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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

October 3, 2017

Juliette Schultz, Executive Director  
Women's Resource Center for the Grand Traverse Area  
720 South Elmwood, Suite 2  
Traverse City, MI 49684

Dear Ms. Schultz:

Enclosed is our final report from the Michigan Department of Health and Human Services (MDHHS) on-site audit of the Women's Resource Center for the Grand Traverse Area 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, Reimbursement, and Quality Assurance'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](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  
Robert Haske, Auditor, Bureau of Audit, Reimbursement and Quality Assurance  
Cindy Rebman, CFO, Women's Resource Center for the Grand Traverse Area

# Audit Report

## Women's Resource Center for the Grand Traverse Area

Victims of Crime Act  
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**

Women's Resource Center (WRC) for the Grand Traverse Area is a non-profit agency under the provisions of Section 501(c) (3) of the Internal Revenue Code located in Traverse City, Michigan. WRC operates under the legal supervision and control of its Board of Directors which consists of 12 members. The services provided by WRC include assistance in filing compensation claims, counseling, support, advocacy and information for the victims of adult sexual assault, adults molested as children, and domestic violence for the residents who live in a four-county region of Northwest Michigan. This region includes Benzie, Grand Traverse, Kalkaska, and Leelanau counties.

## **FUNDING METHODOLOGY**

The WRC 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 WRC 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 WRC financial reporting and to determine the MDHHS share of VOCA Program costs. Following are the specific objectives of the audit:

1. To assess WRC 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 WRC 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 WRC.

## SCOPE AND METHODOLOGY

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

- Reviewed the most recent WRC 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 WRC 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:** WRC 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 exceptions relating to fringe benefits not recorded in the VOCA cost center (Finding 1), overtime inappropriately paid (Finding 2) and cash basis used when accrual basis was specified in the grant application (Finding 3).

## **Finding**

### **1. Fringe Benefits Not Recorded in the VOCA Cost Center**

WRC did not properly develop separate account codes to track local and federal funding sources for fringe benefits in its accounting system. Also, WRC did not have procedures in place to identify and properly report the VOCA fringe benefit expenditures on its FSR.

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." 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)."

WRC recorded its workers compensation, health insurance, life insurance, disability insurance, and retirement contribution expenditures to its administrative fund, however there was no distinction between local and VOCA funded expenses, resulting in an overstatement of fringe benefits reported on its FSR by \$145. Inaccurate financial reporting and incomplete accounting records may affect compliance with Federal regulation and DOJ guidance.

While the fringe benefit line item amount 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 WRC develop accounting codes to track fringe benefits sources of funding and implement procedures to identify, track and properly report VOCA fringe benefits expenditures recorded to each funding source to ensure compliance with Federal regulation and DOJ guidance.

## **Finding**

### **2. Overtime Inappropriately Paid**

WRC did not properly calculate overtime resulting in a misstatement of salary and wage expenses to the VOCA program. Also, WRC did not have effective compensation controls in place to detect payroll-related errors.

The Fair Labor Standards Act (FLSA) states, "FLSA overtime pay for nonexempt employees is computed based on the time the employee has worked in a work week. FLSA does not require overtime pay for work on holidays."

We noted that WRC paid three hours of overtime to an employee during the same pay period both holiday and personal leave time was also paid. WRC compensation controls did not detect this error prior to payment therefore, WRC cannot ensure that all salary and wages expenses are in compliance with Federal regulations.

## **Recommendation**

We recommend that the WRC review its compensation controls to ensure overtime is accurately calculated in compliance with applicable standards, and update the employee handbook to reflect the updated controls.

## **Finding**

### **3. Cash Basis When Accrual Basis Was Specified**

WRC asserted it used the accrual method of accounting on its VOCA grant application, however we noted WRC used the cash basis for accounting and reporting grant expenditures.

WRC followed the same accounting basis used in prior years and was not aware the basis they used was different than what was listed on the grant application. WRC may elect accrual, cash, or modified accrual methods for accounting, however WRC should ensure that the method of accounting stated on the application is the same method used to report expenditures in the general ledger and FSR.

We determined that there was no adjustment needed to the Statement of Grant Program Revenues and Expenditures.

### **Recommendation**

We recommend WRC implement the proper controls and procedures to ensure the method of accounting stated on the grant application is used for accounting and reporting grant expenditures.

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

**Objective 2:** To determine the MDHHS share of costs and WRC 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 WRC.

**Conclusion:** The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$146,242 and the WRC required match is \$36,561. 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.



