



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

July 7, 2017

Dr. Jessica Edel Harrelson, Executive Director
S.A.F.E. Place
PO Box 199
Battle Creek, MI 49016-0199

Dear Dr. Jessica Edel Harrelson:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the S.A.F.E. Place VOCA Program for the period October 1, 2015 through September 30, 2016.

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 Plans; and Comments and Recommendations. The Conclusions, Findings, and Recommendations are organized by audit objective. The Corrective Action Plans 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,

Shannah Havens, CPA, CISA
Audit Section Manager
Population Health and Community Services Programs
Bureau of Audit, Reimbursement and Quality Assurance

Enclosure

cc: Pam Myers, Director, Bureau of Audit, Reimbursement and Quality Assurance
Deb Hallenbeck, Director, Audit Division
James McCurtis Jr., Director, Crime Victim Services Commission
Leslie O'Reilly, VOCA Program Specialist, Crime Victim Services Commission
Robert Haske, Auditor, Bureau of Audit, Reimbursement and Quality Assurance

Audit Report

S.A.F.E. Place
Victims of Crime Act
Victim Assistance Program

October 1, 2015 – September 30, 2016



Bureau of Audit, Reimbursement, and Quality Assurance
Audit Division
July 2017

TABLE OF CONTENTS

	Page
Description of Agency	1
Funding Methodology	1
Purpose and Objectives	1
Scope and Methodology	2
 <u>Conclusions, Findings, and Recommendations</u>	
<u>Financial Reporting</u>	2
1. VOCA Cost Center Does Not Reflect Total VOCA Activity and Unsupported Amounts Reported.....	3
2. Salary Distributions Not Adequately Supported.	4
3. Volunteer Match Reported at Budget Instead of Actual.	4
4. Cash Basis Used When Accrual Basis was Specified in the Application.	5
<u>MDHHS Share of Costs and Balance Due</u>	5
Statement of Grant Program Revenues and Expenditures	6
Corrective Action Plans.....	7
Comments and Recommendations.....	12

DESCRIPTION OF AGENCY

S.A.F.E. Place is a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code and their office is located in Battle Creek, Michigan. S.A.F.E. Place operates under the legal supervision and control of its Board of Directors which consists of 13 members. The services provided by S.A.F.E. Place include: education, information, counseling, therapy, and advocacy for victims of domestic violence for the residents of Calhoun County.

FUNDING METHODOLOGY

The S.A.F.E. Place Victim Assistance Program is funded from local funds and a grant program from the Michigan Department of Health and Human Services (MDHHS). MDHHS provided the S.A.F.E. Place 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 S.A.F.E. Place'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 S.A.F.E. Place'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 S.A.F.E. Place'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 S.A.F.E. Place.

SCOPE AND METHODOLOGY

We examined S.A.F.E. Place's records and activities for the fiscal period October 1, 2015 to September 30, 2016. Our review procedures included the following:

- Reviewed the most recent S.A.F.E. Place 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 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 S.A.F.E. Place'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: S.A.F.E. Place did not report 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. We found exceptions relating to the VOCA cost center not reflecting total VOCA activity and unsupported amounts being reported (Finding 1), salary distributions not adequately supported (Finding 2), volunteer match reported at budget instead of actual (Finding 3), and cash basis used when accrual basis was specified in the application (Finding 4).

Finding

1. VOCA Cost Center Does Not Reflect Total VOCA Activity and Unsupported Amounts Reported

S.A.F.E. Place recorded VOCA expenditures in non-VOCA general ledger accounts and reported expenditures that were not supported.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Requirements), 2 CFR 200, Part 302 (a) states 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) states, "The financial management system of each non-Federal entity must provide for the following...(3) Records that identify adequately the source and application of funds...(4) Effective control over, and accountability for, all funds, property, and other assets." Similar language can be found in the 2015 Department of Justice (DOJ) Office of Justice Programs (OJP) Financial Guide in Part II, Section 2.3 which requires 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)."

