



**RICK SNYDER**  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HEALTH & HUMAN SERVICES  
BUREAU OF AUDIT  
LEWIS CASS BUILDING • 320 SOUTH WALNUT • LANSING, MICHIGAN 48933

**NICK LYON**  
DIRECTOR

June 7, 2018

Kyleen Gee, Executive Director  
The Child Abuse Council of Muskegon  
720 South Elmwood, Suite 2  
Traverse City, Michigan 49684

Dear Ms. Gee:

Attached is our final report from the Michigan Department of Health and Human Services (MDHHS) on-site audit of The Child Abuse Council of Muskegon 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](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 Section Manager  
Population Health and Community Services Programs Section  
Bureau of Audit

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, VOCA Program Analyst, Crime Victim Services Commission  
Paula Kaiser Van Dam, Administrator, Bureau of Community Services  
Debra Cain, Director, Division of Victim Services  
Robert Haske, Auditor, Population Health and Community Services Programs Section  
Kathy Fearnley, Governing Board Director, The Child Abuse Council of Muskegon  
Sabryna Benmark, Administrative Assistant, The Child Abuse Council of Muskegon

# Audit Report

Child Abuse Council of Muskegon  
Victims of Crime Act  
Victim Assistance Program

October 1, 2015 – September 30, 2016



Bureau of Audit  
Audit Division  
June 2018

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## **DESCRIPTION OF AGENCY**

The Child Abuse Council of Muskegon is a non-profit agency under the provisions of Section 501(c) (3) of the Internal Revenue Code and their office is in Muskegon, Michigan. The Child Abuse Council of Muskegon operates under the legal supervision and control of its Board of Directors which consists of 21 members. The services provided by the Child Abuse Council of Muskegon include information and referral, counseling, advocacy, group treatment/support, therapy and phone contact for the victims of child physical abuse and child sexual abuse for the residents of Muskegon County.

## **FUNDING METHODOLOGY**

The Child Abuse Council of Muskegon's Victim Assistance Program is funded from state funds, local funds and a grant program from the Michigan Department of Health and Human Services (MDHHS). MDHHS provided the Child Abuse Council of Muskegon 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 the Child Abuse Council of Muskegon'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 the Child Abuse Council of Muskegon'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 the Child Abuse Council of Muskegon'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 Child Abuse Council of Muskegon.

## **SCOPE AND METHODOLOGY**

We examined Child Abuse Council of Muskegon'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 Child Abuse Council of Muskegon'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 the Child Abuse Council of Muskegon'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:** The Child Abuse Council of Muskegon generally reported 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. However, we identified the following exceptions: FSR not supported by accounting records (Finding 1) and improper recording and reporting of salaries, wages, and fringe benefit expenditures (Finding 2).

#### **Finding**

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

The Child Abuse Council of Muskegon'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 or program in accordance with the reporting requirements set forth in 200.327 Financial reporting and 200.328 Monitoring... (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.” 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.” In addition, the FSR instructions state, “Report all expenditures related to the Contract, regardless of funding source.” It further states in the VOCA Grant Certified Assurances, “The Grantee assures and certifies that Financial Status Reports (FSRs) shall be prepared and submitted to report total actual expenditures and value of volunteer in-kind contributions regardless of source of funds.”

During our audit, we noted that fringe benefits were not recorded on the general ledger as they were incurred. Instead, they were recorded on the general ledger as one lump-sum at fiscal year-end. This resulted in an understatement of fringe benefit expenditures reported on the monthly FSR during the year.

In addition, our audit noted the final FSR could not be completely reconciled to the general ledger. During our review, we noted the following discrepancies when we reconciled the final FSR expenditure categories to the VOCA Program general ledger accounts:

- Fringe Benefits is higher on the general ledger by \$87.
- Travel is higher on the general ledger by \$2,315.
- Supplies and Materials is higher on the general ledger by \$767.

The Child Abuse Council of Muskegon did not have sufficient controls in place to ensure that the FSR reconciled with its VOCA Program accounting records, resulting in a \$3,169 understatement of total program expenditures on the FSR.

The Statement of Grant Program Revenues and Expenditures shows adjustments to each of the line items to reflect the supported amounts. These adjustments had no effect on VOCA Program grant funds.

### **Recommendation**

We recommend the Child Abuse Council of Muskegon implement sufficient controls and procedures to ensure that the FSR reconciles with its accounting records. We also recommend that the Child Abuse Council of Muskegon report all VOCA Program expenditures and source of funds to ensure compliance with Federal regulations, FSR instructions, and the Grant’s Certified Assurances.

## **Finding**

### **2. Improper Recording and Reporting of Salaries, Wages, and Fringe Benefit Expenditures**

The Child Abuse Council of Muskegon did not properly record and report its salaries, wages, and fringe benefit expenditures.

