



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



**Audit of the
Office of Justice Programs
Victim Assistance and
Victim Compensation
Formula Grants Awarded to
the Minnesota Department of
Public Safety
Office of Justice Programs
Saint Paul, Minnesota**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIM ASSISTANCE AND VICTIM COMPENSATION
FORMULA GRANTS AWARDED TO
THE MINNESOTA DEPARTMENT OF PUBLIC SAFETY
OFFICE OF JUSTICE PROGRAMS
SAINT PAUL, MINNESOTA**

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) Audit Division has completed an audit of three DOJ Office of Justice Programs (DOJ OJP) Office for Victims of Crime (OVC) Victim Assistance Formula grants and three OVC Victim Compensation Formula grants awarded to the Minnesota Department of Public Safety Office of Justice Programs (MN OJP), located in Saint Paul, Minnesota. The MN OJP was awarded \$50,092,497 under Grant Numbers 2013-VA-GX-0011, 2013-VC-GX-0015, 2014-VA-GX-0033, 2014-VC-GX-0021, 2015-VA-GX-0023, and 2015-VC-GX-0001 to support eligible crime victim assistance programs that provide direct services to crime victims, and to provide financial support for awards of compensation benefits to crime victims. As of August 5, 2016, MN OJP had drawn down \$28,413,000 of the total grant funds awarded.

The objective of the audit was to evaluate how MN OJP designed and implemented its crime victim assistance and compensation programs. To accomplish this objective, we assessed performance in the following areas of grant management: state program implementation, program performance and accomplishments, grant financial management, and monitoring of subrecipients.

We reviewed both the victim assistance and victim compensation programs. We concluded that while MN OJP adequately administered the victim compensation program, we found significant issues within its management of the victim assistance program. During our review, we determined that MN OJP utilized an inadequate process for awarding grant funds to subrecipients by providing subgrants comprised of various federal and state funding sources. When using this method, MN OJP did not inform its subrecipients of the amount of funding provided from each funding source. Therefore, subrecipients could not separately account for their financial activities by the source of funding, as required by the DOJ OJP Financial Guide. Also, subrecipients would have been unable to accurately report performance related to the VOCA grant or to determine whether they had met the expenditure threshold to comply with federal audit requirements. As such, this method of subawarding funds limited the amount of audit testing that we could perform. We considered this deficiency in MN OJP's subaward methodology to be a significant enough concern that, in April 2017, we issued a management advisory memorandum to DOJ OJP so that it could assess the potential systemic nature of our finding and ensure the MN OJP subrecipients are able to completely and accurately account for the VOCA funds received. A copy of this memorandum is included in Appendix 4.

In addition to the issues related to MN OJP's subaward methodology, we also identified concerns in other aspects of MN OJP's administration of the VOCA victim assistance grants. We found that the personnel costs charged to the grants were unsupported because MN OJP was not identifying the time spent administering the VOCA program by hours worked, but rather estimated effort expended based on each employee's allocation of VOCA funding administered. We believe this allocation method is not compliant with the Victim Assistance Program Guidelines and, as a result, we question \$453,640 of personnel expenditures charged to the three VOCA victim assistance grants that we reviewed.

We also found that MN OJP advanced funding to subrecipients and did not require these advanced funds to be expended within the timeframe prescribed by the DOJ OJP Financial Guide. Therefore, we question \$124,124 of the FY 2015 VOCA victim assistance grant that MN OJP advanced to subrecipients at the beginning of the 2016 state grant award period. Further, we identified an error in MN OJP's financial reporting of VOCA victim assistance grant matching requirements for the FY 2015 VOCA victim assistance grant. We determined that the required match amount reported represented a calculation of the match amount, rather than a reflection of MN OJP's actual financial activity. Additionally, we determined that MN OJP did not comply with VOCA victim assistance award requirements related to subrecipient monitoring. Although MN OJP had subrecipient monitoring policies and procedures, it failed to fully implement these policies to adequately monitor its subrecipients and to provide reasonable assurance that its subrecipients complied with the terms and conditions of the grants.

Our report contains eight recommendations to DOJ OJP, which are detailed later in this report. Our audit objectives, scope, and methodology are discussed in Appendix 1 and our Schedule of Dollar-Related Findings appears in Appendix 2. We discussed the results of our audit with MN OJP officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft audit report from MN OJP and DOJ OJP, and their responses appear in appendices 5 and 6.

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The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) Audit Division has completed an audit of three DOJ Office of Justice Programs (DOJ OJP) Office for Victims of Crime (OVC) Victim Assistance formula grants and three Victim Compensation formula grants awarded to the Minnesota Department of Public Safety Office of Justice Programs (MN OJP), located in Saint Paul, Minnesota. As shown in Table 1, MN OJP was awarded a total of \$50,092,497 for the six grants we reviewed.

**Table 1
Audited Grants Awarded to MN OJP**

Grant Number	Grant Name	Amount Awarded
VICTIM ASSISTANCE GRANTS		
2013-VA-GX-0011	VICTIM ASSISTANCE FORMULA	\$ 7,234,583
2014-VA-GX-0033	VICTIM ASSISTANCE FORMULA	7,758,144
2015-VA-GX-0023	VICTIM ASSISTANCE FORMULA	33,159,770
SUBTOTAL:		48,152,497
VICTIM COMPENSATION GRANTS		
2013-VC-GX-0015	VICTIM COMPENSATION FORMULA	581,000
2014-VC-GX-0021	VICTIM COMPENSATION FORMULA	641,000
2015-VC-GX-0001	VICTIM COMPENSATION FORMULA	718,000
SUBTOTAL:		1,940,000
GRAND TOTAL:		\$ 50,092,497

Source: DOJ OJP's Grants Management System (GMS)

Background

The Crime Victims Fund (CVF), established by the *Victims of Crime Act* (VOCA) in 1984, provides funding to support state assistance and compensation services for victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, homicide, and other crimes.¹ Each year,

¹ The VOCA Victim Assistance Formula program is funded under 42 U.S.C. 10603 (a) and the VOCA Victim Compensation Formula program is funded under 42 U.S.C. 10602 (a).

states and territories receive VOCA Victim Assistance formula grant funds to support community-based organizations that serve crime victims. In addition, states and territories are eligible to receive VOCA Victim Compensation formula grant funds each year to compensate victims and survivors of criminal violence. Each of these awards has a 4-year period of performance.

VOCA Victim Assistance formula grants are awarded to each state based upon the state's population. The primary purpose of the VOCA Victim Assistance grant program is to support the provision of services to victims of crime. State administering agencies accomplish this by awarding VOCA victim assistance funds as subgrants to victim services organizations throughout the state. Services are defined as those efforts that: (1) respond to the emotional and physical needs of crime victims, (2) assist primary and secondary 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.

VOCA Victim Compensation formula grant funds are allocated to each state by calculating 60 percent of the eligible compensation claims paid out to victims during the preceding fiscal year (2 years prior to the grant year). For example, Minnesota's allocation in fiscal year (FY) 2015 was based upon eligible compensation claim payments that Minnesota reported for FY 2013. The primary purpose of the VOCA Victim Compensation grant program is to compensate victims and survivors of criminal violence, including drunk driving and domestic 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.

In FY 2015, Congress significantly raised the previous year's cap on CVP disbursements, which more than tripled the available VOCA funding from \$745 million to \$2.36 billion. As a result, MN OJP's VOCA Victim Assistance formula grant amount increased from \$7.76 million in FY 2014, to \$33.16 million in FY 2015. There was no impact on the overall amount of funding available for the VOCA victim compensation program.

MN OJP is the agency responsible for administering VOCA Victim Assistance and Victim Compensation formula grants in Minnesota. According to its website, MN OJP is a division of the Minnesota Department of Public Safety and provides leadership and resources to reduce crime, improves the function of the criminal justice system, and assists crime victims. To accomplish this mission, MN OJP administers grants, provides training and technical assistance, provides research and data, works to protect crime victims' rights, and provides compensation benefits to victims of violent crime.

OIG Audit Approach

The objective of the audit was to evaluate how MN OJP designed and implemented its crime victim assistance and compensation programs. To accomplish this objective, we assessed performance in the following areas of grant management: state program implementation, grant financial management, program performance and accomplishments, and monitoring of subrecipients. The scope of our audit encompassed the activities of these grants from August 2013 through January 2017.

We tested compliance with what we consider to be the most important conditions of the grants. The DOJ OJP Financial Guide and the revised DOJ Financial Guide, the VOCA Victim Assistance Grant Program Final Program Guidelines (Victim Assistance Program Guidelines), the VOCA Victim Compensation Grant Program Final Program Guidelines (Victim Compensation Program Guidelines), and the grant award documents contain the primary criteria we applied during the audit.² Appendix 1 contains additional information on this audit's objective, scope, and methodology. A Schedule of Dollar Related Findings appears in Appendix 2.

MN OJP's Subaward Methodology

During our audit, we identified a fundamental concern with MN OJP's administration of its VOCA victim assistance funds. We determined that MN OJP did not properly administer the VOCA victim assistance funds because its method for awarding subgrants created a commingling environment for its subrecipients. MN OJP provided its subrecipients with a single subaward, which MN OJP referred to as a Crime Victim Services (CVS) grant, comprised of a variety of state and federal funding sources.³ In Appendix 3, we provide a listing of all MN OJP VOCA subrecipients, the total amount each subrecipient received, and the amount provided by funding source.⁴

When using this method, MN OJP did not inform its subrecipients of the amount of funding provided from each funding source. Therefore, subrecipients could not reliably identify which expenditures were reimbursed with which particular funding source. In short, MN OJP's subrecipients conducted their grant-related financial activity without an awareness of the funding source for the expenditures

² The OJP Financial Guide governs the FY 2013 and 2014 grants in our scope, while the revised 2015 DOJ Financial Guide applies to the FY 2015 award. The revised DOJ guide reflects updates to comply with the Uniform Grant Guidance, 2 C.F.R. part 200. Throughout our report we refer to these criteria as the DOJ OJP Financial Guide.

³ Throughout the report, we use the term "CVS subgrants" to refer to the grants that MN OJP awards to its subrecipients and can include VOCA funds along with other sources of funding.

⁴ In addition to VOCA grants from DOJ OJP, MN OJP receives funding from various other federal sources, as well as state funding from Minnesota, to use when subgranting awards to victim services organizations. The relevant federal funds that MN OJP received in addition to the VOCA funds originated from the DOJ Office of Violence Against Women's (OVW) STOP Violence Against Women (STOP) and Sexual Assault Services (SASP) formula grant programs and the Department of Health and Human Services' (HHS) Family Violence Prevention and Services Act (FVPSA) program.

that were made. MN OJP explained that it established this process in order to lessen the administrative burden on the subrecipients, which may be smaller organizations without the infrastructure to administer multiple federal and state grants.

This subaward methodology had an overarching impact on various aspects of our audit because it affected MN OJP's and its subrecipients' ability to comply with federal grant requirements. We considered this deficiency in MN OJP's subaward methodology to be a significant enough concern that, in April 2017, we issued a management advisory memorandum to DOJ OJP so that it could assess the potential systemic nature of our finding and ensure the MN OJP subrecipients are able to completely and accurately account for the VOCA funds received. The memorandum specifically noted that the subrecipients were unable to adequately track federal financial assistance activity by funding source. As a result, subrecipients would have been unable to accurately report performance related to the VOCA grant or to determine whether they had met the threshold of federal funds expenditures to comply with the Single Audit Act of 1984, as amended.⁵ The memorandum can be found in Appendix 4.

As a result of this condition, VOCA and other federal funds were at increased risk for inappropriate use, improper management and oversight, and insufficient performance evaluation. We recommend the DOJ OJP require MN OJP to utilize a process for subawarding funds that is in compliance with federal regulations so that subrecipients are able to completely and accurately account for funds from separate sources. Additionally, MN OJP's inadequate subaward methodology resulted in the OIG being unable to complete the entirety of our testing to address our audit objective. Specifically, we were unable to perform testing of subrecipient expenditures, performance reporting, and MN OJP's compliance with priority victim assistance funding areas. Although we were unable to complete aspects of our audit impacted by MN OJP's inadequate methodology for granting subawards from the VOCA Victim Assistance formula grant, we were able to review MN OJP's implementation and administration of the victim compensation program and certain aspects of MN OJP's victim assistance program. The following sections of this report provide details of our audit results related to MN OJP's VOCA program implementation; VOCA grant financial management, including victim compensation payments, administrative expenditures, and drawdowns; financial and performance reporting; and subrecipient monitoring.

⁵ The *Single Audit Act of 1984*, as amended, promotes sound financial management of federal financial assistance provided to state, local, and tribal governments, colleges, universities, and nonprofit organizations. Publ. L. 98-502 (October 19, 1984) Under 2 C.F.R. 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), such entities that expend \$750,000 or more in federal funds in a year must have a "single audit" performed annually covering all federal funds expended that year. These reports are designed to provide awarding agencies with important information about the accuracy of a recipient's financial statements and internal controls over the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Program Implementation

The main purposes of the VOCA victim assistance and victim compensation grants are to enhance crime victim services in Minnesota and to enhance state victim compensation payments to eligible crime victims. To determine how MN OJP implemented these grant programs, we reviewed MN OJP's process for soliciting and selecting subrecipients, as well as informing the subrecipients of necessary VOCA requirements. We also assessed MN OJP's policies and procedures for providing compensation payments to victims. Further, we tested for compliance with terms and conditions specified in the grant award documents.

