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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HEALTH & HUMAN SERVICES
BUREAU OF AUDIT
P.O. Box 30815; LANSING, MICHIGAN 48909

NICK LYON
DIRECTOR

October 25, 2018

Ms. Gina Aranki, Executive Director
Child and Family Services of NW MI
3785 Veterans Drive
Traverse City, Michigan 49684

Dear Ms. Aranki:

Attached is our final report from the Michigan Department of Health and Human Services (MDHHS) on-site audit of Child and Family Services of NW MI VOCA Program for the period October 1, 2015 through September 30, 2017.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions, Findings, Recommendations, and Agency Responses; Statements of Grant Program Revenues and Expenditures; Summary of Amount Due, Corrective Action Plans; and Comments and Recommendations. The Conclusions, Findings, and Recommendations are organized by audit objective. The Corrective Action Plans and Comments and Recommendations include the agency's paraphrased response to the Preliminary Analysis, and the Bureau of Audit's response to those comments where necessary.

Final reports are posted for public viewing on MDHHS's 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
Bureau of Audit

Attachment

cc: Deb Hallenbeck, Director, Audit Division
Paula Kaiser Van Dam, Director, Bureau of Community Services
Debi Cain, Director, Division of Victim Services
James McCurtis Jr., Manager, Crime Victim Services Commission
Leslie O'Reilly, VOCA Program Specialist, Crime Victim Services Commission
Nicholas Sekmistrz, VOCA Contract Analyst, Crime Victim Services Commission
Patsy Baker, Division of Victim Services
Karen Porter, Division of Victim Services
Robert Haske, Auditor, Population Health and Community Services Programs Section
Ronald Puruleski, Population Health and Community Services Programs Section
Robin Grubbs, Interim Financial Contact, Child and Family Services of NW MI
Paula Smith, Project Director, Child & Family Services of NW MI
Erica Walsh, BOD President, Child & Family Services of NW MI
Gary Blair, BOD President Elect, Child & Family Services of NW MI

Audit Report

Child and Family Services of NW Michigan
Victims of Crime Act
Victim Assistance Program

October 1, 2015 – September 30, 2017



Bureau of Audit
Audit Division
October 2018

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DESCRIPTION OF AGENCY

Child and Family Services of NW Michigan (CFSNWM) is organized as a not-for-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code. CFSNWM's office is located in Traverse City, Michigan. CFSNWM operates under the legal supervision and control of its Board of Directors which consists of 15 members. The services provided by CFSNWM include information and referral, advocacy, transportation assistance, emotional support, safety services, relocation assistance, and criminal and civil justice system assistance for the victims of child sexual abuse/assault. CFSNWM provides program services in the counties of Antrim, Benzie, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee and Wexford.

FUNDING METHODOLOGY

CFSNWM'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 CFSNWM 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 CFSNWM's financial reporting and to determine the MDHHS share of VOCA Program costs according to the agreement and applicable program standards and regulations. The following were the specific objectives of the audit:

1. To assess CFSNWM's effectiveness and accuracy in reporting its 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 cost and CFSNWM'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 CFSNWM.

SCOPE AND METHODOLOGY

We examined CFSNWMI's records and activities for the fiscal period October 1, 2015 to September 30, 2017. Our audit procedures included the following:

- Reviewed the most recent CFSNWMI's 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 Agreements, Budgets, Program Assurances, Trial Balances and General Ledgers.
- 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 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 for 2016 only.
- Reviewed fiscal year 2016 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 CFSNWMI's effectiveness and accuracy in reporting its 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: CFSNWMI was not effective in reporting its VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable Federal standards, program standards and generally accepted accounting principles. We identified the following exceptions: FSRs not supported by accounting records (Finding 1), unallowable expenses reported (Finding 2), insufficient records to support employee's salary and fringe benefits (Finding 3), records not properly retained and produced upon request (Finding 4) and insufficient controls over financial management system (Finding 5).

Finding

1. FSRs Not Supported by Accounting Records

CFSNWMI's final FSRs for FYE 2016 and FYE 2017 did not reconcile with its accounting records.

Title 2 CFR 200.302 states, "(a)...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. (b) 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 in accordance with the reporting requirements set forth in 200.327 Financial reporting and 200.328 Monitoring." Also, the Crime Victim Assistance Grant Agreement Part IV, Section C states, "The monthly FSRs must reflect total actual program expenditures, regardless of the source of funds."

