



Audit of the Office of Justice Programs
Victim Assistance Grants Awarded to the
Michigan Department of Health and
Human Services,
Lansing, Michigan



AUDIT DIVISION

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EXECUTIVE SUMMARY

Audit of the Office of Justice Programs Victim Assistance 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 (Michigan DHHS) designed and implemented its crime victim assistance 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, (3) grant financial management, and (4) subrecipient monitoring.

Results in Brief

As a result of our audit, we concluded that Michigan DHHS used its victim assistance funds to enhance victim services in Michigan, took appropriate steps to allocate and award funding to subrecipients, and established an extensive subrecipient monitoring plan. However, we determined that Michigan DHHS could enhance facets of subrecipient monitoring, including correcting identified deficiencies and performance reporting, and needs to establish adequate controls for the allocation of administrative expenditures and drawdowns. Additionally, we identified a total of \$241,807 in questioned costs related to subrecipient and administrative expenditures.

Recommendations

Our report contains eight recommendations to the Office of Justice Programs (OJP) to assist Michigan DHHS in improving its grant management and administration and to remedy the questioned costs. We requested a response to our draft audit report from Michigan DHHS and OJP, and their responses can be found in Appendices 3 and 4, respectively. Our analysis of those responses can be found in Appendix 5.

Audit Results

The U.S. Department of Justice (DOJ) Office of the Inspector General completed an audit of three Victims of Crime Act (VOCA) victim assistance formula grants awarded by OJP, Office for Victims of Crime (OVC) to Michigan DHHS in Lansing, Michigan. The OVC awarded these formula grants, totaling \$105,378,593 for fiscal years 2022 to 2024, to enhance crime victim services throughout Michigan. As of April 2026, Michigan DHHS drew down a cumulative amount of \$69,092,778.

Program Planning and Execution

We determined that Michigan DHHS adequately allocated and issued subawards to victim service providers, as well as adequately communicated award requirements to its subrecipients.

Subrecipient Monitoring

We found that Michigan DHHS should ensure that deficiencies identified as a result of its subrecipient monitoring activities are addressed timely. Additionally, we found that Michigan DHHS does not regularly review supporting documentation for programmatic reporting. We also questioned \$2,825 of unsupported subrecipient rental costs.

Grant Financial Management

We identified concerns with Michigan DHHS's drawdown process to ensure funds are spent or returned to DOJ within 10 days of being drawn down, as required. Additionally, we found issues with the allocation of fringe benefit and purchased services costs, resulting in \$238,982 of questioned unsupported and unallowable administrative costs.

Table of Contents

Introduction	1
The Grantee	2
OIG Audit Objective.....	2
Audit Results	3
Grant Program Planning and Execution	3
Subaward Allocation Plan.....	3
Subaward Selection Process	3
Subaward Requirements.....	4
Priority Areas Funding Requirement	4
Monitoring of Subrecipients	5
Subaward Expenditures	7
Subrecipient Corrective Actions	7
Single Audit Requirements.....	8
Performance and Subaward Reporting.....	9
Performance Reporting	9
Subaward Reporting.....	10
Grant Financial Management	10
Administrative Expenditures.....	11
Drawdowns	13
Financial Reporting.....	14
Matching Requirement	15
Conclusion and Recommendations	16
APPENDIX 1: Objective, Scope, and Methodology	17
Objective.....	17
Scope and Methodology.....	17
Internal Controls.....	18
APPENDIX 2: Schedule of Dollar-Related Findings.....	19
APPENDIX 3: The Michigan Department of Health and Human Services Response to the Draft Report	20
APPENDIX 4: The Office of Justice Programs Response to the Draft Report.....	24
APPENDIX 5: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report.....	27

Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three victim assistance 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 (Michigan DHHS) in Lansing, Michigan. The OVC awards victim assistance grants annually from the Crime Victims Fund (CVF) to state administering agencies (SAA). As shown in Table 1, from fiscal years (FY) 2022 to 2024, these OVC grants to Michigan DHHS totaled over \$105 million.

Table 1

Audited Grants

Fiscal Years 2022 through 2024

Award Number	Award Date	Award Period Start Date	Award Period End Date	Award Amount
15POVC-22-GG-00762-ASSI	08/25/2022	10/01/2021	09/30/2026	\$42,666,439
15POVC-23-GG-00424-ASSI	08/23/2023	10/01/2022	09/30/2026	\$39,909,525
15POVC-24-GG-00669-ASSI	09/05/2024	10/01/2023	09/30/2027	\$22,802,629
Total:				\$ 105,378,593

Note: Grant funds are generally available for the fiscal year of the award plus 3 additional fiscal years but can be extended. Michigan DHHS requested and received a 1-year no-cost extension for grant 15POVC-22-GG-00762-ASSI.

Source: JustGrants

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.¹ 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. The total amount of funds that the OVC may distribute each year depends upon the amount of CVF deposits made during the preceding years and limits set by Congress (the cap).

The OVC allocates the annual victim assistance program awards based on the amount available for victim assistance each year and the state's population. Beginning in FY 2015, Congress significantly raised the cap on CVF disbursements from prior years, which increased funding for victim assistance grants from \$456 million in FY 2014 to a high of \$3 billion in FY 2018. Since FY 2018, the cap has decreased along with deposits into the CVF, with the most recent cap set at \$2 billion for FY 2026. As such, the annual VOCA victim assistance grant funds available to Michigan DHHS decreased by nearly \$20 million between FY 2022 and FY 2024.

VOCA victim assistance grant funds support the provision of direct services—such as crisis intervention, assistance filing restraining orders, counseling in crises arising from the occurrence of crime, and

¹ The VOCA victim assistance formula program is funded under 34 U.S.C. § 20103.

emergency shelter—to victims of crime. The OVC distributes these assistance grants to states and territories, which in turn, fund subawards to public and private nonprofit organizations that directly provide the services to victims. Eligible services are efforts that: (1) respond to the emotional and physical needs of crime victims, (2) assist victims of crime to stabilize their lives after a victimization, (3) assist victims to understand and participate in the criminal justice system, and (4) provide victims of crime with a measure of safety and security.

The Grantee

Michigan DHHS is the SAA responsible for administering the state of Michigan's CVF victim assistance program. Michigan DHHS's Division of Victim Services (DVS) provides state and federal funding to over 200 community-based programs, tribes, and government partners that directly provide crime victims with services, such as counseling, legal and medical advocacy, and emergency housing. DVS also provides reimbursement for sexual assault medical forensic examinations; provides direct compensation to victims; supports the statewide victim notification system; partners with statewide organizations to support training initiatives for courts, prosecutors, and law enforcement to improve responses to victims of crime; and provides public policy leadership to the Michigan government on issues of domestic violence and sexual assault.

OIG Audit Objective

The objective of the audit was to evaluate how Michigan DHHS designed and implemented its crime victim assistance 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, (3) grant financial management, and (4) subrecipient monitoring.

The results of our analysis are discussed in detail in the following sections of this report. Appendix 1 contains additional information on this audit's objective, scope, and methodology. Appendix 2 presents the audit's Schedule of Dollar-Related Findings.

Audit Results

Grant Program Planning and Execution

The primary purpose of the VOCA victim assistance grants is to support crime victim services. Michigan DHHS, which is the principal recipient of victim assistance grants at the state level in Michigan, must distribute a majority of the funding to organizations that provide direct services to victims, such as rape treatment centers, domestic violence shelters, centers for missing children, and other community-based victim coalitions and support organizations. As the SAA, Michigan DHHS has the discretion to select subrecipients from among eligible organizations and to determine the amount of funds each subrecipient receives. The VOCA Guidelines require, however, that SAAs give priority to victims of sexual assault, domestic abuse, and child abuse, as well as make funding available for previously underserved populations of violent crime victims.² SAAs must allocate at least 10 percent of available funding to victim populations in each of these victim categories.

We assessed Michigan DHHS's victim assistance funding allocation plan, subaward selection process, communication of VOCA requirements to subrecipients, and compliance with priority funding and reporting requirements. We did not identify any issues with Michigan DHHS's planning and execution of the VOCA awards in these areas.

Subaward Allocation Plan

In the Michigan DHHS's Plan to Subgrant Funds, which is required to be submitted annually to the OVC, the Michigan DHHS stated that annual planning efforts consider the range of available direct services throughout Michigan, sustainability of services, unmet needs, demographic profile of crime victims, community response efforts, and availability of direct services. Michigan DHHS obtains information from staff meetings, community organizations, and written outreach to develop its Plan to Subgrant Funds. Despite the challenge to maintain stable victim services presented by the ongoing decrease in VOCA funding, currently Michigan DHHS utilizes federal funds and supplements with state funding in its planning efforts. Our review did not identify deficiencies in Michigan DHHS's subaward allocation approach.

