



STATE OF MICHIGAN

RICK SNYDER  
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

NICK LYON  
DIRECTOR

December 6, 2016

Dorie Vazquez-Nolan, Executive Director  
Macomb County Child Advocacy Center – Care House  
131 Market Street  
Mount Clemens, MI 48043

Dear Ms. Vazquez-Nolan:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the Macomb County Child Advocacy Center – Care House VOCA Program for the period October 1, 2014 through September 30, 2015.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions, Findings and Recommendations; Statement of Grant Program Revenues and Expenditures; Corrective Action Plan; and Comments and Recommendations. The Conclusions, Findings, and Recommendations are organized by audit objective. The Corrective Action Plan and Comments and Recommendations include the agency's paraphrased response to the Preliminary Analysis, and the Bureau of Audit, Reimbursement, and Quality Assurance's response to those comments where necessary. Further action is needed with respect to procedures for determining cost allowability, documented procurement procedures, and updating payroll records.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Debra S. Hallenbeck, Manager  
Quality Assurance and Review  
Bureau of Audit, Reimbursement and Quality Assurance

Enclosure

cc: Pam Myers, Director, Bureau of Audit, Reimbursement and Quality Assurance  
James McCurtis Jr., Director, Crime Victim Services Commission  
Leslie O'Rielly, VOCA Program Specialist, Crime Victim Services Commission  
Robert Haske, Auditor, Bureau of Audit, Reimbursement and Quality Assurance  
Michele Majewski, Finance Director, Macomb County Child Advocacy Center – Care House

# Audit Report

Macomb County Child Advocacy Center – Care House

Victims of Crime Act  
Victim Assistance Program

October 1, 2014 – September 30, 2015



Bureau of Audit, Reimbursement, and Quality Assurance  
Quality Assurance and Review  
December 2016

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## **DESCRIPTION OF AGENCY**

The Macomb County Child Advocacy Center – Care House is organized as a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code and is located in Mount Clemens, Michigan. The Macomb County Child Advocacy Center – Care House operates under the legal supervision and control of its Board of Directors which consists of 25 members. The Macomb County Child Advocacy Center – Care House provides services to victims of child sexual and physical abuse for the residents of Macomb County. These services include support, information and educational programs to child victims and their families.

## **FUNDING METHODOLOGY**

The Macomb County Child Advocacy Center – Care House Victim Assistance Program is funded from donations and a grant program from the Michigan Department of Health and Human Services (MDHHS). MDHHS provided the Macomb County Child Advocacy Center – Care House with monthly grant funding based on Financial Status Reports in accordance with the terms and conditions of the grant agreement and budget. The Victims of Crime Act (VOCA) Program was funded by federal funding under federal catalog number 16.575.

## **PURPOSE AND OBJECTIVES**

The purpose of this audit was to assess the VOCA Program financial reporting and to determine the MDHHS share of VOCA Program costs according to the applicable program guidelines. The following were the specific objectives of the audit:

1. To assess the Macomb County Child Advocacy Center – Care House effectiveness and accuracy in reporting their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, program standards and generally accepted accounting principles.
2. To determine the MDHHS share of costs and Macomb County Child Advocacy Center – Care House match for the VOCA Program in accordance with applicable MDHHS requirements and agreements, applicable federal standards and program standards as well as any balance due to or due from the Macomb County Child Advocacy Center – Care House.

## **SCOPE AND METHODOLOGY**

We examined the Macomb County Child Advocacy Center – Care House records and activities for the fiscal period October 1, 2014 to September 30, 2015. Our review procedures included the following:

- Reviewed the most recent Macomb County Child Advocacy Center – Care House Single Audit Report for any VOCA Program related concerns.
- Reviewed the most recent Crime Victim Services Commission (CVSC) site visit report.
- Reviewed the Grant Application, Budget, Program Assurances, Trial Balance and General Ledger.
- Reviewed policies to make sure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Subrecipient Questionnaire and DOJ Financial Capability Questionnaire.
- Reconciled the Final VOCA Program Financial Status Report (FSR) and MDHHS payment schedule to the accounting records.
- Examined payroll records.
- Tested a sample of both payroll and non-payroll expenditures for program compliance; and adherence to policies, federal and program guidelines and approval procedures.
- Reviewed required match for program compliance.
- Reviewed financial records to make sure supplanting of federal awards did not occur.

