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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HEALTH & HUMAN SERVICES  
BUREAU OF AUDIT, REIMBURSEMENT AND QUALITY ASSURANCE  
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NICK LYON  
DIRECTOR

September 25, 2017

Rhonda Miller, Project Director  
Arab Community Center for Economic and Social Services  
6450 Maple Street  
Dearborn, MI 48126

Dear Ms. Miller:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the Arab Community Center for Economic and Social Services (ACCESS) 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 process.

Sincerely,

Shannah Havens, CPA, CISA  
Audit Section Manager  
Population Health and Community Services Program Audit 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'Rielly, VOCA Program Specialist, Crime Victim Services Commission  
Nick Sekmistrz, VOCA Program Analyst, Crime Victim Services Commission  
Mona Makki, Program Deputy Director, ACCESS

# Audit Report

## Arab Community Center for Economic and Social Services

Victims of Crime Act  
Victim Assistance Program

October 1, 2015 – September 30, 2016



Bureau of Audit, Reimbursement, and Quality Assurance

Audit Division  
September 2017

## TABLE OF CONTENTS

	Page
Description of Agency .....	1
Funding Methodology .....	1
Purpose and Objectives .....	1
Scope and Methodology .....	2
 <u>Conclusions, Findings, and Recommendations</u>	
<u>Financial Reporting</u> .....	2
1. FSR Not Supported by Accounting Records. ....	3
<u>MDHHS Share of Costs and Balance Due</u> .....	4
Statement of Grant Program Revenues and Expenditures .....	5
Corrective Action Plan .....	6
Comments and Recommendations .....	7

## **DESCRIPTION OF AGENCY**

Arab Community Center for Economic and Social Services is a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code, located in Dearborn, Michigan. Arab Community Center for Economic and Social Services operates under the legal supervision and control of its Board of Directors which consists of 14 members. The services provided by Arab Community Center for Economic and Social Services include therapy, support, education, and counseling for the victims of abuse and violence for the residents of Washtenaw, Wayne, Oakland, and Macomb Counties.

## **FUNDING METHODOLOGY**

The Arab Community Center for Economic and Social Services 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 Arab Community Center for Economic and Social Services 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 Arab Community Center for Economic and Social 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 Arab Community Center for Economic and Social Services' 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 Arab Community Center for Economic and Social Services' 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 Arab Community Center for Economic and Social Services.

## SCOPE AND METHODOLOGY

We examined Arab Community Center for Economic and Social Services' records and activities for the fiscal period October 1, 2015 through September 30, 2016. Our review procedures included the following:

- Reviewed the most recent Arab Community Center for Economic and Social 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 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 Arab Community Center for Economic and Social Services' 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:** Arab Community Center for Economic and Social Services 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 an exception related to the FSR not supported by accounting records (Finding 1).

## **Finding**

### **1. FSR Not Supported by Accounting Records**

The Arab Community Center for Economic and Social Services FSR did not reconcile with its accounting records.

Title 2 CFR 200.302(a) states that the...“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.” 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...”

During our review, we noted the following discrepancies when we reconciled the final FSR’s expenditure categories to its related VOCA general ledger accounts:

- Fringe Benefits is higher on the general ledger by \$1,379.
- Travel is higher on the FSR by \$2,068.
- Supplies and Materials is higher on the general ledger by \$580.
- Other Expenses is higher on the general ledger by \$1,730.

The Arab Community Center for Economic and Social Services did not have a control in place to ensure that the FSR reconciled with its related VOCA accounting records, resulting in an understatement of the FSR’s total expenditures by \$1,621. Inaccurate financial reporting and incomplete accounting records may affect compliance with Federal regulation and DOJ guidance.

While the line item amounts reported on the FSR did not agree with the VOCA general ledger, total VOCA expenditures included in the general ledger exceeded the total FSR reported amount therefore there is no impact on grant funding. Adjustments are shown on the Statement of Grant Program Revenues and Expenditures.

## **Recommendation**

We recommend that the Arab Community Center for Economic and Social Services implement the proper controls and procedures to ensure the FSR reconciles with its accounting records.

## **MDHHS SHARE OF COSTS AND BALANCE DUE**

**Objective 2:** To determine the MDHHS share of costs and Arab Community Center for Economic and Social Services 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 Arab Community Center for Economic and Social Services.

**Conclusion:** The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$287,845 and the Arab Community Center for Economic and Social Services required match is \$71,961. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit included adjustments, but none affected the VOCA Grant Program funding.

**Arab Community Center for Economic and Social Services  
VOCA Crime Victim Assistance Grant  
Statement of Grant Program Revenues and Expenditures  
10/1/15 - 9/30/16**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDHHS Grant	\$303,000	\$287,845 <sup>1</sup>	\$0	\$287,845
Local Funds - Cash	\$67,486	\$65,077	\$0	\$65,077
Other	\$8,264	\$6,884	\$0	\$6,884
<b>TOTAL REVENUES</b>	<b>\$378,750</b>	<b>\$359,806</b>	<b>\$0</b>	<b>\$359,806</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$309,713	\$294,376	\$0	\$294,376
Fringe Benefits	\$60,428	\$60,564	\$1,379 <sup>2</sup>	\$61,943
Travel	\$2,147	\$2,111	(\$2,068) <sup>2</sup>	\$43
Supplies & Materials	\$1,962	\$705	\$580 <sup>2</sup>	\$1,285
Other Expenses	\$4,500	\$2,050	\$109 <sup>3</sup>	\$2,159
<b>TOTAL EXPENDITURES</b>	<b>\$378,750</b>	<b>\$359,806</b>	<b>\$0</b>	<b>\$359,806</b>

<sup>1</sup> Actual MDHHS payments

<sup>2</sup> Adjustments made to reflect VOCA cost center financial results – (Finding 1)

<sup>3</sup> Other Expenses was higher on the general ledger than the FSR by \$1,730 but the adjustment was capped at \$109 due to the 80% grant funding and 20% match limitations (Finding 1)



## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** FSR Not Supported by Accounting Records

The Arab Community Center for Economic and Social Services FSR did not reconcile with its accounting records.

