



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

March 13, 2017

Patricia Rosen, Executive Director
CARE House of Oakland County
44765 Woodward Avenue
Pontiac, MI 48341

Dear Ms. Rosen:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the CARE House of Oakland County's 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.

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
Trey Hart, Director of Communications and Grants, CARE House of Oakland County

Audit Report

CARE House of Oakland County
Victims of Crime Act
Victim Assistance Program

October 1, 2014 – September 30, 2015



Bureau of Audit, Reimbursement, and Quality Assurance
Quality Assurance and Review
March 2017

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DESCRIPTION OF AGENCY

CARE House of Oakland County is a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code and is located in Pontiac, Michigan. CARE House of Oakland County operates under the legal supervision and control of its Board of Trustees which consist of 28 members. CARE House of Oakland County provides services to victims of child sexual abuse, child physical abuse, and neglect for the residents of Oakland County. These services include education, advocacy, intervention, forensic interviews, therapy, treatment, and support groups to victims and their families.

FUNDING METHODOLOGY

CARE House of Oakland County's Victim Assistance Program is funded from local funds and a grant program from the Michigan Department of Health and Human Services (MDHHS). MDHHS provided CARE House of Oakland County 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 CARE House of Oakland County's financial reporting and to determine the MDHHS share of VOCA Program costs according to the applicable program regulations. The following were the specific objectives of the audit:

1. To assess CARE House of Oakland County's effectiveness and accuracy in reporting their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable Federal regulations, program standards and generally accepted accounting principles.
2. To determine the MDHHS share of costs and CARE House of Oakland County's 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 CARE House of Oakland County.

SCOPE AND METHODOLOGY

We examined CARE House of Oakland County's records and activities for the fiscal period October 1, 2014 to September 30, 2015. Our review procedures included the following:

- Reviewed the most recent CARE House of Oakland County Financial Statement 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 ensure 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 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 ensure 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 CARE House of Oakland County's effectiveness and accuracy in reporting their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable Federal regulations, program standards and generally accepted accounting principles.

Conclusion: CARE House of Oakland County generally reported their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable Federal regulations, program standards and generally accepted accounting principles. However, we found exceptions relating to the FSR and accounting records not agreeing (Finding 1), and the salary for one employee reported at budget rather than actual (Finding 2).

Finding

1. FSR and Accounting Records Do Not Agree

CARE House of Oakland County's accounting records do not agree with FSR reported amounts.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Requirements), 2 CFR 200, Part 302 (a) requires that non-Federal entity's "financial management systems...must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to Federal statutes, regulations, and the terms and conditions of the Federal award." Part 302 (b) (4) requires "Effective control over, and accountability for, all funds, property, and other assets." Similar language can be found in the 2014 Department of Justice (DOJ) Office of Justice Programs (OJP) Financial Guide in Part II, Section 2.3 which required an adequate accounting system that includes "Financial reporting that is accurate, current, complete, and compliant..." and "Accounting systems should be able to account for award funds separately (no commingling of funds)."

We found the following discrepancies when attempting to reconcile the FSR to the general ledger:

- Salary and wages on the FSR is \$10,625 less than what is on the general ledger.
- FICA on the FSR is \$616 less than what is on the general ledger.
- Unemployment on the FSR is \$360 less than what is on the general ledger.
- Medical Insurance on the FSR is \$864 less than what is on the general ledger.
- Life, LTD, and STD Insurance on the FSR is \$120 less than what is on the general ledger.
- Workers Compensation on the FSR is \$405 less than what is on the general ledger.
- Professional Liability Insurance on the FSR is \$821 less than what is on the general ledger.

The above discrepancies appear to have been caused by estimations used for reporting, and FSR reporting restrictions in place during FYE 2015 that essentially required the manipulation of reported amounts so they agreed with budgeted amounts. Documentation should be retained to support the differences and the reasons to help ensure accountability and allocability of program funding. Without the accountability provided by this financial reporting control the accuracy and completeness of FSR reporting is jeopardized. Also, accurate financial reporting, and accurate and complete accounting records are requirements in order to comply with Federal regulations.

Recommendation

We recommend CARE House of Oakland County maintain a reconciliation of the expenditures reported on the FSR and expenditures contained in the general ledger with differences identified and explained to ensure accountability and allocability of program funding.

Finding

2. Salary Reported at Budget Rather Than Actual

CARE House of Oakland County reported the salary of one employee on the FSR Detail Report at the budgeted amount of 50% which did not agree with Employee Funding Distribution Time Reports.

CARE House of Oakland County reported one employee at 50% VOCA funded for the entire year on the FSR. However, of the 261 days worked, 45 days were other than 50% VOCA with 23 days being 18% VOCA and 22 days being 100% VOCA.

The DOJ OJP Financial Guide, Part III, Section 3.9 states: "Where grant recipients work on multiple grant programs or cost activities, a reasonable allocation of costs to each activity must be made based on time and/or effort reports (e.g. timesheets). These reports must: Reflect an after-the-fact distribution of the actual activity of each employee." Good controls over financial accountability include salary allocation based on actual hours.

No adjustment was made because the overall monetary effect on the VOCA Program is insignificant.

