Office of the Inspector General
U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE

Audit of the Office of Justice Programs Office for Victims of Crime Victim Compensation Formula Grants Awarded to the Michigan Department of Health and Human Services Lansing, Michigan

Audit Division GR-50-18-001 January 2018

REDACTED–FOR PUBLIC RELEASE

Executive Summary*

Audit of the Office of Justice Programs Office for Victims of Crime Victim Compensation Formula Grants Awarded to the Michigan Department of Health and Human Services, Lansing, Michigan

Objective

The objective of the audit was to evaluate how the Michigan Department of Health and Human Services (MDHHS) designed and implemented its crime victim compensation program. To accomplish this objective, we assessed performance in the following areas of grant management: (1) state program implementation, (2) program performance and accomplishments, and (3) grant financial management.

Results in Brief

As a result of our audit, we concluded that the MDHHS used and managed its VOCA funding to enhance its victim compensation program. However, we identified areas in need of improvement.

We found that because of errors in reports it submitted during our review period, the MDHHS was awarded $259,414 in excess federal funding. Moreover, we estimate that if the condition is not corrected, the MDHHS may be improperly awarded an additional $315,488 in the future. Overall, we questioned $259,414 in excess funds that have already been awarded to the MDHHS, and we recommend that the MDHHS be required to submit corrected reports to ensure that future OVC grant award amounts are correct.

We also found that the MDHHS did not always properly document when it granted to a victim a late submission waiver. This audit did not identify significant concerns regarding the MDHHS's performance reporting, compliance with special conditions, or administrative expenditures.

Recommendations

Our report contains four recommendations to improve the MDHHS's management of claimant files, its reporting, and to remedy the questioned costs.

Audit Results

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three *Victims of Crime Act (VOCA)* victim compensation formula grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) to the MDHHS in Lansing, Michigan. The OVC awarded these formula grants, totaling $5,672,000 from fiscal years (FY) 2014 to 2016, from the Crime Victims Fund (CVF) to provide financial support through the payment of compensation benefits to crime victims throughout Michigan. The MDHHS drew down a cumulative amount of $5,672,000 for all of the grants we reviewed.

Program Accomplishments – MDHHS enhanced services for crime victims by appropriately planning for and distributing the VOCA funding it received.

Excess Funds Awarded – Each state that applies for VOCA victim compensation grant funds must file a Crime Victim Compensation State Certification Form at the end of each federal fiscal year, wherein the state official who signs the form certifies that the amounts being reported are accurate. OJP then uses the amounts reported to determine the amount of the formula grant award 2 years after the report is filed. We found that errors on the FY 2014 and 2015 certifications resulted in an excess of $108,479 in the award for FY 2016 and $150,935 in the award for FY 2017, respectively. We also identified errors in the FY 2016 form which, if not corrected, will result in an excess award amount of $315,488 in the FY 2018 award.

Waivers Improperly Recorded – Eligible Michigan crime victims must file their claims within 1 year of the date of the crime to satisfy program requirements. However, the state can waive this requirement if mitigating circumstances warrant. We found that victims in 11 of the 75 compensation claim files we reviewed were granted waivers, and that that each of these 11 claim files was either missing a written waiver or the Statutory Requirement Waiver box was not checked on the claim review sheet.

* Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 3, the Michigan Department of Health and Human Services response, and are of an individual's name.

AUDIT OF THE OFFICE OF JUSTICE PROGRAMS OFFICE FOR VICTIMS OF CRIME VICTIM COMPENSATION FORMULA GRANTS AWARDED TO THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES LANSING, MICHIGAN

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AUDIT OF THE OFFICE OF JUSTICE PROGRAMS OFFICE FOR VICTIMS OF CRIME VICTIM COMPENSATION FORMULA GRANTS AWARDED TO THE MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES LANSING, MICHIGAN

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three victim compensation formula grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) to the Michigan Department of Health and Human Services (MDHHS) in Lansing, Michigan.[1] The OVC awards victim compensation grants annually from the Crime Victims Fund (CVF) to state administering agencies. As shown in Table 1, from fiscal years (FY) 2014 to 2016, these OVC grants totaled $5,672,000.

Table 1

Audited Grants Awarded to the MDHHS

Fiscal Years 2014 – 2016

GRANT AWARD	AMOUNT
VICTIM COMPENSATION GRANTS	
2014-VC-GX-0012	$2,547,000
2015-VC-GX-0042	1,695,000
2016-VC-GX-0014	1,430,000
TOTAL:	**$5,672,000**

Source: OJP

Note: Funds awarded may be expended for 3 fiscal years after the fiscal year in which the grant was made.