Victim Assistance Program Implementation Plan

According to the Victim Assistance Program Guidelines, VOCA victim assistance grants should enhance crime victim services through competitive subawards to public and private nonprofit organizations. Consequently, primary recipients of these grants at the state or territory level – the state administering agency - must distribute the majority of the grant funding to organizations that provide direct services to victims.⁶ The state administering agency has the discretion to select subrecipients from among eligible organizations that provide direct services to crime victims. Based on VOCA and the Victim Assistance Program Guidelines, state administering agencies must give priority to victims of sexual assault, domestic abuse, and child abuse. Under this program, state administering agencies must also make funding available for victims of crime considered previously underserved.⁷ The Victim Assistance Program Guidelines require state administering agencies to allocate a minimum of 10 percent of each fiscal year grant (for each category) to subrecipients that serve these four specific categories of crime. We spoke to MN OJP officials, and determined that they were aware of these requirements. To assess the adequacy of MN OJP's competitive subaward process, we reviewed MN OJP's communication of subaward requirements, selection of subrecipients, creation of a subaward allocation plan, and establishment of subawards.

We reviewed the steps that MN OJP took to inform, evaluate, and select subrecipients for VOCA funding. Every 5 years, MN OJP initiates a CVS subaward process to determine the subrecipients eligible for subaward selection.⁸ MN OJP begins this process by posting funding opportunities on its website and emailing requests for proposals (RFP) to solicit applications from current subrecipients and

⁶ Grantees are required to use 95 percent of the award funds to provide direct services to victims of crime. The remaining 5 percent is available to cover grantee administrative costs.

⁷ MN OJP defines previously underserved victims as victims of general crimes, such as robbery, elder abuse, and assault.

⁸ As noted above, the CVS subgrants awarded by MN OJP to its subrecipients represented a mixture of federal and state funding that included not only VOCA funds but also HHS and OVW funding. Our testing of MN OJP's subawarding activities was limited to compliance with VOCA-specific requirements. Although it is likely that the other funding sources also had program-specific requirements, evaluating the full extent of requirements impacting the CVS subgrants was outside the scope of our audit of MN OJP's VOCA activities.

interested organizations that have signed up for MN OJP's email notifications. Once MN OJP receives applications, it recruits and trains external volunteer grant application reviewers from the victim services field to read and rate all applications. Following the volunteer review, MN OJP staff conducts a second-level review, which considers appropriate geographic distribution, past grantee performance, and coverage of underserved populations. Finally, MN OJP recommends its selection of subrecipients to the Minnesota Department of Public Safety Assistant Commissioner for approval. This process results in a list of eligible subrecipients that can participate in the annual competitive bid process for that 5-year period.

For each of the 5 years within the period covered by its selection process, MN OJP sends an RFP to all of the eligible subrecipients and then awards CVS subgrants based on a yearlong state grant award period starting October 1 and ending September 30.⁹ MN OJP used the three VOCA victim assistance grants that we audited to award funds to some of its eligible subrecipients in state grant award periods 2014 through 2017.¹⁰ For state grant award period 2014, MN OJP awarded CVS subgrants to 132 organizations, 23 of which received VOCA funds. In state grant award period 2015, 130 organizations received a CVS subgrant, 20 of which included VOCA funds.

In response to the significant increase in CVF funding available, OVC's FY 2015 VOCA Victim Assistance Formula Solicitation required that state and territory applicants submit a subrecipient funding plan that detailed efforts to identify additional victim service needs, as well as subaward strategies to spend the substantial increase in the VOCA victim assistance grant. In an attachment to its application for its 2015 VOCA victim assistance grant, MN OJP outlined to DOJ OJP its plan to spend the additional funds. With the funding increase, MN OJP stated that it would provide an across-the-board funding increase to its universe of CVS subrecipients, a total of 134 organizations in the 2016 state grant award period. Additionally, this plan included MN OJP's intent to award new subgrants for technology improvement, of up to \$12,000, to selected existing subrecipients.¹¹

As stated above, MN OJP utilized a 5-year RFP cycle for selecting its eligible subrecipients. Following its subrecipient RFP cycle in 2012, MN OJP's next scheduled RFP to select eligible subrecipients would have occurred in 2017. However, as part of its funding plan submitted for the FY 2015 VOCA Victim Assistance grant, MN OJP decided to initiate the subrecipient RFP process 1 year

⁹ Throughout our report we refer to each state grant award period by the year in which the grant ends. For example, the state grant award period beginning October 1, 2013, and ending September 30, 2014, is referred to as state grant award period 2014.

¹⁰ Because the VOCA Victim Assistance formula grants have a 4-year period of performance, funding from multiple VOCA victim assistance grants may be used during any given state grant award period. For example, the FY 2013 VOCA Victim Assistance formula grant – which was awarded to MN OJP in October 2012 – could be used through September 2016. Therefore, the FY 2013 VOCA funds may have been provided to subrecipients in state grant award periods 2013, 2014, 2015, and 2016.

¹¹ We determined that MN OJP granted 82 technology improvement subawards totaling \$855,172 during state grant award period 2016.

earlier than scheduled and executed the selection in 2016. MN OJP believed that this earlier RFP process would help to responsibly distribute the approximately \$25 million increase, and any increase thereafter, in VOCA funds provided to Minnesota.¹² Additionally, MN OJP met with victim services representatives prior to the RFP process to identify unmet needs facing subrecipients that could benefit from increased funding.

We determined that MN OJP's competitive bid process was adequate to select subrecipients. Additionally, we found that MN OJP identified and planned to meet additional victim service needs with the increased VOCA funding.

In order to evaluate MN OJP's compliance in providing VOCA information, we reviewed the RFPs that MN OJP provided to potential grant applicants. According to the Victim Assistance Program Guidelines, state administering agencies must adequately communicate VOCA requirements to subrecipients. We found that the RFPs conveyed VOCA-specific budget requirements, applicant eligibility requirements, standards relevant to the types of crime victim services provided, restrictions on uses of funds, and general reporting requirements. Additionally, we found that when a responsible official from each subrecipient organization signs a CVS grant agreement, that official must certify that the organization agrees to comply with the DOJ OJP Financial Guide and the Victim Assistance Program Guidelines as a condition for receiving a subaward that contains VOCA funds. Therefore, we concluded that MN OJP adequately communicated the applicable VOCA award requirements to its subrecipients.

Victim Compensation Program Implementation

According to the Victim Compensation Program Guidelines, VOCA victim compensation grants are awarded to state administering agencies to compensate victims directly for expenses incurred from criminal victimization. Victim Compensation Program Guidelines identify eligible programs as those that compensate victims of crime or their survivors for: (1) medical expenses, (2) loss of wages, and (3) funeral expenses.

As the state administering agency for Minnesota, MN OJP retains all responsibility associated with the victim compensation program, including meeting all financial and programmatic requirements. When paying claims for victims, MN OJP operates under the Minnesota Crime Victims Reparations Act, which conveys the state-specific policies for the victim compensation program. In assessing MN OJP'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 have been made by MN OJP to bring awareness to victims eligible for compensation program benefits.

¹² The competitive bid process was moved from state grant award period 2018 to state grant award period 2017. Our audit focused on subrecipients that received a subaward from the state grant award period 2014 through 2016, and therefore did not include a review of subrecipients selected in the subsequent competitive bid process. We noted that MN OJP increased the number of subrecipients in state grant award period 2017.

Based on our review, we found that MN OJP's policies and procedures appear to be consistent with Victim Compensation Program Guidelines and the DOJ OJP Financial Guide. Specifically, MN OJP implemented policies and procedures for:

- processing victim compensation applications;
- approving, denying, and adjudicating appeals of victim compensation claims; and
- resolving conflicts of interest.

Additionally, we found MN OJP made efforts to bring awareness of victim compensation benefits to the public by developing and distributing brochures. Finally, we reviewed MN OJP's website for information about its victim compensation program and found that the website gave information on obtaining a victim compensation application form, applying for victim compensation benefits, and filing an appeal on a denied claim. We determined that MN OJP's implementation of its victim compensation program was appropriate and in compliance with the Victim Compensation Program Guidelines.

Compliance with Special Conditions

Federal grant awards establish specific grant recipient requirements, commonly referred to as special conditions. The DOJ OJP Financial Guide defines special conditions as additional grant requirements covering areas such as programmatic and financial reporting, prohibited uses of federal funds, consultant rates, changes in key personnel, and proper disposition of program income. Failure to comply with special conditions may result in withholding of funds, suspension, or termination, as appropriate. When a state administering agency receives a federal award, it must acknowledge these special conditions and ensure compliance with them. We found that MN OJP agreed to all of the special conditions identified in all of the grants, including that the special conditions would be passed along to subrecipients. In order to fully assess MN OJP's program implementation, we identified and tested several administrative special conditions that we deemed significant to grant performance and are not addressed in another section of this report.

We noted that all of the VOCA victim assistance and victim compensation grant agreements contained the same special conditions related to conducting business with the federal government, such as certifying that the grantee is not presently suspended or debarred or that no appropriated funds will be expended for lobbying activities. We reviewed MN OJP's grant applications and found that MN OJP certified that it would comply with these special conditions.

Specific to the VOCA victim assistance grants, we reviewed MN OJP's subgrant application and subgrant documentation to assess MN OJP's compliance with the requirement to pass down special conditions to subrecipients. We verified that MN OJP included special conditions within the grant documents through an online certification process. In addition, the FY 2015 grant included a greater number of special conditions, including a requirement to ensure that all

VOCA-funded subrecipients certify their non-profit status and make their financial information publicly available. We reviewed subgrant acceptance documentation and found that MN OJP required its subrecipients to certify that they would comply with these special conditions.

As part of our evaluation of the VOCA victim compensation grant special conditions, we identified that state administering agencies must submit an annual Crime Victim Compensation State Certification Form, which provides OVC the necessary information to determine the grant award amount.¹³ This form reports to OVC the total eligible compensation claims paid out to victims for the reported year.

We reviewed MN OJP's most recent Crime Victim Compensation State Certification Form and tested the amounts reported for total payments to:

- crime victims from all funding sources,
- crime victims from victim compensation funds, and
- crime victims/providers that were returned to the compensation program or never cashed.

Based on our testing, we found MN OJP's Crime Victim Compensation State Certification Form to be accurate and supported. Therefore, we determined that MN OJP complied with the tested special condition of the VOCA grants.

Overall, we found that MN OJP's victim compensation program complied with federal grant requirements and established an adequate program to compensate victims and survivors of criminal violence. With regard to MN OJP's victim assistance program, while we noted that although MN OJP established an adequate subrecipient selection process, we found that its process for subgranting VOCA victim assistance funds did not comply with federal guidelines because it resulted in VOCA funds being commingled with other federal and state funding at the subrecipient level.

Grant Financial Management

According to the DOJ OJP Financial Guide, all grant recipients are required to establish and maintain adequate accounting systems and financial records in order to accurately account for awarded funds. To assess the adequacy of MN OJP's VOCA grant financial management, we reviewed the process for MN OJP to administer these funds by examining expenditures charged to the grants, subsequent drawdown requests, and resulting financial reports. To further evaluate MN OJP's financial management of the VOCA grants, we reviewed the State of Minnesota Single Audit Report for FY 2015 and identified no significant deficiencies or material weaknesses specifically related to MN OJP.

¹³ VOCA Victim Compensation formula grant funds are allocated to each state by calculating 60 percent of the eligible compensation claims paid out to victims during the preceding fiscal year (2 years prior to the grant year).

Victim Assistance Subrecipient Grant Expenditures

We attempted to review VOCA victim assistance grant expenditures to determine if the charges were supported, allowable, and in accordance with the terms and conditions of the VOCA awards. However, we were unable to complete our testing because we could not ensure that any particular expenditure was reimbursed with VOCA funding. MN OJP's CVS subgrants do not detail the amount of funding by source to the subrecipients, and therefore the subrecipients would be unable to identify specific VOCA expenditures. Although MN OJP keeps records of the amounts allocated and reimbursed to each subrecipient by funding source, the subrecipients conducted their financial activity without being aware of whether they were spending VOCA funds or funds from another source.

During our attempted testing of VOCA victim assistance expenditures, we found that although subrecipients may have provided us with support for expenditures, they would be unable to identify which specific transactions were reimbursed with VOCA funds. This is because MN OJP required subrecipients to categorize expenditures as either "VOCA-Eligible" or "Other". MN OJP indicated to the subrecipients that VOCA-Eligible funds would need to comply with VOCA requirements, which we believe implies that these expenditures would be reimbursed with VOCA funding. However, MN OJP stated that various funding sources could have been applied to VOCA-Eligible expenditures. Additionally, during our review of documentation, we noted that VOCA-Eligible expenditures were sometimes reimbursed with other federal and state funding. Therefore, we were unable to conduct our testing, and could not determine whether MN OJP's subrecipients' expenditures were properly authorized, accurately recorded, and adequately supported.

Victim Compensation Grant Expenditures

Victims of crime in the state of Minnesota submit claims for reimbursement of expenses incurred as a result of victimization, such as medical and funeral costs or loss of wages. MN OJP staff adjudicate these claims for eligibility and make payments from the VOCA victim compensation grants and state funding. To evaluate MN OJP's financial controls over VOCA victim compensation grant expenditures, we reviewed victim compensation claims to determine whether the payments were accurate, allowable, and in accordance with the policies of the Victim Compensation Program Guidelines and the Minnesota Crime Victims Reparations Act.

We selected a sample of 15 payments from each of the 3 VOCA victim compensation grants, for a total sample size of 45 transactions. Our sample totaled \$370,328 (30 percent) of the \$1,249,696 in claims paid out to victims of crime from the 3 VOCA victim compensation grants we audited. Our sample included a mixture of high dollar claims, as well as a payments selected judgmentally based on expenditure category (e.g., medical, funeral, loss of wages) and to whom the amount was paid (e.g., victim, hospital, funeral home). We reviewed supporting documentation for each of these payments for accuracy and allowability based on

federal and state guidelines, and we identified no exceptions for any of the payments we reviewed. In addition, we verified that for each claim, police reports were filed with a local law enforcement entity and claims were submitted to MN OJP in a timely fashion, as required by the Minnesota Crime Victims Reparations Act.