Recommendation

We recommend CARE House of Oakland County allocate salaries to the VOCA Program based on the actual after-the-fact hours worked instead of the budgeted hours.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs and CARE House of Oakland County's 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 CARE House of Oakland County.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2015, is \$316,322; and CARE House of Oakland County's match obligation is \$79,081. 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 of Oakland County
VOCA Crime Victim Assistance Grant
Statement of Grant Program Revenues and Expenditures
10/1/14 - 9/30/15**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$316,322	\$316,322 ¹	\$0	\$316,322
Contributions - Match	\$17,522	\$17,522	\$0	\$17,522
Volunteer - Match	\$61,559	\$61,559	\$0	\$61,559
TOTAL REVENUES	\$395,403	\$395,403	\$0	\$395,403
EXPENDITURES:				
Salary & Wages	\$282,473	\$282,473	\$0	\$282,473
Fringe Benefits	\$51,371	\$51,370	\$0	\$51,370
Volunteer Wages	\$57,184	\$57,185	\$0	\$57,185
Volunteer Fringe	\$4,375	\$4,375	\$0	\$4,375
TOTAL EXPENDITURES	\$395,403	\$395,403	\$0	\$395,403

¹ Actual MDHHS payments.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **FSR and Accounting Records Do Not Agree**

CARE House of Oakland County's accounting records do not agree with FSR reported amounts.

Recommendation: Maintain a reconciliation of the expenditures reported on the FSR and expenditures contained in the general ledger with differences identified and explained to ensure accountability and allocability of program funding.

Comments: Actual program specific expenditures are tracked in the general ledger; the FSR is limited by the budget. CARE House wants to understand the total costs of providing programming, even if the costs exceed contract reimbursement.

Corrective Action: A reconciliation will be prepared when the final FSR is completed if funds expended for the grant exceed the amount allowed in the grant in order to allow the funding agency to see our methodology.

Anticipated

Completion Date: 3/1/17

MDHHS Response: None.

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: Salary Reported at Budget Rather Than Actual

CARE House of Oakland County reported the salary of one employee on the FSR Detail Report at the budgeted amount of 50% which did not agree with Employee Funding Distribution Time Reports.

Recommendation: Allocate salaries to the VOCA Program based on the actual after-the-fact hours worked instead of the budgeted hours.

Comments: VOCA timesheets are completed every pay period based on hours worked. We have had several conversations with Departmental Grant Technicians on the proper way to fill out the VOCA timesheets for staff that are not 100% charged to the grant.

Corrective Action: Salaries will be allocated based on hours actually worked in the grant.

Anticipated

Completion Date: 3/1/17

MDHHS Response: None.

Comments and Recommendations

1. Accounting & Financial Policies and Procedures Manual References Outdated

CARE House of Oakland County's Accounting & Financial Policies and Procedures Manual references OMB Circulars A-122 and A-110 which were replaced by 2 CFR 200 as of 12/26/14. Agencies are allowed to comply with the outdated procurement standards for two fiscal years after 2 CFR 200 went into effect (until the end of the fiscal year ending 9/30/17) as long as they document their decision in their internal procurement policy, per 2 CFR 200.110(a). Good financial controls over accuracy of costs charged to the VOCA grant include making sure accounting and financial policies and procedures reference the correct standards. We recommend CARE House of Oakland County update their Accounting & Financial Policies and Procedures Manual with the correct references.

Management Response:

The financial policies and procedures manual has been updated to reflect the 2 CFR 200.

MDHHS Response:

None.

2. FSR Detail Report Does Not Reflect Accurate Hourly Wages

The FSR Detail Report did not reflect raises given throughout the fiscal year, resulting in the FSR salary expense being understated when compared to the ADP payroll reports. The DOJ OJP Financial Guide, Part II, Section 2.3 requires: "Financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of your award or subaward." The FSR Detail Report states, "If salary amount varies enter rate x the number of hours on separate lines." Good financial controls over the accuracy of costs charged to the VOCA grant include making sure reported employee salary rates are accurate. We recommend CARE House of Oakland County include all applicable rates on separate lines of the FSR Detail Report as instructed on the "Salaries and Wages" section of the FSR Detail Report.

Management Response:

At the time this FSR was completed it was not known that wages could be reported on two different lines. The employees' wages will be reported on separate lines if there is a change in pay during the grant year.

MDHHS Response:

None.

3. Employee Funding Distribution Time Reports Lack Detail

Employee Funding Distribution Time Reports lacked sufficient hour detail when compared to the “ADP Labor Distribution” report in 8 of the 18 reports tested. The Time Reports did not list sick leave, annual leave, and total regular hours as broken out by the ADP report. The DOJ VOCA Final Program Guidelines, Section IV, Subsection B, Part 8 requires the subrecipients to: “Comply with Federal Rules Regulating Grants... maintaining...daily time and attendance records specifying time devoted to allowable VOCA victim services.” The Crime Victim Assistance Grant Certified Assurances require the grantee to “maintain proper documentation for all paid grant and match staff and volunteer time reported by using the VOCA Employee Funding Distribution Time Report.” Good financial controls over the accuracy of costs charged to the VOCA grant include making sure employee hours are completely and accurately recorded. We recommend that CARE House of Oakland County implement the proper controls and procedures to ensure proper time records are maintained to comply with VOCA Guidelines and the Certified Assurances.

Management Response:

The Employee Funding Distribution Time Report is being used for all staff that are charged to the grant, however it does not have any fields where a staff person could indicate that a paid time off day was taken. We request training be provided to complete the Employee Funding Distribution Time Report for the recording of paid time off and when a person is only charged a certain percentage of time to the grant.

MDHHS Response:

The Employee Funding Distribution Time Report should be completed noting the total schedule the employee worked for each day and what program(s) the hours were charged to. Sick leave, annual leave, holidays, etc. should be labeled as such along with the number of hours used and in accordance with the agency’s policies and procedures. Hours should be totaled for each day at the bottom of the report.