During our audit, we noted the following discrepancies when we attempted to reconcile the FYE 2016 FSR expenditure line items to the related VOCA Program general ledger accounts:

- Salaries and Wages is higher on the FSR by \$9,674
- Fringe Benefits is higher on the general ledger by \$5,089
- Travel is higher on the FSR by \$5,207
- Other Expenses is higher on the FSR by \$590

During our audit, we also noted the following discrepancies when we attempted to reconcile the FYE 2017 FSR expenditure line items to the related VOCA Program general ledger accounts:

- Salaries and Wages is higher on the general ledger by \$12,313
- Fringe Benefits is higher on the general ledger by \$2,363
- Travel is higher on the general ledger by \$1,159

CFSNWMI did not have sufficient controls in place to ensure that its FSRs reconciled with its VOCA Program accounting records, resulting in a total of \$10,382 overreported program expenditures on its 2016 final FSR and \$15,835 underreported program expenditures on its 2017 final FSR.

The Statements of Grant Program Revenues and Expenditures and Summaries of Amount Due show adjustments to each of the line items to reflect the supported amounts.

Recommendation

We recommend that CFSNWMI implement sufficient controls and procedures to ensure that the FSRs reconcile with accounting records to ensure compliance with Federal regulations and the Grant Agreement.

Finding

2. Unallowable Expenses Reported

CFSNWMI reported unallowable expenses.

The 2015 Department of Justice (DOJ) Grants Financial Guide, Part II, Section 2.3 regarding an adequate accounting system states, "Your system should support you in making sure that you follow Federal cost principles, agency program regulations, and the terms of grant and subgrant agreements in determining the reasonableness, allowability, and allocability of costs." Also, the Crime Victim Assistance Grant Certified Assurances states, "The Grantee assures and certifies that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets."

During our review, we noted that CFSNWMI did not receive prior budget approval for the following \$12,346 travel and other expenses reported on its 2016 FSRs:

- Gasoline expenditures for \$1,642
- Auto insurance expenditures for \$2,888
- Auto rental expenditures for \$2,407
- Staff conference/education expenditures for \$848
- Meeting expense expenditures for \$45
- Special needs expenditures for \$4,516

We also noted that CFSNWMI did not receive prior budget approval for the following \$13,371 travel and other expenses reported on its 2017 FSRs:

- Gasoline expenditures for \$795
- Auto maintenance expenditures for \$875
- Auto insurance expenditures for \$1,667
- Auto rental expenditures for \$7,453
- Staff conference/education expenditures for \$2,581

CFSNWMI did not have sufficient controls in place to ensure that only allowable expenditures were recorded and as a result \$25,717 of unallowable expenses were reported to the VOCA Program. Adjustments were made to the attached Statements of Grant Program Revenues and Expenditures and Summaries of Amount Due.

Recommendation

We recommend that CFSNWMI implement policies and procedures to ensure that only allowable expenditures are reported to the VOCA Program to ensure compliance with DOJ guidelines and the Certified Assurances of the grant.

Finding

3. Insufficient Records to Support Employee's Salary and Fringe Benefits

CFSNWMI did not maintain sufficient records to support one employee's salary and fringe benefits.

Title 2 CFR 200.430(i)(1) states, "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed." Also, the 2015 Department of Justice (DOJ) Grants Financial Guide, Part II, Section 3.9 Allowable Costs states, "Charges made to Federal awards for salaries, wages, and fringe benefits must be based on records that accurately reflect the work performed...documentation for charges must be incorporated into the official records of the organization. Support must reasonably reflect the total activity for which the employee is compensated by the organization and cover both federally funded and all other activities. The records may include the use of subsidiary records as defined in the organization's written policies. Where grant recipients work on multiple grant programs or cost activities, documentation must support a reasonable allocation or distribution of costs among specific activities or cost objectives."

During our review, we noted that one (25%) of four VOCA employees did not have any detailed timesheets that accurately reflected the work performed and to support the salary and fringe benefits reported to the VOCA Program for fiscal years 2016 and 2017. CFSNWMI also had no documented policy to ensure that management documented and retained support for employees' actual time worked. In addition, CFSNWMI had no allocation policy documenting the process to distribute costs when staff work on multiple benefiting programs.

No funding adjustments are necessary since other documentation was eventually submitted to support the salary and fringe benefit allocation for this individual.

