



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HEALTH & HUMAN SERVICES
BUREAU OF AUDIT, REIMBURSEMENT AND QUALITY ASSURANCE
CAPITOL COMMONS CENTER • 400 SOUTH PINE • LANSING, MICHIGAN 48913

NICK LYON
DIRECTOR

February 15, 2018

Beth Casady, Executive Director
Women's Center
1310 South Front Street, Suite A
Marquette, Michigan 49855

Dear Ms. Casady:

Enclosed is our final report from the Michigan Department of Health and Human Services (MDHHS) on-site audit of the Women's Center 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; Calculation 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, Reimbursement, and Quality Assurance's response to those comments where necessary.

As noted in Findings 1, 2 and 3 of the attached report, \$2,134 of unsupported MDHHS funded VOCA costs were reported. Since these unallowed costs were previously reimbursed, these funds are due back to the State of Michigan. Please contact Leslie O'Reilly, in the Crime Victim Services Commission to coordinate the return of funds:

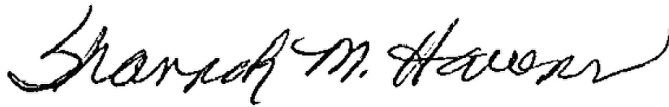
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Beth Casady, Executive Director
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Final reports are posted for public viewing on MDHHS's website at:
http://www.michigan.gov/mdhhs/0,5885,7-339-73970_43164-151236--,00.html.

Thank you for the cooperation extended throughout this audit.

Sincerely,

A handwritten signature in black ink, reading "Shannah M. Havens". The signature is fluid and cursive, with the first name "Shannah" being more prominent and the last name "Havens" following in a similar style.

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
Bob Knaus, Financial Director, Women's Center
Alisha Young, Project Director, Women's Center

Audit Report

Women's Center
Victims of Crime Act
Victim Assistance Program

October 1, 2015 – September 30, 2016



Bureau of Audit, Reimbursement, and Quality Assurance

Audit Division
February 2018

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DESCRIPTION OF AGENCY

Women's Center is a non-profit agency under the provisions of Section 501(c) (3) of the Internal Revenue Code and their office is located in Marquette, Michigan. Women's Center operates under the legal supervision and control of its Board of Directors which consists of 10 members. The services provided by Women's Center include information and referral, counseling, advocacy, group treatment/support, assistance in filing compensation claims, and emergency financial assistance for the victims of adult sexual assault, domestic violence, and child sexual abuse for the residents of Marquette and Alger Counties.

FUNDING METHODOLOGY

The Women's Center'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 Women's Center 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 Women's Center'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 Women's Center'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 Women's Center'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 Women's Center.

SCOPE AND METHODOLOGY

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

- Reviewed the most recent Women's Center'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 Application, Budget, Program Assurances, Trial Balance and General Ledger.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Subrecipient Questionnaire and DOJ Financial Capability Questionnaire.
- Reconciled the Final VOCA Program Financial Status Report (FSR) and MDHHS payment schedule to the accounting records.
- Examined payroll records.
- Tested a selection of payroll and non-payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines and approval procedures.
- Reviewed required match for program compliance.
- Reviewed financial records to ensure supplanting of Federal awards did not occur.

Our audit did not include a review of program content or quality of services provided.

CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

FINANCIAL REPORTING

Objective 1: To assess Women's Center'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: Women's Center 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 the FSR not being supported by accounting records (Finding 1), indirect costs were incorrectly calculated (Finding 2), and insufficient supporting documentation for a travel reimbursement (Finding 3).

Finding

1. FSR Not Supported by Accounting Records

The Women's Center's FSR did not reconcile with its accounting records.

Title 2 CFR 200.302 (a) states, "...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." It also states in the 2015 Department of Justice (DOJ) Office of Justice Program (OJP) Financial Guide in Part II, Section 2.3 that all "subrecipients are required to establish and maintain adequate accounting systems and financial records to accurately account for funds awarded. This system includes financial reporting that is accurate, current, complete and compliant with all financial reporting."