Our audit did not include a review of program content or quality of services provided.

## **CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

### **FINANCIAL REPORTING**

**Objective 1:** To assess the Macomb County Child Advocacy Center – Care House effectiveness and accuracy in reporting their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, program standards and generally accepted accounting principles.

**Conclusion:** The Macomb County Child Advocacy Center – Care House generally reported their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, program standards and generally accepted accounting principles. However, we identified one finding relating to the accuracy of accounting records (Finding 1).

## **Finding**

### **1. FICA Overstated on the FSR**

The Macomb County Child Advocacy Center – Care House incorrectly included family optical and dental insurance premiums paid by an employee as a post-tax deduction when calculating Fringe Benefits to report on the FSR when in fact it was correctly included as a pre-tax deduction on the employee's payroll records by the third party payroll processor, resulting in Fringe Benefits, specifically FICA, being overstated on the FSR.

The Department of Justice (DOJ) Office of Justice Programs (OJP) Financial Guide, Part II, Section 2.3, requires an adequate accounting system to support "financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of the award or subaward." Since FICA was overstated on the FSR, the accuracy of financial reporting is jeopardized. Good financial controls to ensure allowability of costs charged to the VOCA grant include procedures to ensure FICA is calculated correctly.

Without the accountability provided by this control, the accuracy and reliability of accounting records is jeopardized. Also, since only allowable costs are eligible for reimbursement, reporting only allowable costs on the Financial Status Report is crucial for an accurate report and proper reimbursement under the grant and to comply with federal regulations.

Since the optical and dental insurance premiums paid by an employee were recorded as post-tax deductions when they should have been recorded as pre-tax deductions, fringe benefits were estimated to have been overstated on the FSR by \$96 for the year. However, no reimbursement to MDHHS is necessary as other costs were incurred for the VOCA Program that were not reported on the FSR, and the net amount of overstatement is immaterial to the grant as a whole.

## **Recommendation**

We recommend the Macomb County Child Advocacy Center – Care House implement the proper controls and procedures to ensure all deductions are properly included as either pre-tax or post-tax deductions to comply with applicable regulations.

## **MDHHS SHARE OF COSTS AND BALANCE DUE**

**Objective 2:** To determine the MDHHS share of costs and the Macomb County Child Advocacy Center – Care House match for the VOCA Program in accordance with applicable MDHHS requirements and agreements, applicable federal standards and program standards as well as any balance due to or due from the Macomb County Child Advocacy Center – Care House.

**Conclusion:** The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2015, is \$275,180; and the Macomb County Child Advocacy Center – Care House match obligation is \$68,795. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting VOCA grant program funding.

**Care House/Macomb Co. Child Advocacy Center  
VOCA - Crime Victims Assistance Program  
Statement of Grant Program Revenues and Expenditures  
10/1/14 - 9/30/15**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$275,180	\$275,180 <sup>1</sup>	\$0	\$275,180
Contributions – Match	\$2,185	\$2,185	\$0	\$2,185
Volunteer – Match	\$66,610	\$66,610	\$0	\$66,610
<b>TOTAL REVENUES</b>	<b>\$343,975</b>	<b>\$343,975</b>	<b>\$0</b>	<b>\$343,975</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$195,240	\$191,128	\$0	\$191,128
Fringe Benefits	\$37,858	\$36,306	\$0	\$36,306
Volunteer Salaries & Wages	\$66,610	\$66,610	\$0	\$66,610
Contractual	\$23,840	\$24,532	\$0	\$24,532
Supplies & Materials	\$13,590	\$18,178	\$0	\$18,178
Travel	\$3,585	\$3,645	\$0	\$3,645
Other	\$3,252	\$3,576	\$0	\$3,576
<b>TOTAL EXPENDITURES</b>	<b>\$343,975</b>	<b>\$343,975</b>	<b>\$0</b>	<b>\$343,975</b>

<sup>1</sup> Actual MDHHS payments.



## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** FICA Overstated on the FSR

The Macomb County Child Advocacy Center – Care House incorrectly included family optical and dental insurance premiums paid by an employee as a post-tax deduction when calculating Fringe Benefits to report on the FSR when in fact it was correctly included as a pre-tax deduction on the employee's payroll records by the third party payroll processor, resulting in Fringe Benefits, specifically FICA, being overstated on the FSR.

**Recommendation:** Implement the proper controls and procedures to ensure all deductions are properly included as either pre-tax or post-tax deductions to comply with applicable regulations.

**Comments:** The Macomb County Child Advocacy Center – Care House was not aware that family dental and optical were being deducted pre-tax from the employee's pay, as this was the first time any staff had opted to pay for the additional coverage for family (The Macomb County Child Advocacy Center - Care House pays for individual benefits of employees).

**Corrective Action:** Since Macomb County Child Advocacy Center – Care House is now aware of employee family medical coverage being deducted on a pre-tax basis, we have adjusted for the accounting of that specific employee's payroll (and will do so for any other employees with the same situation). For the 2015/2016 grant year, the taxes were adjusted in the Final FSR for the year to reconcile to the amount deducted for Social Security and Medicare (and not the blanket 7.65% of gross wages, as it was being calculated).

**Anticipated  
Completion Date:** FYE 2016

**MDHHS Response:** None.

## **Comments and Recommendations**

### **1. No Travel Reimbursement Policy**

The Macomb County Child Advocacy Center – Care House does not have a written travel reimbursement policy as required by federal regulation. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Requirements), 2 CFR 200, Part 474 requires a written travel reimbursement policy. Also, good financial controls over travel expense reporting include the establishment of a written travel policy. We recommend the Macomb County Child Advocacy Center – Care House develop a written travel reimbursement policy to ensure travel expenses are properly monitored and accounted for, and to comply with applicable regulations.

#### **Management Response:**

A formal Fiscal Policy and Procedures document was created and approved by the Executive Committee of the Care House Board of Directors on Friday, November 18, 2016. Included in this document is a travel reimbursement policy (see VI).

#### **MDHHS Response:**

The Fiscal Policy and Procedures, approved November 18, 2016, with respect to travel reimbursement, satisfies the Uniform Requirements, 2 CFR 200, Part 474.

### **2. No Written Procedures for Determining Cost Allowability**

The Macomb County Child Advocacy Center – Care House does not have written procedures for determining cost allowability as required by federal regulation. The Uniform Requirements, 2 CFR 200, Part 302 (b) (7) requires written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of 2 CFR 200 and the terms and conditions of the federal award. Also, good financial controls to ensure the allowability of costs charged to the VOCA grant include the establishment of cost allowability procedures. We recommend the Macomb County Child Advocacy Center – Care House develop written procedures for determining cost allowability to ensure the allowability of costs is properly determined and to comply with applicable regulations.

#### **Management Response:**

A formal Fiscal Policy and Procedures document was created and approved by the Executive Committee of the Care House Board of Directors on Friday, November 18, 2016. Included in this document is a policy on allowable/unallowable costs (see XID).

#### **MDHHS Response:**

The Fiscal Policy and Procedures, approved November 18, 2016, includes allowable and unallowable costs. However, it does not include the *procedures* (e.g. review and approval) for determining cost allowability as required by the Uniform Requirements, 2 CFR 200, Part 302 (b) (7). We recommend expanding the Fiscal Policy and Procedures to incorporate the procedures for determining cost allowability.

### **3. No Documented Procurement Procedures**

The Macomb County Child Advocacy Center – Care House does not have documented procurement procedures as required by federal regulation. The Uniform Requirements, 2 CFR 200, Part 318 requires documented procurement procedures, and the procedures must conform to the standards identified in Part 318. Minimally, the following should be addressed/considered in the written procurement procedures:

- Oversight to ensure contractors perform in accordance with contracts or purchase orders.
- Procedures to avoid the acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, purchase of federal surplus property instead of new, entering into interagency agreements for use or procurement of commonly used goods or services, and any other appropriate analysis to determine the most economical approach.
- Maintaining a history of procurement including the rationale for the procurement method, contractor selection, and basis for price.
- Procedures to ensure procurement transactions are conducted in a manner providing full and open competition.
- Ensuring all solicitations incorporate a clear and accurate description of specifications and all requirements, and what bids and proposals will be evaluated on.
- Awarding contracts on a basis other than cost alone such as integrity, record of past performance and resources available.
- Micropurchases (aggregate dollar amount \$3,000 or less) may be awarded without competitive quotes as long as the price is reasonable.
- Small purchases (aggregate dollar amount \$3,001 to \$150,000) quotations must be obtained from an adequate number of qualified sources.
- Bidding and proposals procedures in compliance with Federal regulations.