Recommendation

We recommend CFSNWMI documents and implements a policy to ensure all detailed timesheets are completed to reflect employees' actual time worked. We also recommend that CFSNWMI maintain its salary, wages and fringe benefit documentation to support the expenditures reported to the VOCA Program to ensure compliance with Federal regulation and DOJ Guidelines.

Finding

4. Records Not Properly Retained and Produced Upon Request

CFSNWMI did not provide its general ledger detail and other requested records for its 2016 and 2017 fiscal review in a timely manner. Also, CFSNWMI did not comply with the Federal retention requirements for records.

- Title 2 CFR 200.333 states, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report.”
- Title 2 CFR 200.336(a) states, “...the pass-through entity, or any of their authorized representatives must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts.”
- The 2015 Department of Justice (DOJ) Grants Financial Guide, Part III, Section 3.16 states, “The retention requirement includes...source documents, supporting accounting transactions, the general ledger...personnel and payroll records...and related documents and records” and “You must maintain and separately identify all records for each Federal fiscal period so that information desired may be readily located.”

Our scheduling letter explicitly asked for the financial records to be provided or made accessible prior to or on the audit start date. This letter was sent 16 business days before the audit start date. We only received 57% of the required documentation one day prior to the audit start date. After three days onsite, over 20% of the requested documentation was still outstanding. After several attempts of contacting CFSNWMI, we continued to experience delays in obtaining the remaining records which made it impossible to complete the fiscal review in a timely manner. As a result, we expanded the audit scope to include fiscal year 2017. Upon notifying CFSNWMI of the expanded audit period, it took an additional 53 days to receive the 2017 general ledger detail and FSR reconciliation documentation. During our review, we documented the following timeline:

- 11/1/17 Onsite audit start date - No documentation was available upon arrival. Received partial payroll documentation.
- 11/2/17 Second day onsite - Direct expense supporting documentation received by the close of business.
- 11/3/17 Last day onsite - Received partial payroll documentation. Auditor left a list of outstanding documentation to be sent to the auditor within five business days (11/10/17).
- 12/7/17 - Partial outstanding payroll documentation received by auditor, 20 business days after the 11/10/2017 deadline.

- 2/5/18 - First 2016 FSR to accounting records reconciliation received by auditor, 67 business days after requested. This reconciliation was incomplete resulting in the auditor requesting a second reconciliation from the agency.
- 3/21/18 - Teleconference with Audit Section, CVSC staff, and CFNWMI management on timeliness issues and outstanding requests.
- 5/4/18 - Second 2016 FSR to accounting records reconciliation received by the auditor, 124 business days after the original request.
- 5/10/18 - Received FY 2017 general ledger and trial balance, 37 business days after request.
- 6/4/18 - Received FY 2017 general ledger to FSR reconciliation, 53 business days after request.

As of this report date, CFSNWMI had not provided supporting documentation for nine (56%) of 16 additional 2017 direct expense samples, these expenses were included in the unallowed expenses mentioned in Finding 2 above. Also, CFSNWMI never provided supporting documentation to support any of the fringe benefit samples. Our efforts to obtain an accurate detailed fiscal year 2016 general ledger extended over a period of 124 business days, and we still noted discrepancies in the reconciliation of the general ledger to the final FSR.

Recommendation

We recommend CFSNWMI implement the necessary controls and procedures to ensure documentation requested is provided in a timely manner and record retention requirements are followed to ensure compliance with Federal regulation and DOJ Guidance.

Finding

5. Insufficient Controls Over Financial Management System

CFSNWMI did not have sufficient controls over its financial management system to ensure all VOCA expenditures were accurately reported on its FSRs.

Title 2 CFR 200.303 states, “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and the conditions of the Federal award...” Title 2 CFR 200.62 defines internal control over compliance requirements for Federal awards means as “a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal Awards:

(a) Transactions are properly recorded and accounted for, in order to:

- (1) Permit the preparation of reliable financial statements and Federal reports;
- (2) Maintain accountability over assets; and
- (3) Demonstrate compliance with Federal statutes, regulations and the terms and conditions of the Federal award.”

CFSNWMI’s insufficient controls over its financial management system contributed to the exceptions noted in Finding numbers 1, 2, 3, and 4; and Comment and Recommendation number 1.

Recommendation

We recommend that CFSNWMI implement sufficient controls over its financial management system to ensure compliance with Federal regulations.