During our review, we noted that several FSR lines items were reported at the budgeted amounts. The following discrepancies were noted when we reconciled the final FSR's expenditure categories to its related VOCA general ledger accounts:

- Salaries and wages is higher on the general ledger by \$603.
- Fringe benefits (VOCA portion) is higher on the FSR by \$13,395.
- Fringe benefits (cash match portion) is higher on the FSR by \$6,979.
- Travel is higher on the FSR by \$99.
- Supplies and materials is higher on the general ledger by \$571.
- Other expenses is higher on the general ledger by \$6,024.

In addition to the above discrepancies, we also noted \$1,344 in reported fringe benefits that did not reconcile to supporting documentation. Of the \$1,344, \$457 was offset by unreported volunteer and volunteer fringe benefit match resulting in an additional \$887 VOCA funded adjustment.

The Women's Center did not have sufficient controls in place to ensure that the FSR reconciled with its VOCA accounting records. As a result of the above discrepancies, the Women's Center owes \$1,988 back to CVSC. See the Statement of Grant Program Revenues and Expenditures and Summary of Amount Due. The total amount due back to CVSC was decreased due to the unsupported fringe benefit cash match portion being offset by unreported volunteer match. Adjustments are shown on the Statement of Grant Program Revenues and Expenditures and Summary of Amount Due.

Recommendation

We recommend the Women's Center implement sufficient controls and procedures to ensure that the FSR reconciles with its accounting records.

Finding

2. Indirect Costs Incorrectly Calculated

The Women's Center did not calculate its indirect costs correctly.

Title 2 CFR 200.414(f) states "any non-Federal entity that has never received a negotiated indirect cost rate...may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC)" for indirect costs.

During our review, we noted that the Women's Center budgeted and reported \$9,699 as its indirect costs for fiscal year 2016, which was 6.26% of the \$155,000 total grant award. However, if the Women's Center had correctly calculated indirect costs by multiplying the 10% de minimis rate by MTDC, its indirect cost would have been \$14,894. Adjustments are shown on the attached Statement of Grant Program Revenues and Expenditures and Summary of Amount Due.

Recommendation

We recommend that the Women's Center calculate its indirect costs in compliance with Federal regulation.

Finding

3. Insufficient Supporting Documentation for a Travel Reimbursement

The Women's Center did not obtain sufficient source documentation to support a travel reimbursement expenditure.

Title 2 CFR 200.302 states, "... (b) 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." Also 2 CFR 200.474 states, "... (b) Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the... non-Federal entity's written travel policies... (d) In the absence of an acceptable, written non-Federal entity policy regarding travel costs, the rates and amounts established under 5 U.S.C. 5701-11... or by the Administrator of General Services... must apply."

During our review, we noted one travel reimbursement did not include source documentation to support the expenditure. The reimbursement was supported with a financial request form for \$618 that included \$432 for mileage reimbursement and meals that totaled \$186, however the itemized receipts attached to the request form only totaled \$40. We also noted that the Women's Center did not have a documented policy to support travel and meal reimbursements.

We recalculated the mileage based on the IRS approved rate for 2016 and determined it was reasonable, however \$146 of the meal reimbursement was not supported by any itemized receipts. We also noted that the General Services Administration per diem rate was \$59 per day for meal and incidentals however, without sufficient support to determine the purpose of the travel reimbursement, the total \$146 is considered a questionable cost and needs to be reimbursed to CVSC. Adjustments are shown on the attached Statement of Grant Program Revenues and Expenditures and the Summary of Amount Due.

Recommendation

We recommend that the Women's Center implement a travel policy and proper controls to ensure sufficient source documentation is obtained and retained for all travel reimbursements to ensure compliance with Federal regulation.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs and Women's Center'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 Women's Center.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$152,866 and Women's Center's required match is \$38,217. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit included adjustments that affected the VOCA Grant Program funding with \$1,988 due back (Findings 1 and 2) and an additional \$146 due back (Finding 3) for a total due back of \$2,134 which lowered the MDHHS obligation from \$155,000 to \$152,866.