**Women's Resource Center for the Grant Traverse Area  
VOCA - Crime Victims Assistance Program  
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	\$161,364	\$146,242 <sup>1</sup>	\$0	\$146,242
Volunteer - Match	\$25,763	\$28,696	\$0	\$28,696
Local - Match	\$14,578	\$7,865	\$0	\$7,865
<b>TOTAL REVENUES</b>	<b>\$201,705</b>	<b>\$182,803</b>	<b>\$0</b>	<b>\$182,803</b>
<b>EXPENDITURES:</b>				
Salary & Wages	\$113,098	\$106,854	\$0	\$106,854
Fringe Benefits	\$13,889	\$13,551	(\$145) <sup>2</sup>	\$13,406
Volunteer Salaries & Wages	\$23,932	\$26,672	\$0	\$26,672
Volunteer Fringe Benefits	\$1,831	\$2,024	\$0	\$2,024
Supplies & Materials	\$8,903	\$7,823	\$0	\$7,823
Travel	\$69	\$47	\$0	\$47
Other Cost Distributions	\$39,983	\$25,832	\$145 <sup>2</sup>	\$25,977
<b>TOTAL EXPENDITURES</b>	<b>\$201,705</b>	<b>\$182,803</b>	<b>\$0</b>	<b>\$182,803</b>

<sup>1</sup> Actual MDHHS payments.

<sup>2</sup> Adjust Fringe Benefits and Other Cost Distributions to actual (Finding 1)

## Corrective Action Plan

**Finding Number:** 1

**Page Reference:** 3

**Finding:** Fringe Benefits Not Recorded in the VOCA Cost Center

WRC did not properly develop separate account codes to track local and federal funding sources for fringe benefits in its accounting system. Also, WRC did not have procedures in place to identify and properly report the VOCA fringe benefit expenditures on its FSR.

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

**Comments:** WRC agrees with the finding.

**Corrective Action:** In order to identify, track and properly report VOCA fringe benefit expenditures recorded to each funding source and ensure compliance with Federal regulation and DOJ guidance, the fringe benefits for all WRC staff who are eligible (including those who are VOCA-funded) are tracked using an excel spreadsheet that is updated and adjusted as-needed on a monthly basis. Monthly updates occur prior to submitting monthly expenditure reports to ensure that the benefits expenses requested for reimbursement are accurate.

**Anticipated**

**Completion Date:** Completed October 2016

**MDHHS Response:** None

## Corrective Action Plan

**Finding Number:** 2

**Page Reference:** 4

**Finding:** Overtime Inappropriately Paid

WRC did not properly calculate overtime resulting in a misstatement of salary and wage expenses to the VOCA program. Also, WRC did not have effective compensation controls in place to detect payroll-related errors.

**Recommendation:** Review the compensation controls to ensure overtime is accurately calculated in accordance with applicable standards, and update the employee handbook to reflect the updated controls.

**Comments:** WRC agrees with the finding.

**Corrective Action:** The WRC added procedures to the employee handbook and implemented an internal process improvement to ensure the accuracy of payroll. Specifically, procedures for defining when overtime will be allowed and a checklist outlining payroll processing including required payments, PTO-time off, etc. is completed by the Business Accounting Manager and reviewed by the Chief Financial Officer. Any discrepancies (including overtime) are reconciled prior to submission of payroll.

**Anticipated**

**Completion Date:** March 2017

**MDHHS Response:** None

## Corrective Action Plan

**Finding Number:** 3

**Page Reference:** 4

**Finding:** Cash Basis When Accrual Basis Was Specified

WRC asserted it used the accrual method of accounting on its VOCA grant application, however we noted WRC used the cash basis for accounting and reporting grant expenditures.

**Recommendation:** Implement the proper controls and procedures to ensure the method of accounting stated on the grant application is used for accounting and reporting grant expenditures.

**Comments:** WRC agrees with the finding.

**Corrective Action:** WRC will ensure the basis of accounting noted on the grant application is the same as what is used for grant expenditure reporting.

**Anticipated**

**Completion Date:** October 2017

**MDHHS Response:** None

## **Comments and Recommendations**

### **1. Employee Funding Distribution Time Reports Not Properly Completed**

WRC did not complete its Employee Funding Distribution Time Reports (EFDTRs) to properly support salary, wages, and fringe benefit expenditures charged to the VOCA grant. The 2015 DOJ OJP 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 reported by using the VOCA Employee Funding Distribution Time Report.” During our review, we noted that 3 (50%) of 6 EFDTRs did not include the employee’s total weekly compensated hours. We also noted that 1 (16.7%) of 6 did not have the appropriate dates above the actual days worked for the applicable pay period. WRC had other internal time keeping records to verify the actual hours worked to validate the costs charged to VOCA, however all fields in the time reports are required to be completed to satisfy MDHHS’s timekeeping requirements. Good financial controls over the accuracy of reported costs include completing employee time records to ensure payroll is properly reported and calculated. We recommend WRC implement the proper controls and procedures to ensure employee time reports are accurate and properly completed to ensure compliance with both DOJ guidance and the grant’s Certified Assurances.

#### **Management Response:**

WRC agrees with the comment above. WRC has implemented controls, procedures, and staff training to ensure correction of this issue. This includes an internal control process to ensure accuracy of payroll and business accounting manager facilitated trainings on timesheet completion.

#### **MDHHS Response:**

None

### **2. Invoices Do Not Contain Proper Signatory Approval**

WRC 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 noted that 3 (23%)

of 13 expenditure transactions reviewed 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 expenditures are appropriate, recorded properly, and in compliance with federal funding requirements. We recommend WRC implement appropriate controls to ensure proper management approval on all its invoices prior to payment to ensure compliance with Federal regulation.