MDHHS SHARE OF COST AND BALANCE DUE

Objective 2: To determine the MDHHS share of cost and CFSNWMI'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 CFSNWMI.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016 is \$160,279, and for fiscal year ended September 30, 2017 is \$168,889, and CFSNWMI's required match obligations are \$40,070 and \$42,223, respectively. The attached Statements of Grant Program Revenues and Expenditures for fiscal years 2016 and 2017 show the budgeted, reported, and allowable costs. The audit made adjustments that affected the VOCA Program funding with \$18,182 due back to CVSC for fiscal year 2016 and \$1,971 in additional allowed expenditures for fiscal year 2017 for a net amount of \$16,211 due back to CVSC (Findings 1 and 2).

**Child and Family Services of Northwest Michigan
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	\$181,000	\$178,461 1	(\$18,182) 2,3	\$160,279
Local Funds	\$25,873	\$25,239	(\$4,546) 2,3	\$20,693
Volunteer - Match	\$19,377	\$19,377	\$0	\$19,377
TOTAL REVENUES	\$226,250	\$223,077	(\$22,728)	\$200,349
EXPENDITURES:				
Salary & Wages	\$150,307	\$148,026	(\$9,674) 2	\$138,352
Fringe Benefits	\$28,035	\$29,628	\$5,089 2	\$34,717
Volunteer	\$18,000	\$18,000	\$0	\$18,000
Volunteer Fringe Benefits	\$1,377	\$1,377	\$0	\$1,377
Travel	\$14,473	\$13,209	(\$13,037) 2,3	\$172
Supplies & Materials	\$258	\$558	\$0	\$558
Other Expenses	\$13,800	\$12,279	(\$5,106) 2,3	\$7,173
TOTAL EXPENDITURES	\$226,250	\$223,077	(\$22,728)	\$200,349

1 Actual MDHHS payments

2 FSR Not Supported by Accounting Records (Finding 1)

3 Unallowable Expenses Recorded to the VOCA Program (Finding 2)

**Child and Family Services of Northwest Michigan
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	\$181,000	\$166,918 ¹	\$1,971 ^{2,3}	\$168,889
Local Funds	\$20,534	\$17,014	\$493 ^{2,3}	\$17,507
Volunteer - Match	\$24,716	\$24,716	\$0	\$24,716
TOTAL REVENUES	\$226,250	\$208,648	\$2,464	\$211,112
EXPENDITURES:				
Salary & Wages	\$150,307	\$137,053	\$12,313 ²	\$149,366
Fringe Benefits	\$30,346	\$27,158	\$2,363 ²	\$29,521
Volunteer	\$22,960	\$22,960	\$0	\$22,960
Volunteer Fringe Benefits	\$1,756	\$1,756	\$0	\$1,756
Travel	\$12,823	\$12,838	(\$12,212) ^{2,3}	\$626
Supplies & Materials	\$258	\$258	\$0	\$258
Other Expenses	\$7,800	\$6,625	\$0	\$6,625
TOTAL EXPENDITURES	\$226,250	\$208,648	\$2,464	\$211,112

¹ Actual MDHHS payments

² FSR Not Supported by Accounting Records (Finding 1)

³ Unallowable Expenses Recorded to the VOCA Program (Finding 2)

**Child & Family Services of NW Michigan
VOCA - Crime Victim Assistance Program
Summary of Amount Due
10/01/2015 - 09/30/2016**

Description	FSR	General Ledger	Difference Between FSR and General Ledger	Unsupported Costs	Difference Including Unsupported Costs	Amount Due (CVSC)/ CFSNWM (80%)	Cash Match (20%)
Salaries & Wages (1)	148,026	138,352	(9,674)	-	(9,674)	(7,739)	(1,935)
Fringe Benefits (1)	29,628	34,717	5,089	-	5,089	4,071	1,018
Travel (1) (2)	13,209	8,002	(5,207)	(7,830)	(13,037)	(10,429)	(2,608)
Supplies & Materials (1)	558	558	-	-	-	-	-
Other Expenses (1) (2)	12,279	11,689	(590)	(4,516)	(5,106)	(4,085)	(1,021)
Total Difference			(10,382)	(12,346)	(22,728)	(18,182)	(4,546)

(1) FSR Not Supported by Accounting Records (Finding 1)

(2) Unallowable Expenses (Finding 2)