Subaward Selection Process

To assess how Michigan DHHS granted its subawards, we identified the steps that Michigan DHHS took to inform, evaluate, and select subrecipients for VOCA funding. According to Michigan DHHS officials, Michigan DHHS awards funding to subrecipients annually, which is based upon a competitive selection process that takes place every 3 to 5 years. Potential subrecipients submit their applications via Michigan DHHS's grants management system, and Michigan DHHS review teams, in turn, score the applications. We found that during the selection process, Michigan DHHS: (1) assessed program eligibility, as well as the applicants' program implementation, goals, objectives, and activities necessary to accomplish objectives; (2) reviewed scores and provided funding recommendations to Michigan DHHS leadership and

² The VOCA Guidelines state these underserved victims may include, but are not limited to, victims of federal crimes; survivors of homicide victims; or victims of assault, robbery, gang violence, hate and bias crimes, intoxicated drivers, bank robbery, and elder abuse. Further, the VOCA Guidelines indicate that in defining underserved victim populations, states should also identify gaps in available services by victims' demographic characteristics.

upper management, and (3) notified approved or denied subrecipients through the grants management system.³ Table 2 represents the number of organizations and projects funded by the FY 2022, FY 2023, and FY 2024 VOCA grants. Our review did not identify deficiencies in Michigan DHHS's subaward selection process.

Table 2

VOCA-Funded Subrecipient Organizations and Projects, as of January 2026

Award Number	Organizations Funded	Projects Funded
15POVC-22-GG-00762-ASSI	98	173
15POVC-23-GG-00424-ASSI	112	184
15POVC-24-GG-00669-ASSI	58	65

Note: Some subrecipients received funding for more than one project.

Source: OIG analysis of the Michigan DHHS's subrecipient list

Subaward Requirements

According to the Uniform Guidance and DOJ Grants Financial Guide, SAAs must adequately communicate VOCA requirements to their subrecipients. We reviewed Michigan DHHS's subaward solicitations and award packages and determined that the Michigan DHHS adequately communicated award requirements to subrecipients. For instance, we found that Michigan DHHS executes a grant agreement with each subrecipient that includes an attachment containing program specific requirements and also directs subrecipients to view the VOCA award special conditions on Michigan DHHS's website.

Priority Areas Funding Requirement

The VOCA Guidelines require that Michigan DHHS award a minimum of 10 percent of the total grant funds to programs that serve victims in each of the four following categories: (1) child abuse, (2) domestic abuse, (3) sexual assault, and (4) previously underserved.⁴ We examined how Michigan DHHS allocated VOCA subawards to gauge whether it was on track to meet the program's priority areas distribution requirements. According to a Michigan DHHS official, the different subaward types that Michigan DHHS offers apply to one of the four priority areas, which Michigan DHHS monitors by summing the amounts awarded to each of the four priority areas to verify compliance with the priority areas funding requirement. We reviewed the amounts for each of the four categories that were reflected in Michigan DHHS's Subgrant Award

³ For some subawards, Michigan DHHS uses a noncompetitive process where awards are made to subrecipients that offer targeted services, such as Tribal victim services.

⁴ Methods for identifying "previously underserved" victims may include public hearings, needs assessments, task forces, and meetings with statewide victim services agencies. For the grants we audited, Michigan DHHS applied the federal definition of underserved victims, which is found within the VOCA Guidelines.

Report (SAR) for the 2022 through 2024 awards and compared our results to Michigan DHHS's analysis. Based upon this review, we concluded that Michigan DHHS met the priority areas funding requirement.

Monitoring of Subrecipients

According to the DOJ Grants Financial Guide, the purpose of subrecipient monitoring is to ensure that subrecipients: (1) use grant funds for authorized purposes; (2) comply with the federal program and grant requirements, laws, and regulations; and (3) achieve subaward performance goals. SAAs are required to conduct regular desk monitoring and on-site monitoring of all subrecipients at least once every 2 years during the award period, unless a different frequency based on risk assessment is set out in the state monitoring plan. As the primary grant recipient, Michigan DHHS must develop policies and procedures to monitor subrecipients.

Michigan DHHS develops an annual monitoring plan using the results of its subrecipient risk assessment. The annual monitoring plan is based on a 5-year monitoring cycle, which aligns with the typical grant agreement period for Michigan DHHS's subawards. Within each 5-year period, all subrecipients should receive one formal monitoring review each year, or five reviews over the 5-year period. Two of the five reviews are to involve an on-site component (standards review and contract review), and the other three reviews are to be determined by the subrecipient's annual risk rating (financial audit, desk review, and fiscal questionnaire review). Table 3 provides an overview of each type of monitoring review.

Table 3

Michigan DHHS Subrecipient Monitoring Reviews

Type of Review	Description	Frequency
Standards Review	Review of subrecipient adherence to state quality assurance standards for domestic and sexual violence service providers. Michigan DHHS partners with peer reviewers in the field to complete these reviews. Includes on-site visit.	1 every 5 years <i>Comprehensive domestic violence and sexual assault providers only.</i>
Contract Review	Review of a sample of client/service records, financial records, and personnel files to verify client eligibility, permissibility of program activities, and allowability of expenditures. Includes on-site visit.	2 every 5 years <i>Or 1 every 5 years if subject to a standards review.</i>
Financial Audit^a	Audit of subrecipient's fiscal records and activities over one quarter. Includes testing of a selection of payroll and non-payroll expenditures for program compliance and adherence to policies, procedures, and program requirements.	Once annually for high-risk subrecipients
Desk Review^a	<i>Desk Review A (Allowable expenses):</i> Review of eligible expenditures, activities, and subrecipient financial policies. Includes sampling 1-2 line items from one month's financial status report to verify with source documentation.	Once annually for high-moderate risk subrecipients
	<i>Desk Review B (Permissible activities):</i> Review of staff documentation of time, eligible activities, and time and effort policies. Includes a sample of payroll from the month under review to verify with source documentation.	Once annually for mid-moderate risk subrecipients
	<i>Desk Review C (Policy compliance):</i> Review of subrecipient compliance with required administrative policies.	Determined at the beginning of the fiscal year and not completed in subsequent fiscal years
Fiscal Questionnaire Review	Review of the subrecipient's responses to the annual fiscal questionnaire, which asks yes/no questions regarding the subrecipient's financial management and internal control systems.	Once annually for all subrecipients

^a Financial audits and desk reviews are completed during fiscal years without standards or contract reviews.

Source: Michigan DHHS

In addition to its monitoring reviews, Michigan DHHS conducts subrecipient monitoring in the form of training, technical assistance, review of financial and performance reports, and follow-up on corrective actions for any known deficiencies.

In our overall assessment of Michigan DHHS's subrecipient monitoring, we found that it adhered to a robust monitoring plan and that its monitoring process focused heavily on the needs of victims and ensuring that

subrecipients meet the state's standards for victim service providers.⁵ However, we found that Michigan DHHS could enhance its subrecipient monitoring to ensure: (1) subaward expenditures are supported, (2) corrective actions for identified issues are addressed in a timely manner, and (3) subrecipient-reported performance data is accurate.

Subaward Expenditures

Subrecipients may request reimbursement on a monthly basis via Michigan DHHS's grants management system. Michigan DHHS reviews subrecipients' reimbursement requests to ensure that expenditures align with and do not exceed budgeted amounts. Michigan DHHS does not require subrecipients to submit supporting documentation when requesting reimbursement unless the subrecipient is new to DVS or is identified as high risk and placed on "provisional status" requiring additional monitoring. Of the monitoring reviews listed in Table 3, contract reviews, desk reviews A and B, and financial audits for high-risk subrecipients involve verifying a sample of subrecipient expenditures with source documentation.

As of January 2026, we found that Michigan DHHS paid its subrecipients a total of \$61,488,877 in VOCA victim assistance funds for the grants we audited. To evaluate Michigan DHHS's financial controls over VOCA victim assistance grant expenditures, we reviewed a sample of subrecipient transactions to determine whether the payments were accurate, allowable, and in accordance with the VOCA Guidelines. In particular, we judgmentally selected 96 expenditures totaling \$73,061, which were associated with 4 subrecipients and included costs in the following categories: (1) salary and wages, (2) fringe benefits, (3) client assistance, (4) contractual professional services, and (5) employee travel and training. We found that the transactions we tested were generally accurate, allowable, and in accordance with the VOCA Guidelines and, therefore, concluded that Michigan DHHS's financial controls over VOCA victim assistance grant expenditures were adequate. However, we identified a total of \$2,825 of unsupported client housing payments claimed by one subrecipient; Michigan DHHS officials told us these unsupported payments were an oversight. We recommend that OJP remedy the \$2,825 in unsupported subrecipient expenditures related to client housing payments.

