



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 48913

NICK LYON
DIRECTOR

September 25, 2017

Nerahoo Hemraj, Financial Director
Genesee County
900 South Saginaw Street
Flint, MI 48502

Dear Mr. Hemraj:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the Genesee County 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

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Robert Haske, Auditor, Bureau of Audit, Reimbursement and Quality Assurance

Leslie Raleigh, Project Director, Genesee County

Final Report

Genesee County
Victims of Crime Act
Victim Assistance Program

October 1, 2015 – September 30, 2016



Bureau of Audit, Reimbursement, and Quality Assurance

Audit Division
September 2017

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DESCRIPTION OF AGENCY

Genesee County is governed by a County Commission comprised of nine members elected by direct vote from single member districts for two-year terms. The Victims Assistance Grant is a special revenue fund of Genesee County which is the reporting entity, and the administrative office is located in Flint, Michigan. The services provided by Genesee County from VOCA funds are education, advocacy, and assistance in filing compensation claims for the victims of child physical abuse, child sexual abuse, DUI, domestic violence, adult sexual assault, elder abuse, adults molested as children, survivors of homicide victims, robbery, assault, violent crime, fraud, hate crimes and stalking.

FUNDING METHODOLOGY

The Genesee County 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 Genesee County 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 Genesee County'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 Genesee County'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 Genesee County'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 Genesee County.

SCOPE AND METHODOLOGY

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

- Reviewed the most recent Genesee County 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 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 Genesee County'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: Genesee County 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 finding related to the inability to identify and track VOCA funding sources in the accounting records (Finding 1).

Finding

1. Inability to Identify and Track VOCA Funding Sources

Genesee County did not properly develop separate account codes to track local and federal funding sources in its accounting system. Also, Genesee County did not have procedures in place to identify and properly report the VOCA expenditures recorded to the two funding sources.

Title 2 CFR 200.302(a) states 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)(3) states, "The financial management system of each non-Federal entity must provide: Records that identify adequately the source and application of funds." 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 "Accounting systems should be able to account for award funds separately (no commingling of funds)."

Genesee County did not have a process in place to identify, track, and report its local share of the VOCA program's expenses. All VOCA expenses were recorded in the general ledger, however there was no distinction between funding sources for the local match and VOCA expenditures, therefore, Genesee County cannot ensure its source of funds are classified properly on its FSR.

We were able to verify the matching amounts for the sample we selected and determined that there is no effect on grant funding and no adjustments were made to the Statement of Grant Program Revenues and Expenditures.

Recommendation

We recommend Genesee County develop accounting codes to track sources of funding and implement procedures to identify, track and properly report VOCA expenditures recorded to each funding source to ensure compliance with Federal regulation and DOJ guidance.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs and Genesee County'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 Genesee County.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$42,704 and the Genesee County required match is \$10,676. 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.

Genesee County
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	\$97,000	\$42,704 ¹	\$0	\$42,704
Local Funds - Cash	\$23,475	\$10,129	\$0	\$10,129
Volunteer - Match	\$775	\$547	\$0	\$547
TOTAL REVENUES	\$121,250	\$53,380	\$0	\$53,380
EXPENDITURES:				
Salary & Wages	\$58,614	\$32,398	\$0	\$32,398
Fringe Benefits	\$35,695	\$16,510	\$0	\$16,510
Volunteer	\$720	\$508	\$0	\$508
Volunteer Fringe Benefits	\$55	\$39	\$0	\$39
Supplies & Materials	\$13,666	\$3,625	\$0	\$3,625
Other Expenses	\$12,500	\$300	\$0	\$300
TOTAL EXPENDITURES	\$121,250	\$53,380	\$0	\$53,080

¹ Actual MDHHS payments.

Corrective Action Plan

Finding Number: 1

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Finding: **Inability to Identify and Track VOCA Funding Sources**

Genesee County did not properly develop separate account codes to track local and federal funding sources in its accounting system. Also, Genesee County did not have procedures in place to identify and properly report the VOCA expenditures recorded to the two funding sources.

Recommendation: Develop accounting codes to track sources of funding and implement procedures to identify, track and properly report VOCA expenditures recorded to each funding source to ensure compliance with Federal regulation and DOJ guidance.

Comments: Genesee County agrees with the finding.