FSR reported amounts did not agree with the VOCA general ledger, and complete reconciliations were never received. We found that salaries and wages used as match were reported elsewhere, and unemployment expense was reported elsewhere on the agency's general ledger. After considering reconciling adjustments for these items, we found the following unsupported differences between the FSR and general ledger:

- Salaries and wages is higher on the FSR by \$256.
- Fringe Benefits is higher on the FSR by \$1,632.
- Travel is higher on the FSR by \$678.
- Supplies & Materials is higher on the FSR by \$5,779.
- Other Expenses is higher on the general ledger by \$10,795.

While the FSR reported line item amounts did not agree with the VOCA general ledger amounts, total VOCA expenditures included in the general ledger exceeded the total FSR reported amount so there is no impact on grant funds. The Statement of Grant Program Revenues and Expenditures show adjustments to reflect supported amounts.

Without the accountability provided by financial reporting controls, such as maintaining support for adjustments and differences between the FSR and general

ledger, the accuracy and completeness of FSR reporting is jeopardized. Also, accurate financial reporting and accurate and complete accounting records are requirements to comply with federal regulation.

Recommendation

We recommend S.A.F.E. Place adopt the appropriate steps to ensure the FSR completely reconciles with the general ledger and to ensure the FSR reflects actual expenses.

Finding

2. Salary Distributions Not Adequately Supported

S.A.F.E. Place did not maintain documentation to support the distribution of an employee's salary as required.

The Uniform Requirements, 2 CFR 200 Part 430 (i)(1) states, "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must... (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award."

One VOCA employee was tested that had their time allocated to multiple programs and none of the five related Employee Funding Distribution Time Reports (EFDTRs) showed that allocation. Since the EFDTRs did not list separately the hours worked on the VOCA and STOP Grants, the accuracy of salary distributions is jeopardized.

Recommendation

We recommend S.A.F.E. Place adopt the appropriate steps to ensure hours on the EFDTRs are listed separately for all activities and salaries and wages are distributed accordingly.

Finding

3. Volunteer Match Reported at Budget Instead of Actual

S.A.F.E. Place reported volunteer and volunteer fringe benefit match at the budget amounts instead of actual value.

The Crime Victim Assistance Grant Certified Assurances state, "Financial Status Reports (FSRs) shall be prepared and submitted to report total actual expenditures and value of volunteer in-kind contributions." Since the volunteer match was reported at the budget amount instead of actual, the accuracy of financial reporting

is jeopardized. Actual volunteer match was greater than the budget amount reported on the FSR and the matching requirement was still met.

Recommendation

We recommend S.A.F.E. Place adopt the appropriate steps to ensure all match amounts reported on the FSR are actual instead of budget amounts.

Finding

4. Cash Basis Used When Accrual Basis was Specified in the Application

S.A.F.E. Place accounted for and reported grant expenditures under the cash basis of accounting when the grant application stated the agency was using the accrual basis of accounting.

The 2016 VOCA Grant Application stated the agency used the accrual basis of accounting, when in fact the cash basis of accounting was used to account for expenses on the general ledger and the FSR. Good financial controls over the accounting system include ensuring the basis of accounting stated on the application is the same basis used to report expenditures in the general ledger and the FSR.

Recommendation

We recommend S.A.F.E. Place implement the proper controls and procedures to ensure the method of accounting stated on the grant application is used.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs and S.A.F.E. Place'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 S.A.F.E. Place.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$276,601 and the S.A.F.E. Place required match is \$69,150. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made adjustments, but none affected the VOCA Grant Program funding.

