



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

ROBERT GORDON
DIRECTOR

September 19, 2019

Ms. Tracy Mulvany, Executive Director
SIREN/Eaton Shelter, Inc.
520 Robinson Street
Charlotte, Michigan 48813

Dear Ms. Mulvany:

Attached is our final report from the Michigan Department of Health and Human Services (MDHHS) audit of SIREN/Eaton Shelter, Inc. VOCA Crime Victim Assistance Grant for the period of October 1, 2016 through September 20, 2017.

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; Summary of Amount Due; Corrective Action Plans; and a Comment and Recommendation. The Conclusions, Findings, and Recommendations are organized by audit objective. The Comment and Recommendation include the agency's paraphrased response to the Preliminary Analysis.

As noted in Findings 1 and 2, \$6,875 is due back to MDHHS. Please remit a check payable to the State of Michigan for \$6,875 to the following address by October 21, 2019:

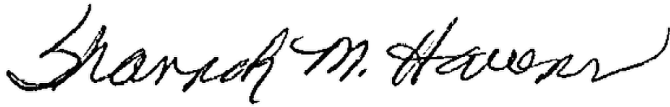
Michigan Department of Health and Human Services
Cash Receipting
PO Box 30437
Lansing, MI 48933

Ms. Tracy Mulvany, Executive Director
SIREN/Eaton Shelter
Page 2
September 19, 2019

Final reports are posted for public viewing on the MDHHS website at:
http://www.michigan.gov/mdhhs/0,5885,7-339-73970_43164-151236--,00.html.

Thank you for the cooperation extended throughout this audit.

Sincerely,



Shannah M. Havens, CPA, CISA
Audit Section Manager
Public Health and Community Services Programs Section
Audit Division

Attachment

cc: Debra Hallenbeck, Director, Audit Division
Debi Cain, Director, Division of Victim Services
Leslie O'Reilly, VOCA Program Specialist, Division of Victim Services
Nick Sekmistrz, VOCA Program Analyst, Division of Victim Services
Loryn Shafer, Department Analyst, Division of Victim Services
Patsy Baker, Departmental Manager, Division of Victim Services
Karen Porter, Division of Victim Services
Mary McGrath, Manager, Revenue Section
Kidada Smith, Manager, Contracts Payable Section
April Bliss, Accountant, Federal Reporting Grants Unit
Cindy Osga, Quality Assurance, Public Health and Community Services
Programs Section
Robert Haske, Senior Auditor, Public Health and Community Services
Programs Section
Derek Manchip, Financial Officer, SIREN/Eaton Shelter, Inc.
Janet Washburn, Project Director, SIREN/Eaton Shelter, Inc.

Audit Report

SIREN/Eaton Shelter, Inc.

Victims of Crime Act
Victim Assistance Program

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division
September 2019

TABLE OF CONTENTS

	Page
Description of Agency	1
Funding Methodology.....	1
Purpose and Objectives	1
Scope and Methodology.....	2

Conclusions, Findings, and Recommendations

<u>Financial Reporting</u>	2
1. Insufficient Financial Management System	3
2. Insufficient Supporting Documentation for Expenditures	4
<u>MDHHS Share of Costs and Balance Due</u>	5
Statement of Grant Program Revenues and Expenditures	6
Summary of Amount Due	7
Corrective Action Plans	8
Comment and Recommendation.....	10

DESCRIPTION OF AGENCY

SIREN/Eaton Shelter, Inc. (Agency) is organized as a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Agency's administrative office is located in Charlotte, Michigan. The Agency operates under the legal supervision and control of its Board of Directors.

The Agency provides emergency and transitional housing, food, and assistance for adults and their children who are homeless and/or victims of domestic violence in Eaton County.

FUNDING METHODOLOGY

The Agency's Victim Assistance Program is funded from a grant program from the Michigan Department of Health and Human Services (MDHHS). MDHHS provided the Agency 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 Agency's financial reporting and to determine the MDHHS share of costs according to the agreement and program standards and regulations. The following were the specific objectives of the audit:

1. To assess the Agency's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards and generally accepted accounting principles.
2. To determine the MDHHS share of costs and the Agency's match in accordance with MDHHS requirements and agreements, Federal standards and program standards and any balance due to or due from the Agency.