**Management Response:**

WRC agrees with the above comment. WRC's CFO developed a new authorization process that includes management review and approval authorizing payments to ensure expenditures are appropriate, recorded properly, and in compliance with Federal funding requirements. Expenditure transactions are then reviewed by the CFO prior to being entered into the accounting system for payment. Any discrepancies are reconciled prior to submission of expenditure reports.

**MDHHS Response:**

None

**3. Inaccurate Annual Volunteer Hours Reported**

WRC did not ensure its annual volunteer hour reports were accurately recorded. As a result, the volunteer hour reports did not reconcile with the Volunteer Matching Distribution Time Reports (VMDTR). The DOJ OJP Financial Guide, Part II, Section 2.3, requires an adequate accounting system to support "financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of the award or subaward." We noted that 135 (21%) of 642.5 annual volunteer hours recorded did not reconcile with the biweekly VMDTRs. We also noted that 7.5 hours were duplicated on the monthly volunteer hour reports. However, since a quarter of the year resulted in a third of the volunteer hours reported, we determined that this hour difference did not affect WRC's volunteer and match requirements. Good financial controls over the accuracy of match reported for the VOCA grant include ensuring volunteer hours are properly recorded. We recommend WRC implement the proper controls and procedures to ensure volunteer hours are accurately calculated and reported to ensure compliance with DOJ guidance.

**Management Response:**

WRC agrees that volunteer hours did not reconcile and has hired a part-time volunteer coordinator who has re-tooled and re-launched the volunteer training program including comprehensive training and tracking of volunteer hours. The volunteer coordinator reviews and reconciles volunteer hours and timesheets on

a monthly basis. The CFO and Executive Director also review the volunteer hours monthly for accuracy and any issues are brought to the Program Director's attention, who is responsible for oversight of the part-time volunteer coordinator.

**MDHHS Response:**

None

**4. Volunteer Match Distribution Time Reports Not Properly Completed**

WRC did not ensure all VMDTRs fields were properly completed. 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." We noted that 9 (28%) of 32 VMDTRs reviewed were not completed properly: 3 did not have the supervisor's title field completed; 3 did not have the volunteer's signature, title, or date completed; and 3 did not list the pay period end date. Good financial controls over the accuracy of grant match include completeness of time reports to ensure matching hours are accurately reported and calculated. We recommend WRC implement the proper controls and procedures to ensure volunteer time reports are properly completed and approved to ensure compliance with the Certified Assurances of the grant.

**Management Response:**

WRC agrees with the above comment. To ensure proper controls and procedures related to accurately completing of timesheets to ensure matching hours are accurately reported and calculated, in November 2016 the WRC hired a part-time volunteer coordinator who has re-tooled and re-launched the volunteer training program including comprehensive training and tracking of volunteer hours. The volunteer coordinator, CFO and Executive Director review the volunteer hours monthly prior to submission of reports. Any concerns are brought to the Program Director's attention, who is responsible for oversight of the part-time volunteer coordinator.

**MDHHS Response:**

None

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

WRC did not have sufficient documented procurement procedures as required by Federal regulation. Title 2 CFR 200.318 requires documented procurement procedures in compliance with the standards identified in Parts 318-320. Minimally, the following should be addressed and considered in the written procurement procedures:

- Oversight to ensure contractors perform in accordance with contracts or purchase orders.
- 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.
- Award contracts on a basis other than cost alone such as integrity, record of past performance, and resources available.
- Maintaining a history of procurement including the rationale for the procurement method, contractor selection, and basis for price.
- Procedures to ensure procurement transactions are conducted in a manner providing full and open competition.
- Ensuring all solicitations incorporate a clear and accurate description of specifications and all requirements, and what bids and proposals will be evaluated on.
- Micropurchases (aggregate dollar amount \$3,000 or less) may be awarded without competitive quotes as long as the price is reasonable.
- Small purchases (aggregate dollar amount \$3,001 to \$150,000) quotations must be obtained from an adequate number of qualified sources.
- Bidding and proposal procedures in compliance with Federal regulations.

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

**Management Response:**

WRC agrees with the above comment. The WRC Internal Affairs Committee (IAC) and staff will conduct a review of the agencies procurement procedures to ensure compliance with Federal regulations. The IAC and staff will submit recommendations and any revisions deemed necessary to the Board of Directors for approval. WRC estimates completing the review and revisions by September 2018.

**MDHHS Response:**

None



## **6. Insufficient Written Procedures for Determining Cost Allowability**

WRC 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 WRC develop sufficient written procedures for determining cost allowability to ensure compliance with Federal regulation.

### **Management Response:**

WRC agrees with the above comment. WRC IAC and staff will conduct a review of the agencies financial policies and informal internal processes and procedures related to determining cost allowability to ensure compliance with Federal regulations. The IAC and staff will submit recommendations and any revisions deemed necessary to the Board of Directors for approval. The WRC estimates completing the review and revisions by September 2018.

### **MDHHS Response:**

None