



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

RICK SNYDER  
GOVERNOR

NICK LYON  
DIRECTOR

February 7, 2017

Dan Fry, Director of Business Health Services  
Bronson Battle Creek Hospital  
36 West Manchester Street  
Battle Creek, MI 49037

Dear Mr. Fry:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the Bronson Battle Creek Hospital 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 insufficient accounting records and documented procurement procedures.

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  
Joyce Siegel, Program Director, Bronson Battle Creek Hospital

# Audit Report

Bronson Battle Creek Hospital

Victims of Crime Act

Victim Assistance Program

October 1, 2014 – September 30, 2015



Bureau of Audit, Reimbursement, and Quality Assurance

Quality Assurance and Review

February 2017

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## **DESCRIPTION OF AGENCY**

Bronson Battle Creek Hospital is part of the Bronson Healthcare System and is located in Battle Creek, Michigan. Bronson Battle Creek Hospital operates under the legal supervision and control of the Bronson Healthcare System Board of Directors which consists of 17 members, three of which have ties to Bronson Battle Creek Hospital. Bronson Battle Creek Hospital provides services to victims of child sexual abuse, adult sexual assault and adults molested as children for the residents of Calhoun County. These services include support, information and educational programs to victims and their families.

## **FUNDING METHODOLOGY**

The Bronson Battle Creek Hospital Victim Assistance Program is funded from local sources and a grant program from the Michigan Department of Health and Human Services (MDHHS). MDHHS provided Bronson Battle Creek Hospital 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 Bronson Battle Creek Hospital'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 Bronson Battle Creek Hospital's 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 Bronson Battle Creek Hospital 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 Bronson Battle Creek Hospital.

## SCOPE AND METHODOLOGY

We examined Bronson Battle Creek Hospital records and activities for the fiscal period October 1, 2014 to September 30, 2015. Our review procedures included the following:

- Reviewed the most recent Bronson Battle Creek Hospital 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 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 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 Bronson Battle Creek Hospital's 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:** Bronson Battle Creek Hospital 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 related to the accuracy of accounting records (Finding 1).

## **Finding**

### **1. Insufficient Accounting Records**

Bronson Battle Creek Hospital had a lack of accounting records to sufficiently reconcile the final FSR to the general ledger.

The 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." The Department of Justice Financial Guide, Part II, Section 2.3, requires "Accounting systems should be able to account for award funds separately (no commingling of funds)," and to "account for each award separately."

Grant sheets are prepared monthly that list the revenues received and expenditures incurred by Bronson Battle Creek Hospital. The grant sheets list the revenues and expenditures for each grant in a separate column. In total, the grant sheets are supposed to reconcile to the general ledger. These sheets are also used to complete the monthly FSR's. We found the following issues in relation to agreeing the FSRs to the monthly grant sheets and the general ledger:

- Inability to sufficiently trace the salaries, fringe benefits, travel and other expenses on the VOCA FSR's to the monthly grant sheets and the general ledger.
- Supplies were recorded on the October 2015 grant sheets (in the next fiscal year of the grant) but should have been recorded on the September 2015 grant sheets.
- Expenditures were recorded on the general ledger in a different month than the month they were recorded on the FSR.
- Inability to differentiate what general ledger expense is local match and what expense is VOCA funded.

Without the accountability provided by this financial reporting control, the accuracy and completeness of accounting records is jeopardized. Also, accurate and complete accounting records are a requirement in order to comply with federal regulations.

## **Recommendation**

We recommend Bronson Battle Creek Hospital utilize separate cost centers for each grant received to achieve the ideal grant accountability system. However, if that is unable to be accomplished, then proper supplemental accounting records should be utilized for each grant program to ensure an accurate, complete and clear reconciliation from the general ledger to the FSR to comply with federal regulations.

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

**Objective 2:** To determine the MDHHS share of costs and Bronson Battle Creek Hospital 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 Bronson Battle Creek Hospital.

**Conclusion:** The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2015, is \$352,583 and the Bronson Battle Creek Hospital match obligation is \$88,146. 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.

