



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HEALTH & HUMAN SERVICES
BUREAU OF AUDIT, REIMBURSEMENT AND QUALITY ASSURANCE
CAPITOL COMMONS CENTER • 400 SOUTH PINE • LANSING, MICHIGAN 48933

NICK LYON
DIRECTOR

October 3, 2017

Laura Pipis, Executive Director
Family Counseling and Children's Services
220 North Main Street
Adrian, MI 49221

Dear Ms. Pipis:

Enclosed is our final report from the Michigan Department of Health and Human Services (MDHHS) on-site audit of the Family Counseling and Children's Services 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.

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 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
Nicholas Sekmistrz, Analyst, Crime Victim Services Commission
Ronald Puruleski, Auditor, Bureau of Audit, Reimbursement and Quality Assurance
Jill Hicks, Project Director, Family Counseling and Children's Service

Audit Report

Family Counseling and Children's Services
Victim of Crime Act (VOCA)
Victim Assistance Program

October 1, 2015 – September 30, 2016



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

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DESCRIPTION OF AGENCY

Family Counseling and Children's Services is organized as a non-profit agency under the provisions of Section 501(c) (3) of the Internal Revenue Code and is located in Adrian, Michigan. The Agency operates under the legal supervision and control of its Board of Directors which consists of 12 members.

Family Counseling and Children's Services provides services to victims of sexual assault and domestic violence for the residents of Lenawee County. These services include crisis intervention with a 24-hour hotline, emergency housing, and support groups for both domestic violence and sexual assault victims.

FUNDING METHODOLOGY

Family Counseling and Children's Services is funded with donations and grant programs. The Michigan Department of Health and Human Services (MDHHS) provided Family Counseling and Children's Services with monthly grant funding based on Financial Status Reports in accordance with the terms and conditions of each grant agreement and budget. The Victim 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 Family Counseling and Children's Services financial reporting and to determine the MDHHS share of VOCA Program costs according to the applicable program regulations. Following are the specific objectives of the audit:

1. To assess Family Counseling and Children's Services effectiveness and accuracy in reporting their VOCA Program financial activity to MDHHS in accordance with applicable Department of Health and Human Services requirements and agreements, applicable Federal and program standards, and generally accepted accounting principles.
2. To determine the MDHHS share of costs and the Family Counseling and Children's Services match for the VOCA Program in accordance with applicable MDHHS requirements and agreements, applicable Federal and program standards, as well as any balance due to or due from Family Counseling and Children's Services.

SCOPE AND METHODOLOGY

We examined the Family Counseling and Children's Services records and activities for the fiscal period October 1, 2015 to September 30, 2016. Our review procedures included the following:

- Reviewed the most recent Family Counseling and Children's Services 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 the Family Counseling and Children's Services 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 both payroll and non-payroll expenditures for program compliance; and adherence to policies 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 Family Counseling and Children's Services effectiveness in reporting their VOCA Program financial activity to MDHHS in accordance with applicable Department of Health and Human Services requirements and agreements, applicable Federal and program standards, and generally accepted accounting principles.

Conclusion: Family Counseling and Children's Services generally reported their VOCA Program financial activity to MDHHS in accordance with applicable Department of Health and Human Services requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we found one exception related to the match obligation (Finding 1) and one exception related to improper fringe benefit reporting on the FSR (Finding 2).

Finding

1. Inaccurate Volunteer Match Time Reported

The Family Counseling and Children's Services did not accurately report its in-kind volunteer time which could impact the agency's compliance with VOCA's matching requirements.

We reviewed three months of volunteer match time reports and we noted that the Family Counseling and Children's Services misstated volunteer hours resulting in an overstatement of volunteer match by \$702 in April and May, and understatement of volunteer match by \$362 in June.

Title 2 CFR 200.306(b) states the following with respect to cost sharing and matching, "...any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions...are verifiable from the non-Federal entity's records."

Also, MDHHS's 2015 VOCA Guidelines, Section (III)(B)(4), program match requirements states, "The purpose of matching contributions is to increase the amount of resources available to the projects supported by grant funds. Matching contributions of 20 percent (cash or in-kind) of the total cost of each VOCA project (VOCA grant plus match) are required for each VOCA-funded project and must be derived from non-federal sources."