Corrective Action: Genesee County recognizes there are limitations with its current legacy accounting system and it needs to be replaced. The current system is configured to record, track, and report both local and federal funding however the County recognizes the need to invest and upgrade to a new financial management system to meet its current and future needs. In the interim, the County will continue to improve its procedures to properly record, track, and report its VOCA expenditures.

Anticipated

Completion Date: December 2018

MDHHS Response: None.

Comments and Recommendations

1. Supplies and Other Expenses Recorded in the Same General Ledger Account

Genesee County improperly recorded other expenses in the same account as supplies and materials. Title 2 CFR 200.302(a) states 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)(3) states, "The financial management system of each non-Federal entity must provide: Records that identify adequately the source and application of funds...." 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..." Supplies and other expenses are classified as separate categories on the Financial Status Report (FSR). Genesee County cannot ensure that they are categorizing their expenditures properly on its FSR when they record both categories of expenditures in one general ledger account. We recommend Genesee County properly record each type of expense in its appropriate general ledger account that corresponds with its FSR program expense category.

Management Response:

Genesee County will continue to improve its monitoring procedures to ensure that VOCA supplies and other expenditures are properly recorded and reported on its FSR. The County will also implement appropriate controls that will mitigate this type of error when the new financial management system is implemented.

MDHHS Response:

None.

2. Salary Allocation Not Based on Time Records

Genesee County improperly allocated salary expenditures to VOCA that was not supported by the Employee Funding Distribution Time Report (EFDTR). Title 2 CFR 200.430(i)(1)(i) outlines Standards for Documentation of Personnel Expenses and states that records must "Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated." Similar language can be found in the 2015 DOJ OJP Financial Guide Part III, Section 3.9 which states, "Charges made to

Federal awards for salaries, wages, and fringe benefits will be based on payroll records approved by a responsible official(s) and in accordance with the generally accepted practice of the organization.” We noted for one pay period that the salary allocation for one employee was 55.4% instead of the appropriate 50% resulting in an overstatement of salaries by \$79 and fringe benefits by \$37. We determined that the overstatement was immaterial and will not require a reimbursement to MDHHS. We recommend Genesee County implement controls to ensure salaries and fringe benefits allocations are calculated correctly.

Management Response:

Genesee County believes that this was an isolated error, however the County will improve its current procedure to include a step where the supervisor reviews and recalculates the salaries and fringe benefits allocation to ensure it is correct.

MDHHS Response:

None.

3. Insufficient Supporting Documentation for Fringe Benefits

Genesee County did not provide sufficient supporting documentation for post-retirement benefits and health insurance expense allocations. Title 2 CFR 200.431(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 employees receiving benefits.” Although supporting documentation was provided for post-retirement benefits and health insurance, the documentation did not reconcile to VOCA payroll records. Good financial controls over the allowability of costs include implementing procedures to ensure fringe benefits are allocated in accordance with Federal regulation as well as retaining documentation that supports the allocation amounts. We recommend Genesee County implement procedures to ensure supporting documentation reconciles to fringe benefit expense allocations to ensure compliance with Federal regulation.

Management Response:

Genesee County will continue to develop compensating procedures to ensure that fringe benefit supporting documentation reconciles with VOCA payroll records. The County will also design a control to detect this type of error in its new financial management system.

MDHHS Response:

None

4. Lack of Sufficient Documented Procurement Procedures

Genesee County's procurement procedures are not completely compliant with Federal procurement standards. Title 2 CFR 200.318 requires documented procurement procedures that must conform to the standards identified in 2 CFR 200.318-320. We noted that the policy is lacking language referencing purchasing unnecessary and duplicative items and lease verses purchase alternatives. We recommend Genesee County update its procurement procedures to ensure compliance with Federal procurement standards.

Management Response:

Genesee County will review and consider updating its current procurement procedures, where possible, to ensure compliance.

MDHHS Response:

None.

5. Lack of Sufficient Written Procedures for Determining Cost Allowability

Genesee County did not have sufficient policies and procedures to determine cost allowability. Title 2 CFR 200.302(b)(7) requires the financial management system provide "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." Good financial controls to ensure that only allowable costs are charged to the VOCA grant, include developing procedures to determine cost allowability. We recommend Genesee County develop sufficient policies and procedures for determining cost allowability to ensure compliance with Federal regulation.

Management Response:

Genesee County will review and discuss with the County's consultants its current cost allowability policies and procedures and update as needed to ensure compliance with Federal regulation.

MDHHS Response:

None.