Subrecipient Corrective Actions

According to the Uniform Guidance, grantees must ensure that subrecipients take corrective action on all significant developments that negatively affect the subaward, including findings detected through audits and on-site monitoring. We identified several instances where Michigan DHHS required the subrecipient to take specific corrective actions such as repaying charges that did not reconcile to the subrecipient's general ledger. We also found numerous examples where Michigan DHHS identified concerns but did not explicitly require subrecipients to take corrective action; rather, Michigan DHHS encouraged subrecipients to resolve the issues before their next monitoring review.

⁵ The Michigan Domestic and Sexual Violence Prevention and Treatment Board sets quality assurance standards for domestic and sexual violence services in the state. Michigan DHHS, with review and input from peers in the field, monitors programs' compliance with these standards, which fall into one of three categories: foundational (is the program meeting ethical, legal, safety, health, and client rights requirements), infrastructure (are there plans and policies in place and are they compatible with DVS philosophy), and practice (are there procedures and evaluation in place to ensure the program is functional).

We reviewed a judgmental sample of monitoring review reports from FY 2021 through FY 2025 for a sample of 14 subrecipients and found that 9 had repeat or similar findings within the 5-year monitoring period. In one instance, Michigan DHHS found that a subrecipient director's activity reports were identical throughout the pay period, suggesting that the individual's time was being documented based on predetermined percentages instead of actual work performed. Michigan DHHS's FY 2025 monitoring report noted that this concern had been identified in prior monitoring reviews dating back to FY 2021, yet the FY 2025 report merely stated that future repayment may be requested if the issue is identified again. In another example, Michigan DHHS's FY 2022 and FY 2024 financial audits of a subrecipient identified 11 repeat findings, including that reported expenses were not supported by source documentation and indirect costs were not properly calculated. Despite the financial audits requiring the subrecipient to update processes and policies, the deficiencies continued over a 2-year period, which could have resulted in significant non-compliance and costs inappropriately charged to the VOCA grants.

Michigan DHHS officials told us that some of the repeat findings we identified were due to monitoring reviews with overlapping review periods, which did not give subrecipients enough time to correct issues before the next review. Michigan DHHS officials also stated that they try not to request repayment if they know that the subrecipients completed victim services work. However, not holding subrecipients accountable for the use of federal funds increases the risk of further non-compliance and potential fraud, waste, or abuse. To ensure that corrective actions were implemented and mitigate the need for repeat findings, Michigan DHHS should have implemented effective controls related to subrecipient expenditures until deficiencies were remedied, such as requiring supporting documentation to be submitted with each subsequent reimbursement request. Therefore, we recommend that OJP require Michigan DHHS to develop and implement procedures to ensure that subrecipients take timely and appropriate action to correct identified deficiencies and help safeguard that grant funds are used only for authorized purposes in compliance with grant requirements.

Single Audit Requirements

Non-federal entities that receive federal financial assistance are required to comply with the Single Audit Act of 1984, as amended.⁶ According to the DOJ Grants Financial Guide, primary recipients are required to ensure subrecipients have single audits completed when required. Further, according to the Uniform Guidance, the agency or pass through entity responsible for oversight is required to issue a management decision on audit findings and ensure that the subrecipient takes appropriate and timely corrective action.

We found that Michigan DHHS had an established process to collect, review, and track subrecipient single audit submissions, as well as track the status of any required follow-up actions. We selected two subrecipients and confirmed that Michigan DHHS had: (1) reviewed their single audit reports; (2) met with subrecipient officials to discuss the findings and assess the adequacy of planned corrective actions; and (3) issued management decisions on the audit findings. We also saw evidence that Michigan DHHS

⁶ The Single Audit Act requires recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal spending. (The audit is referred to as "single" because it includes all federal financial assistance that the entity has received and expended.) Under the Uniform Guidance, entities that expend \$1,000,000 or more in federal funds within the entity's fiscal year must have a single audit performed annually covering all federal funds expended that year. Prior to October 1, 2024, the threshold for single audit requirements was \$750,000.

considered the single audit findings in its risk assessment and planned monitoring activities of subrecipients.

Performance and Subaward Reporting

Michigan DHHS monitors subrecipients' performance of the VOCA subawards through regular review of required financial and programmatic reports. In addition to federally required reporting, Michigan DHHS requires its subrecipients to submit performance information in monthly activity reports that reflect performance across their entire grant-funded program, as well as quarterly workplan reports that narratively describe the subrecipients' progress in achieving their respective program objectives. According to Michigan DHHS officials, this performance data is used for month-to-month comparisons to inform needs assessments and funding decisions.

Performance Reporting

States must collect, maintain, and provide to the OVC data that measures the performance and effectiveness of activities funded by the VOCA victim assistance awards. Each SAA must annually report to the OVC on activity funded by any active VOCA award during the federal fiscal year, to include the number of agencies funded, VOCA subawards, victims served, and victim services funded. The OVC requires states to submit performance data quarterly through its Performance Measurement Tool (PMT). States may provide subrecipients with direct access to the system to report quarterly data, but states must approve the data.

Michigan DHHS officials told us that Michigan DHHS staff review subrecipients' quarterly PMT submissions to determine whether the reported figures seem appropriate based on the previous quarter's figures. We found that sampling and verification of subrecipient performance numbers were only performed during contract reviews, which subrecipients receive one or two times every 5-year monitoring cycle. During these reviews, Michigan DHHS selects a sample of performance figures and attempts to verify their accuracy with supporting documentation, such as client files, hotline call logs, and shelter occupancy logs.

Of the 22 contract review reports we reviewed, we found that Michigan DHHS identified PMT reporting errors in 19 of them. The errors ranged from victim services being recorded in the wrong PMT category to service logs not supporting the reported figures. While Michigan DHHS identified these errors, it did not require the subrecipients to correct the errors or otherwise revise their performance tracking processes.⁷

Further, we found that the documentation that Michigan DHHS collected from subrecipients to support their performance metrics did not include sufficient information to verify whether the subrecipients appropriately tracked or prorated their VOCA-funded activity. According to the OVC, subrecipients should either (1) track their VOCA-funded activities separately from activities funded via other sources, or (2) apply an appropriate strategy for prorating their activity so that a reasonable portion is allocated to the victim assistance subawards and reported in PMT. SAAs are responsible for ensuring the proration was done properly as part of their review of subrecipient data. Michigan DHHS officials told us that they may ask subrecipients to explain their methodology during contract reviews, but Michigan DHHS does not specifically review subrecipients' methodologies to ensure that VOCA performance data is accurately

⁷ Michigan DHHS officials told us that they have started requiring subrecipients to amend their PMT reports when discrepancies are identified.

allocated. Because many Michigan DHHS subrecipients receive multiple DVS subawards that support the same types of services but are funded by different sources, we have concerns that subrecipients may find it especially challenging to accurately track or prorate their VOCA-funded activity.⁸

Therefore, although we were able to confirm that Michigan DHHS collected subrecipient performance data and submitted annual PMT performance reports to the OVC, we were unable to assess whether the reported performance figures were reliable and accurately reflected subaward performance. We recommend that OJP ensure that Michigan DHHS enhances its subrecipient monitoring to include verification of subrecipient-reported PMT performance data and subrecipient strategies for tracking or prorating VOCA-funded activity.

Subaward Reporting

States must submit a SAR to the OVC via PMT for each subrecipient of the VOCA victim assistance funds within 90 days of awarding funds to subrecipients. Any changes or revisions to the awards that occur before the end of the project period must be made in the SAR within 30 days of the change taking effect. The SAR allows the OVC to collect basic information from states on subrecipients and the program activities to be implemented with VOCA funds. We found that the accuracy of the SAR data submitted for FYs 2022 through 2024 improved continuously, with the FY 2024 SAR data having only nominal differences. Considering that we found improved accuracy with the SARs and that Michigan DHHS recently established a formalized process for submitting, updating, and verifying SARs, we are not making a recommendation in this area.