The Family Counseling and Children's Services did not reconcile the volunteer match distribution time report to actual volunteer time worked. Errors in recording volunteer hours resulted in inaccurate volunteer match being attributed to the VOCA program which affected compliance with the 20 percent match requirement.

The net adjustment to correct the above errors resulted in a net decrease of matching funds of \$340 in volunteer wages and \$26 in volunteer fringe. However, the agency also incurred unreported supplies expenses in the amount of \$2,087 which is used to offset the matching error. This adjustment does not affect the VOCA grant funds since the match percentage was fully met.

Recommendation

We recommend that Family Counseling and Children's Services establish and implement monitoring controls to ensure that volunteer match time is accurately recorded and calculated to ensure compliance with VOCA's matching requirements.

Finding

2. Improper Fringe Benefit Reporting on FSR

The Family Counseling and Children's Services did not properly report its payroll taxes on the fringe benefit line on its Financial Status Report (FSR).

During our review of April's FSR expenditures, we noted that Family Counseling and Children's Services improperly reported \$436 in employee taxes on the FSR's salaries and wages line item instead of the fringe benefits line item.

Title 2 CFR 200.431(a) states, "Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages." Also, in MDHHS's Financial Status Report Instructions, Part IV Form Preparation, "Fringe Benefits – This category is to include the employer's contributions for insurance, retirement, FICA and other similar benefits for all permanent and part time employees assigned to the program." In addition, the MDDHS 2015 VOCA Guidelines states that the "Grantee must adhere to all reporting requirements...for submitting the required reports..."

Although Family Counseling and Children's Services properly record salaries, payroll taxes, and fringe benefits separately in its accounting system, they determined they would report payroll taxes with salaries and wages on its FSR. Improperly reporting all payroll taxes on the FSR salary and wages line is noncompliant with Title 2 CFR 200 and MDHHS VOCA Guidelines.

The Statement of Grant Program Revenues and Expenditures show adjustments to each line item to reflect supported amounts. These adjustments had no effect on VOCA grant funds.

Recommendation

We recommend that Family Counseling and Children's Services implement review procedures to ensure that all fringe benefits are properly reported on the correct FSR line.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs for the VOCA Program in accordance with applicable MDHHS requirements and agreements, and any balance due to or due from the Family Counseling and Children's Services.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$42,938; and the Family Counseling and Children's Services required match is \$10,735. The attached Statement of MDHHS Grant Program Revenues and Expenditures shows the budgeted, reported, audit adjustments, and allowable costs. The audit made no adjustments affecting VOCA grant program funding due to the amount in error being covered by expenses not requested for reimbursement.

Family Counseling & Children's Services
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	\$45,000	\$42,938 1	\$0	\$42,938
Local Funds - Other	\$0	\$0	\$366 2	\$366
Volunteer - Match	\$11,250	\$10,735	(\$366) 2	\$10,369
TOTAL REVENUES	\$56,250	\$53,673	\$0	\$53,673
EXPENDITURES:				
Salary & Wages	\$26,187	\$26,184	(\$436) 4	\$25,748
Fringe Benefits	\$8,305	\$7,840	\$436 4	\$8,276
Volunteer Wages	\$10,450	\$9,972	(\$340) 2	\$9,632
Volunteer Fringe Benefits	\$800	\$763	(\$26) 2	\$737
Supplies & Materials	\$3,920	\$4,188	\$366 3	\$4,554
Travel	\$2,788	\$277	\$0	\$277
Other	\$3,800	\$4,449	\$0	\$4,449
TOTAL EXPENDITURES	\$56,250	\$53,673	\$0	\$53,673

1 Actual MDHHS payments.

2 Volunteer Match error & corresponding Fringe Benefit correction. (Finding #1) (\$340 Volunteer, \$26 Volunteer Fringe Benefit)

3 Unreported supplies & materials used as Local Fund match to offset error.

4 Incorrect Fringe Benefit Reporting. Reporting Fringe Benefit items under the Salary & Wages line on FSR. (Finding #2)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Inaccurate Volunteer Match Time Reported

The Grantee match calculation contained errors in the total volunteer hours reported.

Recommendation: Establish and implement monitoring controls to ensure that volunteer match time is accurately recorded and calculated to ensure compliance with VOCA's matching requirements.

