



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

February 28, 2017

Kym Worthy, Prosecuting Attorney
Wayne County Prosecuting Attorney's Office
1441 Saint Antoine Street, Suite 1200
Detroit, MI 48226

Dear Ms. Worthy:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the Wayne County Prosecuting Attorney's Office 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 written procedures for determining cost allowability as noted in the Comments and Recommendations. Please ensure the revised policy is available for review during our next monitoring visit, which will likely occur at the end of this calendar year.

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
Rosalyn Gibson, Finance Director, Wayne County Prosecuting Attorney's Office

Audit Report

Wayne County Prosecuting Attorney Office

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

Wayne County was incorporated under Michigan Public Act 293 of 1967, as amended. Wayne County is governed by a Chief Executive Officer, who is elected on an at-large basis for a four year term and a County Commission comprised of 15 members elected by district on a partisan basis for two-year terms. The Wayne County Prosecuting Attorney Office is part of the general fund of Wayne County which is the reporting entity, and the administrative office is located in Detroit, Michigan. The Wayne County Prosecuting Attorney Office operates under the supervision of the citizens of Wayne County, since it is an elected position. The services provided by the Wayne County Prosecuting Attorney Office from VOCA funds are education, advocacy, and counseling for the victims of child physical abuse, child sexual abuse, domestic violence, adult sexual assault and elder abuse.

FUNDING METHODOLOGY

The Wayne County Prosecuting Attorney Office'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 the Wayne County Prosecuting Attorney Office 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 Wayne County Prosecuting Attorney Office'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 the Wayne County Prosecuting Attorney Office'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 the Wayne County Prosecuting Attorney Office's match for the VOCA Program in accordance with applicable MDHHS requirements and agreements, applicable federal regulations and program standards as well as any balance due to or due from the Wayne County Prosecuting Attorney Office.

SCOPE AND METHODOLOGY

We examined the Wayne County Prosecuting Attorney Office'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 Wayne County Single Audit and 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 the Wayne County Prosecuting Attorney Office'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: The Wayne County Prosecuting Attorney Office 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 identified one finding related to the inability to reconcile the FSR to the general ledger (Finding 1).

Finding

1. Inability to Reconcile the FSR to the General Ledger

The Wayne County Prosecuting Attorney Office's accounting records did not agree with the 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 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)."

"Billing for Period Ending" sheets are created monthly by staff that list a breakdown of grant expenditures for the current month and year-to-date. These sheets list VOCA employees with their respective salary and fringe grant funded amounts and match amounts. The September 30, 2015 sheet agreed with the FSR. However, the FSR reported amounts did not agree with the general ledger support, and either there was no documented explanation or support for the difference or there was supporting documentation for the difference but a correction was never made to the FSR. We found the following discrepancies:

- Grant revenue on the general ledger is short \$99,018, which is equal to the last three payments made for the grant year. There is \$95,423 recorded as deferred revenue leaving \$3,595 not recorded on the general ledger.
- Salaries and wages is higher on the general ledger by \$56,315 (\$42,070 of this was explained as salary to a victim services employee that was not grant funded. The other \$14,245 for overtime, premium pay and accumulated leave was omitted from reporting with no explanation).
- Retirement fringe benefits are overstated on the FSR by \$40,493.
- Unemployment fringe benefits are overstated on the FSR by \$1,176.
- Hospital insurance is higher on the general ledger by \$43,827.
- FICA is higher on the general ledger by \$2,447.
- Other (retirement or insurance) is higher on the general ledger by \$1,226.
- Disability is higher on the general ledger by \$182.
- Worker's Comp is higher on the general ledger by \$47.

Additionally, two versions of the "Reconciliation for Salaries" sheet were provided by the Wayne County Prosecuting Attorney Office, each reflecting different hourly rates and total hours worked. This was to make the bottom line charged to VOCA be equivalent before and after the \$63 payback to the CVSC. These sheets also did not match the FSR Detail Report for Salaries and Wages.

Contributing causes that lead to the discrepancies:

- Fringe benefit rates changed during the year and the general ledger was changed but the FSR was not. The result of this was the budgeted rate being charged to the VOCA grant and not the actual rate. When budgeted amounts are reported throughout the year, a year end “true up” of the reported amount needs to be made to adjust to actual.
- Reporting VOCA funded and match amounts to equal budget, with no documentation or support for adjustments made or how to trace that information to the general ledger.

Without the accountability provided by financial reporting controls, such as timely revising FSRs and 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 regulations.

While certain expenses were over-reported, the underreported amounts exceeded the over-reported amounts and no adjustments are recommended.

Recommendation

We recommend the Wayne County Prosecuting Attorney Office adopt policies and procedures to ensure the FSR agrees with the general ledger and maintenance of support that justifies any differences; and to ensure FSR Detail Reports reflect correct rates and actual expenses incurred.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs and the Wayne County Prosecuting Attorney Office’s match for the VOCA Program in accordance with applicable MDHHS requirements and agreements, applicable federal regulations and program standards as well as any balance due to or due from the Wayne County Prosecuting Attorney Office.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2015, is \$727,560 and the Wayne County Prosecuting Attorney Office match obligation is \$181,890. 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.