Grant Financial Management

According to the DOJ Grants Financial Guide, award recipients must establish an adequate accounting system and maintain financial records that accurately account for awarded funds. To assess the adequacy of Michigan DHHS's financial management of the VOCA grants, we reviewed the process Michigan DHHS used to administer these funds by examining expenditures charged to the grants, drawdown requests, financial reports, and adherence to match requirements. To further evaluate Michigan DHHS's financial management of the VOCA grants, we reviewed the state of Michigan's Single Audit Reports for FYs 2022 to 2024. We also interviewed Michigan DHHS personnel who were responsible for financial aspects of the grants, reviewed Michigan DHHS written policies and procedures, inspected award documents, and reviewed financial records.

As discussed below, we determined that Michigan DHHS implemented adequate controls over financial reporting and match requirements but could improve its processes related to ensuring administrative expenditures and drawdowns comply with award requirements. These findings indicate potential weaknesses in Michigan DHHS's financial management of VOCA grant funds.

⁸ For example, one subrecipient in our sample had 11 separate grant agreements with DVS in FY 2025. Three of the grants were funded by VOCA for domestic violence comprehensive services, sexual assault comprehensive services, and transitional supportive housing, respectively. The other eight grants were funded by state funds or other federal funds for similar purposes.

Administrative Expenditures

SAA victim assistance expenses fall into two overarching categories: (1) reimbursements to subrecipients—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 pay for administering an SAA's crime victim assistance program and for training. According to the VOCA Guidelines, such costs must derive from efforts to expand, enhance, or improve how the SAA administers the state crime victim assistance program and to support activities and costs that impact the delivery and quality of services to crime victims throughout the state. While federal grant-funded administrative costs generally must relate to a specific program, for VOCA assistance awards, the VOCA Guidelines state that funds for administration may be used to pay for costs directly associated with administering a state's victim assistance program.⁹

We tested Michigan DHHS's compliance with the 5-percent limit on the administrative category of expenses for the FY 2022 grant by comparing the total administrative expenditures charged to the grant, as of January 21, 2026, to the FY 2022 grant cost ledger.¹⁰ We determined that Michigan DHHS did not exceed the 5-percent limit.

We also tested a sample of Michigan DHHS's administrative transactions to determine if the costs were supported, allowable, and properly allocated. We judgmentally selected 39 items, totaling \$343,625, from the following categories: (1) salary & wages, (2) fringe benefits, (3) purchased services, and (4) cost allocations. Based on our testing, we found that expenditures charged to the grant did not always comply with grant requirements; as a result, we identified that Michigan DHHS charged \$238,982 in unallowable or unsupported costs to the FY 2022 VOCA grant.¹¹ Specifically, we found:

- \$169,659 in unsupported fringe benefit costs. Pension and other post-retirement benefits, collectively called other employee retirement costs (OERC), were charged to the grant based on the state of Michigan's practice of allocating these costs to all state employees regardless of whether the employees participate in and benefit from the applicable pension and post-retirement benefit plans. Because Michigan charges OERCs based on all employee salaries & wages, rather than for only those benefiting employees' salary & wages, Michigan is using employees who are not eligible for the fringe benefit as a means to allocate these fringe benefit costs. As such, Michigan is not allocating these fringe benefit costs to federal awards in a manner consistent with the pattern of benefits attributable to the employees whose salaries & wages are charged to federal awards because not all employees included in the allocation are eligible for these fringe benefits.¹² We were unable to determine with certainty which employees were eligible for these fringe benefits; therefore, we were unable to determine which employees should be included in the allocation of the OERCs. As a result, we questioned as unsupported all the OERCs charged to the FY 2022 VOCA grant

⁹ OVC officials have indicated that the definition of a state's "victim assistance program" may include both VOCA and non-VOCA activities supported by the SAA, as long as the activities relate to victim assistance.

¹⁰ At the time of our testing, Michigan DHHS had only incurred administrative costs on the FY 2022 grant.

¹¹ The state of Michigan's Single Audit Reports for FYs 2022 and 2023 also identified deficiencies related to Michigan DHHS's cost allocation for administrative expenses.

¹² 2 C.F.R. § 200.431(c) states that the recipient or subrecipient must allocate fringe benefits to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such federal awards and other activities.

as of January 21, 2026. Questioned costs include OERCs for: (1) employees whose salary & wages were charged directly to the FY 2022 VOCA grant and (2) employees whose salaries & wages were charged indirectly to the FY 2022 VOCA grant as part of Michigan DHHS's cost allocation plan.

- \$1,065 in unsupported fringe benefit costs. For two pay periods, Michigan DHHS charged a portion of fringe costs directly to the FY 2022 VOCA grant for an employee who did not charge their time to the grant for those pay periods or at any point during the prior year. Michigan DHHS stated that the employee went on extended leave at the same time they were transitioned to the grant and that is why there were no salaries & wages charged to the grant for this employee. We questioned these costs as unsupported because Michigan DHHS was unable to provide evidence showing this employee worked on victim assistance program activities.
- \$4,581 in unallowable fringe benefit costs. Two employees who left Michigan DHHS were paid for their unused leave balances. While the cost for the unused leave was charged as a general administrative expense and allocated throughout all of Michigan DHHS in compliance with Uniform Guidance requirements, the fringe benefit costs directly associated with the unused leave payout (e.g., payroll taxes, retirement expenses, etc.) were charged entirely to the FY 2022 VOCA grant. Michigan DHHS stated that the fringe benefit costs were charged this way because VOCA was the default project code in the accounting system for these employees. We questioned the costs as unallocable, and therefore unallowable, because the fringe benefit costs should have been charged as a general administrative expense and allocated across Michigan DHHS's funding sources in the same manner as the unused leave costs. Had Michigan DHHS allocated the fringe benefit costs in the same manner as the unpaid leave costs, we estimated the fringe benefit costs applicable to the FY 2022 VOCA grant would have been around \$2.
- \$4,618 in unallowable wages and fringe benefit costs. We identified wages and fringe benefits that were charged entirely to the FY 2022 VOCA grant even though these costs were for employees who did not work exclusively on the victim assistance program. Michigan DHHS personnel stated the wages and fringe benefits were charged entirely to the grant because: (1) VOCA was the employees' default project code in the accounting system, or (2) the employee inadvertently charged time to the incorrect shift code that does not allow for the allocation of wages and fringe benefits to more than one project.
- \$59,059 of unsupported purchased services costs. Through January 21, 2026, Michigan DHHS incurred \$59,059 in purchased services costs related to its grants management system, which it charged entirely to VOCA. Based on the support provided, the grants management system is used for more than just the victim assistance program. Because the supporting documentation did not identify how much of the total costs pertained to the victim assistance program, we questioned the total costs as unsupported.

Based upon the deficiencies we identified, we recommend that OJP remedy the \$229,783 in unsupported costs related to OERCs, fringe benefits, and purchased services. In addition, we recommend that OJP remedy the \$9,199 in unallowable wages and fringe benefit costs. Further, while we tested the costs incurred as of January 21, 2026, it is likely that some questioned costs—OERCs and purchased services in particular—continued to be charged to the FY 2022 VOCA grant (and potentially the FY 2023 and FY 2024

VOCA grants) after this date. Therefore, we recommend that OJP remedy any additional OERCs and purchased services costs charged to the grants after January 21, 2026. Finally, several of the questioned costs were due to how the accounting system is configured to allocate costs (e.g., allocating fringe benefits to the employee's default project code or allocating using a certain shift code). We recommend that OJP require Michigan DHHS to ensure that adequate internal control processes are in place for allocating administrative costs to prevent future unsupported and unallowable costs.

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 reimbursements or disbursements made immediately or within 10 days. To assess whether Michigan DHHS managed grant receipts in accordance with these federal requirements, we compared the total amount reimbursed to the total expenditures in Michigan DHHS's accounting system and accompanying financial records. Table 4 shows the total amount drawn down for each grant as of April 16, 2026.

