



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

May 22, 2019

Jacke Randall, Financial Officer
EVE, Inc.
P.O. Box 14149
Lansing, Michigan 48901

Dear Ms. Randall:

Attached is our final report from the Michigan Department of Health and Human Services (MDHHS) on-site audit of EVE, Inc. VOCA Crime Victim Assistance and Targeted Victim Services Programs for the period October 1, 2016 through September 30, 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 – CVA Program; Statement of Grant Program Revenues and Expenditures – TVS Program; Corrective Action Plan; and Comments and Recommendations. The Conclusions, Findings, and Recommendations are organized by audit objective. The Comments and Recommendations include the agency's paraphrased response to the Preliminary Analysis.

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
Population Health and Community Services Programs Section
Audit Division

Attachment

cc: Debra Hallenbeck, Director, Audit Division
Paula Kaiser Van Dam, Director, Bureau of Community Services
Debi Cain, Director, Division of Victim Services
Leslie O'Reilly, VOCA Program Specialist, Crime Victim Services Commission
Nicholas Sekmistrz, VOCA Grant Compliance Analyst, Crime Victim Services Commission
Patsy Baker, Departmental Manager, Division of Victim Services
Karen Porter, Division of Victim Services
Robert Haske, Senior Auditor, Population Health and Community Services Programs Section
Brigitte Gurden, Executive Director, EVE, Inc.
Stacie Dubay, Project Director, EVE, Inc.

Audit Report

EVE, Inc.

Victims of Crime Act
Victim Assistance Programs

October 1, 2016 – September 30, 2017



Bureau of Audit

Audit Division

May 2019

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DESCRIPTION OF AGENCY

End Violent Encounters (EVE, Inc.) (Agency) is a private, non-profit corporation organized under the provisions of Section 501(c) (3) of the Internal Revenue Code. The Agency's office is located in Lansing, Michigan. The Agency is registered to do business under the assumed names of EVE's Services, EVE's House, and EVE's Outreach. The Agency operates under an appointed Board of Directors and an Executive Director. The Agency provides emergency shelter, support, programs, advocacy, counseling, and crisis intervention for women and their children experiencing domestic violence for the residents of Eaton and Ingham Counties.

FUNDING METHODOLOGY

The Agency's Victim Assistance Programs are funded from grant programs 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 agreements and budgets. The Victims of Crime Act (VOCA) Programs were 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 agreements, and program standards and regulations.

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 the 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 to September 30, 2017 for the Crime Victim Assistance (CVA) Grant and for the fiscal period January 1, 2017 to September 30, 2017 for the Targeted Victim Services (TVS) Grant award. Our audit procedures included the following:

- Reviewed the Agency's most recent 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 Agreement, Budget, Program Assurances, 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 Financial Status Reports (FSRs) and MDHHS payment schedules 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 generally 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 the following exception: non-compliant fringe benefit distribution (Finding 1).

Finding

1. Non-Compliant Fringe Benefit Distribution

The Agency did not properly allocate its TVS employees' fringe benefit expenditures.

Title 2 CFR 200.431 Compensation - fringe benefits states, "(a) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions and unemployment benefit plans...the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity... (c) Such benefits must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages chargeable to such Federal awards and other activities..." Also, in 2 CFR 200.405(a) Allocable Costs states, "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that...cost objective in accordance with relative benefits received."

During our review, we noted that the Agency's employees all worked on the CVA Grant from October 1, 2016 through January 15, 2017. As of January 1, 2017, the TVS Grant was effective, and two of the former CVA employees started working on the TVS Grant during the second pay period in January 2017. During our April fringe benefit expenditures review, we noted that the Agency did not properly allocate \$147 in fringe benefits to the TVS Grant. The Agency correctly recorded the staff members' taxes and health insurance to the TVS Grant; however, the Agency did not record any of the staff members' vision, dental, accidental death and dismemberment, and short-term disability fringe benefit costs to the TVS Grant and instead recorded the costs to the CVA Grant. The Agency did not have controls in place to ensure that they properly allocated the fringe benefits to the appropriate award. We did not determine if this misallocation occurred throughout the period of the award nor the full amount of the misallocation since the two awards are both funded by the VOCA Program and there would be no overall impact. Accordingly, no adjustments are shown on the attached Statements of Grant Programs Revenues and Expenditures.

Recommendation

We recommend that the Agency implement sufficient controls and procedures to ensure fringe benefit expenditures are properly allocated to each grant based on actual activity to ensure compliance with Federal regulation.

