



STATE OF MICHIGAN

RICK SNYDER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

NICK LYON
DIRECTOR

July 17, 2017

Joanne Cooper-Reid, Director
Detroit Police/Victim Assistance
4707 St. Antoine
Suite M-167 Box 407
Detroit, MI 48201

Dear Ms. Joanne Cooper-Reid:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the Detroit Police/Victim Assistance 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 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.

Thank you for the cooperation extended throughout this audit.

Sincerely,

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

Enclosure

cc: 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
Jessica Compton, Auditor, City of Detroit Office of Grants Management-
Compliance/Audit

Audit Report

Detroit Police/Victim Assistance
Victims of Crime Act
Victim Assistance Program

October 1, 2015 – September 30, 2016



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

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DESCRIPTION OF AGENCY

The City of Detroit is governed by a Mayor, who is elected on an at-large basis for a four-year term, and a City Council comprised of nine members, seven are elected by district and two are elected on an at-large basis for four-year terms. Detroit Police/Victim Assistance is part of the general fund of The City of Detroit which is the reporting entity, and the administrative office is located in Detroit, Michigan. The services provided by Detroit Police/Victim Assistance from VOCA funds are education, advocacy, and counseling for the victims of child physical abuse, child sexual abuse, domestic violence, adult sexual assault, adults molested as children, elder abuse, and survivors of homicide victims for the citizens of The City of Detroit.

FUNDING METHODOLOGY

Detroit Police/Victim Assistance'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 Detroit Police/Victim Assistance 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 Detroit Police/Victim Assistance'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 Detroit Police/Victim Assistance'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 Detroit Police/Victim Assistance'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 Detroit Police/Victim Assistance.

SCOPE AND METHODOLOGY

We examined Detroit Police/Victim Assistance's records and activities for the fiscal period October 1, 2015 through September 30, 2016. Our review procedures included the following:

- Reviewed the most recent City of Detroit Single 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 Detroit Police/Victim Assistance'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: Detroit Police/Victim Assistance 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 found one exception 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

Detroit Police/Victim Assistance did not keep proper accounting records to completely reconcile the FSR to the general ledger.

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) 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...Accounting systems should be able to account for award funds separately (no commingling of funds)."

We found the following discrepancies when reconciling the final FSR to the general ledger:

- Salary and wages is higher on the general ledger by \$25,952.
- Fringe benefits is higher on the general ledger by \$8,596.
- Contractual is higher on the general ledger by \$4,154.
- Volunteer (staff salaries used as match) is higher on the general ledger by \$7,152.

Although the VOCA Program general ledger showed more expenses than what was reported on the FSR, the proper accounting records to reconcile the FSR to the general ledger were not provided.

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 Detroit Police/Victim Assistance adopt the appropriate steps to ensure the FSR completely reconciles with the general ledger.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs and City of Detroit'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 Detroit Police/Victim Assistance.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$494,697 and Detroit Police/Victim Assistance required match is \$123,674. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments that affected the VOCA Grant Program funding.

**Detroit Police/Victim Assistance
VOCA Crime Victim Assistance Grant
Statement of Grant Program Revenues and Expenditures
10/1/15 - 9/30/16**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDHHS Grant	\$700,000	\$494,697 ¹	\$0	\$494,697
Local Funds - Cash	\$159,944	\$115,770	\$0	\$115,770
Volunteer - Match	\$15,056	\$7,904	\$0	\$7,904
TOTAL REVENUES	\$875,000	\$618,371	\$0	\$618,371
EXPENDITURES:				
Salary & Wages	\$425,644	\$332,295	\$0	\$332,295
Fringe Benefits	\$184,042	\$106,242	\$0	\$106,242
Volunteer	\$13,986	\$7,342	\$0	\$7,342
Volunteer Fringe Benefits	\$1,070	\$562	\$0	\$562
Contractual	\$187,868	\$156,860	\$0	\$156,860
Supplies & Materials	\$49,366	\$2,776	\$0	\$2,776
Travel	\$12,324	\$11,569	\$0	\$11,569
Other	\$700	\$725	\$0	\$725
TOTAL EXPENDITURES	\$875,000	\$618,371	\$0	\$618,371

¹ Actual MDHHS payments.

Corrective Action Plan

Finding Number: 1

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Finding: **Inability to Reconcile the FSR to the General Ledger**

Detroit Police/Victim Assistance did not keep proper accounting records to completely reconcile the FSR to the general ledger.

Recommendation: Adopt the appropriate steps to ensure the FSR completely reconciles with the general ledger.

Comments: The final FSR was recalculated and submitted by the Detroit Police Department (DPD) program staff prior to sending it to accounting to review and adjust the ledger.