Table 4

Amount Drawn Down for Each Grant as of April 16, 2026

Award Number	Total Award	Award Period End Date	Amount Drawn Down	Amount Remaining
15POVC-22-GG-00762-ASSI	\$42,666,439	09/30/2026	\$31,744,867	\$10,921,572
15POVC-23-GG-00424-ASSI	\$39,909,525	09/30/2026	\$29,545,436	\$10,364,089
15POVC-24-GG-00669-ASSI	\$22,802,629	09/30/2027	\$7,802,475	\$15,000,154
Total:				\$36,285,815

Source: JustGrants

We did not identify issues with the cumulative amounts drawn down on the VOCA awards, aside from the questioned costs discussed in the previous section. However, we identified an instance where Michigan DHHS did not limit its drawdown to the minimum funds needed for disbursements or reimbursements to be made immediately or within 10 days. To fully utilize funding remaining on the FY 2021 grant, Michigan DHHS transferred approximately \$3.2 million of expenditures booked to the FY 2022 grant to the FY 2021 grant and then drew down \$3.2 million on the FY 2021 grant. However, Michigan DHHS had previously drawn down \$3.2 million on the FY 2022 grant for those same expenditures. To comply with federal requirements, Michigan DHHS needed to incur and pay \$3.2 million of expenditures on the FY 2022 grant for which funds had not been previously drawn down within 10 days of drawing down the \$3.2 million for the second time. Michigan DHHS only incurred \$2.3 million in expenditures in this timeframe, resulting in \$900,000 of excess cash on hand.

Although Michigan DHHS returned the excess funds, this occurred over a month after the excess funds were drawn down and after we brought this issue to its attention. A Michigan DHHS official stated Michigan DHHS

had a similar situation, albeit for a smaller amount, that was identified during a recent review by OJP's Office of the Chief Financial Officer (OCFO) and that Michigan DHHS was unaware of the 10-day payback requirement prior to the OCFO review. Michigan's annual Treasury-State agreements outline when interest accrues to the federal government if federal funds are received prior to the date the state pays out the funds for federal assistance program purposes. Due to their size, Michigan DHHS's VOCA grants are not currently subject to these agreements. However, Michigan DHHS's VOCA grants could become subject to these agreements, and therefore subject to interest payments, if cash on hand is not kept at or near zero.

Michigan DHHS updated its drawdown policy to address the OCFO finding, but we found that the updated policy did not contemplate the situation created when transferring expenditures for which funds have already been drawn down from one grant to another. Michigan DHHS stated that a policy change is in process to address this situation. Therefore, we recommend that OJP ensure Michigan DHHS updates its policies and procedures to comply with the requirement that drawn down funds are reimbursed or disbursed within 10 days, to include instances when expenditures are transferred between grants and subsequently drawn down and the process for identifying when and how excess funds need to be returned.

Financial Reporting

According to the DOJ Grants Financial Guide, recipients shall report the actual expenditures, program income, and unliquidated obligations incurred for the reporting period, as well as cumulative expenditures on each financial report. To determine whether Michigan DHHS submitted accurate Federal Financial Reports (FFR), we compared the reported expenditures to Michigan DHHS's accounting records for the FY 2022 and FY 2023 awards.¹³

As of the reporting period ending June 30, 2025, the cumulative expenditures reported on the FFRs reconciled to Michigan DHHS's accounting records. However, the reported expenditures included expenses related to the OVC's Antiterrorism and Emergency Assistance Program (AEAP), which were temporarily charged to the VOCA awards during our audit scope. As described in the call-out box, the OVC allows SAAs to use unobligated VOCA victim assistance funds to temporarily fund AEAP-related victim services.

Financial Reporting of AEAP-Related Expenses

The OVC's AEAP provides supplemental funding to assist victims of specific acts of criminal mass violence or terrorism. Because AEAP grants are awarded retroactively, and because victims often need immediate support, SAAs may use unobligated crime victim assistance funds to temporarily fund AEAP-related services. These expenses should be clearly tracked to avoid duplicate reimbursements.

As of January 2026, the state of Michigan had five mass violence events qualify for AEAP funding and had used both the FY 2022 and FY 2023 victim assistance awards to temporarily fund AEAP-related services. We found that Michigan DHHS adequately tracked these expenses. However, because Michigan DHHS included AEAP-related expenses in its financial reporting for the FY 2022 and FY 2023 victim assistance awards, we found that certain FFRs appear to have inflated cumulative expenditure totals.

OVC officials were aware and stated that a best practice is for the SAA to use the additional information section of the FFR (box #12) to record the portion of cumulative expenditures applicable to AEAP, a practice that Michigan DHHS had implemented for certain FFRs in our sample. Further, the OVC is working on shortening the time it takes to award AEAP funding, which should decrease the amount of time SAAs may need to use funds from other VOCA awards for AEAP.

¹³ At the time of our testing, no expenditures had been recorded to the FY 2024 award.

Because of the addition of the AEAP-related expenses, we expanded our review to all prior FFRs where Michigan DHHS reported expenditures. For the FY 2023 award, all six FFRs we reviewed matched Michigan DHHS's accounting records. For the FY 2022 award, we identified discrepancies in five of the eight FFRs we reviewed, ranging from overreporting \$823 in cumulative expenditures to underreporting \$141,436 in cumulative expenditures. Michigan DHHS determined that these discrepancies were caused by staff not pulling all necessary information from the accounting system. Given that the FFR discrepancies were due to human error and isolated to the FY 2022 award, as well as that the reported expenditures ultimately reconciled to the accounting records, we do not make any recommendations related to Michigan DHHS's financial reporting.

Matching Requirement

The VOCA Guidelines require that subrecipients match 20 percent of the project cost. Match contributions must come from non-federal sources and can be either cash or an in-kind match.¹⁴ The SAA has primary responsibility for ensuring subrecipient compliance with the match requirements.

The VOCA Fix to Sustain the Crime Victims Fund Act of 2021 required SAAs to waive subrecipient match for the duration of the COVID-19 pandemic national emergency declaration and a full year after.¹⁵ As a result, Michigan DHHS did not require match for its FY 2022, FY 2023, and FY 2024 VOCA subawards. After May 11, 2024, SAAs could continue to waive the match requirement if they established a publicly available match waiver policy and reported waiver approvals to the OVC. We confirmed that Michigan DHHS established a publicly available match waiver policy for its FY 2025 subawards and submitted the subrecipient match waivers to the OVC. We did not identify any issues related to Michigan DHHS's compliance with the match waiver requirements.

¹⁴ In-kind match contributions may include donations of expendable equipment, office supplies, and workshop or classroom materials; the use of office space; or the value of time contributed by those providing integral services to the funded project.

¹⁵ Pub. L. No. 117-27, § 3(b), 135 Stat. 302.

Conclusion and Recommendations

Our audit concluded that Michigan DHHS used its FY 2022, FY 2023, and FY 2024 grants to distribute VOCA funding to organizations that provide direct services to crime victims within Michigan. We noted that Michigan DHHS adequately allocated subawards and established a robust subrecipient monitoring plan. However, we found that Michigan DHHS did not always ensure that subrecipients corrected non-compliance issues timely, did not verify PMT performance data frequently, did not verify subrecipients' performance tracking and prorating methodologies, and did not account for the transfer of expenditures from one grant to another in its drawdown policy. Further, we found \$2,825 in unsupported subrecipient costs, \$229,783 in unsupported administrative expenditures, and \$9,199 in unallowable administrative expenditures. We provide eight recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Remedy the \$2,825 in unsupported subrecipient expenditures related to client housing payments.
2. Require Michigan DHHS to develop and implement procedures to ensure that subrecipients take timely and appropriate action to correct identified deficiencies and help safeguard that grant funds are used only for authorized purposes in compliance with grant requirements.
3. Ensure that Michigan DHHS enhances its subrecipient monitoring to include verification of subrecipient-reported PMT performance data and subrecipient strategies for tracking or prorating VOCA-funded activity.
4. Remedy the questioned \$229,783 in unsupported OERCs, fringe benefits, and purchased services costs.
5. Remedy the questioned \$9,199 in unallowable wages and fringe benefits costs.
6. Require Michigan DHHS to determine if additional OERCs and purchased services costs were incorrectly charged to the FY 2022, FY 2023, and FY 2024 grants after January 21, 2026, and if so, remedy those costs.
7. Require Michigan DHHS to ensure that adequate internal control processes are in place for allocating administrative costs to prevent future unsupported and unallowable costs.
8. Ensure Michigan DHHS updates its policies and procedures to comply with the requirement that drawn down funds are reimbursed or disbursed within 10 days, to include instances when expenditures are transferred between grants and subsequently drawn down and the process for identifying when and how excess funds need to be returned.

APPENDIX 1: Objective, Scope, and Methodology

Objective

The objective of the audit was to evaluate how the Michigan Department of Health and Human Services (Michigan DHHS) designed and implemented its crime victim assistance 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, (3) grant financial management, and (4) subrecipient monitoring.

