



RICK SNYDER
GOVERNOR

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

NICK LYON
DIRECTOR

November 16, 2018

Ms. Jamie Rossow, Executive Director
Berrien County Council for Children
4938 Niles Road
St. Joseph, Michigan 49085

Dear Ms. Rossow:

Attached is our final report from the Michigan Department of Health and Human Services (MDHHS) on-site audit of Berrien County Council for Children 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 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
Audit Division

cc: Deb Hallenbeck, Director, Audit Division
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 Program Analyst, Crime Victim Services Commission
Patsy Baker, Division of Victim Services
Karen Porter, Division of Victim Services
Ronald Puruleski, Population Health and Community Services Programs Section
Jennifer Swingler, Project Director, Berrien County Council for Children
Maria Kibler, Administrator, Berrien County Council for Children

Audit Report

Berrien County Council for Children
Victims of Crime Act
Victim Assistance Program

October 1, 2015 – September 30, 2016



Bureau of Audit

Audit Division
November 2018

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DESCRIPTION OF AGENCY

Berrien County Council for Children is a non-profit agency under the provisions of Section 501(c) (3) of the Internal Revenue Code and their office is located in St. Joseph, Michigan. Berrien County Council for Children operates under the legal supervision and control of its Board of Directors which consists of 12 members. The services provided by Berrien County Council for Children include information and referral, counseling, advocacy, crisis intervention, group treatment/support, and criminal advocacy for the victims of child sexual abuse for the residents of Berrien County.

FUNDING METHODOLOGY

Berrien County Council for Children's Victim Assistance Program is funded from local funds, State of Michigan Domestic Violence Treatment Board, National Children's Alliance, Berrien County Government, United Way Southwest Michigan, and a grant program from the Michigan Department of Health and Human Services (MDHHS). MDHHS provided Berrien County Council for Children 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 Berrien County Council for Children'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 Berrien County Council for Children'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 Berrien County Council for Children'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 the Berrien County Council for Children.

SCOPE AND METHODOLOGY

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

- Reviewed the most recent Berrien County Council for Children'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 Agreement, 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.
- 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 Berrien County Council for Children'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: Berrien County Council for Children was generally effective and accurate 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. However, we identified the following exceptions: FSR not supported by accounting records (Finding 1) and noncompliant allocation of expenses (Finding 2).

Finding

1. FSR Not Supported by Accounting Records

Berrien County Council for Children's FSR did not reconcile with its accounting records.

Title 2 CFR 200.302 regarding Financial management 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... (3) Records that identify adequately the source and application of funds... (4) Effective control over, and accountability for, all funds, property, and other assets." It also states in the 2015 Department of Justice (DOJ) Office of Justice Programs (OJP) Grants Financial Guide in Part II, Section 2.3 that "All subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. This system includes financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements...and Accounting systems should be able to account for award funds separately (no commingling of funds)."

During our review, we noted that Berrien County Council for Children did not create an appropriate accounting structure to separately track its VOCA expenditures within its accounting system and as a result we identified the following discrepancies when we reconciled the final FSR expenditure categories to its related VOCA Program general ledger accounts:

- Fringe Benefits is higher on the general ledger by \$1,629
- Travel is higher on the general ledger by \$200
- Other Expenses is higher on the general ledger by \$6,834

Berrien County Council for Children did not have sufficient controls in place to ensure that the FSR reconciled with its VOCA Program accounting records, resulting in a \$8,663 understatement of total program expenditures on its FSR.

Recommendation

We recommend that Berrien County Council for Children implement an appropriate accounting structure to separately track its VOCA expenditures in its accounting system. We also recommend that Berrien County Council for Children implement sufficient controls and procedures to ensure that the FSR reconciles with accounting records to ensure compliance with federal regulation and DOJ guidance.

Finding

2. Non-Compliant Allocation of Expenses

Berrien County Council for Children did not properly allocate its joint expenses to all benefiting programs.

Title 2 CFR 200.405(b) Allocable Costs states, “All activities which benefit from the non-Federal indirect costs...will receive an appropriate allocation of indirect costs... (d) If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined...the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”

During our review, we noted that Berrien County Council for Children had multiple programs, however only allocated its gas, electric and office phone expenditures to the VOCA Program.

Berrien County Council for Children did not have sufficient controls in place to ensure that all its expenditures were properly allocated to the other programs. Due to the agency having incurred more VOCA related program costs not reported on their FSR, there will be no amount due back to the State.

Recommendation

We recommend that the Berrien County Council for Children implement sufficient controls and procedures to properly allocate joint costs to all benefiting programs to ensure compliance with federal regulation.

MDHHS SHARE OF COSTS

Objective 2: To determine the MDHHS share of costs and Berrien County Council for Children’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 the Berrien County Council for Children.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$203,200 and Berrien County Council for Children’s required match is \$50,801. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs.