**Wayne County Prosecuting Attorney Office
VOCA - Crime Victim Assistance Program
Statement of Grant Program Revenues and Expenditures
10/1/14 - 9/30/15**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$727,623	\$727,560 ¹	\$0	\$727,560
Local Funds - Other	\$173,294	\$175,992	\$0	\$175,992
Volunteer - Match	\$8,612	\$5,898	\$0	\$5,898
TOTAL REVENUES	\$909,529	\$909,450	\$0	\$909,450
EXPENDITURES:				
Salary & Wages	\$516,202	\$507,000	\$0	\$507,000
Fringe Benefits	\$384,715	\$396,552	\$0	\$396,552
Volunteer Salaries & Wages	\$8,000	\$5,479	\$0	\$5,479
Volunteer Fringes	\$612	\$419	\$0	\$419
TOTAL EXPENDITURES	\$909,529	\$909,450	\$0	\$909,450

¹ Actual payment of \$727,623 with \$63 due back to CVSC.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Inability to Reconcile the FSR to the General Ledger

The Wayne County Prosecuting Attorney Office's accounting records did not agree with the FSR reported amounts.

Recommendation: Adopt policies and procedures to ensure the FSR agrees with the general ledger and maintenance of support that justifies any differences; and to ensure FSR Detail Reports reflect correct rates and actual expenses incurred.

Comments: We agree. Procedures were adopted to perform a monthly reconciliation of general ledger activity to the FSR and make appropriate adjustments timelier. However, please note the general ledger contains costs that are not reimbursable but are expenditures incurred and related to the employees assigned to the VOCA grant. These are called non-reimbursable expenditures. In addition to these costs, the grant award capped reimbursement for eligible expenditures, in particular fringe benefits. As such, not all of these costs are reimbursed. To account for non-reimbursable and/or capped expenditures, a general fund general purpose transfer is made to the VOCA fund, and is identified as an operating transfer-in.

Corrective Action: The Wayne County Prosecuting Attorney Office has adopted procedures that require the FSR and the general ledger to be reconciled on a monthly basis and all supporting documents will be maintained in the grant billing folders.

Anticipated

Completion Date: October 31, 2016

MDHHS Response: When performing the monthly FSR reconciliations, the Wayne County Prosecuting Attorney's Office should ensure a detailed reconciliation of all line item expenses recorded on the FSR.

Comments and Recommendations

1. Inability to Timely Produce General Ledger Detail Upon Request

The Wayne County Prosecuting Attorney Office did not provide the general ledger detail in a timely manner. The DOJ OJP Financial Guide, Part III, Section 3.16 states, "You must maintain and separately identify all records for each Federal fiscal period so that information desired may be readily located" and "The retention requirement includes...the general ledger." The same section also states, "The awarding Agency...or any of their authorized representatives must have access to any pertinent books, documents, papers, or other records of recipients which are pertinent to the award, in order to make audits, examinations, excerpts, and transcripts." Our scheduling letter explicitly asked for the general ledger to be provided or to make it accessible prior to or on the audit start date. Instead, we received a trial balance (which was also requested). The lack of the detailed general ledger made reconciliation of the FSR impossible. It took several attempts of contacting the Wayne County Prosecuting Attorney Office to finally obtain the general ledger which happened only after we provided several program guidelines outlining what a possible finding would entail. Our efforts to obtain the detailed general ledger extended over a period of 11 weeks. We recommend that the Wayne County Prosecuting Attorney Office obtain general ledger detail that supports FSR reported amounts, and retain the general ledger detail and make it accessible as required by the DOJ OJP Financial Guide.

Management Response:

As a result of new staff and needed training, we agree the general ledger details and reconciliation should have been provided timelier. Procedures were adopted requiring the performance of a monthly reconciliation of the general ledger activity to the FSR, and timely adjustments.

MDHHS Response:

None.

2. No Written Procedures for Determining Cost Allowability

The Wayne County Prosecuting Attorney Office 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 this Part 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 written cost allowability procedures. We recommend the Wayne County Prosecuting Attorney Office develop written procedures for determining cost allowability to ensure the allowability of cost is properly determined and to comply with federal regulations.

Management Response:

We disagree with this assessment. We utilize and complied with the Federal OMB-Circular A-87 as well as the County's grant policy, which addresses the allowable costs.

MDHHS Response:

The County's grant policy needs to include **written procedures for determining cost allowability** to comply with 2 CFR 200, Part 302 (b) (7). The County's grant policy does not include the required written procedures. Additionally, the policy also needs to update references since OMB Circular A-87 was superseded by 2 CFR 200.

3. Employee Funding Distribution Time Report Lacks Detail

Two Employee Funding Distribution Time Reports lacked sufficient hour detail when compared to the "paycheck summary." The two Time Reports did not list sick leave, annual leave, and total regular hours. As required by VOCA Final Program Guidelines Section 4, Subsection B, Part 8: "Comply with Federal Rules Regulating Grants...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 accurately documented. We recommend that the Wayne County Prosecuting Attorney Office be more explicit with employees filling out timesheets and implement the proper controls and procedures to ensure proper time records are maintained to comply with the VOCA Final Program Guidelines and the Certified Assurances.

Management Response:

We agree with this comment. Management has discussed with the unit supervisor and manager the necessity of ensuring time reports detail all work hours and include but are not limited to sick leave, annual leave, personal business leave, and regular work hours; regardless of being grant reimbursable. In addition, County policy regarding timesheets must be adhered to. Furthermore, the supervisor and manager have been instructed to review the timesheet completion process with their staff periodically at the staff meetings.

MDHHS Response:

None.