Established by the *Victims of Crime Act* (VOCA) of 1984, the CVF is used to support crime victims through DOJ programs and state and local victim services.[2] The CVF is supported entirely by federal criminal fees, penalties, forfeited bail bonds, gifts, donations, and special assessments. The OVC annually distributes proceeds from the CVF to states and territories. VOCA victim compensation formula grant funds are available each year to states and territories for distribution to eligible recipients.

[1] The grants were originally awarded to the Michigan Crime Victim Services Commission. In April 2015, the Department of Community Health and the Department of Health and Human Services merged to form the Michigan Department of Health and Human Services (MDHHS). Throughout the report, we refer to the agency as the MDHHS.

[2] The VOCA victim compensation formula program is funded under 42 U.S.C. 10602 (a).

The primary purpose of the victim compensation grant program is to compensate victims and survivors of criminal violence for: (1) medical expenses attributable to a physical injury resulting from a compensable crime, including expenses for mental health counseling and care; (2) loss of wages attributable to a physical injury resulting from a compensable crime; and (3) funeral expenses attributable to a death resulting from a compensable crime.[3]

The Grantee

As the state administrating agency, the MDHHS is responsible for administering Michigan's VOCA victim compensation program. To this end, the MDHHS provides compensation to eligible victims, to the family and dependents of deceased victims, and to any individual who voluntarily assumes responsibility for the funeral or medical expenses of an eligible victim. Eligible victims are those who have suffered physical injury or extreme mental distress because of one or more crimes as defined by VOCA and the state of Michigan.

OIG Audit Approach

The objective of the audit was to evaluate how the MDHHS designed and implemented its crime victim compensation program. To accomplish this objective, we assessed performance in the following areas of grant management: (1) state program implementation, (2) program performance and accomplishments, and (3) grant financial management.

We tested compliance with what we considered the most important conditions of the grants. Unless otherwise stated in our report, we applied the authorizing VOCA legislation, the VOCA victim compensation program guidelines (VOCA Guidelines), and the OJP and DOJ Financial Guides as our primary criteria.[4] We also reviewed relevant state of Michigan law, such as the Crime Victims Compensation Board Act, as well as MDHHS policies and procedures, and we interviewed program personnel to determine how they administered the VOCA funds.[5] Further, we interviewed MDHHS personnel and obtained and reviewed MDHHS's records reflecting grant activity.[6]

[3] This program defines criminal violence to include drunk driving and domestic violence.

[4] The OJP Financial Guide governs the FY 2014 grant in our review period, while the revised 2015 DOJ Financial Guide applies to the FY 2015 and FY 2016 awards. The revised DOJ guide reflects updates to comply with the Uniform Grant Guidance, 2 C.F.R. part 200.

[5] Crime Victims Compensation Board, Act 223 of 1976.

[6] Appendix 1 contains additional information on the audit's objective, scope, and methodology, as well as further detail on the criteria we applied for our audit. Appendix 2 presents a schedule of our dollar-related findings.

AUDIT RESULTS

Grant Program Planning and Execution

The main purpose of the VOCA victim compensation grants is to enhance state victim compensation payments to eligible crime victims. As part of our audit, we assessed the MDHHS's overall process for making victim compensation payments. We also assessed the MDHHS's policies and procedures for providing compensation payments to victims, as well as the accuracy of the state certification forms.

We found the MDHHS was using its VOCA victim compensation grants to enhance its state program and was compensating victims and survivors of criminal violence. However, we identified errors on the state certification forms it submitted to the OVC and that these errors resulted in grant award amounts in excess of what should have been awarded. We also identified issues related to automated system access levels granted to MDHHS staff.

Program Implementation

State administering agencies receive VOCA victim compensation grants to compensate victims directly for expenses incurred from criminal victimization. As the state administering agency for Michigan, the MDHHS was responsible for the state victim compensation program, including meeting all VOCA financial and programmatic requirements. In assessing the MDHHS's implementation of its victim compensation program, we analyzed policies and procedures governing the decision-making process for individual compensation claims, as well as what efforts the MDHHS had made to bring awareness to victims eligible for compensation program benefits.

Based on our review, we found that the MDHHS had an established process for the intake, review, and payment or denial of individual compensation claims, and that the MDHHS had adequate separation of duties between the employees who reviewed the claims and the employee who authorized payment. When paying claims for victims, the MDHHS operated under Michigan's victim compensation guidelines, which conveyed the state-specific policies for the victim compensation program.