We recommend the Macomb County Child Advocacy Center – Care House develop written procurement procedures to ensure proper procurement procedures are followed and to comply with applicable regulations.

#### **Management Response:**

A formal Fiscal Policy and Procedures document was created and approved by the Executive Committee of the Care House Board of Directors on Friday, November 18, 2016. Included in this document is a formal purchasing and procurement policy (see IV).

#### **MDHHS Response:**

The Fiscal Policy and Procedures did not satisfy the Uniform Requirements, 2 CFR 200, Part 318 as the majority of the items listed above were not incorporated. We recommend expanding the Fiscal Policy and Procedures to address all items listed above.

#### **4. Payroll Records Not Updated with Name Change**

The Macomb County Child Advocacy Center – Care House did not completely update their payroll records with a name change when an employee got married and changed their name resulting in the Employee Check Register not matching the Employee Funding Distribution Time Reports. The DOJ OJP Financial Guide, Part II, Section 2.3, requires an adequate accounting system to support “financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of your award or subaward.” Since the volunteer’s name on the Employee Check Register did not agree with the Employee Funding Distribution Time Report, accuracy of accounting records was jeopardized. Good financial controls over payroll records include accurately and completely updating those records after an employee changes their name. We recommend that the Macomb County Child Advocacy Center – Care House implement policies and procedures to ensure all payroll documents are properly updated when an employee changes their name.

##### **Management Response:**

The policy of the Macomb County Child Advocacy Center – Care House regarding employee status changes (name, address, etc.) is to notify the payroll company once all required documentation from the employee is received. With regard to a name change, both the updated driver’s license and social security card are needed to make the change with the payroll company. The normal practice would be to make the change with the payroll company, then request an amendment with VOCA to submit the name change. This would normally take place within a month after the name change has occurred as it has to be submitted within 30 days.

With regard to the referenced employee, the employee was married on April 19, 2015 and was out on leave until May 11<sup>th</sup>. The Macomb County Child Advocacy Center – Care House made the payroll change with the payroll company for the payroll period May 4 – May 17, 2015 with pay date of May 21, 2015. The Macomb County Child Advocacy Center – Care House requested the VOCA amendment on May 15, 2015. It took almost a week for the amendment to become available. Also, since there were other items being amended, it took the next 10 days (going into June, 2015) for the amendment to be finalized between our office and our VOCA liaison, and finally was submitted on June 1, 2015.

##### **MDHHS Response:**

The name was correctly changed by the payroll company, but the Employee Funding Distribution Time Report for June 30, 2016 still showed the former name. We recommend that the Macomb County Child Advocacy Center – Care House implement policies and procedures to ensure all payroll documents are properly updated when an employee changes their name.

## **5. Meals Recorded in Mileage General Ledger Account**

The Macomb County Child Advocacy Center – Care House recorded meals expense in the same general ledger account as mileage reimbursement expense when a separate account was available for meals expense. The DOJ OJP Financial Guide, Part II, Section 2.3, requires an adequate accounting system to support “financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of the award or subaward.” Since not all of the meals expenses were recorded in the correct account, the accuracy of financial reporting is jeopardized. Good financial controls over the accuracy of costs charged to the VOCA grant include recording expenses in the proper general ledger account. We recommend the Macomb County Child Advocacy Center – Care House implement policies and procedures to ensure expenses are recorded in the proper general ledger account.

### **Management Response:**

The Macomb County Child Advocacy Center – Care House records meals expense in the meals general ledger subaccount and mileage expense in the mileage general ledger subaccount of Travel & Training. It is the policy of The Macomb County Child Advocacy Center – Care House to separately track and categorize these expenses. If a misclassification should occur, it will be properly reclassified to the correct account immediately upon discovery of the misclassification.

### **MDHHS Response:**

None.