Title 2 CFR 200.430(i)(1) for Compensation states, "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed...(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that...(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal Award is accurate, allowable, and properly allocated." In addition, the VOCA Grant Certified Assurances states, "The Grantee assures and certifies that actual salary and fringe benefits for VOCA and match funded staff...will be reported on the FSR."

During our review, we noted that the Child Abuse Council of Muskegon recorded and reported its VOCA Program staff's salaries, wages, and fringe benefit expenditures based on its annual budgeted hours divided by the number of pay periods, instead of the actual hours worked. We also noted that the Child Abuse Council of Muskegon did not include an after-the-fact process to reconcile its VOCA Program employees' actual hours worked to the budgeted amount of time and record adjustments as needed.

## **Recommendation**

We recommend the Child Abuse Council of Muskegon implement policies and procedures to ensure that all salaries, wages, and fringe benefit expenditures are properly recorded and reported as required by Federal regulation and the Certified Assurances of the grant.

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

**Objective 2:** To determine the MDHHS share of cost and the Child Abuse Council of Muskegon'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 Child Abuse Council of Muskegon.

**Conclusion:** The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$162,021 and the Child Abuse Council of Muskegon's required match is \$40,505. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made adjustments, but none affected VOCA Program funding.

**Child Abuse Council of Muskegon CAC**  
**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<br/>ADJUSTMENTS</b> | <b>ALLOWABLE</b> |
|---------------------------|------------------|------------------------|------------------------------|------------------|
| <b>REVENUES:</b>          |                  |                        |                              |                  |
| MDHHS Grant               | \$162,021        | \$162,021 <sup>1</sup> | \$0                          | \$162,021        |
| Local Match               | \$36,501         | \$36,501               | \$3,169 <sup>2</sup>         | \$39,670         |
| Volunteer - Match         | \$4,004          | \$4,004                | \$0                          | \$4,004          |
| <b>TOTAL REVENUES</b>     | <b>\$202,526</b> | <b>\$202,526</b>       | <b>\$3,169</b>               | <b>\$205,695</b> |
| <b>EXPENDITURES:</b>      |                  |                        |                              |                  |
| Salary & Wages            | \$114,500        | \$115,249              | \$0                          | \$115,249        |
| Fringe Benefits           | \$35,268         | \$35,268               | \$87 <sup>2</sup>            | \$35,355         |
| Volunteer                 | \$4,004          | \$8,003                | \$0                          | \$8,003          |
| Supplies & Materials      | \$26,024         | \$22,249               | \$767 <sup>2</sup>           | \$23,016         |
| Travel                    | \$18,730         | \$17,828               | \$2,315 <sup>2</sup>         | \$20,143         |
| Other Expenses            | \$4,000          | \$3,929                | \$0                          | \$3,929          |
| <b>TOTAL EXPENDITURES</b> | <b>\$202,526</b> | <b>\$202,526</b>       | <b>\$3,169</b>               | <b>\$205,695</b> |

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

<sup>2</sup> FSR Not Supported by Accounting Records (Finding 1)



## **Corrective Action Plans**

**Finding Number:** 1

**Page Reference:** 2

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

The Child Abuse Council of Muskegon's FSR did not reconcile with its accounting records.

**Recommendation:** Implement sufficient controls and procedures to ensure that the FSR reconciles with its accounting records. We also recommend that the Child Abuse Council of Muskegon report all VOCA Program expenditures and source of funds to ensure compliance with Federal regulations, FSR instructions, and the Grant's Certified Assurances.

**Comments:** The Child Abuse Council of Muskegon agrees with this Finding.

**Corrective Action:** Created a VOCA funding source to easily track and report all VOCA expenditures.

**Person Responsible for Implementation:** Kyleen Gee – Executive Director  
Jessica Rabe – Contracted Accountant

**Anticipated Completion Date:** Immediate

**MDHHS Response:** None

## Corrective Action Plans

**Finding Number:** 2

**Page Reference:** 4

**Finding:** Improper Recording and Reporting of Salaries, Wages, and Fringe Benefit Expenditures

The Child Abuse Council of Muskegon did not properly record and report its salaries, wages, and fringe benefit expenditures.

**Recommendation:** Implement policies and procedures to ensure that all salaries, wages, and fringe benefit expenditures are properly recorded and reported as required by Federal regulation and the Certified Assurances of the grant.

**Comments:** The Child Abuse Council of Muskegon agrees with this Finding.

**Corrective Action:** Policy will be adopted to ensure actual amounts are reported for salaries, wages, and fringe benefits as they pertain to grant funded positions.