We also found that the MDHHS made efforts to enhance public awareness of available victim compensation benefits. In an effort to promote this awareness, the MDHHS used non-CVF funds to conduct a statewide advertising campaign with billboards, wrapped buses, and television and radio advertisements. In addition, officials appeared on local television talk shows to raise awareness of the compensation program. We also found that the MDHHS's website contained the state of Michigan's crime victim compensation application and provided information about victim compensation, including brochures that described Michigan's program in three different languages.

State Certification Form

State administering agencies must submit an annual Crime Victim Compensation State Certification Form (certification form), which provides OJP the necessary information to determine the grant award amount.[7] The certification form first identifies the total amount paid to or on behalf of crime victims from all funding sources and then deducts the amount of the VOCA awards and other non-state sources of revenue such as restitution recoveries.[8] The result of this calculation is the total amount that is eligible for the federal VOCA grant award. OJP then allocates VOCA victim compensation formula grant funds to each state by calculating 60 percent of this amount.[9] The OVC then awards the funds to the state, at which point the funds are available for the state to use. Therefore, the accuracy of the information provided in the certification form is critical to OJP's correct calculation of the victim compensation award amounts granted to each state.

We assessed the MDHHS's controls for preparing the certification forms submitted to the OVC for FYs 2014 through 2016, which OJP then used to calculate the award amounts granted to the MDHHS in FYs 2016 through 2018. We also reviewed in detail each of the three certification forms that the MDHHS submitted to the OVC during our review period. We requested documentation to support all payouts and revenues recorded on the forms, and we reviewed for accuracy the arithmetic within the forms.

MDHHS officials told us that in order to prepare the certification form, the lead program specialist obtains financial information from the general ledger, and the accounting department provides additional data. The lead program specialist then uses this information to complete the form.

Using the MDHHS's general ledger, as well as additional data provided by the MDHHS accounting department, we attempted to reconcile all of the figures the auditee reported on its FYs 2014, 2015, and 2016 certification forms, but we could not verify the figures reported. We determined, therefore, that the MDHHS's certified eligible payout amount, which is used to calculate the VOCA award, was incorrect and misreported on all three certification forms. Further, the amounts that OJP calculated (or would be calculating) for three future OVC victim compensation grant awards were also incorrect.

We identified the figures that should have been reported on the certification forms for FYs 2014 through 2016 (and thus should have been used by OJP to

[7] While the OVC awards the grant funds, another OJP component, the Office of the Chief Financial Officer, Budget Execution Division, calculates the allocations for VOCA eligible crime victim compensation programs.

[8] States must also deduct any amounts awarded to crime victims for property damage or losses because these costs are not eligible under the federal program.

[9] There is a 2-year time difference between each grant award and the previously submitted form upon which awards are based.

calculate the amount of future awards). Our analysis revealed that the MDHHS was awarded excess funding in FY 2016 and FY 2017, and, if the current inaccurate figure on the FY 2016 certification form is used, it will be awarded excess funds in FY 2018.[10] Based on our calculations, thus far the MDHHS has been awarded $259,414 in excess funds.[11] If it receives its FY 2018 award based on the amount it reported on its FY 2016 certification form, it will be awarded an additional $315,488 in excess VOCA funds. The results of our analysis of the MDHHS's certification forms is detailed in Table 2 below.

Table 2

Summary of Errors in the MDHHS's Annual Certification Forms and the OIG's Recalculation of Formula Awards

State-Certified Eligible Amounts			
	FY 2014	*FY 2015*	*FY 2016*
MDHHS Certification Form Submission	$2,383,249	$1,091,468	$1,222,008
OIG Calculation based on General Ledger	$2,202,535	$840,109	$696,195
Difference	$180,714	$251,359	$525,813
VOCA Victim Compensation Formula Grant Award Amounts			
	FY 2016 Actual Award	*FY 2017 Actual Award*	*FY 2018 Projected Award*
Award Amount	$1,430,000	$655,000	$733,205
OIG Calculation of Award	$1,321,521	$504,065	$417,717
Excess Award Amount (Past and Future)	**$108,479**	**$150,935**	**$315,488**

Source: OIG analysis of MDHHS and OVC documents

MDHHS officials agreed with our analysis but were not able to provide a reason for the errors we identified. Based on these discussions, along with our analysis, we believe that the cause of the errors was an overall lack of MDHHS

[10] These OVC formula grants tend to not be awarded until late in the fiscal year. Specifically, although FY 2016 began on October 1, 2015, funds for the FY 2016 grant were not obligated and available for use by the grantee until September 27, 2016, almost 1 year later. Similarly, the award for FY 2017, which began on October 1, 2016, was not made until September 28, 2017, again almost 1 year later. Although this report is being issued in FY 2018, the FY 2018 award has not yet been made, and our calculation for FY 2018 is based solely on 60 percent of the amount reported on the FY 2016 certification form.