SCOPE AND METHODOLOGY

We examined the Agency's records and activities for the fiscal period October 1, 2016 through September 30, 2017. Our audit procedures included the following:

- Reviewed the Agency's most recent Crime Victim Services Commission (CVSC) site visit report.
- Reviewed the Grant Agreement, Budget, and Program Assurances.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reconciled the final Financial Status Report (FSR) and MDHHS payment schedule to the accounting records.
- Tested a selection 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 the Agency's effectiveness and accuracy in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards and generally accepted accounting principles.

Conclusion: The Agency was not effective and accurate in reporting its financial activity to MDHHS in accordance with MDHHS requirements and agreements, Federal standards, program standards and generally accepted accounting principles. We identified two exceptions related to financial reporting: insufficient financial management system (Finding 1) and insufficient supporting documentation for expenditures (Finding 2).

Finding

1. Insufficient Financial Management System

Federal Agency	U.S. Department of Justice
Federal Sub-Tier	Office of Justice Programs
Federal Program Title	Crime Victim Assistance
CFDA Number	16.575
Project Title	Victim Assistance Program
Federal Grant Award Number	2015-VA-GX-0044
Federal Grant Award Period	10/01/2104-09/30/2018
MDHHS Agreement Number	E20170065-00
MDHHS Agreement Period	10/01/2016-09/30/2017
MDHHS VOCA CVA Number	21095-1V15
Final Federal Expenditures After Audit	\$128,101
Final Federal Match After Audit	\$ 2,025
Total Amount Disallowed (Includes Resulting Indirect)	\$ 5,419
Federal Expenditures Due (80%)	\$ 4,335
Reduction of Local Match (20%)	\$ 1,084
Repeat Finding	No

The Agency did not implement a sufficient accounting system to accurately record and report its VOCA Program expenditures and fund sources. Also, the Agency did not have sufficient controls over its financial management system to ensure all program expenditures and source of funds were accurately recorded and reported on its FSR.

The Agency's grant agreement with MDHHS requires compliance with Title 2 CFR 200. Title 2 CFR 200.302 requires the Agency to have a financial management system that is sufficient to permit the preparation of reports required by the terms and conditions of the Federal award. The financial management system must provide for accurate, current, and complete disclosure of the financial results of the Federal award; and records that identify adequately the source and application of funds. Also, Title 2 CFR 200.303 (a) requires the Agency to "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

During our review, we noted the following discrepancies when we attempted to reconcile the FSR expenditure line items to the Agency's records:

- Salaries and wages are higher on the FSR by \$842
- Other Expenses is higher on the FSR by \$4,287

The Agency did not provide a general ledger to support any of the VOCA Program expenditures. The Agency's financial management system consisted of a three-ring binder that included a sheet of paper for each month that listed the FSR's expense

categories, the monthly expenditures, and the source documentation to support the monthly expenses reported on its FSRs. The Agency indicated that the information in the binder was used to prepare each monthly FSR. We reviewed the monthly binder sheets and noted numerous mathematical errors when we reconciled the sheets to the final FSR. The discrepancies noted above resulted from our recalculation of the Agency's worksheet.

The Agency's insufficient accounting system and controls resulted in a total of \$5,129 overreported direct program expenditures on its 2017 final FSR. Additionally, Indirect Costs were underreported on the final FSR; however, as a result of recalculating indirect costs due to the unsupported costs noted above and in Finding 2, the final FSR is overreporting indirect costs by \$290. The Statement of Grant Program Revenues and Expenditures shows adjustments to each of the line items to reflect the supported amounts. The Summary of Amount Due includes these adjustments as well as the additional adjustments noted in Finding 2 for the total amount due back to MDHHS.