Scope and Methodology

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 Victims of Crime Act (VOCA) victim assistance formula grants 15POVC-22-GG-00762-ASSI, 15POVC-23-GG-00424-ASSI, and 15POVC-24-GG-00669-ASSI from the Crime Victims Fund awarded to Michigan DHHS. The Office of Justice Programs (OJP) Office for Victims of Crime awarded these grants totaling \$105,378,593 to Michigan DHHS, which serves as the state administering agency. Our audit concentrated on, but was not limited to, the period of October 2021 through January 2026. As of April 16, 2026, Michigan DHHS had drawn down a total of \$69,092,778 from the three audited grants.

The authorizing VOCA legislation, the VOCA Victim Assistance Program Guidelines; the DOJ Grants Financial Guides; 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and the award documents contain the primary criteria we applied during the audit. To accomplish our objective, we tested compliance with what we consider to be the most important conditions of the Michigan DHHS' activities related to the audited grants, which included conducting interviews with state of Michigan financial staff, examining policies and procedures, and reviewing grant documentation and financial records. We performed sample-based audit testing for subrecipient monitoring, performance reporting, subrecipient expenditures, administrative expenditures, and financial reports. 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.

During our audit, we obtained information from DOJ's JustGrants System and OJP's Performance Measurement Tool, as well as Michigan DHHS'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 documents from other sources.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objective. We did not evaluate the internal controls of Michigan DHHS to provide assurance on its internal control structure as a whole. Michigan DHHS's management is responsible for the establishment and maintenance of internal controls in accordance with 2 C.F.R. § 200. Because we do not express an opinion on Michigan DHHS's internal control structure as a whole, we offer this statement solely for the information and use of Michigan DHHS and OJP.¹⁶

In planning and performing our audit, we identified internal control components and underlying internal control principles as significant to the audit objective. Specifically, we assessed the design and implementation of Michigan DHHS's policies and procedures, including the implementation and operating effectiveness of specific controls over subaward execution and compliance with applicable laws and regulations. The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to those internal control components and underlying principles that we found significant to the audit objective, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

¹⁶ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: Schedule of Dollar-Related Findings

Description	Grant No.	Amount	Page
Questioned Costs:			
Unsupported Subrecipient Costs (Client Housing)	15POVC-23-GG-00424-ASSI	\$ 2,825	7
Unsupported Other Employee Retirement Costs	15POVC-22-GG-00762-ASSI	169,659	11
Unsupported Fringe Benefit Costs	15POVC-22-GG-00762-ASSI	1,065	12
Unsupported Purchased Services Costs	15POVC-22-GG-00762-ASSI	<u>59,059</u>	12
Unsupported Costs		\$ 232,608	
Unallowable Fringe Benefit Costs	15POVC-22-GG-00762-ASSI	\$ 4,581	12
Unallowable Wages & Fringe Benefit Costs	15POVC-22-GG-00762-ASSI	<u>4,618</u>	12
Unallowable Costs		\$ 9,199	
<i>Gross Questioned Costs¹⁷</i>	15POVC-22-GG-00762-ASSI	<i>\$ 241,807</i>	
Less Duplicate Questioned Costs ¹⁸	15POVC-22-GG-00762-ASSI	<u>(3,880)</u>	
Net Questioned Costs	15POVC-22-GG-00762-ASSI	\$ 237,927	
TOTAL DOLLAR-RELATED FINDINGS		<u>\$ 237,927</u>	

¹⁷ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; 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, the provision of supporting documentation, or contract ratification, where appropriate.

¹⁸ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which includes \$3,880 of unallowable fringe benefit costs that consist of other employee retirement costs that were also questioned as unsupported.

APPENDIX 3: The Michigan Department of Health and Human Services Response to the Draft Report



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

AMY EPKEY
ACTING DIRECTOR

September 4, 2026

Todd A. Anderson
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
500 West Madison Street, Suite 1121
Chicago, IL 60661

Dear Regional Audit Manager Anderson:

Please accept this letter in response to the Office of Inspector General's Audit of the Office of Justice Programs Victim Assistance Grant. We appreciate the opportunity to provide a response and the courtesy extended throughout the audit. If you have any questions regarding this response, please contact Kate Stewart at stewartk10@michigan.gov or (517) 241-8980.

The draft report included eight recommendations:

1. **Remedy the \$2,825 in unsupported subrecipient expenditures related to client housing payments.**

MDHHS agrees with this recommendation. The source documentation to support the \$2,825 in subrecipient expenditures was obtained from the subrecipient and reviewed for completeness. MDHHS will provide refresher training for the financial monitoring staff within 90 days.

2. **Require Michigan DHHS to develop and implement procedures to ensure that subrecipients take timely and appropriate action to correct identified deficiencies and help safeguard that grant funds are used only for authorized purposes in compliance with grant requirements.**

MDHHS agrees with this recommendation. MDHHS will establish and implement procedures with standardized measures to address subrecipient noncompliance and untimely or ineffective corrective actions, including increased monitoring when warranted and evaluation of fund recoupment or withholding for repeated noncompliance. Also, MDHHS will expand the targeted guidance provided to

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subrecipients, to assist in identifying the underlying causes of noncompliance and effective corrective measures. MDHHS anticipates the process to be finalized by September 30, 2027.

3. **Ensure that Michigan DHHS enhances its subrecipient monitoring to include verification of subrecipient-reported PMT performance data and subrecipient strategies for tracking or prorating VOCA-funded activity.**

MDHHS agrees with this recommendation. MDHHS will require that subrecipients have a documented methodology for ensuring performance data is accurate and appropriately allocated on the Performance Measurement Tool (PMT). MDHHS will review the methodology during contract monitoring visits. Subrecipients will be notified of the requirement by October 1, 2026, and will be required to certify compliance on the FY2027 Annual Certification.

4. **Remedy the questioned \$229,783 in unsupported OERC, fringe benefits, and purchased services costs.**

The State disagrees that the pension and other post-retirement benefits costs, collectively called other employee retirement costs (OERC) are unsupported. The OERC are comprised of pension and other post-employment benefit (OPEB) unfunded actuarial accrued liability (UAAL) contributions and OPEB normal cost contributions. Consistent with the allocation principles in OMB's Uniform Guidance, these costs are necessary to the state's overall operation and assignable in part to the VOCA grant.

Effective March 31, 1997, all new State of Michigan employees have been enrolled in a defined contribution (DC) retirement plan. Existing members of the earlier defined benefit (DB) pension plan were given the option of transferring to the DC plan. Effective January 1, 2012, all new State of Michigan employees have been enrolled in a DC health plan. Existing members of the earlier, DB insurance-premium-subsidy plan were given the option of transferring to the DC health plan. The elimination of the DB pension plan and insurance premium subsidy plan reduced future retirement costs for both the State and Federal government.

Although state payroll has remained relatively constant, the percentage of DB employees has been consistently declining since the introduction of the DC pension and health plans. As the DB payroll declined, it became unsustainable and discriminatory to charge the unfunded liability costs only against the DB payroll. As a result, Michigan's legislature enacted Michigan Compiled Law (MCL) 38.38(3) which mandates that the pension and OPEB UAAL costs "shall be amortized in accordance with generally accepted governmental accounting standards over a period equal to or less than 40 years, with the payment schedule for the employer being based upon and applied to the combined payrolls of the employees who are members and qualified participants." Accordingly, the UAAL amortization payment portion of the contribution rate is a mandatory charge across the covered payroll of all current employees in the defined benefit and defined

contribution plans, and every MDHHS employee, including those who perform work under the VOCA grant, will have a statutorily assigned share of the UAAL costs that MDHHS must pay. Because the UAAL costs are statutorily mandated, actuarially determined, equally allocated to all MDHHS employees, and all sources that fund the payroll are charged a proportionate share of the costs, the State asserts that the UAL costs which were charged to the VOCA grant were charged in accordance with what is allowed for unfunded pension costs under 2 CFR 200.431(g)(6)(v) and are also consistent with the Uniform Guidance's allocation principles under 2 CFR 200.405.

The state uses an actuarially determined normal cost for all OPEB plans to calculate an overall OPEB normal cost rate. This rate is charged across the covered payroll of all current employees in the DB and DC plans and every MDHHS employee, including those who perform work under the VOCA grant, will have associated costs that MDHHS must pay.

The normal and UAAL costs are incurred in accordance with established policies and procedures. All sources that fund the covered payroll are charged a proportionate share of these payments and because UAAL costs are charged across the payroll of all state employees, the method of cost allocation is not discriminatory.

In short, the State maintains that under the Uniform Guidance's plain text, the UAAL costs are both allowable and allocable to VOCA grant. For this reason, the State disagrees with the audit's preliminary findings.