To ensure MN OJP appropriately adjudicated incomplete or unallowable claim applications, we also examined a sample of both denied and appealed claims reviewed by the victim compensation staff and Crime Victims Reparations Board.¹⁴ We reviewed six denied claim requests (two from each of the three VOCA victim compensation grants reviewed) and verified that the files indicated the claims were denied for legitimate reasons. In addition, we selected eight appealed claims (two from each of the three VOCA victim compensation grants reviewed and two additional appeals) to ensure the validity of the review and appeals process by the Crime Victims Reparations Board. We found that the appeals were appropriately adjudicated.

We concluded that the MN OJP compensation payments we tested were adequately supported, timely, allowable, reasonable, and in accordance with the grant terms and conditions.

Administrative Expenditures

The Victim Assistance and Victim Compensation Program Guidelines allow state administering agencies to use up to 5 percent of VOCA grant funds for administering the grant programs. For the six grants we reviewed, MN OJP used the 5 percent administrative allowance to fund administrative expenditures such as personnel, rent, travel, training, and various supplies.

Victim Assistance Administrative Expenditures

For the three VOCA victim assistance grants we audited, we reviewed MN OJP’s administrative expenditures incurred as of June 2016. As shown in Table 2 below, we found that MN OJP had not exceeded the 5 percent administrative allowance.

Table 2
Victim Assistance Administrative Expenditures

Award Number	Total Awarded	MN OJP Administrative Expenditures	Administrative Percentage
2013-VA-GX-0011	\$ 7,234,583	\$ 359,803	4.97%
2014-VA-GX-0033	7,758,144	200,231	2.58%
2015-VA-GX-0023	33,159,770	14,143	0.04%

Source: MN OJP general ledgers

¹⁴ The Minnesota Crime Victims Reparations Board was created by the Minnesota legislature to ensure that funds are distributed in accordance with the Minnesota Crime Victims Reparations Act, develop policies and rules regarding eligibility and coverage, determine payment rates, and hear appeals for previously denied claims.

We also performed testing of the administrative expenditures to ensure the transactions were allowable, supported, reasonable, and in compliance with the terms and conditions of the grants. We tested a judgmental sample of 15 transactions totaling \$50,407 from the 3 VOCA victim assistance grants included in our audit. We found that while rent, travel, training, and supply expenses were adequately supported and properly charged to the grants, we identified deficiencies in the handling of personnel costs.

According to the Victim Assistance Program Guidelines, only staff time devoted to the VOCA program may be charged to the grant. The Victim Assistance Program Guidelines further state that the time devoted to the VOCA program must be documented within time and attendance records. In addition, according to the DOJ OJP Financial Guide, charges made to federal awards for salaries, wages, and fringe benefit expenditures should be based on payroll records approved by responsible officials. Further, when an award recipient's employees work on multiple programs or cost activities, the award recipient must reasonably allocate costs to each activity and base that allocation on time and effort reports, such as timesheets.

As of June 30, 2016, MN OJP had charged a total of \$453,640 in personnel costs to the three audited VOCA victim assistance grants. We found that MN OJP charged these personnel costs to the grants using an undocumented, informal allocation method. To calculate the amount of personnel costs to be allocated to the VOCA victim assistance grants, MN OJP first identified the employees that worked on the VOCA victim assistance program. For each of these employees, MN OJP then determined the amount of their payroll to be charged to the grant by calculating the amount of VOCA victim assistance funding they were responsible for overseeing. For example, if an employee was responsible for \$100,000 in subgrants, and those subgrants were funded with \$25,000 of VOCA funds, 25 percent of that employee's personnel costs would be allocated to the administrative portion of the VOCA victim assistance grant. As such, MN OJP was not distinguishing the actual time specifically spent administering the VOCA program by hours worked, but rather estimated effort expended based on the allocation of award dollars by funding source. We believe this allocation method is not compliant with the Victim Assistance Program Guidelines and MN OJP's personnel costs paid with VOCA victim assistance funds are unsupported. Therefore, we question the total amount of personnel expenditures charged to all three audited VOCA victim assistance grants as of June 30, 2016, or \$453,640, as shown below in Table 3.

Table 3
Victim Assistance Personnel Expenditures

Award Number	Salary	Fringe	Totals
2013-VA-GX-0011	\$ 186,710	\$ 62,436	\$ 249,146
2014-VA-GX-0033	142,341	48,009	190,350
2015-VA-GX-0023	10,488	3,655	14,143
Totals	\$ 339,539	\$ 114,101	\$ 453,640

Source: MN OJP general ledgers

We recommend that DOJ OJP require MN OJP to develop procedures to ensure that personnel costs charged to the VOCA victim assistance grants are in compliance with Victim Assistance Program Guidelines and adequately and accurately reflect time spent on the VOCA program.

Victim Compensation Administrative Expenditures

For the three VOCA victim compensation grants we audited, we reviewed MN OJP’s administrative expenditures incurred as of June 2016. As shown in Table 4 below, we found that MN OJP had not exceeded the 5 percent administrative allowance.

Table 4
Victim Compensation Administrative Expenditures

Award Number	Total Awarded	MN OJP Administrative Expenditures	Administrative Percentage
2013-VC-GX-0015	\$ 581,000	\$ 29,047	5.00%
2014-VC-GX-0021	641,000	32,047	5.00%
2015-VC-GX-0001	718,000	25,873	3.60%

Source: MN OJP general ledgers

MN OJP utilized the administrative cost allowance to fund personnel, fringe, and indirect costs related to the VOCA victim compensation program. To review the administrative costs charged to the three VOCA victim compensation grants audited, we judgmentally selected one pay period of salary and fringe benefits expenditures for each grant, as well as an agency indirect cost for one grant. Our sample totaled \$7,199 of the \$86,967 charged as of June 30, 2016. We reviewed payroll registers and MN OJP accounting records to determine whether the amount charged to the awards were properly supported and allowable. We noted that MN OJP charged 100 percent of one employee’s time to each of the grants and this employee was working only on victim compensation program duties. We found that the costs were adequately supported and allowable.

Victim Assistance Matching Requirement

Victim Assistance Program Guidelines require a 20 percent matching contribution for each VOCA-funded subrecipient project.¹⁵ The purpose of this requirement is to increase the amount of resources to VOCA projects, which will prompt subrecipients to obtain independent funding sources to help ensure future sustainability. Matching contributions must be derived from non-federal sources

¹⁵ The match requirement for Native American tribes and organizations located on reservations was 5 percent for the FY 2013 and FY 2014 VOCA victim assistance grants. However, the 5 percent match requirement for Native American tribes and organizations located on reservations was waived in the June 2014 revisions of the DOJ OJP Financial Guide.

and can be either cash or in-kind contributions.¹⁶ The DOJ OJP Financial Guide states that any deviation from this match requirement requires DOJ OJP approval.

MN OJP officials told us that state funding was used to provide the required 20 percent match for all subrecipients in state grant award periods 2014 and 2015. These officials also stated that due to the increase in federal funding in FY 2015, MN OJP was no longer able to match the entire 20 percent required for all subrecipients for state grant award period 2016. Therefore, MN OJP supplied a portion of the matching funds for the 134 subrecipients in state grant award period 2016, and the subrecipients were required to supply the remaining match amount.

To review the provision of matching funds, we reviewed a sample of 17 MN OJP match transactions from state grant award period 2014, and found that MN OJP met the 20 percent match requirement to those subrecipients. We also spoke to various subrecipient officials regarding the change in practice for subrecipients to supply a portion of the match amount for state grant award period 2016, reviewed supporting documentation, and did not find any issues with the subrecipients' ability to fulfill the match requirement.

Drawdowns

According to the DOJ OJP Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. Award recipients should request funds based upon immediate disbursement or reimbursement requirements. Drawdown requests should be timed to ensure that federal cash on hand is the minimum needed for disbursements to be made immediately or within 10 days. In addition, the VOCA award documents state that the grant funds are available for the fiscal year of the award plus 3 additional fiscal years. We tested the drawdowns for the VOCA victim assistance and victim compensation programs separately.

Victim Assistance Program Drawdowns

For the VOCA victim assistance awards, MN OJP calculates drawdowns to cover subrecipient reimbursement requests and the 5 percent administrative allowance. Table 5 shows the total amount drawn down for each grant as of August 5, 2016.

Table 5
Amount Drawn Down for Each Grant
as of August 5, 2016

Award Number	Total Award	Amount Drawn Down	Amount Remaining
2013-VA-GX-0011	\$ 7,234,583	\$ 7,229,327	\$ 5,256
2014-VA-GX-0033	7,758,144	7,437,957	320,187
2015-VA-GX-0023	33,159,770	12,550,894	20,608,876
Totals	\$48,152,497	\$27,218,178	\$20,934,319

Source: DOJ OJP Payment History Reports

¹⁶ In-kind matches may include donations of expendable equipment, office supplies, workshop or classroom materials, workspace, or the value of time contributed by those providing integral services to the funded project.

To assess whether MN OJP managed its drawdown requests in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures reported in MN OJP’s accounting system and accompanying financial records. We found that MN OJP’s accounting records supported the amount of its reimbursement requests.

However, our testing revealed a deficiency related to the timing of MN OJP’s payments to subrecipients and the related drawdowns during the period that we audited. The DOJ OJP Financial Guide requires that subrecipients follow the same requirements as the state administering agency, including that drawdown requests should be timed to ensure that federal cash on hand is the minimum needed for disbursements to be made immediately or within 10 days. Despite this requirement, we found that the guidelines that MN OJP issued to its subrecipients allowed subrecipients to request up to 30 days’ worth of the total CVS subgrant (which can include VOCA funds) as an advance of funds. MN OJP policy allowed subrecipients to spend the advanced funds at any time within the 1-year state grant award period. Our testing revealed that MN OJP gave cash advances with VOCA victim assistance funds to two subrecipients in state grant award period 2014, four subrecipients in state grant award period 2015, nine subrecipients in state grant award period 2016, and 7 subrecipients in state grant award period 2017.¹⁷ We calculated the total advances paid to subrecipients with VOCA funds for federal FY 2013 through FY 2016, as shown in Table 6 below.

Table 6
Total Amount Advanced to Subrecipients
from Each Victim Assistance Grant
for Each State Grant Award Period

State Grant Award Period	2013 Grant	2014 Grant	2015 Grant
2014	\$ 83,454	\$ -	\$ -
2015	28,000	365,440	-
2016	-	197,484	649,033
2017	-	-	124,124
Totals	\$ 111,454	\$ 562,924	\$ 773,157

Source: MN OJP subrecipient payment reports

We found that the practice to spend down these advances varied for each subrecipient. While some advanced funds were applied to expenditures in portions over several months, one subrecipient applied the entire advanced amount at the end of the state grant award period. We do not believe that MN OJP’s handling of funds advanced to subrecipients was in compliance with the DOJ OJP Financial Guide because subrecipients could hold the funds for up to 1 year. When we informed MN OJP officials that the policy and practice of advancing funds to subrecipients without requiring the amount to be expended within 10 days was

¹⁷ State grant award period 2014 began on October 1, 2013, and ended September 30, 2014. Additionally, we included information for state grant award period 2017, which includes FY 2015 VOCA victim assistance funds.

contrary to the DOJ OJP Financial Guide, MN OJP officials stated that they would request repayment of advanced funds from the subrecipients that had an outstanding balance. We received and reviewed documentation from MN OJP regarding changes to its advanced funds practices and found that MN OJP took corrective action. Specifically, MN OJP requested that its subrecipients spend down any remaining balance of advanced funds and highlighted to the subrecipients the DOJ OJP Financial Guide requirement that any advanced funds provided must be spent immediately or within 10 days.

We determined that all funds advanced in state grant award periods 2014 through 2016 had been fully spent down by the subrecipients. However, as of October 2016, \$124,124 had been advanced to subrecipients in state grant award period 2017 from the 2015 VOCA victim assistance grant. This amount that MN OJP had drawn down from DOJ OJP to provide advanced funds is unallowable because its practice of advancing funds was not in compliance with the DOJ OJP Financial Guide requirement to spend federal funds immediately or within 10 days. Therefore, we recommend that DOJ OJP remedy the \$124,124 in advanced funds and ensure MN OJP's process for disbursing funds to subrecipients complies with DOJ OJP's requirement that federal funds be spent within 10 days of receipt.

Victim Compensation Program Drawdowns

For the VOCA victim compensation awards, MN OJP calculates its drawdowns to reimburse the state for compensation claims paid to victims and the 5 percent administrative allowance. Table 7 shows the total amount requested for each grant as of August 5, 2016.

Table 7
Amount Drawn Down for Each Grant
as of August 5, 2016

Award Number	Total Award	Amount Drawn Down	Amount Remaining
2013-VC-GX-0015	\$ 581,000	\$ 564,840	\$ 16,160
2014-VC-GX-0021	641,000	607,672	33,328
2015-VC-GX-0001	718,000	22,309	695,691
Totals	\$1,940,000	\$1,194,821	\$745,179

Source: DOJ OJP Payment History Reports

To assess whether MN OJP managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to MN OJP to the total expenditures MN OJP reported in the accounting system and accompanying financial records. We did not identify any deficiencies related to MN OJP's process for developing drawdown requests for its VOCA victim compensation program.

Financial Reporting

According to the DOJ OJP Financial Guide, recipients shall report quarterly the actual expenditures and unliquidated obligations, as well as cumulative expenditures, incurred for the reporting period on each financial report. To

determine whether MN OJP submitted accurate Federal Financial Reports (FFR) for the six VOCA grants audited, we compared the four most recent reports as of June 30, 2016, for each grant to MN OJP's accounting records. We determined that quarterly and cumulative expenditures reported on the FFRs reviewed matched the accounting records.

