



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

October 12, 2017

Jacqueline Kiszelik, Executive Director
CHOICES of Manistee County, Inc.
P.O. Box 604
124 Washington Street
Manistee, MI 49660

Dear Ms. Kiszelik:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the CHOICES of Manistee County, Inc. 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; and Comments and Recommendations. The conclusions, comments, and recommendations are organized by audit objective. The comments 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.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

Shannah Havens, CPA, CISA
Audit Section Manager
Population Health and Community Services Program Audit Section
Bureau of Audit, Reimbursement and Quality Assurance

Enclosure

cc: Deb Hallenbeck, Director, Audit Division
James McCurtis Jr., Director, Crime Victim Services Commission
Nicholas Sekmistrz, VOCA Program Analyst, Crime Victim Services Commission
Leslie O'Reilly, VOCA Program Specialist, Crime Victim Services Commission
Ronald Puruleski, Auditor, Bureau of Audit, Reimbursement and Quality Assurance

Audit Report

CHOICES of Manistee

Victim of Crime Act (VOCA)

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

CHOICES of Manistee County, Inc. is organized as a non-profit agency under the provisions of Section 501(c) (3) of the Internal Revenue Code. The Agency's administrative office is located in Manistee, Michigan. The Agency operates under the legal supervision and control of its Board of Directors which consists of seven voting members. CHOICES of Manistee's purpose is to function as a human service agency serving victims of domestic violence and their children which are residents of Manistee County. The services provided by CHOICES include: crisis counseling, crisis hotline counseling, information/referral, telephone contact, group treatment and support, assistance in filing compensation claims, and personal advocacy for victims of domestic violence for the citizens of Manistee County, Michigan.

FUNDING METHODOLOGY

CHOICES of Manistee services are funded from donations and grant programs. The Michigan Department of Health and Human Services (MDHHS) provided CHOICES of Manistee with monthly grant funding based on Financial Status Reports in accordance with the terms and conditions of each 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 CHOICES of Manistee's financial reporting and to determine the MDHHS share of VOCA Program costs. Following are the specific objectives of the audit:

1. To assess CHOICES of Manistee's effectiveness and accuracy in reporting their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable federal standards, and generally accepted accounting principles.
2. To determine the MDHHS share of costs and CHOICES of Manistee's match for the VOCA Program in accordance with applicable MDHHS requirements and agreements, applicable Federal and program standards, as well as any balance due to or due from CHOICES of Manistee.

SCOPE AND METHODOLOGY

We examined CHOICES of Manistee'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 CHOICES of Manistee's Financial Audit Report for any VOCA Program related concerns.
- Reviewed the most recent Crime Victim Services Commission (CVSC) site visit report.
- Reviewed Grant Application, Budget, Program Assurances, Agency Trial Balance and General Ledger.
- Reviewed policies to make sure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Subrecipient Questionnaire and Department of Justice (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 policy, 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 CHOICES of Manistee'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: CHOICES of Manistee 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. We noted no exceptions related to financial reporting.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs and CHOICES of Manistee'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 CHOICES of Manistee.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$155,000; and CHOICES of Manistee's required match is \$38,750. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting the VOCA Grant Program funding.

CHOICES of Manistee
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	\$155,000	\$155,000 ¹	\$0	\$155,000
Volunteer - Match	\$38,750	\$38,750	\$0	\$38,750
TOTAL REVENUES	\$193,750	\$193,750	\$0	\$193,750
EXPENDITURES:				
Salary & Wages	\$95,160	\$95,160	\$0	\$95,160
Fringe Benefits	\$47,640	\$47,640	\$0	\$47,640
Volunteer Wages	\$35,996	\$35,996	\$0	\$35,996
Volunteer Fringe	\$2,754	\$2,754	\$0	\$2,754
Travel	\$900	\$900	\$0	\$900
Other Expenses	\$600	\$600	\$0	\$600
Indirect Costs	\$10,700	\$10,700	\$0	\$10,700
TOTAL EXPENDITURES	\$193,750	\$193,750	\$0	\$193,750

¹ Actual MDHHS payments.

Comments and Recommendations

1. Indirect Costs Calculated Incorrectly on the Program Budget

CHOICES of Manistee did not calculate indirect costs correctly on its VOCA budget. 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)." During our review, we noted that CHOICES elected to use total expenditures as its base which included \$10,700 of indirect costs and was calculated by using a rate of 6.9%. CHOICES should have calculated indirect costs by using modified total direct costs as its base and multiplying that by the 10% de minimis rate that would have resulted in a budgeted indirect cost amount of \$14,430. We determined since the incorrect calculation resulted in a lower amount of indirect costs, there was no impact on grant funds. We recommend that CHOICES of Manistee ensure that future budgets include correctly calculated indirect costs by using the 10% de minimis rate of MTDC to ensure compliance with Federal requirements.

Management Response:

CHOICES of Manistee County, Inc. agrees that the de minimis rate was calculated at a rate such that it would not exceed \$10,700 during the contract period October 1, 2015 through September 30, 2016. We understand that this resulted in a percentage rate of 6.9%. We also understand that the de minimis rate must be calculated at a rate of 10% of MTDC to ensure compliance with Federal requirements. The 10% de minimis rate has been calculated as required beginning with the FY 2016/2017 contract.

Anticipated Completion date: October 1, 2016.

MDHHS Response:

None

2. Improper Accounting for One Employee's Wages

CHOICES of Manistee did not properly account for one employee's wages. 2 CFR 200.430 (i) states, "Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated." During our review, we noted that an employee received \$810 in wages based on payroll records, however \$830 was incorrectly recorded to the general ledger and reported on the April 2016 FSR. The \$20 error

was an overstatement on the salary and wages line item, however since the amount was immaterial an adjustment is not recommended. We recommend CHOICES of Manistee implement the appropriate controls to properly record and report payroll expenditures to ensure compliance with 2 CFR 200.

Management Response:

CHOICES agrees that there was a \$20 error in the salary and wages line item in April 2016. CHOICES has implemented the appropriate controls to properly record and report payroll expenditures to ensure compliance as directed.

Anticipated Completion date: Immediate

MDHHS Response:

None

3. Lack of Sufficient Documented Purchasing Policy and Procedures

CHOICES did not have sufficient documented purchasing procedures as required by Federal regulation. 2 CFR 200.318 requires documented procurement procedures in compliance with the standards identified in Parts 318-320. During our review, we noted that CHOICES should include the procedures listed under its separation of duties procedures within their purchasing procedures. We also noted that its check approval process requires two authorized signatures. This policy language should be included within the purchasing procedures as well. We recommend CHOICES of Manistee update its current purchasing policy and procedures to ensure compliance with Federal regulations.

Management Response:

CHOICES agrees that the purchasing policy and procedures did not contain all of the necessary elements as indicated. CHOICES has updated the purchasing policy language and procedures to ensure compliance with Federal regulations.

Anticipated completion date: Immediate

MDHHS Response:

None