S.A.F.E. Place
VOCA Crime Victim Assistance Grant
Statement of Grant Program Revenues and Expenditures
10/1/15 - 9/30/16

	BUDGETED	REPORTED	AUDIT ADJUSTMENTS	ALLOWABLE
REVENUES:				
MDHHS Grant	\$300,000	\$276,601 ¹	\$0	\$276,601
Local Funds - Other	\$25,330	\$19,267	\$0	\$19,267
Volunteer - Match	\$49,670	\$49,883	\$0	\$49,883
TOTAL REVENUES	\$375,000	\$345,751	\$0	\$345,751
EXPENDITURES:				
Salary & Wages	\$191,166	\$181,665	(\$256) ^{2,3}	\$181,409
Fringe Benefits	\$47,128	\$40,602	(\$1,632) ^{2,3}	\$38,970
Volunteer	\$46,140	\$46,337	\$0	\$46,337
Volunteer Fringe Benefits	\$3,530	\$3,545	\$0	\$3,545
Travel	\$10,670	\$3,159	(\$678) ²	\$2,481
Supplies & Materials	\$32,076	\$24,005	(\$5,779) ^{2,3}	\$18,226
Equipment	\$37,330	\$41,345	\$0	\$41,345
Other	\$6,960	\$5,093	\$8,345 ²	\$13,438
TOTAL EXPENDITURES	\$375,000 □	\$345,751	\$0	\$345,751

¹ Actual MDHHS payments.

² Adjustments made to reflect VOCA cost center financial results.

³ Adjustments made to reflect VOCA financial activity not recorded in the VOCA cost center.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **VOCA Cost Center Does Not Reflect Total VOCA Activity and Unsupported Amounts Reported**

S.A.F.E. Place recorded VOCA expenditures in non-VOCA general ledger accounts and reported expenditures that were not supported.

Recommendation: Adopt the appropriate steps to ensure the FSR completely reconciles with the general ledger and to ensure the FSR reflects actual expenses.

Comments: Our agency recognizes that the accounting system is inappropriate and lacks the ability to accurately track funding streams and the expenses that should be applied to specific funding.

Corrective Action: Our agency has consulted with Plante Moran in Kalamazoo and with the Michigan Coalition to End Domestic and Sexual Violence's Financial Director, who have both been offering technical assistance with accounting and tracking. The staff member tasked with tracking and providing support for expenses has gained grant funding knowledge and will take training for the new accounting system that is being obtained and how to appropriately track revenue and expenses.

Anticipated

Completion Date: Started consulting with MCEDSV, Plante Moran, and another experienced Financial Officer in January 2017, and this assistance is ongoing. Plan to go live with the new accounting software by the end of the 2017 fiscal year.

MDHHS Response: None.

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: Salary Distributions Not Adequately Supported

S.A.F.E. Place did not maintain documentation to support the distribution of an employee's salary as required.

Recommendation: Adopt the appropriate steps to ensure hours on the EFDTRs are listed separately for all activities and salaries and wages are distributed accordingly.

Comments: The finding is accepted as stated.

Corrective Action: Our agency will be implementing a new timesheet on 6/16/17 that will track each employee's hours worked and funding source for those hours to assist in appropriately documenting the distribution of funds.

Anticipated

Completion Date: Completed

MDHHS Response: None.

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: Volunteer Match Reported at Budget Instead of Actual

S.A.F.E. Place reported volunteer and volunteer fringe benefit match at the budget amounts instead of actual value.

Recommendation: Adopt the appropriate steps to ensure all match amounts reported on the FSR are actual instead of budget amounts.

Comments: We acknowledge that the agency was incorrectly recording match hours.

Corrective Action: This issue was recognized as soon as the new Financial Officer assumed her role and has been corrected. We now have been using actual rather than budgeted hours since mid FY 2016.

Anticipated

Completion Date: Completed

MDHHS Response: None.

Corrective Action Plan

Finding Number: 4

Page Reference: 5

Finding: Cash Basis Used When Accrual Basis was Specified in the Application

S.A.F.E. Place accounted for and reported grant expenditures under the cash basis of accounting when the grant application stated the agency was using the accrual basis of accounting.

