

# Audit Report

## Women, Infants, and Children's Nutrition Program (WIC)

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City of Laredo Health Department

July 23, 2021

OIG Report No. AUD-21-014



**Inspector  
General**

Texas Health  
and Human Services



Texas Health and Human Services Office of Inspector General Audit and Inspections Division

## WOMEN, INFANTS, AND CHILDREN'S NUTRITION PROGRAM (WIC)

*City of Laredo Health Department*

July 23, 2021

Dear Mr. Chamberlain:

The Texas Health and Human Services (HHS) Office of Inspector General Audit and Inspections Division (OIG Audit) conducted an audit of the City of Laredo Health Department (CLHD) Women, Infants, and Children's Nutrition Program (WIC) contracts. The audit objective was to determine if the CLHD WIC program had financial processes and controls to ensure compliance with federal and state program rules, guidelines, and contractual requirements for the Texas Health and Human Services Commission (HHSC) WIC program. The audit scope was from October 1, 2019, through February 28, 2021. CLHD is contracted with HHSC through September 30, 2025, to provide nutrition education and counseling to qualified women, infants, and children in eight Texas counties. This audit focused exclusively on the CLHD WIC program and was limited to (a) a review of accounting and financial controls over CLHD's WIC funds and (b) testing a risk-based sample of transactions of those funds.

Based on the results of our testing, OIG Audit determined that CLHD complied with (a) WIC accounting policies and procedures, (b) HHSC WIC contract requirements, and (c) City of Laredo accounting procedures and fiscal internal controls. As a result, no issues or recommendations were identified for this audit.

The attachment to this letter contains additional details on the CLHD WIC audit.

Sincerely,

Audrey O'Neill, CIA, CFE, CGAP  
Chief of Audit and Inspections

Attachment

cc: Cecile Erwin Young, HHS Executive Commissioner  
Sylvia Hernandez Kauffman, HHS Inspector General

### Background

CLHD's WIC program provides nutrition education and counseling to qualified women, infants, and children through 14 WIC clinics. For federal fiscal years 2020 and 2021, HHSC WIC funding for CLHD was \$6,029,934 and \$5,889,608, respectively. WIC is the largest government-funded program for CLHD. Since WIC is a federally awarded program, the fiscal year timeline is from October 1 through September 30.

WIC service providers are required to follow federal and state regulations for the financial management of their WIC program.

# ATTACHMENT

## Section 1: Audit Results

The results of audit testing of CLHD WIC transactions confirmed that CLHD complied with:

- WIC accounting policies and procedures
- HHSC WIC contract requirements
- City of Laredo accounting procedures and fiscal internal controls

Audit test results only apply to the CLHD WIC program and do not apply to other state or federal contracts or programs with CLHD.

### Methodology

To achieve its audit objective, OIG Audit interviewed essential personnel from the purchasing, accounts payable, and accounting departments within the City of Laredo Finance Services Department. Through these interviews, auditors gained an understanding of the WIC policies and procedures for processing WIC expenses and the expense reimbursement process.

OIG Audit also interviewed leadership at CLHD and the City of Laredo Finance Services Department to assess the oversight and governance that leadership exercises over the CLHD WIC program. In addition, OIG Audit consulted Texas HHSC WIC staff to clarify various WIC federal and state financial requirements.

Based on interviews with leadership and personnel at CLHD and the City of Laredo Finance Services Department, auditors acquired a clear understanding of (a) the oversight of the WIC program conducted by the City of Laredo Finance Services Department and (b) the governance applied by City of Laredo leadership over the WIC program. Accordingly, auditors requested WIC transactional data from the City of Laredo Finance Services Department for the period from October 1, 2019, through February 28, 2021.

As a WIC service provider, CLHD is required to follow accounting policies and procedures defined under the Code of Federal Regulations, the HHSC WIC contracts and amendments, and the Texas WIC HHSC Policy and Procedures Manual. Auditors reviewed CLHD's system of internal controls, including

components of internal control,<sup>1</sup> within the context of the audit objective. The City of Laredo Finance Services Department performs all accounting functions for CLHD's WIC program and provided OIG Audit with explanations and documentation on the accounting policies, procedures, and controls used to ensure compliance with WIC financial requirements.

Auditors selected a risk-based, non-statistical sample of 79 paid checks totaling \$177,504 to verify for data accuracy. Testing involved matching WIC transactions to the general ledger.