We also reviewed the FFRs to ensure MN OJP was properly recording the amount provided for the match requirement. We noted an overstatement in the recipient share, or matching costs, section of the FFRs submitted for the FY 2015 VOCA victim assistance grant. As noted earlier in this report, MN OJP provided the full 20 percent match for its subrecipients in state grant award periods 2014 and 2015, and a partial match in state grant award period 2016. We determined that MN OJP incorrectly calculated the total match amount on the FFRs for the FY 2015 VOCA victim assistance grant by reporting a full 20 percent match for all subrecipients, including tribal organizations.¹⁸ As previously stated, in June 2014 the DOJ OJP Financial Guide waived the match requirement for tribal organizations. We reviewed the grant documents for a sample of tribal organizations and found that MN OJP provided a 5 percent match for these organizations, yet it reported providing the full 20 percent match amount on its 2015 FFRs. We determined that the 20 percent match amount reported on the FFRs represented a calculation of the match amount, rather than a reflection of actual financial activity. Therefore, we recommend that DOJ OJP ensure that MN OJP accurately reports the amount of match provided.

Program Requirements and Performance Reporting

Performance reporting is an important tool to evaluate a grantee's ability to effectively manage a federal grant program. To assess performance, OVC requires recipients of VOCA grants to submit Annual Performance Reports. Annual Performance Reports provide information about the types of victims served and successes of the programs and include both statistical and narrative information. The DOJ OJP Financial Guide states that funding recipients should ensure that accurate and auditable source documentation is available to support all data collected for each performance measure specified in the VOCA program solicitation. We reviewed MN OJP's Annual Performance Reports and interviewed MN OJP personnel in order to determine the reliability and timeliness of the reports submitted and to assess MN OJP's progress toward achieving the program goals and objectives.

Victim Assistance Annual Performance Reports

According to the Victim Assistance Program Guidelines, each state administering agency is required to annually report specific grant performance data submitted on the Victim Assistance Grant Program State Performance Report. These reports include the number of: (1) agencies funded, (2) VOCA subawards, (3) victims served, and (4) victim services funded by VOCA victim assistance

¹⁸ For the state grant award period beginning October 1, 2015, MN OJP provided VOCA victim assistance funds to eight tribal organizations.

grants. Additionally, according to a special condition of the VOCA victim assistance grant, MN OJP must collect, maintain, and provide to DOJ OJP data that measures the performance and effectiveness of activities maintained by this award.

Due to MN OJP's subaward methodology for the CVS subgrants, we noted that subrecipients were unaware of exactly how much VOCA-specific funding they received, and therefore they were not able to identify their results specifically attributable to the VOCA funding. Therefore, information reported by the subrecipients likely would not accurately reflect the performance of the VOCA grant, but would instead reflect the accomplishments of the totality of financial assistance received through the CVS subgrant from MN OJP. As such, we were unable to complete our audit testing of the VOCA victim assistance project performance.

However, we did assess MN OJP's process for reporting subaward performance for the CVS subgrants. MN OJP required its subrecipients to submit quarterly performance reports for MN OJP's compilation. MN OJP neither required the subrecipients to submit source documentation to support the data on the quarterly performance reports, nor did MN OJP keep sufficient records to recreate the subrecipients' information. Additionally, we saw no indication that MN OJP was verifying or testing the data that the subrecipients submitted. As a result, MN OJP had no assurance that the information provided by the subrecipients on the quarterly performance reports was complete and accurate. If the information provided by subrecipients is not complete or accurate, DOJ OJP will not be able to accurately and completely assess the performance of MN OJP's VOCA victim assistance program.

MN OJP staff told us that retaining support for reported figures should be resolved going forward with the implementation of DOJ OJP's Performance Management Tool (PMT), a web-based reporting system. Through PMT, state administering agencies can electronically submit quantitative and qualitative program performance data to OVC. In addition, a state administering agency may provide subrecipients direct access to PMT to allow the subrecipients to submit quarterly data for state review. MN OJP informed us that it will require its subrecipients to enter program performance information directly into PMT, and require subrecipients to maintain support for this information. However, the new process does not seem to address MN OJP's responsibility to ensure accurate and complete program statistics. As a best practice, we recommend that DOJ OJP require MN OJP to establish a method to ensure the reliability of subrecipient performance data.

Priority Areas Funding Requirement

An additional VOCA victim assistance program performance requirement and special condition of the grant is the annual submission of the Subgrant Award Report (SAR), which addresses the use of VOCA funds on specified priority areas. Victim Assistance Program Guidelines require state administering agencies to give priority to victims of sexual assault, domestic abuse, and child abuse by allocating a minimum of 10 percent of each grant to each of these specific categories of crime

victims. An additional 10 percent of each grant should be allocated to victims of violent crime who were "previously underserved." The Victim Assistance Program Guidelines give each state administering agency the latitude for determining the method for identifying "previously underserved" crime victims.¹⁹ MN OJP defines previously underserved crime victims as those victimized through general crime, such as robbery, elder abuse, and assault.

While we found that MN OJP complied with the requirement to submit the SAR, we were unable to test MN OJP's compliance with the requirements for funding the priority victim areas noted above. In order to correctly report this information, subrecipients must designate their expenditures by type of victim service provided. However, because the subgrants provided by MN OJP included funding from various federal and state sources, subrecipients performing multiple services would be unable to distinguish which funds were used for specific program expenditures or for which victim populations. As such, this inability of subrecipients to track dollars spent by funding source prohibits the complete and accurate tracking of VOCA victim assistance funds by priority victim areas. We believe that DOJ OJP should require that MN OJP employ a reliable process for the reporting of activities and expenditures by priority area and type of victim.

Despite this issue, we did examine the types of victim services provided by all of MN OJP's subrecipients in each state grant award period we reviewed. We found that MN OJP awarded subgrants to subrecipients that indicated a distribution of services to meet the priority victim areas requirement.

Victim Compensation Performance Reports

According to the Victim Compensation Program Guidelines, each state administering agency is required annually to submit specific grant performance data on the Annual Performance Report. We noted that although MN OJP's victim assistance program had not implemented PMT reporting during FY 2015, MN OJP's victim compensation program had adopted the new reporting system in FY 2015. We traced the data in the FY 2015 Annual Performance Report to MN OJP's supporting documentation and the data entered into DOJ OJP's PMT. We confirmed that MN OJP's FY 2015 Performance Report for its victim compensation program was submitted as required and reflected accurate information.

Monitoring of Subrecipients

To further assess MN OJP's administration of the VOCA victim assistance grants, we reviewed its monitoring of subrecipients. The DOJ OJP Financial Guide states that the purpose of subrecipient monitoring is to ensure that grant funds are spent in accordance with the federal program and grant requirements, laws, and regulations, as well as to ensure the subaward performance goals are achieved. Further, MN OJP, as the primary grant recipient, should develop systems, policies, and procedures to ensure that all financial and programmatic subrecipient activities

¹⁹ Methods for identifying "previously underserved" victims may include public hearings, needs assessments, task forces, and meetings with statewide victim services agencies.

are conducted in accordance with these requirements. To assess how MN OJP monitored its subrecipients, we interviewed MN OJP and subrecipient officials, identified MN OJP monitoring procedures and practices, reviewed records of MN OJP's subrecipient monitoring, and conducted site visits of subrecipients.

The DOJ OJP Financial Guide provides examples of monitoring, including performing site visits to subrecipients to examine financial and programmatic records and reviewing detailed financial and programmatic data submitted by the subrecipient. We found that MN OJP performs reviews of its subrecipients using two methods: desk reviews and site visits. The site visits could be either a limited monitoring visit or a more intensive review, referred to as a comprehensive site visit.

The state of Minnesota's written subrecipient monitoring policies and procedures state that for subgrants over \$50,000, MN OJP must conduct one monitoring site visit per state grant award period.²⁰ Additionally, MN OJP's policies require a comprehensive site visit to be performed for subgrants over \$50,000 within the first quarter of a state grant award period for new subrecipients. Further, MN OJP is required to conduct a comprehensive site visit every other year for all subrecipients. The comprehensive site visit includes assessing general financial management, involvement by a subrecipient's Board of Directors, best practices for direct services, and community partnerships.

The state of Minnesota's policies also require MN OJP to conduct financial reconciliations once every year for subgrants over \$50,000. MN OJP fulfills this requirement by performing desk reviews that involve a full review of a subrecipient's documentation that supports its expenditures, including invoices and receipts, contracts, timesheets, and accounting ledgers.

We believe that the policies governing MN OJP's subrecipient monitoring practices were adequate and met DOJ OJP's requirements. However, we believe that it is important to note that all of MN OJP's monitoring activities would have been examining MN OJP's CVS subgrants that commingled VOCA funding with state and other federal funding. Therefore, we question MN OJP's ability to adequately monitor its subrecipients' use of the various federal funds. For example, during its site visits and desk reviews, MN OJP reviewers would not have been able to consistently determine which specific expenditures were allocated to any particular funding source. Therefore, in practice, MN OJP personnel would have been unable to adequately examine VOCA-specific financial records, including testing specific subrecipient expenditures for allowability and sufficient support, as required by the DOJ OJP Financial Guide.

Although the issues with the commingled subawards resulted in an overall ineffectiveness of VOCA-specific financial monitoring, we reviewed MN OJP's

²⁰ As an entity within the state of Minnesota government, MN OJP is required to follow state policies and procedures related to granting money to recipients. Although we did not assess the adequacy of the state of Minnesota's policies and procedures, we did review MN OJP's compliance with these requirements.

monitoring activities to determine its compliance with the state of Minnesota's established monitoring policies and procedures.

Adequacy of Financial Monitoring

To assess the effectiveness of MN OJP's financial monitoring practices, we selected a judgmental sample of six desk reviews completed by MN OJP. We reviewed documentation accompanying the completed desk reviews to evaluate the adequacy of the review, including MN OJP's examination of the accuracy and allowability of financial documentation provided by the subrecipients. We found that MN OJP's desk reviews that we reviewed sometimes lacked attention to detail and precision. For example, in one desk review, we found that a subrecipient had not provided adequate supporting documentation for almost \$60,000 in personnel and fringe expenditures. According to MN OJP, the allocation percentages that were identified in the subrecipient's budget documents were accepted without verifying the actual hours worked on the grant project. In another example, we were told that the subrecipient's expenditures were not tested for allowability because it was assumed that all expenses were allowable. We believe that MN OJP should strengthen the financial monitoring of its subrecipients by providing training to equip employees with the skills to properly conduct desk reviews of financial activity.

In October 2016, MN OJP changed its desk review process. Under this new process, a MN OJP fiscal administrative employee will initially review all supporting documentation submitted by subrecipients. This individual will also conduct some desk reviews and review desk reviews completed by other MN OJP employees for completeness and accuracy. As of January 2017, MN OJP officials stated that this new desk review process is in a testing phase.

Frequency of Monitoring Activities

In addition to our examination of MN OJP's financial reviews, we looked at the frequency of desk reviews and site visits performed for state grant award periods 2014 through 2016 to confirm that all monitoring activities were conducted in accordance with the state requirements. According to its policy, every subrecipient should have received a desk review and at least a limited site visit during each state grant award period.

We reviewed evidence of completed desk reviews and site visits and found that MN OJP did not monitor its subrecipients within the timeframes required by its own policy, as shown in Table 8.

Table 8
MN OJP’s Monitoring of VOCA-Funded Subrecipients
for Each State Grant Award Period

State Grant Award Period	Number of Subrecipients Receiving VOCA funds	Desk Review		Site Visits ^a	
		Number Completed	Percentage Completed	Number completed	Percentage completed
2014	23	17	74%	21	91%
2015	20	11	55%	15	75%
2016	134	14	10%	48	36%

^a Site visits refer to either a limited monitoring or comprehensive site visit.

Source: OIG analysis of MN OJP monitoring documentation

Specifically, MN OJP only completed 48 site visits during the 2016 state grant award period, which represented 36 percent of the VOCA subrecipients for that period. Further, desk reviews were conducted for only 14 subrecipients, or 10 percent, for that same period. While we acknowledge that MN OJP had completed a higher percentage of the required desk reviews and site visits for VOCA-funded subrecipients in the 2014 and 2015 state grant award periods, we are concerned with the significant decrease in the percentage of desk reviews and site visits conducted for state grant award period 2016.

Although MN OJP has written subrecipient monitoring policies and procedures, we believe that it needs to fully implement what is written in its policy to ensure adequate financial and programmatic monitoring of its subrecipients. We discussed this issue with MN OJP officials who recognized their limited resources and stated that MN OJP was understaffed. MN OJP officials told us that they planned to hire another grant manager in January 2017.

OIG Reviews of Subrecipients

We performed site visits of seven subrecipients, which included touring facilities, interviewing personnel, and reviewing accounting documents related to the MN OJP CVS subgrants. We observed that the seven locations had well-maintained facilities and were actively providing services during our visits.

Additionally, we spoke with subrecipient officials about the support received from MN OJP. While subrecipient officials stated that MN OJP provided adequate programmatic support, some subrecipient officials described to us that they did not feel they were provided with adequate financial and grant administration guidance. For example, one subrecipient official expressed concern over the lack of MN OJP employees’ accounting knowledge. Another subrecipient official conveyed the need to obtain pertinent accounting information that is not readily provided by MN OJP.

Although the commingled subaward funding structure prohibited us from testing specific VOCA-funded expenditures, during our site visits we reviewed a

sample of supporting documentation related to expenditures categorized as "VOCA-Eligible." The subrecipients were able to produce sufficient supporting documentation for the majority of expenditures in the VOCA-Eligible category. However, at one subrecipient, we found insufficient accounting records to support over \$175,000 in personnel expenditures charged to the VOCA-Eligible category. We noted that MN OJP had conducted a desk review of this subrecipient for the same state grant award period and that MN OJP did not identify an issue with the lack of supporting documentation provided by this subrecipient. Similar to our results reported in the Adequacy of Financial Reporting section above, this raises concerns that MN OJP was not adequately reviewing information provided by subrecipients during the desk review process, because an adequate monitoring process should have identified this issue.