MDHHS SHARE OF COSTS AND BALANCE DUE

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

Conclusion: The MDHHS obligation under the VOCA Programs for fiscal year ended September 30, 2017, are \$384,266 for the CVA Grant and \$51,837 for the TVS Grant; and the Agency's required match obligations are \$96,067 and \$12,959, respectively. The attached Statements of Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs.

EVE, Inc.
VOCA Crime Victim Assistance Grant
Statement of Grant Program Revenues and Expenditures
10/1/16 - 9/30/17

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$386,937	\$384,266 ¹	\$0	\$384,266
Volunteer - Match	\$96,734	\$96,067	\$0	\$96,067
TOTAL REVENUES	\$483,671	\$480,333	\$0	\$480,333
EXPENDITURES:				
Salary & Wages	\$303,686	\$291,103	\$0	\$291,103
Fringe Benefits	\$68,158	\$60,224	\$0	\$60,224
Volunteer Wages	\$89,860	\$89,240	\$0	\$89,240
Volunteer Fringe	\$6,874	\$6,827	\$0	\$6,827
Travel	\$2,400	\$5,264	\$0	\$5,264
Supplies & Materials	\$8,541	\$18,541	\$0	\$18,541
Contractual	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0
Other Expenses	\$4,152	\$9,134	\$0	\$9,134
Indirect Costs	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	\$483,671	\$480,333	\$0	\$480,333

¹ Actual MDHHS payments.

EVE, Inc.
VOCA Targeted Victim Services Grant
Statement of Grant Program Revenues and Expenditures
1/1/17 - 9/30/17

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$70,751	\$51,837 ¹	\$0	\$51,837
Volunteer - Match	\$17,688	\$12,959	\$0	\$12,959
TOTAL REVENUES	\$88,439	\$64,796	\$0	\$64,796
EXPENDITURES:				
Salary & Wages	\$46,238	\$39,848	\$0	\$39,848
Fringe Benefits	\$15,707	\$7,212	\$0	\$7,212
Volunteer Wages	\$16,431	\$12,038	\$0	\$12,038
Volunteer Fringe	\$1,257	\$921	\$0	\$921
Travel	\$850	\$1,060	\$0	\$1,060
Supplies & Materials	\$4,811	\$1,700	\$0	\$1,700
Contractual	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0
Other Expenses	\$3,145	\$2,017	\$0	\$2,017
Indirect Costs	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	\$88,439	\$64,796	\$0	\$64,796

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **Non-Compliant Fringe Benefit Distribution**

The Agency did not properly allocate its TVS employees' fringe benefit expenditures.

Recommendation: Implement sufficient controls and procedures to ensure fringe benefit expenditures are properly allocated to each grant based on actual activity to ensure compliance with Federal regulation.

Comments: Agree

Corrective Action: Executive Director signature is required for each monthly grant reimbursement which will include a breakdown of each budget item including the fringe benefits calculation.

Person Responsible for Implementation: Jacke Randall, Financial Officer

Anticipated Completion Date: May 1, 2019

Comments and Recommendations

1. Lack of Sufficient Procurement Procedures

The agency did not have sufficient documented procurement procedures. Title 2 CFR 200.318 requires documented procurement procedures that must conform to the standards identified in 2 CFR 200.318-320. Minimally, the following should be addressed in the written procurement procedures:

- 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.
- Award 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.
- Micro-purchases (aggregate dollar amount \$10,000 or less) may be awarded without competitive quotes as long as the price is reasonable.
- Small purchases (aggregate dollar amount \$10,000 to \$250,000) quotations must be obtained from an adequate number of qualified sources.
- Bidding and proposal procedures in compliance with Federal regulation.

We recommend the Agency establish sufficient documented procurement procedures to ensure compliance with Federal procurement regulation.

Management Response: The Agency agrees with this comment and now has a procurement policy in place.

Person Responsible

for Implementation: Brigitte Gurden, Executive Director

Anticipated

Completion Date: October 1, 2018

2. Insufficient Supporting Documentation for Utility Expense Allocation to the Targeted Victims Services Grant Award

The Agency did not provide sufficient source documentation to support its utilities expense allocation to the TVS Grant award. 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...(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. (d) Be accorded consistent treatment... (g) Be adequately documented." During our review, we noted that one (14%) of seven expenditures did not have sufficient documentation to support the amount of utility expense allocated to the TVS award. We recommend that the Agency maintain documentation to support its allocation methodologies to ensure compliance with Federal regulations.

Management Response: The Agency agrees with this comment and all files for utilities are now kept as record including bills and check stubs.

Person Responsible

for Implementation: Jacke Randall, Financial Officer

Anticipated

Completion Date: October 1, 2018