Women's Center
VOCA - Crime Victims Assistance Program
Statement of Grant Program Revenues and Expenditures
10/1/15 - 9/30/16

	BUDGETED	REPORTED	AUDIT ADJUSTMENTS	ALLOWABLE
REVENUES:				
MDHHS Grant	\$155,000	\$155,000 ¹	(\$2,134) ^{2,4}	\$152,866
Local Match	\$18,406	\$18,406	(\$6,979) ³	\$11,427
Volunteer - Match	\$20,344	\$20,344	\$6,446 ³	\$26,790
TOTAL REVENUES	\$193,750	\$193,750	(\$2,667)	\$191,083
EXPENDITURES:				
Salary & Wages	\$101,031	\$101,031	\$603 ²	\$101,634
Fringe Benefits	\$52,188	\$52,188	(\$21,261) ^{2,3}	\$30,927
Volunteer	\$18,898	\$18,898	\$5,988 ³	\$24,886
Volunteer Fringe benefits	\$1,446	\$1,446	\$458 ³	\$1,904
Supplies & Materials	\$3,096	\$3,096	\$571 ²	\$3,667
Travel	\$3,785	\$3,365	(\$245) ^{2,4}	\$3,120
Other Expenses	\$3,607	\$4,027	\$6,024 ²	\$10,051
Indirect Costs	\$9,699	\$9,699	\$5,195 ⁵	\$14,894
TOTAL EXPENDITURES	\$193,750	\$193,750	(\$2,667)	\$191,083

¹ Actual MDHHS payments.

² Adjustments made to reflect VOCA cost center financial results (Finding 1).

³ Adjustments made to reflect VOCA matching results limited to the 20% requirement (Finding 1).

⁴ Adjustment made to reflect travel expenditure results (Finding 3).

⁵ To reflect the correct indirect cost calculation (Finding 2).

Women's Center
 VOCA - Crime Victim Assistance Program
 Summary of Amount Due
 10/01/2015 - 09/30/2016

<u>Description</u>	<u>FSR</u>	<u>General Ledger</u>	<u>Difference Between FSR and General Ledger</u>	<u>(Unsupported) / Additional Supported Costs</u>	<u>Amount Due Back to CVSC</u>
Salaries & Wages (1)	101,031	101,634	603	0	603
Fringe Benefits (VOCA Funded) (1)	34,392	20,997	(13,395)	(887)	(14,282)
Travel (1)	3,365	3,266	(99)	0	(99)
Supplies & Materials (1)	3,096	3,667	571	0	571
Other Expenses (1)	4,027	10,051	6,024	0	6,024
Women's Center Calculated Indirect Costs (2)	9,699	0	(9,699)	14,894	5,195
Less Unsupported Travel Costs (3)	0	0	0	(146)	(146)
Difference Due (to) CVSC					<u>(2,134)</u>

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

(2) Indirect Cost Recalculation (Finding 2)

(3) Unsupported Travel Costs (Finding 3)

Corrective Action Plan

Finding Number: 1

Page Reference: 3

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

The Women's Center's FSR did not reconcile with its accounting records.

Recommendation: Implement sufficient controls and procedures to ensure the FSR reconciles with its accounting records.

Comments: The Women's Center agrees with the finding.

Corrective Action: Implemented a reconciliation process to ensure only actual expenditures are reported on the FSR.

**Person Responsible
for Implementation:** Bob Knaus, Financial Director

**Anticipated
Completion Date:** Immediate

MDHHS Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: Indirect Costs Incorrectly Calculated

The Women's Center did not calculate its indirect costs correctly.

Recommendation: Calculate its indirect costs correctly in compliance with Federal regulation.

Comments: The Women's Center agrees with the finding.

Corrective Action: Implemented a process to ensure that indirect costs are calculated at a de minimis rate of 10% of modified total direct costs.

**Person Responsible
for Implementation:** Bob Knaus, Financial Director

**Anticipated
Completion Date:** Immediate

MDHHS Response: None

Corrective Action Plan

Finding Number: 3

Page Reference: 4

Finding: Insufficient Supporting Documentation for a Travel Reimbursement

The Women's Center did not obtain sufficient source documentation to support a travel reimbursement expenditure.