Recommendation: Implement the proper controls and procedures to ensure the method of accounting stated on the grant application is used.

Comments: We acknowledge that the agency was not using accrual accounting.

Corrective Action: The new staff in charge of financials and reporting has been receiving on-going training on proper controls and procedures for using the accrual basis instead of cash basis of accounting since the beginning of FY 2017. S.A.F.E. Place no longer uses the cash basis of accounting.

Anticipated

Completion Date: Completed.

MDHHS Response: None.

Comments and Recommendations

1. Incomplete Equipment Records

S.A.F.E. Place equipment records did not include the air conditioning system purchased with VOCA funds. The Uniform Requirements, 2 CFR 200, Part 313 (d)(1) lists specific requirements for property records that S.A.F.E. Place does not have incorporated. Good financial controls over equipment management include property records that contain all the required information. We recommend S.A.F.E. Place maintain appropriate property records that contain all the required information to ensure compliance with Federal regulation.

Management Response:

We understand our current procedure is insufficient via Federal Requirements. We are currently revising all agency financial policies and procedures to provide better financial controls and accurate maintenance of equipment records. In accordance with the Uniform Requirements, this policy will include the required information.

MDHHS Response:

None.

2. EFDTRs Not Maintained

S.A.F.E. Place did not maintain Employee Funding Distribution Time Reports (EFDTR) as required. Of the 16 total EFDTRs selected for testing, 2 could not be located. The 2015 DOJ OJP Financial Guide in Section 3.9 states, "Charges made to Federal awards for salaries, wages, and fringe benefits must be based on records that accurately reflect the work performed." The Crime Victim Assistance Grant Certified Assurances require the grantee to "maintain proper documentation for all paid grant staff reported by using the VOCA Employee Funding Distribution Time Report." Good financial controls over the accuracy of reported costs include completeness and accuracy of employee time records to ensure payroll is accurately reported and calculated. We recommend S.A.F.E. Place implement the proper controls and procedures to ensure EFDTRs are maintained for all VOCA funded employees to comply with Federal regulation and the Certified Assurances of the grant.

Management Response:

We acknowledge that the agency did not have an adequate procedure in place to ensure proper maintenance of EFDTR's. In the current funding year we have adopted a new practice whereby time records are not passed to the Financial

Officer for payment or to the Program Director for grant reporting until they have been signed by the employee, approved by the appropriate supervisor, and approved by the Executive Director. The practice has already been adopted. We are currently revising all agency policies and we expect this to be completed by the end of the fiscal year.

MDHHS Response:

None.

3. EFDTR Does Not Contain All Compensated Hours

S.A.F.E. Place's Employee Funding Distribution Time Reports (EFDTR) did not include all compensated hours as required. Of the 16 total EFDTRs selected for testing, 1 did not contain all of the employee's compensated hours. The DOJ OJP Financial Guide in Section 3.9 requires support of salaries and wages to "reflect the total activity for which the employee is compensated by the organization" and similar language can be found in the Crime Victim Assistance Grant Certified Assurances. The Crime Victim Assistance Grant Certified Assurances require the grantee to "maintain proper documentation for all paid grant staff reported by using the VOCA Employee Funding Distribution Time Report." Since the employee was salaried and charged 100% to the VOCA grant the dollar amount of the payroll was still accurate. Good financial controls over the accuracy of reported costs include completeness and accuracy of employee time records to ensure payroll is accurately reported and calculated. We recommend S.A.F.E. Place implement the proper controls and procedures to ensure employee time is accurate and properly represented to comply with Federal regulation and the Certified Assurances of the grant.

Management Response:

We acknowledge that the agency did not have an adequate procedure in place to ensure proper maintenance of EFDTR's. In the current funding year we have adopted a new practice whereby time records are not passed to the Financial Officer for payment or to the Program Director for grant reporting until they have been signed by the employee, approved by the appropriate supervisor, and approved by the Executive Director. Part of this approval process ensures that time sheets and EFDTR's contain all the employee's compensated hours. The practice has already been adopted. We are currently revising all agency policies and we expect this to be completed by the end of the fiscal year.