In conclusion, we found that MN OJP's subrecipient monitoring practices need improvement. We are concerned that with the increase in VOCA funding, MN OJP will continue to need to monitor a larger population of VOCA-funded subrecipients. While we acknowledge that MN OJP is developing a revised desk review process, we believe that additional measures must be taken to ensure that subrecipients receive the level of monitoring prescribed in MN OJP's policies. We recommend that DOJ OJP ensure that MN OJP adequately monitor its subrecipients to provide reasonable assurance that its subrecipients comply with the terms and conditions of the VOCA victim assistance grants, including: (1) providing financial training and assistance to staff involved with the oversight of subrecipients, and (2) ensuring that resources are available to provide adequate monitoring of subrecipients through both annual desk reviews and site visits.

Conclusion

Overall, we found that MN OJP used its VOCA grant funds to serve victims of crime. MN OJP adequately administered its victim compensation program and our audit did not identify any issues related to that program. However, we did find significant issues related to the victim assistance program. Specifically, MN OJP's subaward methodology of providing a single subaward comprised of various federal and state funding sources created a fundamental commingling environment for its subrecipients. Therefore, MN OJP's administration of the VOCA victim assistance grant funds was not in compliance with the DOJ OJP Financial Guide. As a result, we were unable to complete our audit tests of subrecipient expenditures, performance reporting, and compliance with priority victim assistance funding areas. In addition, we identified issues related to MN OJP personnel expenditures charged to the grant, MN OJP's practice of advancing grant funds to its subrecipients, and MN OJP's financial reporting and subrecipient monitoring activities. These deficiencies resulted in a total of \$577,764 in questioned costs, made up of \$453,640 in unsupported personnel costs and \$124,124 in unallowable funds advanced to subrecipients. We provided eight recommendations to DOJ OJP to address our findings.

Recommendations

We recommend the DOJ OJP:

1. Require MN OJP to utilize a process for awarding funds to subrecipients that is in compliance with federal regulations so that subrecipients are able to completely and accurately account for funds from separate sources.
2. Remedy the \$453,640 in personnel expenditures charged to all three VOCA victim assistance grants as of June 30, 2016.
3. Require MN OJP to develop procedures to ensure that personnel costs charged to the VOCA victim assistance grants are in compliance with Victim Assistance Program Guidelines and adequately and accurately reflect time spent on the VOCA program.
4. Remedy the \$124,124 in advanced funds from the FY 2015 VOCA victim assistance grant.
5. Ensure MN OJP's process for disbursing funds to subrecipients complies with DOJ OJP's requirement that federal funds be spent within 10 days of receipt.
6. Ensure that MN OJP accurately reports the amount of match provided to subrecipients.
7. Require MN OJP to establish a method to ensure the reliability of subrecipient performance data.
8. Ensure that MN OJP adequately monitor its subrecipients to provide reasonable assurance that its subrecipients comply with the terms and conditions of the VOCA victim assistance grants, including: (1) providing financial training and assistance to staff involved with the oversight of subrecipients, and (2) ensuring that resources are available to provide adequate monitoring of subrecipients through both annual desk reviews and site visits.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to evaluate how MN OJP designed and implemented its crime victim assistance program and its crime victim compensation program. To accomplish this objective, we assessed performance in the following areas of grant management: state program implementation, program performance and accomplishments, grant financial management, and monitoring of subrecipients.

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 Office of Justice Programs (DOJ OJP) grants awarded to the Minnesota Department of Public Safety, Office of Justice Programs (MN OJP) under the Victims of Crime Act (VOCA) Victim Assistance and Victim Compensation Formula Grant Programs:

Audited Grants Awarded to MN OJP

Grant number	Grant name	Amount awarded
VICTIM ASSISTANCE GRANTS		
2013-VA-GX-0011	VICTIM ASSISTANCE FORMULA	\$ 7,234,583
2014-VA-GX-0033	VICTIM ASSISTANCE FORMULA	7,758,144
2015-VA-GX-0023	VICTIM ASSISTANCE FORMULA	33,159,770
SUBTOTAL:		48,152,497
VICTIM COMPENSATION GRANTS		
2013-VC-GX-0015	VICTIM COMPENSATION FORMULA	581,000
2014-VC-GX-0021	VICTIM COMPENSATION FORMULA	641,000
2015-VC-GX-0001	VICTIM COMPENSATION FORMULA	718,000
SUBTOTAL:		1,940,000
GRAND TOTAL:		\$ 50,092,497

Source: DOJ OJP's GMS

As of August 5, 2016, MN OJP had drawn down a total of \$28,413,000 from the six audited grants. Our audit concentrated on, but was not limited to, August 26, 2013, (when the FY 2013 VOCA Victim Assistance and Victim Compensation formula grants were awarded) through January 2017.

To accomplish our objective, we tested compliance with what we consider the most important conditions of MN OJP's activities related to the audited grants. We performed sample-based audit testing for grant expenditures including victim compensation claim payments and personnel expenditures; however, we were unable to test subrecipient expenditures. As noted in the body of our report, MN OJP's subaward methodology caused subrecipients to be unable to identify specific expenditures made with VOCA funding. As a result of this lack of transactional accountability, we could not conduct all of our planned audit work, including subrecipients' VOCA expenditures to determine if they were properly authorized, accurately recorded, allowable, and adequately supported. We considered this deficiency in MN OJP's subaward methodology to be a significant enough concern that, in April 2017, we issued a management advisory memorandum to DOJ OJP so that it could assess the potential systemic nature of our finding and ensure the MN OJP subrecipients are able to completely and accurately account for the VOCA funds received. A copy of this memorandum is attached at Appendix 4.

For the compensation claim payments and personnel expenditures that we were able to test, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. For our selection of which subrecipients to observe through a site visit, we considered the dollar value of awards to the subrecipients, the frequency of monitoring site visits by MN OJP, and geographical locations throughout the state. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The DOJ OJP Financial Guide, VOCA Final Program Guidelines, State of Minnesota Grant Manual, and the award documents contain the primary criteria we applied during the audit. We also reviewed Minnesota's most recent Single Audit Report for FY 2015.

While our audit did not assess MN OJP's overall system of internal controls, we did review the internal controls of MN OJP's financial management system specific to the management of funds for each VOCA grant during the state grant award periods within our review. To determine whether MN OJP adequately managed the VOCA funds we audited, we conducted interviews with state of Minnesota financial staff, examined policies and procedures, and reviewed grant documentation and financial records. We also developed an understanding of MN OJP'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.

During our audit, we obtained information from DOJ OJP's Grant Management System (GMS) as well as MN OJP'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 was verified with documentation from other sources.

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Questioned Costs</u> ²¹	<u>Amount</u>	<u>Page</u>
Unsupported Victim Assistance Salary and Fringe	\$453,640	12
Unallowable Subrecipient Advances	124,124	16
TOTAL DOLLAR-RELATED FINDINGS	<u>\$577,764</u>	

²¹ **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.

**MN OJP SUBRECIPIENTS THAT RECEIVE VOCA FUNDS
STATE GRANT AWARD PERIODS 2014 – 2016**

State Grant Award Period 2014						
MN OJP CVS Subgrant Recipients Receiving VOCA	VOCA	VAWA STOP	FVPSA	VAWA SASP	State Crime Victim Service Funds	Total Award
360 Communities	\$300,000	\$ -	\$56,000	\$ -	\$845,616	\$1,201,616
Alexandra House	300,000	-	56,000	-	949,862	1,305,862
Central Minnesota Task Force on Battered Women	300,000	-	56,000	-	684,520	1,040,520
Committee Against Domestic Abuse	300,000	-	56,000	-	779,102	1,135,102
Cornerstone Advocacy Services	300,000	-	56,000	-	938,326	1,294,326
Council on Crime and Justice	83,000	-	-	-	55,000	138,000
Dodge Fillmore Olmsted Community Corrections	115,000	-	-	-	77,000	192,000
Friends Against Abuse	73,000	65,000	-	-	89,000	227,000
Lakes Crisis and Resource Center	280,000	-	56,000	-	128,840	464,840
Mille Lacs Band of Ojibwe	100,000	150,000	56,000	-	120,840	426,840
Missions, Inc. Programs	300,000	-	56,000	-	571,866	927,866
New Horizons Crisis Center	89,000	-	-	-	59,000	148,000
Red Lake Band of Chippewa Indians	100,000	200,000	56,000	-	188,059	544,059
The Refuge Network/Family Pathways	245,000	-	56,000	-	105,840	406,840
Safe Haven Shelter for Battered Women	300,000	-	56,000	-	877,230	1,233,230
Someplace Safe	300,000	-	-	-	447,252	747,252
Tubman Family Alliance	1,945,657	-	79,132	-	1,760,645	3,785,434
Violence Intervention Project	192,000	-	56,000	-	72,613	320,613
White Earth Reservation Tribal Council	80,000	-	56,000	-	55,213	191,213
Women of Nations, Inc.	300,000	-	56,000	-	881,553	1,237,553
Women's Advocates, Inc.	300,000	-	56,000	-	989,166	1,345,166
Women's Shelter, Inc.	300,000	-	56,000	-	605,196	961,196
TOTAL	\$6,602,657	\$415,000	\$975,132	\$ -	\$11,281,739	\$19,274,528

State Grant Award Period 2015

MN OJP CVS Subgrant Recipients Receiving VOCA	VOCA	VAWA STOP	FVPSA	VAWA SASP	State Crime Victim Service Funds	Total Award
360 Communities	\$282,700	\$ -	\$62,500	\$ -	\$856,750	\$1,201,950
Alexandra House	284,000	-	62,500	-	960,081	1,306,581
Central Minnesota Task Force on Battered Women	284,000	-	62,500	-	694,020	1,040,520
Committee Against Domestic Abuse	284,000	-	62,500	-	789,712	1,136,212
Cornerstone Advocacy Services	284,000	-	62,500	-	947,826	1,294,326
Council on Crime and Justice	83,000	-	-	-	55,000	138,000
Dodge Fillmore Olmsted Community Corrections	115,000	-	-	-	77,401	192,401
Family Pathways	229,000	-	62,500	-	115,574	407,074
Friends Against Abuse	73,000	65,000	-	-	89,305	227,305
Lakes Crisis and Resource Center	252,000	-	62,500	-	150,524	465,024
Missions, Inc. Programs	284,000	-	62,500	-	581,366	927,866
New Horizons Crisis Center	89,000	-	-	-	59,309	148,309
Safe Haven Shelter for Battered Women	284,000	-	62,500	-	886,730	1,233,230
Someplace Safe	300,000	-	-	-	447,938	747,938
Tubman Family Alliance	2,131,240	-	63,304	-	1,590,890	3,785,434
Violence Intervention Project	176,000	-	62,500	-	82,527	321,027
Women of Nations, Inc.	284,000	-	62,500	-	891,053	1,237,553
Women's Advocates, Inc.	284,000	-	62,500	-	998,666	1,345,166
Women's Shelter, Inc.	284,000	-	62,500	-	614,696	961,196
TOTAL	\$6,286,940	\$65,000	\$875,804	\$ -	\$10,889,368	\$18,117,112

State Grant Award Period 2016						
MN OJP CVS Subgrant Recipients Receiving VOCA	VOCA	VAWA STOP	FVPSA	VAWA SASP	State Crime Victim Service Funds	Total Award
180 Degrees	\$41,267	\$	\$	\$ -	\$61,133	\$102,400
360 Communities	466,055	-	63,230	-	901,981	1,431,266
Advocates Against Domestic Abuse	66,163	-	-	-	80,237	146,400
Advocates for Family Peace	205,333	-	-	-	222,101	427,434
Aitkin County Attorney's Office	38,835	-	-	-	28,365	67,200
Alexandra House	648,124	-	63,229	-	882,514	1,593,867
American Indian Community Housing Organization	139,093	-	63,229	-	246,711	449,033
Asian Women United of Minnesota	269,874	-	63,229	-	467,429	800,532
Austin Medical Center Crime Victims Resource Center	77,632	-	-	-	71,713	149,345
Battered Women's Legal Advocacy Project	64,476	-	-	-	59,223	123,699
Beltrami County Attorney's Office	36,986	-	-	-	27,014	64,000
Benton County Attorney's Office	38,835	-	-	-	28,365	67,200
Bluff Country Family Resources	64,837			-	60,057	124,894
Bois Forte Reservation	67,398			-	62,889	130,287
Breaking Free	37,149	80,194		-	23,838	141,181
Brown County Probation Department	32,362			-	23,638	56,000
Canvas Health, Inc.	69,176			-	50,527	119,703
Carlton County Attorney's Office	48,081			-	35,119	83,200
Casa de Esperanza	184,405		63,229	-	363,092	610,726
Cass County Attorney's Office	34,137			-	28,479	62,616
Center for Victims of Torture	91,460			-	58,037	149,497
Central Minnesota Sexual Assault Center	156,579			153,156	47,458	357,193
Central Minnesota Task Force on Battered Women	104,835		63,229	-	1,040,534	1,208,598
Children's Health Care (d.b.a. Children's Hospitals and Clinics of Minnesota)	61,026			-	44,574	105,600