Corrective Action: Final adjustments have been made to the general ledger to accurately reflect expenses incurred and paid for the program as well as reimbursements received. In the future, all such adjustments will be reflected in our general ledger prior to submission of FSR's to our funders. Procedures have been implemented to ensure all financial reports are reviewed by the appropriate person prior to submission.

Anticipated

Completion Date: Completed June 23, 2017

MDHHS Response: None.

Comments and Recommendations

1. Insufficient Supporting Documentation for Fringe Benefit Allocations

Detroit Police/Victim Assistance did not provide sufficient documentation to support the fringe benefits allocated to the VOCA Program. The Uniform Requirements, 2 CFR 200, Part 431 (d) states, "Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the non-Federal entity demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees." The 2015 DOJ OJP Financial Guide, Part III, Section 3.9 states, "Charges must be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable and properly allocated." Although fringe benefit sheets were provided showing the rates to be used in the allocation of FICA and Health Insurance benefits, these rates did not support the dollar amount of benefits allocated to the VOCA employees. Since sufficient documentation was not provided to trace the allocation of fringe benefits from the allocation rates on the provided fringe benefit sheets to the dollar amount of fringe benefits allocated to the VOCA employees, the accuracy of fringe benefits is jeopardized. Good financial controls over the accuracy of accounting records include proper documentation to show fringe benefits are allocated appropriately. We recommend Detroit Police/Victim Assistance implement the proper controls and procedures to ensure proper documentation is available to support the allocation of fringe benefits to comply with Federal regulation.

Management Response:

The City is implementing a new time and attendance management system that is expected to go live September 2017 that will address the concerns in this recommendation. Also, the DPD Grants and Contracts Unit has implemented the practice of a tiered review of time and attendance reports, financial reporting, and reimbursement requests. The tiered review is performed by the Grants and Contracts Unit, the Office of the Controller – Grants Accounting, and the Office of Grants Management. In addition, formal policies and procedures are being developed.

MDHHS Response:

None.

2. Employee Funding Distribution Time Reports Do Not Represent Hours Compensated

Detroit Police/Victim Assistance did not maintain Employee Funding Distribution Time Reports that accurately represent hours compensated. 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:...(iii.) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity." The DOJ OJP Financial Guide, Part III, 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." Similarly, 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." Out of the 31 Employee Funding Distribution Time Reports tested Detroit Police/Victim Assistance had 5 that did not contain a numerical representation of the hours worked, 3 that did not contain all hours compensated, and 2 that did not list all the programs the employee was working on. 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 Detroit Police/Victim Assistance implement the proper controls and procedures to ensure employee time is properly represented to comply with Federal regulation and the Certified Assurances of the grant.

Management Response:

The City is implementing a new time and attendance management system that is expected to go live September 2017 that will address the concerns in this recommendation. Also, the DPD Grants and Contracts Unit has implemented the practice of a tiered review of time and attendance reports, financial reporting, and reimbursement requests. The tiered review is performed by the Grants and Contracts Unit, the Office of the Controller – Grants Accounting, and the Office of Grants Management. In addition, formal policies and procedures are being developed.

MDHHS Response:

None.

3. Invoice Does Not Include Signatory Approval

Detroit Police/Victim Assistance did not ensure proper approval of all invoices paid. 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.” Of the eight transactions tested one invoice did not have the proper signatory approval. Good financial controls over expenditures include properly approved invoices to help ensure accuracy and proper control over federal funding and financial records. We recommend Detroit Police/Victim Assistance implement the necessary controls to ensure proper approval of all invoices to ensure compliance with Federal regulation.

Management Response:

The City has implemented a new Enterprise Resource Planning (ERP) financial management system to manage the invoice receipt and payment process. In addition, the DPD Grants and Contracts Unit has enforced the practice of reviewing and approving all grant related invoices. The tiered review of supporting documentation for a payment request, i.e. invoices is performed by the Grants and Contracts Unit, the Office of the Controller – Grants Accounting and the Office of Grants Management. Also, formal policies and procedures are being developed.

MDHHD Response:

None.

4. Lack of Established Written Policy for Salary and Fringe Benefits

Detroit Police/Victim Assistance does not have a salary and fringe benefits policy that covers employees charged to the VOCA grant. The Uniform Requirements, 2 CFR 200, Part 430 (a) states, “Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities.” Similarly Part 431 (a) states, “Except as provided elsewhere in these principles, 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.” Good financial controls to ensure the allowability of costs include an established policy regarding salary and fringe benefits. We recommend Detroit Police/Victim Assistance establish a written policy regarding salary and fringe benefits to help ensure costs are accurately determined and to comply with Federal regulation.

Management Response:

The DPD Grants and Contracts Unit will work with Human Resources and the Office of Grants Management to develop a policy related to salary and fringe benefits that ensure compliancy with Federal regulation.

MDHHS Response:

None.