MDHHS will return \$1,065 in fringe benefit costs and \$46,090 in purchased services costs. MDHHS applied an equitable allocation methodology to costs associated with its grant management system and determined \$12,969 is attributable to VOCA.

5. **Remedy the questioned \$9,199 in unallowable wages and fringe benefits costs.**
MDHHS will return \$9,199 in wage and fringe benefit costs.
6. **Require Michigan DHHS to determine if additional OERC and purchased services costs were incorrectly charged to the FY 2022, FY 2023, and FY 2024 grants after January 21, 2026, and if so, remedy those costs.**
The State disagrees that the pension and other post-retirement benefits costs, collectively called other employee retirement costs (OERC) are unsupported.

MDHHS will return an additional \$24,095 in purchased services costs that were incorrectly charged to the FY 2022 grant after January 21, 2026.

7. **Require Michigan DHHS to ensure that adequate internal control processes are in place for allocating administrative costs to prevent future unsupported and unallowable costs.**

The State disagrees that the pension and other post-retirement benefits costs, collectively called other employee retirement costs (OERC) are unsupported.

MDHHS will develop a policy to ensure that an equitable methodology is applied to all allocable costs charged to VOCA grants, including fringe benefits associated with extended leave for employees who work in multiple programs and purchased services costs that benefit multiple programs. Also, MDHHS will reiterate timesheet submission and approval guidelines to applicable staff and supervisors to ensure accurate timesheet submissions. Also, MDHHS is conducting a thorough review of the other fringe benefit costs to determine the most effective approach to ensure future administrative costs are allocated equitably.

8. **Ensure Michigan DHHS updates its policies and procedures to comply with the requirement that drawn down funds are reimbursed or disbursed within 10 days, to include instances when expenditures are transferred between grants and subsequently drawn down and the process for identifying when and how excess funds need to be returned.**

MDHHS agrees with the recommendation. MDHHS will update federal draw procedures to stipulate that draws will be held when expenses are moved between awards to prevent overdrawing. Also, MDHHS will implement a monthly reconciliation to more promptly identify potential overdrafts and initiate the return of funds. MDHHS updated the federal draw procedures in September 2025 to ensure overdrawn funds are returned as timely as possible, while accounting for the constraints of the federal requirement that funds be returned via a federal wire rather than through the ASAP system.

Sincerely,



Beth Nagel
Senior Deputy Director
Policy, Planning & Operational Support
Michigan Department of Health and Human Services

APPENDIX 4: The Office of Justice Programs Response to the Draft Report



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, DC 20531

September 1, 2026

MEMORANDUM TO: Todd A. Anderson
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General

FROM: LeToya A. Johnson, CPA
Deputy Director
Audit and Review Division
Office of Audit, Assessment, and Management

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Victim Assistance Funds Awarded to the Michigan Department of Health and Human Services, Lansing, Michigan*

Digitally signed by LETOYA JOHNSON
Date: 2026.09.01 20:09:58 -04'00'

This memorandum is in reference to your correspondence dated August 6, 2026, transmitting the above-referenced draft audit report for grant funds awarded to the Michigan Department of Health and Human Services (Michigan DHHS). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **eight recommendations and \$237,927 in net 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 followed by OJP's response.

1. We recommend that OJP remedy the **\$2,825 in unsupported subrecipient expenditures to client housing payments**.

OJP agrees with this recommendation. We will work with Michigan DHHS to obtain support to remedy the \$2,825 in unsupported subrecipient expenditures to client housing payments.

2. We recommend that OJP require Michigan DHHS to develop and implement procedures to ensure that subrecipients take timely and appropriate action to correct identified deficiencies and help safeguard that grant funds are used only for authorized purposes in compliance with grant requirements.

OJP agrees with this recommendation. We will coordinate with Michigan DHHS to ensure that Michigan DHHS implements procedures to ensure that subrecipients take timely and appropriate action to correct identified deficiencies and help safeguard that grant funds are used only for authorized purposes in compliance with grant requirements.

3. **We recommend that OJP ensure that Michigan DHHS enhances its subrecipient monitoring to include verification of subrecipient-reported PMT performance data and subrecipient strategies for tracking or prorating VOCA-funded activity.**

OJP agrees with this recommendation. We will coordinate with Michigan DHHS to ensure that its subrecipient monitoring procedures include verification of subrecipient-reported PMT performance data and subrecipient strategies for tracking or prorating VOCA-funded activity.

4. **We recommend that OJP remedy the questioned \$229,783 in unsupported OERC, fringe benefits, and purchased services costs.**

OJP agrees with this recommendation. We will work with Michigan DHHS to obtain support to remedy the \$229,783 in unsupported other employee retirement costs (OERC), fringe benefits, and purchased services costs.

5. **We recommend that OJP remedy the questioned \$9,199 in unallowable wages and fringe benefits costs.**

OJP agrees with this recommendation. We will work with Michigan DHHS to obtain support to remedy the \$9,199 in unallowable wages and fringe benefit costs.

6. **We recommend that OJP require Michigan DHHS to determine if additional OERC and purchased services costs were incorrectly charged to the FY 2022, FY 2023, and FY 2024 grants after January 21, 2026, and if so, remedy those costs.**

OJP agrees with this recommendation. We will work with Michigan DHHS to determine if additional OERC and purchased services costs were incorrectly charged to the FY 2022, FY 2023, and FY 2024 grants after January 21, 2026, and if so, remedy those costs.

7. **We recommend that OJP require Michigan DHHS to ensure that adequate internal control processes are in place for allocating administrative costs to prevent future unsupported and unallowable costs.**

OJP agrees with this recommendation. We will work with Michigan DHHS to ensure that it has adequate internal control processes in place for allocating administrative costs to prevent future unsupported and unallowable costs.

8. We recommend that OJP ensure Michigan DHHS updates its policies and procedures to comply with the requirement that drawn down funds are reimbursed or disbursed within 10 days, to include instances when expenditures are transferred between grants and subsequently drawn down and the process for identifying when and how excess funds need to be returned.

OJP agrees with this recommendation. We will work with Michigan DHHS to ensure that its policies and procedures comply with the requirement that drawn down funds are reimbursed or disbursed within 10 days, to include instances when expenditures are transferred between grants and subsequently drawn down and the process for identifying when and how excess funds need to be returned.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact me on (202) 353-5744.

cc: Maureen A. Henneberg
Deputy Assistant Attorney General

Katherine Darke Schmitt
Acting Director
Office for Victims of Crime

Rachel Johnson
Chief Financial Officer
Office of Justice Programs

Phillip Merkle
Acting Director
Office of Communications

Louise Duhamel
Assistant Director, Audit Liaison Group
Office of Compliance and Review
Justice Management Division

Jorge L. Sosa
Director, Office of Operations – Audit Division
Office of the Inspector General

OJP Executive Secretariat
Control Number OCOM002293

APPENDIX 5: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report

The U.S. Department of Justice Office of the Inspector General (OIG) provided a draft of this audit report to the Office of Justice Programs (OJP) and the Michigan Department of Health and Human Services (Michigan DHHS). OJP's response is incorporated in Appendix 4, and Michigan DHHS's response is incorporated in Appendix 3 of this final report. In response to our draft audit report, OJP agreed with our recommendations; as a result, the status of the audit report is resolved. Of the eight recommendations, Michigan DHHS agreed with four recommendations, disagreed over a recurring point in three recommendations, and did not state whether it agreed with one recommendation. However, other than the recurring point it disagreed with, Michigan DHHS provided planned corrective actions to address each of the recommendations. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for OJP:

1. Remedy the \$2,825 in unsupported subrecipient expenditures related to client housing payments.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will work with Michigan DHHS to obtain support to remedy the \$2,825 in unsupported subrecipient expenditures related to client housing payments. As a result, this recommendation is resolved.

Michigan DHHS agreed with our recommendation and stated in its response that the source documentation to support the \$2,825 in subrecipient expenditures was obtained from the subrecipient and reviewed for completeness. Michigan DHHS also stated that it will provide refresher training for the financial monitoring staff within 90 days.

This recommendation can be closed when we receive evidence that OJP has remedied the \$2,825 in unsupported subrecipient expenditures related to client housing payments.

2. Require Michigan DHHS to develop and implement procedures to ensure that subrecipients take timely and appropriate action to correct identified deficiencies and help safeguard that grant funds are used only for authorized purposes in compliance with grant requirements.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Michigan DHHS to ensure that Michigan DHHS implements procedures to ensure that subrecipients take timely and appropriate action to correct identified deficiencies and help safeguard that grant funds are used only for authorized purposes in compliance with grant requirements. As a result, this recommendation is resolved.