Recommendation: Implement a travel policy and proper controls to ensure sufficient source documentation is obtained and retained for all travel reimbursements to ensure compliance with Federal regulation.

Comments: The Women's Center agrees with the finding.

Corrective Action: Updated the travel policy by discontinuing travel advances and only authorizing travel reimbursements that include sufficient supporting documentation.

Persons Responsible

for Implementation: Beth Casady, Executive Director and Bob Knaus, Financial Director

Anticipated

Completion Date: June 2018

MDHHS Response: None

Comments and Recommendations

1. Invoices Did Not Have Proper Authorization Prior to Payment

The Women's Center did not obtain management authorization 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 5 (36%) of 14 expenditure transactions did not include management approvals on either the Financial Request Form or the invoice, authorizing payment. We recommend that the Women's Center implement appropriate controls to ensure proper management authorization on all its invoices prior to payment to ensure compliance with Federal regulation.

Management Response:

The Women's Center agrees with the comment. A new authorization process has been implemented that includes management review and approval authorizing payments to ensure all expenditures are allowable, recorded properly, and in compliance with Federal regulation.

MDHHS Response:

None

2. Actual Volunteer Match Hours Not Reported on FSRs

The Women's Center did not have sufficient controls in place to accurately report volunteer time on its FSRs. The 2015 Department of Justice (DOJ) Financial Guide, Part II, Section 2.3 requires an adequate accounting system that supports "Financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements." Also Part III, Section 3.3, states, "subrecipients must maintain records which clearly show the source, amount, and timing for all match contributions." During our review, we noted that the Women's Center did not report the value of actual volunteer time on the FSR. Instead, the Women's Center only reported the actual time until it met the approved budget amount. The value of actual volunteer hours were greater than what was reported on the FSRs by \$11,143. We recommend that the Women's Center implement the proper controls and procedures to ensure volunteer time reported reconciles with the volunteers time reports to ensure compliance with DOJ regulations.

Management Response:

The Women's Center agrees with the comment and will properly report actual volunteer hours on the FSR.

MDHHS Response:

None

3. Lack of Sufficient Documented Procurement Procedures

The Women's Center does 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. Minimally, the following should be addressed/considered in the written procurement procedures:

- Oversight to ensure contractors perform in accordance with contracts or purchase orders.
- 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 Women's Center update its procurement procedures to ensure compliance with Federal procurement standards.

Management Response:

The Women's Center agrees with the comment and is currently updating the procurement procedures to ensure compliance with Federal procurement requirements.

MDHHS Response:

None

4. Lack of a Conflict of Interest Policy

The Women's Center 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 Women's Center develop a conflict of interest policy to ensure compliance with Federal regulation.

Management Response:

The Women's Center agrees with the comment and is in the process of updating the conflict of interest policy.

MDHHS Response:

None

5. Lack of Written Procedures for Determining Cost Allowability

The Women's Center did not document procedures for determining allowability of costs as required by Federal regulation. 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 Women's Center document procedures to ensure the allowability of cost is properly determined to ensure compliance with Federal regulation.

Management Response:

The Women's Center agrees with the comment is in the process of documenting cost allowability procedures.

MDHHS Response:

None

6. Insufficient Salary and Fringe Benefits Policies

The Women's Center did not have sufficient salary and fringe benefits policies. Title 2 CFR 200.430 (a) states, "Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities." Also, Title 2 CFR 200.431 (a) states, "Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity." During our review, we noted that the Women's Center did not have a policy that outlined how salaries and fringe benefits are allocated to the appropriate funding sources. We also noted there was no written policy on fringe benefits. We recommend that the Women's Center develop salary and fringe benefits policies and procedures that include the above items to ensure compliance with Federal regulation.

Management Response:

The Women's Center agrees with the comment and is in the process of updating the salary and fringe benefits policy.

MDHHS Response:

None