Auditors selected a non-statistical sample of 85 WIC transactions totaling \$81,470.79 for federal fiscal year 2020 and \$22,497.28 for federal fiscal year 2021. This sample was tested for proper accounting controls and procedures. Testing included:

- Proper approvals for purchase requisitions and purchase orders
- Matching quote and bid requirements
- Matching invoices and purchase orders
- Reconciling transactions between the WIC general ledger and Texas HHSC form 4116 for WIC cost reimbursement

Auditors selected a non-statistical sample of 25 WIC transactions totaling \$92,832.55 from three general ledger expense categories to test for allowable costs. These WIC general ledger categories were clothing and linens; furnishings; and building maintenance. Testing involved verifying cost categories to the Code of Federal Regulations for the WIC Program.

Auditors selected and reviewed nine monthly WIC reimbursement requests to HHSC on form 4116. For the selected reimbursement requests reviewed, the dollar amounts verified agreed to the CLHD balance sheet without exception.

Because these samples were non-statistical samples, the results cannot be projected to the intended population.

## Objective and Scope

The audit objective was to determine if the CLHD WIC program had financial processes and controls in place to ensure compliance with applicable federal and state program rules, guidelines, and contractual requirements for the HHSC WIC program.

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<sup>1</sup> For more information on the components of internal control, see the United States Government Accountability Office's *Standards for Internal Control in the Federal Government*, (Sept. 2014), <https://www.gao.gov/assets/gao-14-704g.pdf> (accessed Apr. 16, 2021).

The audit scope focused on testing CLHD WIC accounting controls and high-risk WIC program costs during the period from October 1, 2019, through February 28, 2021.

These activities involved reviewing CLHD WIC's system of internal controls, including significant accounting internal controls related to the requisition, procurement, payment, cost reimbursement, accounts receivable, revenue recognition, and reconciliation processes for CLHD WIC expenses and revenues incurred during the audit period.

## Criteria

OIG Audit used the following criteria to evaluate the information provided:

- 2 C.F.R. §§ 200.403 (2013 through 2020), 200.404 (2014), 200.405 (2014 through 2020), 200.439 (2014 through 2020), 200.452 (2013 through 2020), and 200.453 (2014)
- 7 C.F.R. §§ 246.13 (2018), 246.16 (2014), and 246.17 (2018)
- Texas HHSC Contract #2017-049856-001 (2016), as amended
- Texas HHSC Contract #HHS000804900001 (2020)
- Texas WIC HHSC Policy and Procedures Manual, §§ AC:01.0, AC:02.0, AC:03.0, AC:18.0, and AC:22.0 (2019)

## Auditing Standards

### Generally Accepted Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Section 2: Report Team

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### Report Team

OIG staff members who contributed to this audit report include:

- Audrey O’Neill, CIA, CFE, CGAP, Chief of Audit and Inspections
- Kacy J. VerColen, CPA, Deputy Inspector General of Audit and Inspections
- Joel A. Brophy, CIA, CFE, CRMA, CICA, Audit Director
- Donna Knapp, CPA, CFF, CITP, CFE, CVA, Audit Project Manager
- Enrico Palage, Senior Auditor
- Aleah Mays-Williams, Associate Auditor
- Marcos Castro, CIGA, Staff Auditor
- Karen Mullen, CGAP, Quality Assurance Reviewer
- Ashley Rains, CFE, Senior Audit Operations Analyst

### Report Distribution

#### Health and Human Services

- Cecile Erwin Young, Executive Commissioner
- Kate Hendrix, Chief of Staff
- Maurice McCreary, Jr., Chief Operating Officer
- Victoria Ford, Chief Policy and Regulatory Officer
- Karen Ray, Chief Counsel
- Michelle Alletto, Chief Program and Services Officer
- Jose Perez, Director, Rehabilitation and Independent Living Management
- Lindsay Rodgers, Director, Health, Developmental and Independence Services
- Edgar Curtis, Director, WIC
- Nicole Guerrero, Director of Internal Audit

City of Laredo Health Department

- Jose Magana, Accounting Supervisor
- Richard Chamberlain, Health Director
- Guillermo Walls, WIC Director

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## **Section 3: OIG Mission, Leadership, and Contact Information**

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The mission of OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG's mission and statutory responsibility includes:

- Sylvia Hernandez Kauffman, Inspector General
- Susan Biles, Chief of Staff
- Dirk Johnson, Chief Counsel
- Christine Maldonado, Chief of Operations and Workforce Leadership
- Juliet Charron, Chief of Strategy
- Steve Johnson, Chief of Investigations and Reviews

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- Phone: 1-800-436-6184

### **To Contact OIG**

- Email: [OIGCommunications@hhs.texas.gov](mailto:OIGCommunications@hhs.texas.gov)
- Mail: Texas Health and Human Services  
Office of Inspector General  
P.O. Box 85200  
Austin, Texas 78708-5200
- Phone: 512-491-2000