Comments: Family Counseling and Children's Services agrees with the finding.

Corrective Action: Implementing a system of recording and calculating VOCA volunteer match requirements each month

**Anticipated
Completion Date:** Implemented August 15, 2017

MDHHS Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: **Improper Fringe Benefit Reporting on FSR**

The Family Counseling and Children's Services did not properly report its payroll taxes on the fringe benefit line on its Financial Status Report (FSR).

Recommendation: Implement review procedures to ensure that fringe benefits are properly reported on the correct FSR line.

Comments: Family Counseling and Children's Services agrees and has corrected the issue identified in the finding.

Corrective Action: Further review procedures for each month to ensure proper line expense reporting.

Anticipated

Completion Date: Implemented August 1, 2017

MDHHS Response: None

Comments and Recommendations

1. Management Approvals Lacking on Invoices

Family Counseling and Children's Services did not obtain management approval on its invoices prior to payment. 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." We reviewed 14 expenditure transactions, and found that 7 (50%) of the 14 did not have management approval on the invoice authorizing payment. Good financial controls over expenditures include a process that includes management review and approval authorizing payments to ensure the expenditures are appropriate, recorded properly, and in compliance with federal funding requirements. We recommend Family Counseling and Children's Services implement appropriate controls to ensure proper management approval on all its invoices prior to payment to ensure compliance with Federal regulation.

Management Response:

Management will review and initial each invoice prior to payment starting with August payments.

MDHHS Response:

None

2. No MDHHS VOCA Approval to Charge Negative Leave Time

Family Counseling and Children's Services did not obtain prior authorization from MDHHS to charge an employee's negative leave time to the VOCA grant. Family Counseling and Children's Services policy allows staff to borrow unearned multi-purpose time (MPT) with prior approval from the executive director. The maximum number of days that can be borrowed is 5. Upon resignation from employment, any MPT hours borrowed will be deducted from the employee's final paycheck. During our April expenditure review we noted one employee had a negative leave balance of 29.16 hours. We also reviewed the fiscal year-end payroll statement and noted that the employee's leave balance remained at negative 24.49 hours. MDHHS's 2016 VOCA Guidelines states: "VOCA funded staff who take medical or extended leave cannot be billed to the grant beyond the accrued vacation and sick time." We recommend Family Counseling and Children's Services review the 2016 VOCA Guidelines and discuss the negative leave policy with MDHHS VOCA staff, to ensure continued compliance with MDHHS regulations.

Management Response:

We have discussed the issue with the staff member in question. We will monitor the situation more closely in the future effective immediately.

MDHHS Response:

None

3. Incomplete Employee and Volunteer Documentation (Repeat)

Family Counseling and Children's Services did not properly complete all fields in its employee and volunteer attendance records to stay in compliance with the grant requirements. Also, Family Counseling and Children's Service did not maintain Employee Funding Distribution Time Reports (EFDTRs) to support total hours compensated. During our payroll expenditures review, Family Counseling and Children's Services maintained sufficient time reports and attendance records, however, we noted that the attendance records were not entirely completed. In 2 (100%) of 2 EFDTRs the fiscal year field and total vacation time was not completed. Also, 1 (50%) of 2 EFDTRs reviewed did not list the total hours worked each day. We were able to determine the amount of hours worked, however the total time worked each day should also be recorded on the EFDTR. In addition, in 9 (100%) of 9 Volunteer Funding Time Reports both the CVA project number and the fiscal year fields were not completed.

Per the Crime Victim Assistance Grant Certified Assurance #1 (q), "The Grantee assures and certifies it will maintain proper documentation for all paid grant and match staff and volunteer time reported by using the VOCA Employee Funding Distribution Time Report and Volunteer Match Distribution Time Report." Family Counseling and Children's Services did not have sufficient controls in place to ensure all forms were properly completed. We again recommend that Family Counseling and Children's Services implement policies and procedures to ensure that all Employee Funding Distribution and Volunteer Match Distribution Time Reports are properly completed and maintained to remain in compliance with the VOCA grant requirements.

Management Response:

Management will now pre-address (print) the project number and fiscal year references on all Time Reports beginning September. Management will conduct a supervisory review of all employee and volunteer time reports per pay period effective immediately.

MDHHS Response:

None