[11] Differences in amounts are due to rounding.

understanding of the certification form and exactly what information it is expected to contain.

We recommend that OJP ensure the MDHHS develops and implements procedures to ensure that Crime Victim Compensation State Certification Forms are completed accurately. We also recommend that OJP remedy the $259,414 in excess FYs 2016 and 2017 award funds associated with the erroneous forms supporting the awards made to date, and that OJP require the MDHHS to submit a corrected FY 2016 certification report to ensure that the FY 2018 victim compensation award to the MDHHS is correct.

Automated System Controls

We identified an issue related to the computer system the MDHHS used to review and process individual victim claims. MDHHS officials explained that its computer system allowed for different access levels and that staff who reviewed and approved claims could not authorize payments, while the person who authorized payments could not approve a claim. When we asked the officials to demonstrate this, we found that instead of being differentiated, all employees involved in the program had the same level of access in the computer system.

To further evaluate this issue, we asked an employee who reviews claims to attempt to authorize a payment, and we asked the authorizing official to attempt to approve a claim. Each was able to do so with assistance, but neither employee appeared to know exactly how to do the job of the other employee. MDHHS officials stated that they were unaware that everyone had the same level of access within the system, and they speculated that the access levels may have been changed during a recent system upgrade. In March 2017, MDHHS officials provided evidence that they corrected this problem and restored employees to their proper system roles.

Program Requirements and Performance Reporting

To determine whether the MDHHS achieved the program objective of distributing VOCA victim compensation program funds to compensate victims of crime, we reviewed the MDHHS performance measures and performance documents that the MDHHS used to track goals and objectives. Further, we examined OVC solicitations and award documents and verified the MDHHS's compliance with special conditions governing recipient award activity.

Based on our overall assessment in the areas of program requirements and performance reporting, we believe that the MDHHS: (1) implemented adequate procedures to compile annual performance information, and (2) complied with the special conditions we tested.

Annual Performance Reports

Each state administering agency must annually report to the OVC on activity funded by any VOCA awards active during the federal fiscal year. The reports are

submitted through OJP's Grant Management System (GMS). As of FY 2016, the OVC also began requiring states to submit quarterly performance data through the web-based Performance Measurement Tool (PMT). After the end of the fiscal year, state administering agencies are required to produce the annual State Performance Report and upload it to GMS.

For the victim compensation grants, the states must report the number of victims for whom an application was made; the number of victims whose victimization is the basis for an application; victim demographics; the number of applications that were received, approved, denied, and closed; and total compensation paid by service type.

Table 3

Summary from the MDHHS

Victim Compensation Program Annual Performance Report

FY 2016

Performance Categories	Data Reported
Number of Victims Compensated	597
Number of Applications Received/Approved/Denied & Closed	727/597/130

Source: MDHHS FY 2016 Annual Performance Measures Report

We assessed whether the MDHHS's FY 2016 annual performance report to the OVC fairly reflected the performance figures of the victim compensation program. We reviewed the MDHHS's data on claims received, denied, and compensations paid, and we were generally able to reconcile the state's information to the totals the MDHHS reported to the OVC.

Compliance with Special Conditions

The special conditions of a federal grant award establish specific requirements for grant recipients. In its grant application documents, the MDHHS certified it would comply with these special conditions. We reviewed the special conditions for each VOCA victim compensation grant and identified special conditions that we deemed significant to grant performance that are not otherwise addressed in another section of this report.

We selected two special conditions to review in greater detail. The first is the requirement for the grantee to comply with applicable requirements regarding registration with the System for Award Management (SAM). The second is for the MDHHS to ensure that at least one key grantee official attends the annual VOCA National Training Conference. We reviewed both of these special conditions, and we determined that the MDHHS had fully complied with both.

Grant Financial Management

Award recipients must establish and maintain an adequate accounting system and financial records that accurately account for awarded funds. To assess the adequacy of the MDHHS's financial management of the VOCA victim compensation grants, we reviewed the process for the MDHHS to administer these funds by examining expenditures charged to the grants, subsequent drawdown requests, and resulting financial reports. To further evaluate the MDHHS's financial management of the VOCA victim compensation grants, we also reviewed Michigan's Single Audit Report for FY 2015 and found that it did not identify significant deficiencies or material weaknesses specifically related to the MDHHS. We also interviewed MDHHS personnel who were responsible for financial aspects of the grants, reviewed the MDHHS's written policies and procedures, inspected award documents, and reviewed financial records.