MDHHS Response:

None.

4. Travel Vouchers Do Not Contain Required Signatures

S.A.F.E. Place's travel vouchers lack required signatures. Of the 12 travel vouchers tested, S.A.F.E. Place had 2 that did not have the employee's signature and 2 that did not have the supervisor's signature. The Uniform Requirements, 2 CFR 200, Part 302 (b) states, "The financial management system of each non-Federal entity must provide for the following... (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation." Good financial controls over expenditures include properly signed travel vouchers to help ensure accuracy and proper control over federal funding and financial records. We recommend S.A.F.E. Place implement the necessary controls to ensure proper approval of all travel vouchers to ensure compliance with Federal regulation.

Management Response:

We acknowledge that the agency did not have an adequate procedure in place to ensure that travel vouchers contained approval signatures. We have already changed our procedure, whereby all vouchers must be signed by the employee and approved by the appropriate supervisor with a signature before being processed. The Executive Director also gives final approval of time sheets, EFDTR's, travel vouchers, and expense reimbursement sheets. The Financial Officer will not approve vouchers without the proper signatures. The practice has already been adopted. We are currently revising all agency policies and we expect this to be completed by the end of the fiscal year.

MDHHS Response:

None.

5. Expense Reimbursement Sheets Do Not Include Supervisory Approval

S.A.F.E. Place had three expense reimbursement sheets out of eight tested that did not have the proper supervisory approval. The Uniform Requirements, 2 CFR 200, Part 302 (b) states, "The financial management system of each non-Federal entity must provide for the following... (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation." Good financial controls over expenditures include proper approval before checks are written to help ensure accuracy and proper control over federal funding and financial records. We recommend S.A.F.E. Place implement the necessary controls to secure proper approval of all expense reimbursement sheets to ensure compliance with Federal regulation.

Management Response:

We acknowledge that the agency did not have an adequate procedure in place to ensure proper maintenance of expense reimbursement sheets. We have adopted a purchase request form that must be filled out by the employee and approved by the supervisor prior to purchase. In addition, the pre-approved expense will also be recorded on the employee's expense reimbursement sheet, which will not be reimbursed without proper signatures. The signatory practice for expense reimbursement sheets has already been adopted. We are currently revising all agency policies and we expect this to be completed by the end of the fiscal year.

MDHHS Response:

None.

6. Volunteer Match Distribution Time Reports Not Properly Completed

S.A.F.E. Place did not ensure all Volunteer Match Distribution Time Reports (VMDTRs) were properly completed. The Crime Victim Assistance Grant Certified Assurances require the grantee to "maintain proper documentation for all volunteer time reported by using the Volunteer Match Distribution Time Report." Of the 51 VMDTRs sampled, 26 did not have the supervisor's signature, 12 did not have the signature of the volunteer, 6 did not list the volunteer title, and 6 did not have the volunteer signature date. Good financial controls over the accuracy of grant match include completeness of time reports to ensure matching hours are accurately reported and calculated. We recommend S.A.F.E. Place implement the proper controls and procedures to ensure volunteer time reports are properly completed and approved to comply with the Certified Assurances of the grant.

Management Response:

We acknowledge that the agency did not have an adequate procedure in place that ensured all VMDTR's were properly completed. We have recently hired a new VOCA Volunteer Coordinator that will be responsible for overseeing all VMDTR's. This person will also be the volunteer supervisor that will approve VMDTR's. The Volunteer Coordinator will assure all VMDTR's have the necessary signatures prior to reporting the monthly statistics to the Financial Officer for inclusion on the FSR's. Prior to the new employee being trained, the Program Director is approving all VMDTR's. The practice has already been adopted. The new policy will be approved by the Board of Directors prior to the end of the fiscal year.

MDHHS Response:

None.