Chippewa County Attorney's Office	38,835			-	28,365	67,200
Chisago County Attorney's Office	41,988			-	31,012	73,000
Clay County Attorney's Office	38,835			-	28,365	67,200
Committee Against Domestic Abuse	724,064		63,229	-	756,973	1,544,266
Communication Service for the Deaf, Inc.	60,960			-	50,955	111,915
Community Health Service, Inc.	134,347	80,194		-	78,604	293,145
Comunidades Latinos Unidos En Servicio	62,426			54,546	17,127	134,099
Cook County Attorney's Office	27,739			-	20,261	48,000
Cornerhouse	73,951			-	45,249	119,200
Cornerstone Advocacy Services	467,068		63,229	-	1,145,832	1,676,129
Council on Crime and Justice	134,850			-	93,200	228,050
Crisis Resource Center of Steele County	67,053			-	71,251	138,304
Crow Wing County Victim Services, Inc.	41,096			-	28,365	69,461
Dakota County Attorney's Office Victim/Witness Program	51,780			-	37,820	89,600
Dodge Fillmore Olmsted Community Corrections	178,508			-	130,383	308,891
Domestic Abuse Intervention Programs	147,210			-	165,586	312,796
Domestic Abuse Project	141,472			-	163,328	304,800
Family Pathways	191,410		63,229	-	264,582	519,221
Family Safety Network of Cass County	37,253			-	40,118	77,371
Family Service Inc.	76,188			-	46,884	123,072
Familywise	81,179			-	50,652	131,831
First Witness Child Abuse Council	107,595			-	69,830	177,425
Fond du Lac Band of Lake Superior Chippewa	118,869			-	120,235	239,104
Freeborn County Crime Victims Crisis Center	75,128			-	69,400	144,528
Friends Against Abuse	179,065	80,194		-	117,227	376,486
Grand Portage Band of Lake Superior Chippewa	38,239			-	56,647	94,886
Greater Minneapolis Council of Churches	70,031			-	94,855	164,886

Hands of Hope Resource Center	190,882			-	183,625	374,507
Headwaters Intervention Center, Inc.	65,770			-	97,430	163,200
Hmong American Partnership	55,439			-	40,492	95,931
Hope Center	114,410			-	107,628	222,038
HOPE Coalition	327,952		63,229	-	472,370	863,551
Hubbard County Attorney's Office	18,599			-	27,401	46,000
Immigrant Law Center of Minnesota	71,541	80,194		-	23,923	175,658
Intercultural Mutual Assistance Association	48,986			-	27,014	76,000
Isanti County Attorney's Office	41,609			-	30,391	72,000
Itasca County Attorney's Office	40,684			-	29,716	70,400
Lake County Attorney's Office	16,965			-	19,767	36,732
Lakes Crisis and Resource Center	250,041		63,229	-	297,896	611,166
Le Sueur County Attorney's Office	43,458			-	31,742	75,200
Leech Lake Band of Ojibwe	42,475			-	40,321	82,796
Marshall County Sheriff's Department	38,834			-	28,366	67,200
Martin County Victim Services	60,679			-	44,321	105,000
McLeod Alliance for Victims of Domestic Violence	38,306			-	44,894	83,200
Mediation Services for Anoka County	12,945			-	9,455	22,400
Meeker County Attorney's Office	39,759			-	29,041	68,800
Mid-Minnesota Women's Center, Inc.	206,750		63,229	-	339,474	609,453
Mille Lacs Band of Ojibwe	161,011	189,635	63,229	-	126,788	540,663
Minneapolis Department of Health & Family Support	50,000			-		50,000
Minnesota Alliance on Crime	62,000			-	-	62,000
Minnesota Children's Alliance	66,556			-	-	66,556
Minnesota Coalition Against Sexual Assault	127,895			-	-	127,895
Minnesota Coalition for Battered Women	126,650			-	-	126,650
Minnesota Elder Justice Center	61,339			-	- 50,000	111,339

Minnesota Indian Women's Resource Center	55,937			-	32,091	88,028
Minnesota Indian Women's Sexual Assault Coalition	90,080			-		90,080
Missions, Inc. Programs	322,308		63,229	-	-690,063	1,075,600
Mothers Against Drunk Driving-Minnesota	46,232			-	33,768	80,000
New Horizons Crisis Center	149,600			-	100,503	250,103
Norman County Attorney's Office	32,363			-	23,637	56,000
North Shore Horizons	111,035			-	113,011	224,046
Northwoods Coalition for Family Safety	225,583		63,229	-	146,102	434,914
OutFront Minnesota Community Services	78,277			-	83,323	161,600
Pathways of West Central Minnesota, Inc.	67,002			-	47,113	114,115
Pearl Battered Women's Resource Center	87,597			-	80,396	167,993
Pennington County Attorney's Office	60,679			-	44,321	105,000
Phyllis Wheatley Community Center	32,812			-	40,118	72,930
Pillsbury United Communities	106,078			-	106,324	212,402
Polk County Attorney's Office	60,679			-	44,321	105,000
Prairie Island Indian Community	48,784			-	38,216	87,000
Program for Aid to Victims of Sexual Assault	135,844			-	90,857	226,701
Ramsey County Attorney's Office	60,679			-	44,321	105,000
Rape and Abuse Crisis Center	177,984			-	158,513	336,497
Red Lake Band of Chippewa Indians	226,261	257,165	63,229	-	140,565	687,220
Red Lake County Attorney's Office	23,116			-	16,884	40,000
Redwood Area Communities Foundation	49,030			-	39,312	88,342
Rice County Attorney's Office	36,986			-	27,014	64,000
Rivers of Hope	97,114			-	126,086	223,200
Roseau County Attorney's Office	36,986			-	27,014	64,000
Safe Avenues	365,500	128,388	63,229	-	444,789	1,001,906
Safe Haven Shelter for Battered Women	429,012		63,229	-	937,974	1,430,215

Sexual Assault Program of Northern St Louis County	96,048			-	62,816	158,864
Sexual Assault Services/Crow Wing County	59,151			-	34,822	93,973
Sexual Violence Center	153,393			150,367	47,140	350,900
Sherburne County Attorney's Office	48,081			-	35,119	83,200
Sojourner Project, Inc.	206,397		63,229	-	403,967	673,593
Someplace Safe	743,036			-	467,460	1,210,496
Southern Minnesota Regional Legal Services, Inc.	22,962			-	16,238	39,200
Southern Valley Alliance for Battered Women	75,190			-	93,610	168,800
Southwest Crisis Center	284,974			-	257,709	542,683
St Paul - Ramsey County Department of Public Health, Sexual Offense Services	122,460			-	89,446	211,906
St Paul & Ramsey County Domestic Abuse Intervention Project	131,279			-	176,712	307,991
Stearns County Attorney's Office	30,959			-	28,743	59,702
Support Within Reach	274,137	80,194		-	196,668	550,999
Survivor Resources	68,734			-	43,459	112,193
The Family Partnership	210,444			-	203,053	413,497
Tubman Family Alliance	1,364,052		63,229	-	2,975,318	4,402,599
University of Minnesota Community-University Health Care Center	72,857			-	79,847	152,704
Violence Intervention Project	190,326		63,229	-	218,761	472,316
Violence Prevention Center	60,137			-	57,330	117,467
Washington County Attorney's Office	60,680			-	44,320	105,000
West Central Minnesota Communities Action, Inc.	48,986			-	27,014	76,000
White Earth Reservation Tribal Council	167,685		63,229	-	72,631	303,545
WINDOW	229,848			-	208,341	438,189
Winona County Attorney's Office	33,860			-	24,732	58,592
Women of Nations, Inc.	430,474		63,229	-	941,483	1,435,186
Women's Advocates, Inc.	462,963		63,229	-	1,028,849	1,555,041

Women's Resource Center of Winona	109,850			-	103,056	212,906
Women's Rural Advocacy Programs	91,310			-	117,490	208,800
Women's Shelter, Inc.	355,731		63,229	-	725,865	1,144,825
TOTAL	\$18,252,354	\$976,158	\$1,580,726	\$358,069	\$23,298,824	\$44,466,131

OIG MANAGEMENT ADVISORY MEMORANDUM



U.S. Department of Justice

Office of the Inspector General

April 14, 2017

MANAGEMENT ADVISORY MEMORANDUM FOR:

ALAN R. HANSON
 ACTING ASSISTANT ATTORNEY GENERAL
 OFFICE OF JUSTICE PROGRAMS

FROM:

MICHAEL E. HOROWITZ
 INSPECTOR GENERAL

SUBJECT:

Minnesota Office of Justice Programs' Administration of
Victim of Crime Act Victim Assistance Grant Funds

The purpose of this memorandum is to advise you of significant issues that may be affecting the ability of the Minnesota Office of Justice Programs (MN OJP) to adequately administer Office for Victims of Crime (OVC) Victims of Crime Act (VOCA) Victim Assistance formula grants. This concern arises out of my office's ongoing audit of VOCA formula funds awarded to MN OJP by the Department's Office of Justice Programs (DOJ OJP). Our review has determined that the methodology MN OJP uses to award these funds to subrecipients is inappropriate. Specifically, when establishing award amounts, MN OJP combined the VOCA funds with awards from other state and federal funding sources into a single subgrant without identifying for the subrecipients the amount of funding from each individual source. This methodology resulted in a commingled accounting environment for subrecipients, thereby potentially causing several significant problems as described below.

This memorandum provides early notification of our concerns that we believe are significant enough to warrant DOJ OJP's immediate attention and consideration in its oversight of VOCA grants provided to state administering agencies, and so that it can assess the potential systemic nature of our finding.

Background

We initiated an audit of VOCA grants awarded to MN OJP in August 2016. In 2013, 2014, and 2015 MN OJP was awarded a total of \$48,152,497 in VOCA victim assistance formula funds under Grant Numbers 2013-VA-GX-

0011, 2014-VA-GX-0033, and 2015-VA-GX-0023 to support eligible assistance programs that provide direct services to crime victims. MN OJP subgrants these funds to organizations serving the residents of Minnesota to enhance, expand, and develop programs to benefit victims of crime. According to the DOJ OJP Financial Guide, prime grantees and subrecipients are required to establish and maintain an adequate accounting system and financial records and to accurately account for grant funds awarded to them. In addition, the DOJ OJP Financial Guide states that to properly account for all awards, recipients should establish and maintain program accounts which will enable separate identification and account for formula grant funds expended through subrecipients.

During our review of the victim assistance program administered by MN OJP, we found that MN OJP managed its VOCA funds with funds from other federal and state sources. When establishing award amounts for each subrecipient, MN OJP combined the VOCA funds with the other monies and awarded each subrecipient a single subgrant without identifying for the subrecipient the amount of funding provided by each source. This method of awarding funds established a commingled accounting environment for the subrecipients because the subrecipients were unable to adequately track federal or state financial assistance activity by funding source. As such, throughout our audit we identified pervasive recordkeeping and tracking issues that rendered us unable to verifiably account for or audit total and individual federal expenditures.

While we continue to audit other areas of the victim assistance and victim compensation grants, I wanted to alert you to the fact that as a result of MN OJP's methodology of for awarding subgrants, the OIG audit team will not be able to complete the entirety of its audit testing of MN OJP VOCA grants.

Establishment of Subawards

MN OJP receives funding from various sources, including federal grants and state funding from Minnesota, to use when subgranting awards to victim services organizations. The relevant federal funds that MN OJP received in addition to the VOCA funds originated from DOJ Office of Violence Against Women's (OVW) STOP Violence Against Women (STOP) and Sexual Assault Services (SASP) formula grant programs, and the Department of Health and Human Services' (HHS) Family Violence Prevention and Services Act (FVPSA) program.¹ The MN OJP refers to these subawards as "Crime Victim Services" (CVS) grants. The funding sources and amounts that were awarded to

¹ We have alerted the HHS OIG of the issue, as our finding includes the issuance of subawards that include HHS grant funding.

subrecipients during the state grant award periods that we audited are displayed in the following table.²

Table 1
Total MN OJP CVS Subgrant Funding by Source,
State Grant Award Periods 2014 through 2016

Funding Source	State Grant Award Period		
	2014	2015	2016
State of Minnesota	\$ 11,281,739	\$ 10,889,368	\$ 23,298,824
VOCA Victim Assistance	6,602,657	6,286,940	18,252,354
HHS FVPSA	975,132	875,804	1,580,726
OVW STOP	415,000	65,000	975,158
OVW SASP	0	0	358,069

Source: Minnesota Office of Justice Programs

Note: Because DOJ's VOCA awards have a 4-year period of performance, funding from multiple VOCA grants may be used during any given state grant award period. For example, state grant award period 2016 utilized VOCA funds from the 2013, 2014, and 2015 VOCA grants. As such, the amount of VOCA funds allocated in the 2014 through 2016 state grant award periods does not equal the total amount of the 2013, 2014, and 2015 VOCA grants (\$48,152,497). In addition, the information in this table reflects only those subrecipients that received VOCA funds.

MN OJP sometimes awarded subrecipients a CVS subgrant derived from four different federal and state funding sources. For example, as noted in Table 2 below, a subrecipient in state grant award period 2016 received a subaward totaling \$1,001,906. Internal MN OJP documents indicate that the award amount was derived from VOCA, state, and two other sources of federal funds.

² MN OJP granted subawards based on a year-long state grant award period starting October 1 and ending September 30 every year. State grant award periods are referred to by the year in which the grant ends. For example, the state grant award period beginning October 1, 2013, and ending September 30, 2014, is referred to as state grant award period 2014. We noted that the state grant award period is 1 year after the federal grant award year, and therefore we based our audit testing on subrecipients that received VOCA funds in state grant award period 2014, which was the first state grant award period that utilized the 2013 VOCA grant.

Table 2
Example of Subrecipient CVS Funding from Multiple Sources

Funding Source	Amount
State Awards	\$444,789
VOCA Victim Assistance	365,500
HHS FVPSA	63,229
OVW STOP	128,388
Total Award	\$1,001,906

Source: Minnesota Office of Justice Programs

We reviewed MN OJP documents supporting its subrecipient awards of VOCA funds in 2103, 2014, and 2015 and found that in all cases the award amounts amalgamated VOCA funds with funds from other sources. Although MN OJP had funding allocation information available by subaward (and provided it to us), it did not make this information readily available to subrecipients. In sample award documents between MN OJP and its subrecipients that we reviewed, we found that MN OJP identified the multiple sources used to fund the subaward but did not provide a breakdown of the funding by source, either by dollar amount or by percentage.