**Berrien County Council for Children
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	\$203,200	\$203,200 ¹	\$0	\$203,200
Local Funds	\$41,758	\$41,766	\$0	\$41,766
Volunteer - Match	\$9,043	\$9,035	\$0	\$9,035
TOTAL REVENUES	\$254,001	\$254,001	\$0	\$254,001
EXPENDITURES:				
Salary & Wages	\$178,408	\$175,220	\$0	\$175,220
Fringe Benefits	\$30,974	\$33,786	\$0	\$33,786
Volunteer Wages	\$8,400	\$8,393	\$0	\$8,393
Volunteer Fringe	\$643	\$642	\$0	\$642
Travel	\$3,080	\$3,080	\$0	\$3,080
Supplies & Materials	\$13,246	\$12,381	\$0	\$12,381
Other Expenses	\$19,250	\$20,499	\$0	\$20,499
TOTAL EXPENDITURES	\$254,001	\$254,001	\$0	\$254,001

¹ Actual MDHHS payments

Corrective Action Plan

Finding Number: 1

Page Reference: 3

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

Berrien County Council for Children's FSR did not reconcile with its accounting records.

Recommendation: Implement an appropriate accounting structure to separately track its VOCA expenditures in its accounting system. Also, implement sufficient controls and procedures to ensure that the FSR reconciles with accounting records to ensure compliance with federal regulation and DOJ guidance.

Comments: Budgeted line items were met, over-reporting past the budgeted amounts was not allowed. We incurred more costs than what was reported as VOCA expenditures.

Corrective Action: BCCC will implement an appropriate accounting process to separately track not only VOCA expenditures, but matching funds. We will work with our accounting firm and VOCA staff to develop processes to ensure sufficient controls to be able to track VOCA match paid by other funding sources back to VOCA.

Person Responsible for Implementation: Jamie Rossow, Executive Director

Anticipated Completion Date: September 30, 2019

MDHHS Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: **Non-Compliant Allocation of Expenses**

Berrien County Council for Children did not properly allocate its joint expenses to all benefitting programs.

Recommendation: Implement sufficient controls and procedures to properly allocate joint costs to all benefitting programs to ensure compliance with federal regulation.

Comments: None

Corrective Action: The BCCC will implement appropriate accounting processes and controls to track and verify allocation of joint costs. We will work with our accounting firm and the VOCA staff to develop process to ensure sufficient controls are in place.

Person Responsible for Implementation: Jamie Rossow, Executive Director

Anticipated Completion Date: September 30, 2019

MDHHS Response: None

Comments and Recommendations

1. Insufficient Control Activities to Ensure Segregation of Duties for Key Financial Procedures

Berrien County Council for Children did not have sufficient control activities to ensure segregation of duties for its key financial procedures. 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 conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States..." Also, in the Standards for Internal Control in the Federal Government, Principle 10.03 Design of Appropriate Types of Control Activities states, "Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event." During our review of Berrien County Council for Children's Subrecipient Questionnaire, we noted that management did not segregate its key financial duties and responsibilities to reduce its risk of financial error, misuse or fraud. We noted that one employee had the responsibilities for authorizing and processing transactions as well as custody of assets. We recommend that Berrien County Council for Children implement sufficient control activities to ensure segregation of duties for its key financial procedures to ensure compliance with federal regulations and standards.

Management Response: The Board of Directors and Executive Director for the BCCC are in the process of reviewing and revising all policies including our Financial Policies and Bylaws. Although we are a small organization, we strive to segregate duties to ensure that not only one person has responsibility for all financial activities. Since the time period of the review, the BCCC has made changes to individuals responsible for financial and accounting duties and how approvals are made.

Person Responsible

for Implementation: Maria Kibler, Board Chairperson
Jamie Rossow, Executive Director

Anticipated

Completion Date: March 31, 2019

2. Lack of a Written Travel Policy

Berrien County Council for Children did not provide a written travel policy. Title 2 CFR 200.474 (b) states, "Costs incurred by employees and officers for travel...must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy." During our review we requested a copy of Berrien County Council for Children's travel policy, however it was never provided. We recommend that the Berrien County Council for Children document a travel policy to ensure compliance with federal regulation.

Management Response: The Board of Directors and Executive Director for the Berrien County Council for Children are in the process of reviewing and revising all policies including our Financial policies and Human Resource policies. At this time, we will be adding language to include detailed a detail Travel policy to ensure compliance with federal regulations.

Person Responsible

for Implementation: Maria Kibler, Board Chairperson
Jamie Rossow, Executive Director

Anticipated

Completion Date: March 31, 2019

3. Lack of Sufficient Documented Procurement Procedures

Berrien County Council for Children did not have sufficient documented procurement procedures. Title 2 CFR 200.318 requires documented procurement procedures that must conform to the standards identified in 2 CFR 200.318-320. We recommend that Berrien County Council for Children establish sufficient documented procurement procedures to ensure compliance with federal procurement standards.

Management Response: The Board of Directors and Executive Director for the Berrien County Council for Children are in the process of reviewing and revising all policies including our Financial policies and Human Resource policies. At this time, we will be adding language to include procurement procedures to ensure compliance with federal regulations.

Person Responsible

for Implementation: Maria Kibler, Board Chairperson
Jamie Rossow, Executive Director

Anticipated

Completion Date: March 31, 2019