Fiscal Year Ended June 30, 1997

March 1998

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Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

98-13



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Anne M. Barry, Commissioner
Department of Health

We have audited selected areas of the Department of Health for the fiscal year ended June 30, 1997, as further explained in Chapter 1. The work conducted in the department is part of our Statewide Audit of the state of Minnesota's fiscal year 1997 financial statements and Single Audit. The Comprehensive Annual Financial Report for the year ended June 30, 1997, includes our report, issued thereon dated December 8, 1997. The Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 1997, will include our reports on the supplementary information schedule, internal control structure, compliance with laws and regulations, and a summary of prior audit findings. We anticipate issuing this report in March 1998. Therefore, we emphasize that this has not been a complete audit of all financial activities of the Department of Health. The following Summary highlights the audit objectives and conclusions.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the Department of Health complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the Department of Health is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Health. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 6, 1998.

A handwritten signature in black ink, appearing to read "James R. Nobles".

James R. Nobles
Legislative Auditor

A handwritten signature in black ink, appearing to read "Claudia J. Gudvangen".

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 11, 1997

Report Signed On: February 27, 1998

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Tom Donahue, CPA	Audit Manager
Beaujon Guerin, CPA	Auditor-in-Charge
Mike Byzewski	Auditor

Chapter 1. Introduction

The mission of the Minnesota Department of Health is to protect, maintain, and improve the health of the citizens of Minnesota. The department is organized into two divisions: Health Systems and Special Populations, and Health Protection. Some of the activities the department performs to achieve its goals include completing public health studies and investigations, collecting and analyzing health and vital data, establishing and enforcing health standards, and advising the Governor and Legislature on matters relating to the public's health. Anne M. Barry is the commissioner of the department.

During fiscal year 1997, the department administered many federal programs. Our audit focused on two programs: the Supplemental Nutrition Program for Woman, Infants, and Children (CFDA 10.557) and the Maternal and Child Health program (CFDA 93.944). Federal expenditures under the Supplemental Nutrition Program for Woman, Infants, and Children (WIC) and the Maternal and Child Health (MCH) program for fiscal year 1997 were \$59.5 million and \$9.2 million, respectively.

The primary objective of the Statewide Audit was to render an opinion on the state of Minnesota's financial statements included in the Comprehensive Annual Financial Report for fiscal year 1997. The Statewide Audit was designed to also meet the requirements of the Single Audit Act of 1984, as amended in 1996, relating to federal financial assistance. The Single Audit objectives included determining compliance with various requirements outlined in OMB Circular A-133, as discussed further in Chapter 2.

Chapter 2. Federal Programs

Chapter Conclusions

The Department of Health properly recorded the financial activities of the Special Supplemental Food Program for Women, Infants, and Children (CFDA 10.557), including WIC rebates, and the Maternal and Child Health program (CFDA 93.994) in the state's accounting system. In addition, the department complied, in all material respects, with the requirements of OMB Circular A-133.

During fiscal year 1997, the department participated in the Special Supplemental Food Program for Women, Infants, and Children (WIC). The WIC program's objectives were to provide, at no cost, supplemental nutritious foods, nutrition education, and referrals for health care to low-income pregnant, breast feeding, and postpartum women, infants, and children under the age of five.

To increase participation in the WIC program, the department implemented a WIC Infant Formula Rebate System. The department solicited bids from formula manufacturers to obtain the lowest price available. The manufacturers agreed to provide to the state a rebate based on the iron-fortified infant formula sold to WIC program participants. The manufacturer reimbursed the department for a part of the price paid by the state for the purchase of the formula. During fiscal year 1997, total WIC rebates were approximately \$15 million.

In addition, the department administered the Maternal and Child Health (MCH) program. This program works to improve the health status of mothers, infants, and children, including children with special health care needs, particularly those of low-income families. The department provides technical and administrative support to health service providers and planners, including community agencies, schools, voluntary agencies, and medical and dental care organizations.

Audit Objectives and Methodology

The objectives of our audit of federal financial assistance under the WIC and MCH programs were to:

- Consider internal control over compliance with requirements that could have a material and direct effect on the federal programs;
- Determine whether the department recorded financial activities properly in the state's accounting system (MAPS); and,

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- Determine whether the department complied with material federal rules and regulations applicable to the federal programs.

To address these objectives, we interviewed key personnel to gain an understanding of the department's procedures for processing and recording activities for the WIC and MCH programs, including WIC rebates, in the state's accounting system. We also tested financial transactions for the two programs to determine compliance with program regulations.

The U. S. Office of Management and Budget Compliance Supplement provides a listing of compliance requirements for these federal programs. Our audit scope included testing the department's compliance with the applicable requirements identified in the Compliance Supplement and shown in Table 2-1 below.

Table 2-1
Types of Compliance Requirements that
Apply to each Federal Program

Compliance Requirements	WIC	MCH
A. Activities Allowed or Unallowed	Yes	Yes
B. Allowable Costs/Cost Principals	Yes	Yes
C. Cash Management	Yes	Yes
D. Davis Bacon Act	No	No
E. Eligibility	Yes	Yes
F. Equipment and Real Property Management	Yes	Yes
G. Matching, Level of Effort, Earmarking	No	Yes
H. Period of Availability	Yes	Yes
I. Procurement, Suspension, and Debarment	Yes	Yes
J. Program Income	No	No
K. Real Property Acquisition and Relocation Assistance	No	Yes
L. Reporting	Yes	Yes
M. Subrecipient Monitoring	Yes	Yes

Legend: Yes - This type of compliance requirement applied to the Federal Program and was audited.

No - This type of compliance requirement did not apply to the Federal program and was, therefore, not included in the audit objectives.

Conclusions

The Department of Health properly recorded the financial activities of the Special Supplemental Food Program for Women, Infants, and Children (CFDA 10.557), including WIC rebates, and the Maternal and Child Health program (CFDA 93.994) in the state's accounting system for fiscal year 1997. In addition, the department complied, in all material respects, with the requirements of OMB Circular A-133.

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Status of Prior Audit Issues

As of December 11, 1997

Most Recent Audit

Legislative Audit Report 97-7, issued in February 1997, covered the fiscal year ended June 30, 1996. The audit scope was limited to the Department of Health's Supplemental Nutrition Program for Women, Infants, and Children (CFDA 10.557). This report contained one finding in which we determined that the department did not draw down indirect cost earnings from federal sources in a timely manner. We have determined that this finding has been resolved.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University and quasi-state organizations, such as the metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.