As discussed below, in our overall assessment of grant financial management, we determined that the MDHHS generally had adequate internal controls over its process for using grant funds to pay for approved victim claims, as well as its administrative expenses. However, we did identify an issue related to how the MDHHS tracks waiver claims.

Grant Expenditures

State administering agency VOCA victim compensation program expenses fall into two overarching categories: (1) victim compensation claim payments – which constitute the vast majority of total expenses, and (2) administrative expenses – which are allowed to total up to 5 percent of each award. To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions from each of these categories by reviewing accounting records and verifying support for select transactions.

Victim Compensation Claim Expenditures

Victims of crime in the state of Michigan submit claims for reimbursement of expenses incurred as a result of victimization, such as medical and funeral costs or loss of wages. MDHHS staff adjudicate these claims for eligibility and make payments from the VOCA victim compensation grants and state funding.

To evaluate the MDHHS's financial controls over VOCA victim compensation grant expenditures, we reviewed victim compensation claims to determine whether the payments were accurate, allowable, timely, and in accordance with the policies of the VOCA Guidelines and the state of Michigan's Crime Victims Compensation Board Act. We judgmentally selected 25 paid claims from each of the three audited grants, for a total of 75 claims totaling $1,131,963. The transactions we reviewed included costs in the following categories: (1) funeral expenses, (2) medical care, (3) loss of wages, and (4) other related costs. We also judgmentally selected 10 denied claims from each fiscal year of the review period. The denied claims we reviewed included those for medical care, hospital expenses, and funeral expenses.

We found that generally the compensation claims were properly reviewed and paid in accordance with VOCA Guidelines and state of Michigan law and that the denied claims were properly documented, and we identified no exceptions. However, we identified one issue during our review of claims, which is detailed below.

Documentation of Waivers

State of Michigan law allows a victim 1 year from the time the crime occurs to apply for compensation. However, the MDHHS can waive this requirement. In doing so, MDHHS personnel must complete a written waiver to include in the file and check the Statutory Requirement Waiver box on the claim review sheet to indicate a waiver was granted. In our sample, we found that 11 of the 75 claims were submitted after the 1-year deadline, and that each of these 11 claim files was either missing a written waiver or that the Statutory Requirement Waiver box was not checked on the claim review sheet. While we do not question the granting of a waiver, we do believe that the MDHHS should comply with its internal policy and include a written waiver in the case file of those cases where a waiver was granted and ensure that the waiver box is checked on the claim review form. We therefore recommend that the MDHHS take steps to ensure that its personnel follow its internal policy for documenting and tracking waivers.

Administrative Expenditures

The state administering agency may retain up to 5 percent of each grant to pay for administering its victim compensation program. However, such costs must derive from efforts to improve program effectiveness and service to crime victims, including claims processing, staff development and training, and public outreach. We tested the MDHHS's compliance with the 5 percent limit on the administrative category of expenses for its victim compensation grants. We compared the total administrative expenditures charged to the grants against the general ledger, and we determined that the state had complied with this limit.

In addition to testing the MDHHS's compliance with the 5 percent administrative allowance, we tested a sample of these administrative transactions. During our review period, the MDHHS's administrative expenditures totaled $273,008. We judgmentally selected a total of 15 administrative expenses from the three audited grants, totaling $25,316, from the personnel, fringe, and travel categories. We reviewed each of the expenditures, and we determined that they were all allowable, authorized, and supported.

Drawdowns

Award recipients should request funds based upon immediate disbursement or reimbursement needs, and the grantee should time drawdown requests to ensure that the federal cash on hand is the minimum needed for disbursements or reimbursements made immediately or within 10 days. VOCA victim compensation grant funds are available for the fiscal year of the award plus 3 additional fiscal years. To assess whether the MDHHS managed grant receipts in accordance with

these federal requirements, we compared the total amount reimbursed to the total expenditures in the MDHHS's accounting system.

For the VOCA victim compensation awards, MDHHS staff compiles the expenditure information and submits it to the Michigan Department of Finance and Administration for processing. Due to the timing of when VOCA funds are made available (normally very late in the fiscal year), the MDHHS most often uses VOCA funds to reimburse itself for payments made with state funds during the fiscal year. Table 4 shows the total amount drawn down for each grant as of March 2017.