Recommendation

We recommend that the Agency implement a sufficient financial management system to ensure compliance with Federal regulations and the grant agreement. We also recommend that the Agency implement sufficient controls over its financial management system to ensure that all Program expenditures and source of funds are accurately recorded and reported to ensure compliance with Federal regulations and the Grant agreement.

Finding

2. Insufficient Supporting Documentation for Expenditures

Federal Agency	U.S. Department of Justice
Federal Sub-Tier	Office of Justice Programs
Federal Program Title	Crime Victim Assistance
CFDA Number	16.575
Project Title	Victim Assistance Program
Federal Grant Award Number	2015-VA-GX-0044
Federal Grant Award Period	10/01/2104-09/30/2018
MDHHS Agreement Number	E20170065-00
MDHHS Agreement Period	10/01/2016-09/30/2017
MDHHS VOCA CVA Number	21095-1V15
Final Federal Expenditures After Audit	\$128,101
Final Federal Match After Audit	\$ 32,025
Total Amount Disallowed	\$ 3,175
Federal Expenditures Due (80%)	\$ 2,540
Reduction of Local Match (20%)	\$ 635
Repeat Finding	No

The Agency did not provide sufficient supporting documentation for some expenditures reported on its FSR.

Title 2 CFR 200.302(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...be supported by source documentation." Also, Title 2 CFR 200.403 states, "...costs must meet the following general criteria in order to be allowable under Federal awards...(g) Be adequately documented."

During our review, we noted that Agency did not provide sufficient source documentation to support the following expenditures reported on its FSR:

- Health insurance fringe benefit expenditures for \$866
- Travel expenditures for \$833
- Supplies and materials expenditures for \$1,476

The Agency did not have any controls in place to ensure that sufficient documentation was retained to support all expenditures recorded to the VOCA Program and as a result \$3,175 of unsupported direct expenses were reported to the VOCA Program. Adjustments were made to the attached Statement of Grant Program Revenues and Expenditures and Summary of Amount Due.

Recommendation

We recommend that the Agency implement sufficient controls to ensure that sufficient documentation is obtained and retained to support all expenditures reported on the FSR to ensure compliance with Federal regulations.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs in accordance with MDHHS requirements and agreements, Federal standards and program standards and any balance due to or due from the Agency.

Conclusion: The MDHHS obligation for fiscal year ended September 30, 2017, totals \$128,101. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. Adjustments affecting VOCA grant program funding were made as a result of the audit, and \$6,875 is due to MDHHS (Findings 1 and 2).

SIREN/Eaton Shelter
VOCA Crime Victim Assistance Grant
Statement of Grant Program Revenues and Expenditures
10/01/2016 - 09/30/2017

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$ 164,726	\$ 134,976 1	\$ (6,875) 2,3	\$ 128,101
Local Funds	\$ 7,321	\$ 16,242	\$ (1,719) 2,3	\$ 14,523
Volunteer - Match	\$ 33,861	\$ 17,502		\$ 17,502
TOTAL REVENUES	\$ 205,908	\$ 168,720	\$ (8,594)	\$ 160,126
EXPENDITURES:				
Salaries and Wages	\$ 90,027	\$ 79,559	\$ (842) 2	\$ 78,717
Fringe Benefits	\$ 26,571	\$ 31,272	\$ (866) 3	\$ 30,406
Volunteer Wages	\$ 31,455	\$ 16,258		\$ 16,258
Volunteer Fringe	\$ 2,406	\$ 1,244		\$ 1,244
Travel	\$ 2,788	\$ 833	\$ (833) 3	\$ -
Supplies and Materials	\$ 2,750	\$ 1,476	\$ (1,476) 3	\$ -
Contractual	\$ -	\$ -		\$ -
Equipment	\$ -	\$ -		\$ -
Other Expenses	\$ 34,270	\$ 24,822	\$ (4,287) 2	\$ 20,535
Indirect Costs	\$ 15,641	\$ 13,256	\$ (290) 4	\$ 12,966
TOTAL EXPENDITURES	\$ 205,908	\$ 168,720	\$ (8,594)	\$ 160,126