**Child & Family Services of NW Michigan
VOCA - Crime Victim Assistance Program
Summary of Amount Due
10/01/2016 - 09/30/2017**

Description	FSR	General Ledger	Difference Between FSR and General Ledger	Unsupported Costs	Difference Including Unsupported Costs	Amount Due (CVSC)/ CFSNWM (80%)	Cash Match (20%)
Salaries & Wages (1)	137,053	149,366	12,313	-	12,313	9,851	2,462
Fringe Benefits (1)	27,158	29,521	2,363	-	2,363	1,890	473
Travel (1) (2)	12,838	13,997	1,159	(13,371)	(12,212)	(9,770)	(2,442)
Supplies & Materials (1)	258	258	-	-	-	-	-
Other Expenses (1)	6,625	6,625	-	-	-	-	-
Total Difference			15,835	(13,371)	2,464	1,971	493

(1) FSR Not Supported by Accounting Records (Finding 1)

(2) Unallowable Expenses (Finding 2)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

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

CFSNWMI's final FSRs for FYE 2016 and FYE 2017 did not reconcile with accounting records.

Recommendation: Implement sufficient controls and procedures to ensure that the FSRs reconcile with accounting records to ensure compliance with Federal regulations and the Grant Agreement.

Comments: CFSNWMI agrees with this finding.

Corrective Action: CFS will implement a process whereby the Finance Director will reconcile the monthly accounting records to the FSR and forward the reconciliation to the Executive Director and Board Finance Committee to review and approve prior to submitting the monthly FSR to MDHHS. The Finance Director will also maintain this approved reconciliation as audit support that the process was properly completed.

Person Responsible for Implementation: Gina Aranki, Executive Director

Anticipated Completion Date: 10/01/2018

MDHHS Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: Unallowable Expenses Reported

CFSNWMI reported unallowable expenses.

Recommendation: Implement policies and procedures to ensure that only allowable expenditures are reported to the VOCA Program to ensure compliance with DOJ guidelines and the Certified Assurances of the grant.

Comments: CFSNWMI agrees with this finding.

Corrective Action: CFSNWMI will update the “Fiscal Practices and Internal Controls” policy in our Policies and Procedures Handbook to denote compliance with 2 CFR 200.302(7) and all Federal regulations. The Executive Director will review and approve expenditures to ensure only allowable costs are reported. In addition, CFSNWMI will communicate with the VOCA Program Specialist about any questions regarding the allowability of expenses during the budgeting process and prior to reporting expenditures on the FSR.

Person Responsible for Implementation: Gina Aranki, Executive Director

Anticipated Completion Date: 10/01/2018

MDHHS Response: None

Corrective Action Plan

Finding Number: 3

Page Reference: 5

Finding: Insufficient Records to Support Employee's Salary and Fringe Benefits

CFSNWMI did not maintain sufficient records to support one employee's salary and fringe benefits.

Recommendation: Implement a policy to ensure all detailed timesheets are completed to reflect employees' actual time worked. We also recommend that CFSNWMI maintain its salary, wages and fringe benefit documentation to support the expenditures reported to the VOCA Program to ensure compliance with Federal regulation and DOJ Guidelines.

Comments: CFSNWMI agrees with this Finding.

Corrective Action: CFSNWMI implemented a new payroll system that will track and maintain employees' detailed timesheets, including specific VOCA hours.

Person Responsible for Implementation: Gina Aranki, Executive Director

Anticipated Completion Date: 10/01/2018

MDHHS Response: None

Corrective Action Plan

Finding Number: 4

Page Reference: 6

Finding: **Records Not Properly Retained and Produced Upon Request**

CFSNWMI did not provide its general ledger detail and other requested records for its 2016 and 2017 fiscal review in a timely manner. Also, CFSNWMI did not comply with the Federal retention requirements for records.

Recommendation: Implement the necessary controls and procedures to ensure documentation requested is provided in a timely manner and record retention requirements are followed to ensure compliance with Federal regulation and DOJ Guidance.

Comments: CFSNWMI agrees with this finding.

Corrective Action: CFSNWMI's updated Policies and Procedures Manual dictates the retention of documentation for three years from date of submission of the final expenditures report to ensure compliance with Federal regulation and DOJ guidance. CFSNWMI also now mandates copying the Executive Director on all correspondence related to documentation and deadlines to assure that all requirements are being met.