Table 4

Amount Drawn Down for Each Grant as of March 2017

Award Number	Total Award	Amount Drawn Down	Amount Remaining
2014-VC-GX-0012	$2,547,000	$2,547,000	0
2015-VC-GX-0042	$1,695,000	$1,695,000	0
2016-VC-GX-0014	$1,430,000	$1,430,000	0
Total:	**$5,672,000**	**$5,672,000**	**0**

Source: OJP

During this audit, we did not identify significant deficiencies related to the MDHHS's process for developing drawdown requests.

Financial Reporting

According to the DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report, as well as cumulative expenditures. To determine whether the MDHHS submitted accurate Federal Financial Reports (FFR), we compared the four most recent reports to the MDHHS's accounting records for each grant. We determined that quarterly and cumulative expenditures for the reports reviewed matched the accounting records.

CONCLUSION AND RECOMMENDATIONS

Based on the results of our audit, we concluded that the MDHHS used its VOCA funding to enhance its crime victim compensation program. However, we identified several issues related to the management of its program.

We found that the MDHHS did not accurately calculate and report on its Crime Victim Compensation State Certification Forms the correct amount eligible for federal matching funds in FY 2014 through FY 2016. Because these reported amounts are the basis for future VOCA awards, the errors on the FY 2014 form caused the MDHHS award for FY 2016 to be $108,479 more than it should have been, and errors on the FY 2015 form caused the FY 2017 award to be $150,935 greater than it should have been. Moreover, errors on the MDHHS's FY 2016 form mean that the MDHHS could receive $315,488 more than it should be awarded in FY 2018.

We also found that the MDHHS did not always adequately document when it granted a late submission waiver to a victim whose claim was filed past the 1-year deadline from the date of the crime. Finally, we identified a concern related to access levels within the MDHHS's automated claim management, which the MDHHS remedied during the audit. Based on our work, we provide four recommendations to OJP to address the deficiencies we identified.

We recommend that OJP:

1. Ensure that the MDHHS develops and implements procedures to ensure that it completes its Crime Victim Compensation State Certification Forms accurately.

2. Remedy the $259,414 in excess grant funds awarded due to erroneous Crime Victim Compensation State Certification Forms submitted for FY 2014 and FY 2015.

3. Require the MDHHS to submit a corrected FY 2016 Crime Victim Compensation State Certification Form to ensure that the FY 2018 victim compensation award to the MDHHS is correct.

4. Ensure that the MDHHS takes steps to ensure that its personnel follow its internal policy for documenting and tracking waivers.

APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to evaluate how the MDHHS designed and implemented its crime victim compensation program. To accomplish this objective, we assessed performance in the following areas of grant management: (1) grant program planning and execution, (2) program requirements and performance reporting, and (3) grant financial management.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

This was an audit of the following *Victims of Crime Act* (VOCA) victim compensation formula grants from the Crime Victims Fund (CVF) awarded to the Michigan Department of Health and Human Service (MDHHS).

- 2014-VC-GX-0012, awarded for $2,547,000
- 2015-VC-GX-0042, awarded for $1,695,000
- 2016-VC-GX-0014, awarded for $1,430,000

The Office of Justice Programs (OJP), Office for Victims of Crime (OVC) awarded these grants totaling $5,672,000 to the MDHHS, which serves as the state administering agency. Our audit concentrated on, but was not limited to, the period of October 2013, the project start date for VOCA victim compensation grant number 2014-VC-GX-0012, through October 2017. As of March 2017, the MDHHS had drawn down all of the total grant funds awarded.

To accomplish our objectives, we tested compliance with what we consider the most important conditions of the MDHHS's activities related to the audited grants. We performed sample-based audit testing for grant expenditures, including personnel expenditures and fringe benefit charges, compensation payments to victims of crime, and denied compensation claims. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The OJP and DOJ Financial Guides, the VOCA Victim Compensation Guidelines, the VOCA Victim Compensation Final Rule, MDHHS policies and procedures, and the award documents contain the primary criteria we applied during the audit. We also reviewed the MDHHS's most recent Single Audit Report for FY 2015.

During our audit, we obtained information from OJP's Grant Management System (GMS), as well as the MDHHS's accounting system specific to the

management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole; therefore any findings identified involving information from those systems were verified with documentation from other sources.