- 1** Actual MDHHS payments.
2 Insufficient Financial Management System (Finding 1)
3 Insufficient Supporting Documentation for Expenditures (Finding 2)
4 Change in Direct Expenditures Impacted Allowable Indirect Expenditures

VOCA Crime Victim Assistance Grant
Summary of Amount Due
10/01/2016 - 09/30/2017

Description	FSR	Monthly Expense Sheets	Difference Between FSR and Monthly Expense Sheets	Unsupported Costs	Total Difference Including Indirect Adjustment	Amount Due CVSC (80%)	Cash Match (20%)
Salaries & Wages (1)	79,559	78,717	(842)	0	(842)	(674)	(168)
Fringe Benefits (2)	31,272	31,272	0	(866)	(866)	(693)	(173)
Travel (2)	833	833	0	(833)	(833)	(666)	(167)
Supplies & Materials (2)	1,476	1,476	0	(1,476)	(1,476)	(1,181)	(295)
Other Expenses (1)	24,822	20,535	(4,287)	0	(4,287)	(3,429)	(858)
Indirect Costs (3)	13,256	13,256	(290)	0	(290)	(232)	(58)
Total Difference			(5,419)	(3,175)	(8,594)	(6,875)	(1,719)

(1) Finding 1: Insufficient Financial Management System

(2) Finding 2: Insufficient Supporting Documentation for Expenditures

(3) Change in Direct Expenditures Impacted Allowable Indirect Expenditures

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Insufficient Financial Management System**

The Agency did not implement a sufficient accounting system to accurately record and report its VOCA Program expenditures and fund sources. Also, the Agency did not have sufficient controls over its financial management system to ensure all program expenditures and source of funds were accurately recorded and reported on its FSR.

Recommendation: Implement a sufficient financial management system to ensure compliance with Federal regulations and the grant agreement. Also, implement sufficient controls over its financial management system to ensure that all Program expenditures and source of funds are accurately recorded and reported to ensure compliance with Federal regulations and the Grant agreement.

Comments: Agree

Corrective Action: The financial management system has transitioned to QuickBooks Online and expenditures will be reviewed prior to submitting the FSRs. Invoices will be uploaded to QuickBooks Online and a physical copy will be kept on file. A CPA firm will continue to be contracted to review monthly financials and compile monthly reports for review.

Person Responsible for Implementation: Financial Manager and Executive Director

Anticipated Completion Date: October 1, 2019

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: **Insufficient Supporting Documentation for Expenditures**

The Agency did not provide sufficient supporting documentation for some expenditures reported on its FSR.

Recommendation: Implement sufficient controls to ensure that sufficient documentation is obtained and retained to support all expenditures reported on the FSR to ensure compliance with Federal regulations.

Comments: Agree

Corrective Action: The appropriate processes will be implemented for ensuring all program expenditures and source of funds are accurately recorded in QuickBooks Online and reported on FSRs. A copy of invoices will be uploaded into QuickBooks Online and a physical copy will be kept on file.

Person Responsible for Implementation: Finance Manager and Executive Director

Anticipated Completion Date: October 1, 2019

Comment and Recommendation

1. Hotel Expenses Not Properly Authorized

The Agency did not obtain management approval for transitional housing hotel expenses. Title 2 CFR 200.302(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." Also, the Agency's Financial Policies and Procedures Manual states the executive director or designee will review and initial invoices prior to payment.

During our review, we noted that nine (100%) of nine emergency housing hotel invoices did not have management approval on the invoices authorizing payment. Good financial controls over expenditures include a process that includes management review and approval authorizing payments, to ensure that all expenditures are appropriate and in compliance with Federal funding requirements.

We recommend that the Agency implement appropriate controls and procedures to ensure proper management approval on all invoices prior to payment to ensure compliance with Federal regulation and the Agency's policies and procedures.

Agency Response: The Agency agrees and will implement controls to ensure proper management approval on all invoices prior to payment.

Person Responsible

for Implementation: Executive Director and Finance Manager

Anticipated

Completion Date: October 1, 2019