7. Travel Voucher Containing Mileage for the Christmas Party Incorrectly Used as Grant Match

S.A.F.E. Place used unallowed costs as grant match. Of the 12 travel vouchers tested, S.A.F.E. Place had one containing mileage for the Christmas Party that was incorrectly used as grant match. The Crime Victim Assistance Grant Certified Assurances state, "The Grantee assures that the match provided is restricted to the same uses as VOCA Crime Victim Assistance grant funds and that proper documentation will be maintained to support charges to the VOCA Crime Victim Assistance grant." Good financial controls over the allowability of costs include the proper procedures to ensure unallowed costs are not used as grant match. We recommend S.A.F.E. Place implement the proper procedures to ensure unallowed costs are not paid with VOCA funding or used as grant match.

Management Response:

We acknowledge what we have not had adequate financial controls for tracking allowable costs as grant match. We have already began a practice whereby all staff have been trained on what is and what is not allowable under the grant and recording time and expenses accordingly. All staff, including the Financial Officer, have received copies of their grant contracts which detail allowable and unallowable costs. Moreover, the Financial Officer reviews all travel vouchers and expenses to ensure they are allowable under the grant, and bills them to general fund if they are not allowable. The practice has already been adopted; the newly revised policy will be approved by the Board of Directors by the end of the current fiscal year.

MDHHS Response:

None.

8. Lack of Written Procedures for Determining Cost Allowability

S.A.F.E. Place does not have written procedures for determining cost allowability as required by Federal regulation. The Uniform Requirements, 2 CFR 200, Part 302 (b)(7) states "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 sufficient cost allowability procedures. We recommend S.A.F.E. Place develop sufficient written procedures for determining cost allowability to ensure the allowability of cost is properly determined and to comply with Federal regulation.

Management Response:

We acknowledge the agency has not had adequate financial policies that define how cost allowability is determined. We are currently revising all of our agency policies and will include this policy as recommended by the Uniform Requirements. The revised policies will be approved by the Board of Directors prior to the end of the current fiscal year.

MDHHS Response:

None.

9. Insufficient Conflict of Interest Policy

S.A.F.E. Place does not have language in its conflict of interest policy governing possible disciplinary actions for violations of the conflict of interest policy and defining when a conflict of interest occurs. The Uniform Requirements, 2 CFR 200, Part 318 ©(1) states, "The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity...Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract." Good financial controls over procurement include a conflict of interest policy that includes all the required information. We recommend S.A.F.E. Place include in its conflict of interest policy disciplinary actions for violations of the policy and a more inclusive description of when a conflict of interest occurs to ensure compliance with Federal regulation.

Management Response:

We acknowledge the agency does not have an adequate conflict of interest policy that complies with the Uniform Requirements. We are currently revising all of our agency policies and will include this policy as recommended by the Uniform Requirements, and that provides a more inclusive description of disciplinary actions that will follow such a conflict. The revised policies will be approved by the Board of Directors prior to the end of the current fiscal year.

MDHHS Response:

None.

10. Insufficient Equipment Management Policy

S.A.F.E. Place's equipment management policy does not address all the procedures as required by Federal regulation. The Uniform Requirements, 2 CFR 200, Part 313 (d) requires "Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place." Subparts (1) – (5) list specific requirements for the equipment management procedures that S.A.F.E. Place does not have incorporated into their policy. Good financial controls over equipment management include a policy that contains all the required information. We recommend S.A.F.E. Place approve an equipment management policy that contains all the required information to ensure compliance with Federal regulation.

Management Response:

We acknowledge that the agency does not have an adequate policy in place to ensure Federal purchased equipment is managed accordingly to Federal regulation. We are currently revising all agency policies and the Board of Directors will approve the new policies by the end of the current fiscal year. The revised policy will contain what is contained in the Uniform Requirements, 2 CFR 200.313 (d) (1)-(5).

MDHHS Response:

None.