While our audit did not assess the MDHHS's overall system of internal controls, we did review the internal controls of the MDHHS's financial management system specific to the management of funds for each VOCA grant within our review. To determine whether the MDHHS adequately managed the VOCA funds we audited, we conducted interviews with state of Michigan financial staff, examined policies and procedures, and reviewed grant documentation and financial records. We also developed an understanding of the MDHHS's financial management system and its policies and procedures to assess its risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grants.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

Description	Amount	Page
Questioned Costs:		
Excess FY 2016 Funds Awarded	$108,479	5
Excess FY 2017 Funds Awarded	$150,935	5
Net Questioned Costs[1]	**$259,414**	
TOTAL DOLLAR-RELATED FINDINGS	**$259,414**	

[1] **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

APPENDIX 3

MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES RESPONSE TO THE DRAFT AUDIT REPORT

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

Dec. 5, 2017

Ms. Carol Taraszka
Regional Audit Manager
Office of the Inspector General
500 West Madison Street, Suite 1121
Chicago, IL 60661

Dear Ms. Taraszka:

The Michigan Crime Victim Services Commission is in receipt of the draft audit report dated Nov. 20, 2017. The draft report contains four recommendations and $259,414 in questioned costs. This letter is the written response to the draft report recommendations that the OIG has requested.

Recommendation 1: Ensure that the MDHHS develops and implements procedures to ensure that it completes its Crime Victim Compensation State Certification Forms accurately.

Response: Our current reporting system, Oracle, is outdated and we are working with the Michigan Department of Technology, Management and Budget to rectify this matter. Because our system is outdated, the task to complete accurate state certification forms is challenging. Meanwhile, we have reached a short-term solution until we obtain an updated reporting system. As of November 15, 2017, we are receiving statistical and monetary data from the Michigan Department of Health and Human Services Data Warehouse and Optum Government Solutions. The Data Warehouse and Optum Government Solutions system ensures accurate and timely data, which will provide accurate data for future certifications.

Recommendation 2: Remedy the $259,414 in excess grant funds awarded due to erroneous Crime Victim Compensation State Certification Forms submitted for FY 2014 and FY 2015.

Response: The Crime Victim Services Commission has submitted a corrected State Certification for FY 2014 to [redacted], Victim Justice Program Specialist for the Office for Victims of Crime, on September 20, 2017. We are awaiting instructions from [redacted] on how to proceed with FY 14 and subsequent grant Awards.

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Recommendation 3: Require the MDHHS to submit a corrected FY 2016 Crime Victim Compensation State Certification Form to ensure that the FY 2018 victim compensation award to the MDHHS is correct.

Response: The Commission cannot submit a corrected or accurate FY 2016 form until we receive direction from [redacted] regarding the FY 2014 referred to in recommendation 2. We view this as a domino effect. Once we receive direction on FY 2014 from [redacted], we can move to provide an accurate FY 2015 form and then a FY 2016 form. We hope to hear from [redacted] momentarily.

Recommendation 4: Ensure that the MDHHS takes steps to ensure that its personnel follow its internal policy for documenting and tracking waivers.

Response: The Compensation Program Specialist has provided analysts within the Compensation Program written and oral directions on procedures to follow for waivers on claims. This course of action will prevent further errors in claims management of waivers.

Sincerely,

James McCurtis Jr.

James McCurtis Jr., Director, CVSC
Michigan Department of Health and Human Services

Cc: Debi Cain, Acting Director Division of Victim Services
Janine Washburn, Compensation Program Specialist
Linda J. Taylor, Lead Auditor, Audit Coordination Branch

APPENDIX 4

OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT AUDIT REPORT

U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

DEC 1 3 2017

MEMORANDUM TO: Carol S. Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Office for Victims of Crime, Victim Compensation Formula Grants Awarded to the Michigan Department of Health and Human Services, Lansing, Michigan*

This memorandum is in reference to your correspondence, dated November 20, 2017, transmitting the above-referenced draft audit report for the Michigan Department of Health and Human Services (MDHHS). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **four** recommendations and **$259,414** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by OJP's response.

1. **We recommend that OJP ensure that the MDHHS develops and implements procedures to ensure that it completes its Crime Victim Compensation State Certification Forms accurately.**

   OJP agrees with this recommendation. We will coordinate with MDHHS to obtain a copy of written procedures, developed and implemented, to ensure its Crime Victim Compensation State Certification Forms are complete and accurate.

2. **We recommend that OJP remedy the $259,414 in excess grant funds awarded due to erroneous Crime Victim Compensation State Certification Forms submitted for FY 2014 and FY 2015.**

   OJP agrees with this recommendation. We will review the $259,414 in questioned costs, related to excess grant funds awarded to MDHHS due to erroneous data in its Crime Victim Compensation State Certification Forms, submitted for Fiscal Year (FY) 2014 and FY 2015, and will work with the MDHHS to remedy the costs, as appropriate.