**Person Responsible
for Implementation:** Gina Aranki, Executive Director

**Anticipated
Completion Date:** 10/01/2018

Corrective Action Plan

Finding Number: 5

Page Reference: 7

Finding: **Insufficient Controls Over Financial Management System**
CFSNWMI did not have sufficient controls over its financial management system to ensure all VOCA expenditures were accurately reported on its FSRs.

Recommendation: Implement sufficient controls over its financial management system to ensure compliance with Federal regulations.

Comments: CFSNWMI agrees with this finding.

Corrective Action: CFSNWMI will implement a process whereby the Finance Director will reconcile the monthly accounting records to the FSR and forward the reconciliation to the Executive Director and Board Finance Committee to review and approve prior to submitting the monthly FSR to MDHHS. The Finance Director will maintain this approved reconciliation as audit support that the process was properly completed. The new accounting and payroll system will also assist in our compliance. CFSNWMI will also update the "Fiscal Practices and Internal Controls" policies in our Policies and Procedures Handbook to include compliance with 2 CFR 200.302(7) and all Federal regulations.

Person Responsible for Implementation: Gina Aranki, Executive Director

Anticipated Completion Date: 10/01/2018

MDHHS Response: None

Comments and Recommendations

1. Invoices Did Not Have Proper Authorization Prior to Payment

CFSNWMI did not obtain management authorization on all of 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.” During our review, we noted that two (10%) of the 20 invoices for FY 2016 and eight (50%) of 16 invoices for FY 2017 did not have management approval prior to payment. We recommend that CFSNWMI implement controls to ensure proper management approval on all invoices prior to payment to ensure compliance with Federal regulation.

Agency Response:

CFSNWMI agrees with this comment and has implemented a system by which all invoices are to be signed by the staff member incurring the expense, followed by their supervisor, with a third authorization by the executive director for any invoice over \$250.

Person Responsible

for Implementation: Gina Aranki, Executive Director

Anticipated

Completion Date: Implemented 5/24/2018 (recorded in weekly Directors’ Roundtable meeting minutes)

2. Employee Time Reports Not Properly Completed

CFSNWMI did not have all necessary information on their employee time reports to properly support salary, wages, and fringe benefit expenditures charged to the VOCA grant. The 2015 DOJ Grants Financial Guide, Part III, Section 3.9, requires support of salaries and wages to “reflect the total activity for which the employee is compensated by the organization.” Similar language can be found in the Crime Victim Assistance Grant Certified Assurances which requires the grantee to “maintain proper documentation for all paid grant staff and volunteer time reported by using the VOCA Employee Funding Distribution Time Report.” During our review, we noted that two (33%) of six employee time reports did not include the CVA number; employee signature, title and date; and the supervisor’s title and date for FY 2016. We also noted that two (25%) of eight employee time reports not include the employee signature, title and date; and the supervisor’s title and date for FY 2017. We recommend that CFSNWMI implement the proper controls and procedures to ensure employee time reports are properly completed for compliance with both DOJ guidelines and the Certified Assurances of the grant.

Agency Response:

CFSNWMI agrees with this comment. In the past year we have diligently progressed with all agency staff and supervisors in proper timesheet documentation in conjunction with implementing a new payroll system.

Person Responsible

for Implementation: Gina Aranki, Executive Director

Anticipated

Completion Date: 10/1/2018

3. Lack of Sufficient Documented Procurement Procedures

CFSNWMI did not have sufficient documented procurement procedures. Title 2 CFR 200.318 requires documented procurement procedures in compliance with the standards identified in 2 CFR 200.318-.320. The following should be addressed/considered in the documented procurement procedures:

- 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.
- Items purchased under the micropurchase method may be awarded without competitive quotes as long as the price is reasonable.
- Items purchased under the small purchase method requires quotations from an adequate number of qualified sources.
- Bidding and proposal procedures in compliance with Federal regulation.

We recommend CFSNWMI establish sufficient documented procurement procedures to ensure compliance with Federal regulation

Agency Response:

CFSNWMI agrees with this comment and does strive to obtain goods and services at the best prices possible, as well as support our local economy. We do not have a Purchasing Department. However, we have updated our Policies and Procedures Manual to include a Purchasing/Procurement policy referencing 2 CFR 200.318-.320.

Person Responsible

for Implementation: Gina Aranki, Executive Director

Anticipated

Completion Date: 10/01/2018