**Recommendation:** Implement the proper controls and procedures to ensure the FSR reconciles with its accounting records.

**Comments:** We agree with this Finding. Actual expense amounts in our income statement for VOCA matched the FSR, however the match portion was recorded via excel.

**Corrective Action:** We implemented new sub-funds in our accounting software (Navision) that will track the matching expenses via income statements and general ledger. The income statement of the match portion gets printed every month and is attached to the FSR.

**Anticipated**

**Completion Date:** April 10, 2017

**MDHHS Response:** None

## **Comments and Recommendations**

### **1. Actual Costs Not Allocated**

The Arab Community Center for Economic and Social Services did not properly allocate actual costs to the VOCA Program. Title 2 CFR 200.302(b) states, "The financial management system of each non-Federal entity must provide for the following.... (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program." During our review, 1 (50%) of 2 phone bills were not properly allocated to the VOCA Program however there was no impact to the VOCA grant. We recommend that the Arab Community Center for Economic and Social Services implement the necessary controls to ensure actual costs are properly allocated to the VOCA Program to comply with Federal regulations.

#### **Management Response:**

We agree with the comment, per the recommendation ACCESS will report match on the FSR up to the total yearly budgeted amount. Once the match is met, ACCESS will stop reporting cash match on the FSR until the end of the year and make corrections to adjust the 20% match amount to what it should be.

Anticipated completion date: Immediate.

#### **MDHHS Response:**

None

### **2. Volunteer Match Distribution Time Reports Not Maintained**

The Arab Community Center for Economic and Social Services did not use the Volunteer Match Distribution Time Reports (VMDTRs) to document all volunteer time reported. The Crime Victim Assistance Grant Certified Assurances require the grantee to "maintain proper documentation for all volunteer time reported by using the Volunteer Match Distribution Time Report." During our review, we noted that 89.5 (54%) of 164.5 volunteer hours were not included on the VMDTR. Instead, e-mails were used to account for the hours. Good financial controls over the accountability of volunteer hours used as match for the VOCA grant include ensuring volunteer time is properly documented on the reports. We recommend that the Arab Community Center for Economic and Social Services implement the proper controls and procedures to ensure sufficient volunteer time records are kept to comply with the Certified Assurances of the grant.

**Management Response:**

We agree with this comment. VMDTRs have been supplied to the program supervisor and are given to the volunteer to fill out. The volunteer will maintain the hours on a biweekly basis and submit the VMDTRs to the program supervisor once completed. The supervisor will approve and sign the timesheets. Once approved and signed, the supervisor will send the timesheets to the accountant to be included in the FSR monthly billing. The accountant will attach a copy of those VMDTRs to the FSR monthly once the FSR has been submitted.

Anticipated completion date: Immediate.

**MDHHS Response:**

None

**3. Lack of Sufficient Documented Procurement Procedures**

The Arab Community Center for Economic and Social Services does not have sufficient documented procurement procedures as required by Federal regulation. Title 2 CFR 200.318 requires documented procurement procedures that must conform to the standards identified in Parts 318-320. Specifically, the policy is lacking verbiage contained in 2 CFR 200.320 (c)(2)(iii): "All bids will be opened at the time and place prescribed in the invitation for bids...(v) Any or all bids may be rejected if there is a sound documented reason." Good financial controls over procurement include a compliant procurement policy. We recommend Arab Community Center for Economic and Social Services establish documented procurement procedures that contain all the required information to ensure proper procurement practices are followed to ensure compliance with Federal regulation.

**Management Response:**

We agree with this comment. Our procurement policy has been updated and should correct the above note.

Anticipated completion date: May 2017.

**MDHHS Response:**

None

#### **4. Lack of Written Procedures for Determining Cost Allowability**

The Arab Community Center for Economic and Social Services did not document procedures for determining allowability of costs as required by Federal regulation. Title 2 CFR 200.302 (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." We recommend Arab Community Center for Economic and Social Services establish sufficient written procedures to ensure the allowability of cost is properly determined to ensure compliance with Federal regulation.

##### **Management Response:**

We agree with this comment. We will review our cost allocation plan and look at establishing sufficient written procedures to ensure that the allowability of cost is properly determined to ensure compliance with the program and Federal regulations.

Anticipated completion date: December 2017.

##### **MDHHS Response:**

None

#### **5. Lack of a Sufficient Written Conflict of Interest Policy**

The Arab Community Center for Economic and Social Services did not have a sufficient conflict of interest policy. Title 2 CFR 200. 318 (c)(1) states, "The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts." We recommend that the Arab Community Center for Economic and Social Services update its conflict of interest policy to ensure compliance with Federal regulation.

##### **Management Response:**

We agree with this comment. We will review our conflict of interest policy and look at updating it to ensure compliance with the program and Federal regulations.

Anticipated completion date: December 2017.

##### **MDHHS Response:**

None