According to MN OJP, it created its current subaward allocation process in approximately 2006. We were told that this process was developed to lessen the administrative burden on subrecipients, which may be smaller organizations without the infrastructure to administer multiple federal and state grants. However, the DOJ OJP Financial Guide states that the accounting systems of all recipients and subrecipients must ensure that DOJ funds are not commingled with funds from other federal or private sources. MN OJP’s method of awarding subgrants comprised of multiple funding sources does not allow subrecipients to adhere to this DOJ OJP Financial Guide requirement to account for each federal award separately.

Impact on Identifying VOCA Subrecipient Expenditures

Because subrecipients did not have insight into which funding source reimbursed any given transaction that they submitted to MN OJP, subrecipients did not have the ability to identify specific expenditures made with VOCA funding. We determined that MN OJP instead required all subrecipients to report expenditures in just two categories, classifying expenditures as either “VOCA-Eligible” or “Other,” regardless of the number or amount of different sources of funding that went into the subgrant award. MN OJP defined VOCA-Eligible expenditures as any expenditure that *could* be charged to the VOCA funding source, such as personnel costs related to direct victim services, office supplies, and rent. The Other category was defined as any expenditures that could not be funded by the VOCA grants, including personnel expenses not

related to direct program services, accounting costs, or the purchase of promotional items. MN OJP officials told us that while VOCA victim assistance funds would only be spent on expenditures from the VOCA-Eligible category, other federal and state funding sources could be applied to this category as well.

When reimbursing subrecipients for victim services expenditures, MN OJP staff reviewed the reimbursement request, which divided the total request into the two categories (VOCA-Eligible and Other), and used their discretion to determine the amounts to be paid by the various funding sources (i.e., VOCA, OVW, state, HHS). In posting these subrecipient payment transactions to its own accounting system, MN OJP allocated the payments by funding source so that MN OJP effectively was in compliance with the prohibition against commingling.

We asked MN OJP officials if they provided their subrecipients any type of retrospective identification of how reimbursements were allocated among the funding sources and we were told that this was not done. Based on this method, subrecipients could never be expected to identify the funding source for expenditures at a transaction level, as required by the DOJ OJP Financial Guide. Further, we noted that the subaward notification letter states that “the actual funds reimbursed by the end of the grant period could be different than the initial allocation.” Therefore, MN OJP was exercising sole decision-making authority in the timing and execution of VOCA expenditures of its subrecipients, separating subrecipients from the responsibility of understanding how they were spending federal dollars. In short, MN OJP’s subrecipients conducted their MN OJP CVS grant-related financial activity without being aware of whose money they were spending when they spent it.

As a result of this lack of transactional accountability, we could not conduct tests of subrecipients’ VOCA expenditures, as we could not definitively determine the source of funding - VOCA or otherwise - for any particular expenditure. Although subrecipients may have been able to provide us with support for expenditures in the VOCA-Eligible category, they would be unable to identify which specific transactions were reimbursed with VOCA funds. In addition, subrecipients would not be capable of maintaining compliance with the DOJ OJP and government-wide grant administration requirements to track personnel costs by project. As a result, we cannot determine if VOCA-funded expenditures were properly authorized, accurately recorded, allowable, and adequately supported.

Impact on Subrecipient Single Audit Compliance

MN OJP’s method of awarding its subrecipients a single subgrant that combined multiple sources of funding also may have impeded subrecipients’ ability to comply with the requirements of the Single Audit Act. The Single Audit Act of 1984, as amended, requires for non-federal entities that receive federal

financial assistance above a certain threshold to receive an annual audit of their financial statements and federal expenditures. For fiscal years beginning prior to December 26, 2014, non-federal entities that expended \$500,000 or more in federal awards during the entity's fiscal year were required to have a single audit performed. New guidance was issued in December 2014 that raised the federal expenditure threshold to \$750,000 for fiscal years beginning on or after December 26, 2014.³

Because MN OJP awarded subgrants to subrecipients without identifying the amount of money granted by funding source and did not differentiate between federal and state funds, subrecipients would not be able to calculate their total federal funding. Consequently, subrecipients would not be able to determine whether the federal expenditure threshold was met, thus triggering the single audit requirement. Although MN OJP officials told us that subrecipients may contact MN OJP to determine how much federal funding was provided within the subgrant, MN OJP does not readily provide its subrecipients necessary information concerning how much of the funds they received originated with the federal government.

MN OJP's subaward methodology also impacts a subrecipient's ability to accurately report its financial grant activity in the Schedule of Expenditures of Federal Awards (SEFA) in the annual single audit report. The SEFA should identify expenditures for each federal funding source by program, including both direct and indirect awards. Therefore, MN OJP's subrecipients that received VOCA funding mixed with Minnesota state funds, HHS FVPSA, and the two DOJ OVW programs would not have adequate information with which to accurately and completely develop the SEFA without requesting MN OJP assistance.

We discussed this matter with one subrecipient agency and this subrecipient expressed its concern to us that MN OJP's subaward methodology would impact its ability to adequately complete its single audit. This subrecipient gave us documentation that provided evidence that it had questioned MN OJP on its subaward methodology and had explained to MN OJP that it needed specific information on the funding sources within its subaward. In response, MN OJP told this subrecipient that it could contact MN OJP and obtain the allocations.

Single audits provide federal agencies with a fundamental level of oversight of recipients that expend federal funding above the threshold level. We are concerned that MN OJP's method of subawarding VOCA and other related federal financial assistance may be significantly and negatively affecting its

³ 2 C.F.R. 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (referred to as "the Uniform Guidance").

subrecipients' ability to comply with the requirements under the Single Audit Act.

Impact on Program Performance Reporting

According to the VOCA Program Guidelines, each state grantee is required to submit annual specific grant performance data on the Victim Assistance Grant Program State Performance Report. Additionally, the DOJ OJP Financial Guide states that recipients of federal funds must establish reasonable procedures to ensure accurate reports from subrecipients. However, we noted that because subrecipients were unaware of exactly how much VOCA-specific funding they received, they were not able to identify their results attributable to the VOCA funding. Therefore, information reported by the subrecipients likely would not accurately reflect the performance of the VOCA grant, but would instead reflect the accomplishments of the totality of financial assistance received from MN OJP under the CVS subaward. As such, we were unable to complete our audit testing in the area of program performance reporting.

The VOCA Program Guidelines also require state grantees to give priority to victims of sexual assault, domestic abuse, and child abuse by allocating a minimum of 10 percent of each fiscal year grant to each of these specific categories of crime victims, or 30 percent in total. An additional 10 percent of each grant should be allocated to victims of violent crime who were "previously underserved."⁴ Therefore, MN OJP must fulfill this priority area funding requirement when determining which organizations will receive VOCA funding. However, in order to determine the population of victims served with specific funding sources, subrecipients would have to be able to designate their expenditures by type of victims served. The inability of subrecipients to know which funding source reimburses specific expenditures prohibits the ability to appropriately track VOCA funds by priority victim areas. Therefore, we are unable to complete our testing of MN OJP's allocation of funding to priority victim areas.

#####

We are providing this information so that DOJ OJP can ensure appropriate management of VOCA funds by recipients and can assess the potential systemic nature of our finding, including ensuring that MN OJP subrecipients are able to completely and accurately account for the VOCA funds received. We are continuing our audit of the victim assistance and victim compensation grants awarded to MN OJP. We will include in our final report any actions DOJ OJP takes based on the concerns raised in this memorandum.

⁴ MN OJP defines previously underserved victims of general crime, such as robbery, elder abuse, and assault.

If you have any questions or would like to discuss the information in this memorandum, please contact me at (202) 514-3435 or Jason R. Malmstrom, Assistant Inspector General for Audit, at (202) 616-4633.

cc: Gary Barnett
Counsel to the
Deputy Attorney General

Scott Schools
Associate Deputy Attorney General

Rachel K. Parker
Chief of Staff and Senior Counsel
Office of the Associate Attorney
General

Steve Cox
Deputy Associate Attorney General

Richard P. Theis
Assistant Director
Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

**MINNESOTA OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT AUDIT REPORT²²**

MINNESOTA DEPARTMENT OF PUBLIC SAFETY



Office of Justice Programs

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- Driver and Vehicle Services
- Emergency Communication Networks
- Homeland Security and Emergency Management
- Minnesota State Patrol
- Office of Communications
- Office of Justice Programs
- Office of Pipeline Safety
- Office of Traffic Safety
- State Fire Marshal



June 16, 2017

Carol Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office for Victims of Crime
U.S. Department of Justice
500 West Madison Street, Suite 1121
Chicago, Illinois 60661-2590

Dear Ms. Taraszka,

The Minnesota Department of Public Safety Office of Justice Programs (MN OJP) has received the draft report of the audit conducted by your office covering activities from August 2013 through January 2017. The purpose of this letter is to provide a formal response to the recommendations contained in the draft report.

MN OJP has historically had a very positive reputation for competent grant administration. Previous site visits and audits by Office of Victims of Crime (OVC) staff have resulted in very few findings. Two of the practices negatively referenced in the report have been methods utilized for over a decade, with multiple OVC staff having reviewed and approved them. Given this prior affirmative OVC review of our practices, we are surprised and dismayed by the overall tone of this report which implies MN OJP is generally not fulfilling its grant management responsibilities. We do, however, feel confident moving forward that we can improve and expand our existing system based on the recommendations provided in the report.

The report contains eight recommendations which are addressed below. After each is the MN OJP response:

Recommendation 1: Require MN OJP to utilize a process for awarding funds to subrecipients that is in compliance with federal regulations so that subrecipients are able to completely and accurately account for funds from separate sources.

²² Attachments to this response were not included in this final report.

Response 1: MN OJP concurs with this recommendation. We have been using this methodology for years with approval of our OVC grant manager. The current method does ensure that all expenditures charged to the VOCA grant are supported, allowable, and in accordance with the terms and conditions of the VOCA awards. Subrecipients have always been able to ascertain the funding source for each payment. We acknowledge, however, that subrecipients have not been able to identify at the time of purchase which funding source would pay for it; for example, whether a specific pencil would be reimbursed with VOCA or state funds. However, we verified the pencil was an eligible VOCA expense and subrecipients could learn which fund paid for it upon payment. Subrecipients have always had the ability to look in Swift (the State of Minnesota online financial system) or call our office for assistance; this detail is now available in the MN OJP's online grant administration system (e-grants) as well.

We have taken immediate steps to comply with this recommendation. As of June 1, 2017 all new Crime Victim Services (CVS) grant subrecipients will receive one source of federal funds within a grant contract. Details of this plan are in Attachment A.

Recommendation 2: Remedy the \$453,640 in personnel expenditures charged to all three VOCA victim assistance grants as of June 30, 2016.

Response 2: MN OJP concurs with this recommendation and will work with DOJ OJP to remedy this issue.

Recommendation 3: Require MN OJP to develop procedures to ensure that personnel costs charged to the VOCA victim assistance grants are in compliance with Victim Assistance Program Guidelines and adequately and accurately reflect time spent on the VOCA program.

Response 3: MN OJP concurs with this recommendation. We have been using a documented, formal allocation method to support personnel costs. This involves each grant manager certifying a list of grants they have been working on every six months. This was discussed with the Office of Inspector General (OIG) audit team who determined that this method was insufficient, however, they also noted that the method is logical and defensible. Over the years (and as recently as during the Advanced Financial Training held May 31 – June 1, 2017 in Washington D.C.) we have repeatedly asked for guidance on this issue and have received none. We will again reach out to DOJ OJP to seek assistance in addressing this recommendation.

Recommendation 4: Remedy the \$124,124 in advanced funds from the FY 2015 VOCA victim assistance grant.

Response 4: MN OJP concurs with this recommendation. We were erroneously following the State of Minnesota Grant Management Guidelines which allows for a 30 day advance to be given and spent down any time before the end of the grant. We are no longer allowing advances. Grantees have been notified by memo of this change and the MN OJP Grant Manual is being updated to reflect this change. We will report to DOJ OJP on the implementation of this recommendation and its result.

Recommendation 5: Ensure MN OJP's process for disbursing funds to subrecipients complies with DOJ OJP's requirement that federal funds be spent within 10 days of receipt.

Response 5: MN OJP concurs with this recommendation and has implemented this practice change. All disbursements are now on a reimbursement only basis.

Recommendation 6: Ensure that MN OJP accurately reports the amount of match provided to subrecipients.

Response 6: MN OJP partially concurs with this recommendation. The OIG report section on "Financial Reporting" (page 19) states, "We determined that the 20 percent match amount reported on the FFRs represented a calculation of the match amount, rather than a reflection of actual financial activity." This is not the case. Every match dollar reported on MN OJP's quarterly FFR is a true, documented expenditure, not a calculation. MN OJP has used this practice on past FFRs for multiple federal grants and they have always been approved, even though it reflected overmatching. OJP will work with DOJ OJP on a methodology to calculate the match requirement for each VOCA federal award; the method to accomplish this, is not readily apparent due to different match requirements for tribes and potential match waivers for other subrecipients.

Recommendation 7: Require MN OJP to establish a method to ensure the reliability of subrecipient performance data.

Response 7: MN OJP concurs with the recommendation. We have been working with subrecipients and grant managers to accurately input and review the data reported in PMT. The Verification Process is detailed in Attachment B.

Recommendation 8: Ensure that MN OJP adequately monitor its subrecipients to provide reasonable assurance that its subrecipients comply with the terms and conditions of the VOCA victim assistance grants, including: 1) providing financial training and assistance to staff involved with the oversight of subrecipients, and 2) ensuring that resources are available to provide adequate monitoring of subrecipients through both annual desk reviews and site visits.