3. **We recommend that OJP require the MDHHS to submit a corrected FY 2016 Crime Victim Compensation State Certification Form to ensure that the FY 2018 victim compensation award to the MDHHS is correct.**

   OJP agrees with this recommendation. We will coordinate with the MDHHS to obtain a corrected FY 2016 Crime Victim Compensation State Certification Form, to ensure that its FY 2018 victim compensation award amount is correct.

4. **We recommend that OJP ensure that the MDHHS takes steps to ensure that its personnel follow its internal policy for documenting and tracking waivers.**

   OJP agrees with this recommendation. We will coordinate with the MDHHS to obtain a copy of written procedures, developed and implemented, to ensure that it takes steps to ensure that MDHHS personnel follow its internal policy for documenting and tracking waivers.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

cc: Maureen A. Henneberg
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for Operations and Management

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OJP Executive Secretariat
Control Number IT20171120172404

APPENDIX 5

OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The Department of Justice (DOJ) Office of the Inspector General (OIG) provided a draft of this audit report to the Michigan Department of Health and Human Services (MDHHS) and the Office of Justice Programs (OJP). The MDHHS response is contained in Appendix 3 of this final report, and the OJP response is incorporated in Appendix 4. In response to our draft report, OJP concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for DOJ OJP:

1. **Ensure that the MDHHS develops and implements procedures to ensure that it completes its Crime Victim Compensation State Certification Forms accurately.**

   Resolved. OJP concurred with our recommendation. OJP stated that it would coordinate with the MDHHS to obtain written policies and procedures, developed and implemented, to ensure that the Crime Victim Compensation State Certification Forms are complete and accurate.

   The MDHHS acknowledged in its response that its current reporting system is outdated and that the MDHHS is working with the Michigan Department of Technology, Management and Budget, to rectify this matter. The MDHHS also stated that it has developed a short-term solution wherein it receives statistical and monetary data from its Data Warehouse and Optum Government Solutions. According to the MDHHS, this solution ensures accurate and timely data.

   This recommendation can be closed when we receive evidence that OJP has ensured that the MDHHS has developed and implemented written policies and procedures to ensure that the Crime Victim Compensation State Certification Forms are completed accurately.

2. **Remedy the $259,414 in excess grant funds awarded due to erroneous Crime Victim Compensation State Certification Forms submitted for FY 2014 and FY 2015.**

   Resolved. OJP concurred with our recommendation. OJP stated in its response that it will review and remedy the $259,414 in questioned costs related to excess grant funds awarded related to erroneous Crime Victim Compensation State Certification Forms submitted in FY 2014 and FY 2015.

The MDHHS stated in its response that it has submitted to the Office for Victims of Crime (OVC) a corrected State Certification for FY 2014. The MDHHS stated that it is awaiting instructions from the OVC on how to proceed.

This recommendation can be closed when we receive evidence that OJP has appropriately remedied the $259,414 in excess grant funds awarded to the MDHHS.

3. Require the MDHHS to submit a corrected FY 2016 Crime Victim Compensation State Certification Form to ensure that the FY 2018 victim compensation award to the MDHHS is correct.

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with the MDHHS to obtain a corrected 2016 Crime Victim Compensation State Certification Form, to ensure that the FY 2018 victim compensation award is correct.

The MDHHS stated in its response that it cannot submit a corrected or accurate FY 2016 form until it receives direction from the OVC regarding the prior year forms referred to in recommendation 2. The MDHHS said that once it receives direction from the OVC, it can move to provide an accurate FY 2016 form.

This recommendation can be closed when we receive evidence that OJP has coordinated with the MDHHS to ensure that an accurate Crime Victim Compensation State Certification Form for FY 2016 has been submitted.

4. Ensure that the MDHHS takes steps to ensure that its personnel follow its internal policy for documenting and tracking waivers.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the MDHHS to obtain a copy of written procedures that the MDHHS has developed and implemented to ensure that MDHHS personnel follow the MDHHS's internal policy for documenting and tracking waivers.

The MDHHS stated in its response that the Compensation Program Specialist has provided analysts within the Compensation Program written and oral directions on procedures to follow for waivers on claims. The MDHHS further said that this course of action will prevent further errors in claims management of waivers.

This recommendation can be closed when we receive evidence that OJP has verified that the MDHHS has taken steps to ensure its personnel follow internal policy for documenting and tracking waivers.

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