Michigan DHHS agreed with our recommendation and stated in its response that it will establish and implement procedures with standardized measures to address subrecipient non-compliance and untimely or ineffective corrective actions, including increased monitoring when warranted and evaluation of fund recoupment or withholding for repeated non-compliance. In addition,

Michigan DHHS stated it will expand the targeted guidance provided to subrecipients that will assist in identifying the underlying causes of non-compliance and effective corrective measures. Michigan DHHS stated that it anticipates finalizing the process by September 30, 2027.

This recommendation can be closed when we receive evidence that Michigan DHHS developed and implemented procedures that ensure subrecipients take timely and appropriate action to correct identified deficiencies and help safeguard that grant funds are used only for authorized purposes in compliance with grant requirements.

3. Ensure that Michigan DHHS enhances its subrecipient monitoring to include verification of subrecipient-reported Performance Measurement Tool (PMT) performance data and subrecipient strategies for tracking or prorating Victims of Crime Act (VOCA)-funded activity.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with Michigan DHHS to ensure that Michigan DHHS's subrecipient monitoring procedures include verification of subrecipient-reported PMT performance data and subrecipient strategies for tracking or prorating VOCA-funded activity. As a result, this recommendation is resolved.

Michigan DHHS agreed with our recommendation and stated in its response that it will require that subrecipients have a documented methodology for ensuring performance data is accurate and appropriately allocated on the PMT reports. Additionally, Michigan DHHS stated it will review the methodology during contract monitoring visits. Michigan DHHS further stated that it will notify subrecipients of the requirement by October 1, 2026, and subrecipients will be required to certify compliance on a fiscal year 2027 annual certification.

This recommendation can be closed when we receive evidence that Michigan DHHS enhanced its subrecipient monitoring to include verification of subrecipient-reported PMT performance data and subrecipient strategies for tracking or prorating VOCA-funded activity.

4. Remedy the questioned \$229,783 in unsupported other employee retirement costs (OERC), fringe benefits, and purchased services costs.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will work with Michigan DHHS to obtain support to remedy the \$229,783 in unsupported OERCs, fringe benefits, and purchased services costs. As a result, this recommendation is resolved.

Michigan DHHS stated that it disagrees that the OERCs are unsupported. According to Michigan DHHS, the OERCs are comprised of pension and other post-employment benefit (OPEB) unfunded actuarial accrued liability contributions and OPEB normal cost contributions. Michigan DHHS further stated that consistent with the federal allocation principles, these costs are necessary to the state's overall operation and assignable in part to the VOCA grant. Michigan DHHS also stated that every employee, including those who work under the VOCA grant, have associated costs that Michigan DHHS must pay and that all sources covering payroll expenses are charged a proportionate share of the expenses.

We acknowledge Michigan DHHS's explanation that Michigan law requires all state entities with employees participating in the state's retirement system to contribute funding for the pension and OPEBs and that those contributions are calculated using the combined payroll of all employees, not only those who are eligible. However, when allocating the OERCs to federal awards, as stated in our report, Michigan DHHS did not allocate these fringe benefit costs to VOCA awards in a manner consistent with the pattern of benefits attributable to the employees whose salaries and wages were charged to VOCA awards as required by 2 C.F.R. § 200.431. Specifically, Michigan DHHS charged pension costs to VOCA for all VOCA-chargeable employees regardless of whether they were eligible for or participated in the pension program, which is not allowable.

Michigan DHHS also stated it would return \$1,065 in fringe benefit costs and \$46,090 in purchased services costs. It further stated it applied an equitable allocation methodology to costs associated with its grant management system and determined that \$12,969 was attributable to VOCA.¹⁹ However, Michigan DHHS's response did not include evidence or an explanation to support the methodology used in determining these figures.

This recommendation can be closed when we receive evidence that OJP has remedied the \$229,783 in unsupported OERCs, fringe benefits, and purchased services costs.

5. Remedy the questioned \$9,199 in unallowable wages and fringe benefits costs.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will work with Michigan DHHS to obtain support to remedy the \$9,199 in unallowable wages and fringe benefit costs. As a result, this recommendation is resolved.

Michigan DHHS did not state whether it agreed with our recommendation. However, Michigan DHHS stated in its response that it will return \$9,199 in wage and fringe benefit costs.

This recommendation can be closed when we receive evidence that OJP has remedied the \$9,199 in unallowable wages and fringe benefits costs.

6. Require Michigan DHHS to determine if additional OERCs and purchased services costs were incorrectly charged to the FY 2022, FY 2023, and FY 2024 grants after January 21, 2026, and if so, remedy those costs.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will work with Michigan DHHS to determine if additional OERCs and purchased services costs were incorrectly charged to the FY 2022, FY 2023, and FY 2024 grants after January 21, 2026, and if so, will remedy those costs. As a result, this recommendation is resolved.

¹⁹ We identified \$59,059 in questioned purchased services costs. The difference between this amount and the \$46,090 Michigan DHHS stated it would return is \$12,969.

Similar to Recommendation 4, Michigan DHHS stated that it disagrees that the OERCs are unsupported. As we discussed in our analysis of Recommendation 4, OERCs applicable to VOCA need to be calculated in a manner consistent with the pattern of benefits attributable to the employees whose salaries and wages were charged to VOCA.

Michigan DHHS also stated that it will return an additional \$24,095 in purchased services costs that were incorrectly charged to the FY 2022 grant after January 21, 2026. However, Michigan DHHS's response did not include evidence or an explanation to support the methodology used in determining this amount.

This recommendation can be closed when we receive evidence that Michigan DHHS determined if additional OERCs and purchased services costs were incorrectly charged to the FY 2022, FY 2023, and FY 2024 grants after January 21, 2026, and if so, that OJP has remedied those costs.

7. Require Michigan DHHS to ensure that adequate internal control processes are in place for allocating administrative costs to prevent future unsupported and unallowable costs.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will work with Michigan DHHS to ensure that Michigan DHHS has adequate internal control processes in place for allocating administrative costs to prevent future unsupported and unallowable costs. As a result, this recommendation is resolved.

Similar to Recommendation 4, Michigan DHHS stated that it disagrees that the OERCs are unsupported. As we discussed in Recommendation 4, OERCs applicable to VOCA need to be calculated in a manner consistent with the pattern of benefits attributable to the employees whose salaries and wages were charged to VOCA.

Additionally, Michigan DHHS stated in its response that it will develop a policy to ensure that an equitable methodology is applied to all allocable costs charged to VOCA grants, including fringe benefits associated with extended leave for employees who work in multiple programs and purchased services costs that benefit multiple programs. Michigan DHHS also stated it will reiterate timesheet submission and approval guidelines to applicable staff and supervisors to ensure accurate timesheet submissions and that it is conducting a thorough review of the other fringe benefit costs to determine the most effective approach to ensure future administrative costs are allocated equitably.

This recommendation can be closed when we receive evidence that Michigan DHHS has ensured that adequate internal control processes are in place for allocating administrative costs to prevent future unsupported and unallowable costs.

8. **Ensure Michigan DHHS updates its policies and procedures to comply with the requirement that drawn down funds are reimbursed or disbursed within 10 days, to include instances when expenditures are transferred between grants and subsequently drawn down and the process for identifying when and how excess funds need to be returned.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will work with Michigan DHHS to ensure that Michigan DHHS's policies and procedures comply with the requirement that drawn down funds are reimbursed or disbursed within 10 days, to include instances when expenditures are transferred between grants and subsequently drawn down and the process for identifying when and how excess funds need to be returned. As a result, this recommendation is resolved.

Michigan DHHS agreed with our recommendation and stated in its response that it will update federal draw procedures to stipulate that draws will be held when expenses are moved between awards to prevent overdrawing. Michigan DHHS also stated that it will implement a monthly reconciliation to more promptly identify potential overdraws and initiate the return of funds. Michigan DHHS stated that it updated its federal draw procedures in September 2025 to ensure overdrawn funds are returned as timely as possible, while accounting for the constraints of the federal requirement that funds be returned via a federal wire rather than through the Automated Standard Application for Payments system.

This recommendation can be closed when we receive evidence that Michigan DHHS updated its policies and procedures to comply with the requirement that drawn down funds are reimbursed or disbursed within 10 days, to include instances when expenditures are transferred between grants and subsequently drawn down and the process for identifying when and how excess funds need to be returned.