Bronson Battle Creek Hospital  
VOCA - Crime Victims Assistance Program  
Statement of Grant Program Revenues and Expenditures  
10/1/14 - 9/30/15

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
<b>REVENUES:</b>				
MDHHS Grant	\$352,583	\$352,583 <sup>1</sup>	\$0	\$352,583
Local Funds - Match	\$17,474	\$17,474	\$0	\$17,474
Volunteer - Match	\$70,672	\$70,672	\$0	\$70,672
<b>TOTAL REVENUES</b>	<b>\$440,729</b>	<b>\$440,729</b>	<b>\$0</b>	<b>\$440,729</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$311,258	\$314,608	\$0	\$314,608
Fringe Benefits	\$41,285	\$39,596	\$0	\$39,596
Volunteers	\$65,650	\$65,650	\$0	\$65,650
Volunteer Fringe Benefits	\$5,022	\$5,022	\$0	\$5,022
Supplies & Materials	\$6,864	\$12,589	\$0	\$12,589
Travel	\$5,450	\$1,886	\$0	\$1,886
Other Expenses	\$5,200	\$1,378	\$0	\$1,378
<b>TOTAL EXPENDITURES</b>	<b>\$440,729</b>	<b>\$440,729</b>	<b>\$0</b>	<b>\$440,729</b>

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



## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Insufficient Accounting Records

Bronson Battle Creek Hospital had a lack of accounting records to sufficiently reconcile the final FSR to the general ledger.

**Recommendation:** Utilize separate cost centers for each grant received to achieve the ideal accountability system. However, if that is unable to be accomplished, then proper supplemental accounting records should be utilized for each grant program to ensure an accurate, complete, and clear reconciliation from the general ledger to the final FSRs to comply with federal regulations.

**Comments:** Written processes have been developed. The written process is kept in a separate electronic file in the Sexual Assault Services (SAS) Department, the Bronson finance department, and at the Bronson Health Foundation.

**Corrective Action:** Trial Balance presentation – Bronson Finance will export the trial balance each month to Excel. On the right side of the trial balance spreadsheet, each grant will be shown within columns which will break out the associated revenue and expenses by grant by month.

Recording of entries in the right period to coincide with the final FSR – Once the trial balance is sent to the Sexual Assault Services Director, no subsequent journal entries will be posted in the General Ledger to this department. Bronson Finance will implement a reconciliation cross check prior to financial statements being closed each month.

**Anticipated**

**Completion Date:** November 2016 financial statement close during December 2016.

**MDHHS Response:** The trial balance presentation should differentiate between match and VOCA expenses and be reconciled to the monthly FSR.

## Comments and Recommendations

### 1. No Written Procedures for Determining Cost Allowability

Bronson Battle Creek Hospital does not have written procedures for determining cost allowability as required by federal regulation. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (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 this part and the terms and conditions of the federal award." Good financial controls to ensure the allowability of costs charged to the VOCA grant include the establishment of written cost allowability procedures. We recommend Bronson Battle Creek Hospital develop written procedures for determining cost allowability to ensure the allowability of cost is properly determined and to comply with federal regulations.

#### Management's Response:

Written processes have been developed. The written process is kept in a separate electronic file in the SAS department, the Bronson finance department, and at the Bronson Health Foundation.

#### MDHHS Response:

The written processes included with the Corrective Action Plan, with respect to cost allowability, satisfy the Uniform Requirements, 2 CFR 200, Part 302 (b) (7).

### 2. No Documented Procurement Procedures

Bronson Battle Creek Hospital does not have documented procurement procedures as required by federal regulation. The Uniform Requirements, 2 CFR 200, Part 318 requires the non-federal entity to "use its own documented procurement procedures which reflect applicable state, local and tribal laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in this section." Minimally, the following should be addressed/considered in the written procurement procedures (as identified in 2 CFR 200, Part 318):

- 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 the consolidation 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.

- Awarding contracts on a basis other than cost alone such as integrity, record of past performance and resources available.
- 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.
- 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 Bronson Battle Creek Hospital develop documented procurement procedures to ensure proper procurement practices and compliance with federal regulations.

**Management's Response:**

Written processes have been developed. The written process is kept in a separate electronic file in the SAS department, the Bronson finance department, and at the Bronson Health Foundation.

**MDHHS Response:**

The written processes included with the Corrective Action Plan do not satisfy the Uniform Requirements, 2 CFR 200, Part 318 as the items listed above are not incorporated. Bronson Battle Creek Hospital plans to incorporate the above items into their procurement procedures by the end of February 2017 according to our additional follow-up.