**Person Responsible for Implementation:** Kyleen Gee – Executive Director

**Anticipated Completion Date:** June 30, 2018

**MDHHS Response:** None

## **Comments and Recommendations**

### **1. Invoices Do Not Contain Proper Approval**

The Child Abuse Council of Muskegon 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." During our review, we noted two (13%) of 15 expenditure transactions did not have management approval on the invoices authorizing payment. Good financial controls over expenditures include a process that includes management review and approval authorizing payments, to ensure that all expenditures are appropriate and in compliance with federal funding requirements. We recommend that the Child Abuse Council of Muskegon implement appropriate controls and procedures to ensure proper management approval on its invoices prior to payment to ensure compliance with Federal regulation.

#### **Management Response:**

The Child Abuse Council of Muskegon agrees with this comment. It has always been the procedure for the Executive Director to initial all invoices as approved and we feel this was an isolated incident. We will continue to monitor this procedure to ensure it is completed without exception.

#### **MDHHS Response:**

None

### **2. Actual Volunteer Match Hours and Fringe Benefits Not Reported on FSRs**

The Child Abuse Council of Muskegon did not have sufficient controls in place to accurately report its match volunteer time and fringe benefits (VFB) on its FSRs. The VOCA Grant Certified Assurances state, "The Grantee assures and certifies that actual salary and fringe benefits for VOCA and match funded staff and other costs less applicable credits will be reported on the FSR." During our review, we noted the following discrepancies between the Child Abuse Council of Muskegon's actual volunteer match hours and the amounts reported:

- April's FSR is understated for Volunteers by \$161 and VFB by \$12.
- May's FSR is understated for Volunteers by \$1,389 and VFB by \$106.
- June's FSR is overstated for Volunteers by \$163 and VFB by \$12

We recommend that the Child Abuse Council of Muskegon implement the proper controls and procedures to ensure actual volunteer time and related fringe benefits reported reconciles with the volunteers' time reports to ensure compliance with the Grant's Certified Assurances.

**Management Response:**

The Child Abuse Council of Muskegon agrees with this comment. Starting October 1, 2017, volunteer time sheets are used to report volunteer time and fringe benefits on the FSR to ensure accurate amounts are submitted.

**MDHHS Response:**

None

**3. Insufficient Supporting Documentation for a Travel Expenditure**

The Child Abuse Council of Muskegon did not provide sufficient supporting documentation for one travel expenditure reported on its FSR. 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...be supported by source documentation." The 2015 Department of Justice (DOJ) Office of Justice Programs (OJP) Financial Guides, Part II, Section 2.3 about source documentation states, "Your system should require you to support accounting records with source documentation (e.g., canceled checks, paid bills, payrolls, time and attendance records, and contract and subgrant award documents)." During our audit, we noted one (7%) of 15 expenditures did not have sufficient source documentation to support the amount reported. No funding adjustments are necessary since the amount is immaterial and there are sufficient local revenues to cover the difference. We recommend that the Child Abuse Council of Muskegon provide sufficient documentation to support all expenditures reported on the FSR, to ensure compliance with Federal regulation and DOJ guidelines.

**Management Response:**

The Child Abuse Council of Muskegon agrees with this comment. It has always been the procedure to retain proper documentation to support the submitted FSR and we feel this was an isolated incident. We will continue to monitor this procedure to ensure it is completed without exception.

**MDHHS Response:**

None

#### **4. No Documented Procurement Procedures**

The Child Abuse Council of Muskegon 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. Minimally, the following should be addressed/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 regulation.

We recommend the Child Abuse Council of Muskegon establish sufficient documented procurement procedures to ensure compliance with Federal procurement regulation.

#### **Management Response:**

The Child Abuse Council of Muskegon agrees with the comment and will submit the updated policy to the Board of Directors for approval at the June 2018 board meeting.

#### **MDHHS Response:**

None

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

The Child Abuse Council of Muskegon did not have a documented conflict of interest policy. Title 2 CFR 200.318 (c)(1) states, “The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.” We recommend that the Child Abuse Council of Muskegon develop a conflict of interest policy to ensure compliance with Federal regulation.

**Management Response:**

The Child Abuse Council of Muskegon agrees with this comment and will submit the updated policy to the Board of Directors for approval at the June 2018 board meeting.

**MDHHS Response:**

None

**6. Lack of Written Procedures for Determining Cost Allowability**

The Child Abuse Council of Muskegon did not document procedures for determining allowability of costs. Title 2 CFR 200.302 (b)(7) requires, “Written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of this part and the terms and conditions of the Federal award.” We recommend that the Child Abuse Council of Muskegon document procedures to ensure the allowability of cost is properly determined to ensure compliance with Federal regulation.

**Management Response:**

The Child Abuse Council of Muskegon agrees with this comment and will submit the updated policy to the Board of Directors for approval at the June 2018 board meeting.

**MDHHS Response:**

None