Response 8: MN OJP partially concurs with the recommendation. The OIG report section on "Monitoring of Subrecipients" (page 22) inaccurately states that "we found that MN OJP performs reviews of its subrecipients using two methods: desk reviews and site visits." As stated in our Grant Manual, our grant monitoring consists of numerous tasks: Financial Status Report Review, Progress Report Review, Technical Assistance Contacts (2,680 from 7/1/15 - 6/30/16), Site Visits, and Financial Desk Reviews.

We concur that more review and verification needs to be done and, in fact, we were already in the process of enhancing grant management systems when the OIG audit process began.

We have already taken the following steps to increase monitoring effectiveness:

- Hired an additional grant manager.
- Sent memo to subrecipients with notification of monitoring changes (Attachment C).
- Revised Pre Award Risk Assessment (Attachment D).
- Updated the Financial Desk Review process to increase the numbers of reviews done, and to increase consistency and quality (Flow Chart – Attachment E).
- Designated a fiscal staff person to manage the financial desk review process and ensure consistency and accuracy in the process.

MN OJP is currently taking the following steps:

- Finalizing a Training Plan and Contract with the Nonprofits Assistance Fund to provide training to MN OJP Grant Managers that will cover analysis of financial statements, calculation of indirect expenses and cost allocation, determination of accurate program costs, and adequate source documentation. The training is planned for September, 2017.
- Enhancing the documentation and reporting of site visits. Previously we tracked only official comprehensive site visits, on-site monitoring visits, and telephone technical assistance contacts. Many of the grant manager telephone contacts with grantees actually qualify as site visits and will be documented as such. This change is occurring immediately.
- Planning for an in-person grantee training on MN OJP grant management policies and procedures with an emphasis on financial management of grant funds, federal guidelines, and adequate preparation of financial desk review materials. This training is planned for October 2017.

The MN Office of Justice Programs, Crime Victim Services Unit, appreciates the opportunity to respond to the audit report. We look forward to working with DOJ OJP to resolve the issues identified in the report and implement the associated recommendations. If you have any questions, or require additional information, please contact me at raeone.magnuson@state.mn.us or 651-201-7305.

Sincerely,



Raeone E. Magnuson
Director
MN Department of Public Safety,
Office of Justice Programs

Cc: Linda.Taylor2@usdoj.gov
Jeff.Haley@usdoj.gov
Cassandra.Ohern@state.mn.us

**U.S. DEPARTMENT OF JUSTICE
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

JUL 18 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, Victim Assistance and Victim Compensation Formula Grants Awarded to the Minnesota Department of Public Safety, Office of Justice Programs, St. Paul, Minnesota*

This memorandum is in reference to your correspondence, dated May 30, 2017, transmitting the above-referenced draft audit report for the Minnesota Department of Public Safety, Office of Justice Programs (MN OJP). We consider the subject report resolved and request written acceptance of this action from your office.

The U.S. Department of Justice (DOJ), Office of Justice Programs (OJP) appreciates the opportunity to review and comment on the draft audit report. In a Management Advisory Memorandum, dated April 14, 2017, the Office of the Inspector General (OIG) advised OJP of significant issues that may be affecting the ability of the MN OJP to adequately administer its Victims of Crime Act (VOCA), Victim Assistance Formula grants. To that end, on June 12, 2017, the Department of Justice designated the MN OJP as a high-risk grantee, pursuant to the requirements of 28 C.F.R. § 66.12 and 2 C.F.R. § 200.207.

As outlined in the DOJ Grants Financial Guide¹, ensuring proper internal controls and financial management of Federal grant funds, which includes subrecipient monitoring, is ultimately the responsibility of the grantee. DOJ OJP monitors grantees to ensure programmatically and financially administers DOJ grants in accordance with applicable grant requirements and guidelines. The Office for Victims of Crime (OVC) conducts programmatic monitoring reviews and assesses the overall administration of states' VOCA Victim Assistance and Victim Compensation Formula Grant Programs. Moreover, in-depth financial reviews of DOJ OJP grant funds are only performed through OIG audits, or DOJ OJP financial monitoring visits, which are conducted by OJP's Office of the Chief Financial Officer.

¹ In 2015, the DOJ Grants Financial Guide replaced the OJP Financial Guide, effective for awards made after December 26, 2014.

In July 2013, OVC conducted an enhanced programmatic desk review of MN OJP. Enhanced desk reviews are performed remotely, as a cost-effective alternative to on-site reviews. During its review, OVC found several deficiencies in MN OJP's administration of its VOCA funds, specifically that: 1) OVC was unable to determine if VOCA funds were appropriately used by MN OJP, due to lack of documentation to support subgrantees' intentions for use of their VOCA funds; 2) MN OJP did not collect and review job or volunteer descriptions from subgrantees requesting VOCA funds; and 3) MN OJP did not have a policy in place to utilize the General Services Administration's System for Award Management, in order to identify those parties excluded from receiving certain Federal contracts, subcontracts, and financial and non-financial assistance and benefits. All of the noted deficiencies were promptly addressed by MN OJP, and the enhanced desk review was closed by OVC in August 2013.

The draft report contains **eight** recommendations and **\$577,764** in questioned costs. The following is DOJ OJP's analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that DOJ OJP require MN OJP to utilize a process for awarding funds to subrecipients that is in compliance with Federal regulations so that subrecipients are able to completely and accurately account for funds from separate sources.**

DOJ OJP agrees with this recommendation. We will coordinate with the MN OJP to obtain a copy of written policies and procedures, developed and implemented, to ensure that Federal funds awarded to subrecipients are in compliance with Federal regulations, so that subrecipients are able to completely and accurately account for Federal funds from separate sources.

Since being designated as a DOJ high-risk grantee, MN OJP has changed its method of awarding and disbursing crime victim services funding to subrecipients. For example, MN OJP stated that, going forward, subawards will be limited to one source of Federal funds (which may also include state funding and matching funding, if required by the Federal funding source); and requests for reimbursement of expenses will match the amounts reported on the quarterly financial reports.

2. **We recommend that DOJ OJP remedy the \$453,640 in personnel expenditures charged to all three VOCA victim assistance grants as of June 30, 2016.**

DOJ OJP agrees with this recommendation. We will review the \$453,640 in questioned costs, related to personnel expenditures charged to Grant Numbers 2013-VA-GX-0011, 2014-VA-GX-0033, and 2015-VA-GX-0023, as of June 30, 2016, and will work with the MN OJP to remedy any such costs determined to be unsupported.

3. **We recommend that DOJ OJP require MN OJP to develop procedures to ensure that personnel costs charged to the VOCA victim assistance grants are in compliance with Victim Assistance Program Guidelines and adequately and accurately reflect time spent on the VOCA program.**

DOJ OJP agrees with this recommendation. We will coordinate with the MN OJP to obtain a copy of written policies and procedures, developed and implemented, to ensure that personnel expenditures charged to VOCA Victim Assistance grants are in compliance with 2 C.F.R. Part 200 (e.g., by requiring actual timesheets and reconciling payroll charges to the grants against actual time) and the VOCA Victim Assistance Program regulations.

4. **We recommend that DOJ OJP remedy the \$124,124 in advanced funds from the FY 2015 VOCA victim assistance grant.**

DOJ OJP agrees with this recommendation. We will review the \$124,124 in questioned costs, related to advanced funds from Grant Number 2015-VA-GX-0023, and work with the MN OJP to remedy any such costs determined to be advanced.

5. **We recommend that DOJ OJP ensure MN OJP's process for disbursing funds to subrecipients complies with DOJ OJP's requirement that Federal funds be spent within 10 days of receipt.**

DOJ OJP agrees with this recommendation. We will coordinate with MN OJP to obtain a copy of written policies and procedures, developed and implemented, to ensure that drawdowns of Federal grant funds are based on actual expenditures incurred, or are the minimum amounts needed for disbursements to be made immediately or within 10 days of draw down, in accordance with the DOJ Grants Financial Guide.

6. **We recommend that DOJ OJP ensure that MN OJP accurately reports the amount of match provided to subrecipients.**

DOJ OJP agrees with this recommendation. We will coordinate with MN OJP to obtain a copy of written policies and procedures developed and implemented to ensure that VOCA subrecipient matching amounts are accurately reported.

7. **We recommend that DOJ OJP require MN OJP to establish a method to ensure the reliability of subrecipient performance data.**

DOJ OJP agrees with this recommendation. We will coordinate with MN OJP to obtain a copy of written policies and procedures, developed and implemented, which establish a method to ensure the reliability of subrecipient performance data.

8. **We recommend that DOJ OJP ensure that MN OJP adequately monitor its subrecipients to provide reasonable assurance that its subrecipients comply with the terms and conditions of the VOCA victim assistance grants, including: 1) providing financial training and assistance to staff involved with the oversight of subrecipients; and 2) ensuring that resources are available to provide adequate monitoring of subrecipients through both annual desk reviews and site visits.**

DOJ OJP agrees with this recommendation. We will coordinate with MN OJP to obtain a copy of written policies and procedures, developed and implemented, to ensure that its subrecipients comply with the terms and conditions of the VOCA Victim Assistance grants, including: 1) providing financial training and assistance to staff involved with the oversight of subrecipients; and 2) ensuring that resources are available to provide adequate monitoring of subrecipients through both annual desk reviews and site visits.

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
Deputy Assistant Attorney General
for Operations and Management

LeToya Johnson
Senior Advisor
Office of the Assistant Attorney General

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Richard P. Theis
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Justice Management Division

cc: OJP Executive Secretariat
Control Number IT20170531092124

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

The OIG provided a draft of this audit report to the Department of Justice (DOJ), Office of Justice Programs (OJP) and the Minnesota Department of Public Safety, Office of Justice Programs (MN OJP). The DOJ OJP response is incorporated in Appendix 6 and the MN OJP response is incorporated in Appendix 5 of this final report. In response to our draft audit report, DOJ 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. Require MN OJP to utilize a process for awarding funds to subrecipients that is in compliance with federal regulations so that subrecipients are able to completely and accurately account for funds from separate sources.**

Resolved. DOJ OJP concurred with our recommendation. DOJ OJP stated in its response that it will coordinate with MN OJP to obtain written policies and procedures, developed and implemented, to ensure that federal funds awarded to subrecipients are in compliance with federal regulations, so that subrecipient are able to completely and accurately account for federal funds from separate sources. Additionally, DOJ OJP reported that it designated MN OJP as a DOJ high-risk grantee as a result of the deficiencies we identified. DOJ OJP also indicated that in response to that designation, MN OJP changed its method of awarding and distributing funding to subrecipients and that, going forward, subawards will be limited to one source of federal funds.

MN OJP concurred with our recommendation and acknowledged in its response that its award process did not allow its subrecipients to identify a specific funding source at the time an expenditure was incurred. MN OJP stated that it took steps to correct this issue and modified its subaward allocation methodology as of June 1, 2017. According to the response, MN OJP's new process limits subgrants to one source of federal funding.

This recommendation can be closed when we receive evidence that DOJ OJP has coordinated with MN OJP to ensure that subrecipients are able to completely and accurately account for federal funds from separate sources. DOJ OJP should also ensure that MN OJP's new subaward allocation methodology allows subrecipients to account for federal funds separate from state funding.

2. Remedy the \$453,640 in personnel expenditures charged to all three VOCA victim assistance grants as of June 30, 2016.

Resolved. DOJ OJP concurred with our recommendation. DOJ OJP stated in its response that it will review the questioned costs and work with MN OJP to remedy the \$453,640 in unsupported expenditures.

MN OJP concurred with our recommendation and stated in its response that it will work with DOJ OJP to remedy this issue.

This recommendation can be closed when we receive evidence that DOJ OJP has remedied the \$453,640 in unsupported personnel expenditures charged to the three audited VOCA victim assistance grants as of June 30, 2016.

3. Require MN OJP to develop procedures to ensure that personnel costs charged to the VOCA victim assistance grants are in compliance with Victim Assistance Program Guidelines and adequately and accurately reflect time spent on the VOCA program.

Resolved. DOJ OJP concurred with our recommendation. DOJ OJP stated in its response that it will coordinate with MN OJP to obtain a copy of policies and procedures, developed and implemented, to ensure that personnel costs charged to VOCA grants are charged based on actual time and in compliance with 2 C.F.R. Part 200 and the VOCA Victim Assistance Program regulations.

MN OJP concurred with our recommendation and stated in its response that it is using an allocation method to support personnel costs. MN OJP stated that it has repeatedly reached out to DOJ OJP for guidance regarding this personnel allocation method and has not received a response. MN OJP stated that it will again reach out to DOJ OJP to address this recommendation.

We recognize that the Final Rule Update to the VOCA Victim Assistance Guidelines, effective August 8, 2016, reflected a change in policy and does not require state administering agencies to distinguish time spent administering the VOCA grant from time spent administering other parts of the state crime victim assistance program. Therefore, DOJ OJP's coordination with MN OJP on this matter should be done in consideration of the recent change in policy related to administrative expenditures for VOCA victim assistance grants awarded following the Final Rule Update.

This recommendation can be closed when we receive evidence that DOJ OJP has coordinated with MN OJP to develop and implement policies and procedures to ensure compliance with the appropriate guidelines related to personnel working on the VOCA victim assistance program.

4. Remedy the \$124,124 in advanced funds from the FY 2015 VOCA victim assistance grant.

Resolved. DOJ OJP concurred with our recommendation. DOJ OJP stated in its response that it will review the \$124,124 in questioned costs related to the advanced funds and work with MN OJP to remedy any advanced costs.

MN OJP concurred with our recommendation and stated that it is no longer advancing funds and has notified subrecipients of the change. MN OJP is in the process of updating its MN OJP Grant Manual to reflect this change.

This recommendation can be closed when we receive evidence that the \$124,124 in advanced funds has been appropriately remedied.

5. Ensure MN OJP's process for disbursing funds to subrecipients complies with DOJ OJP's requirement that federal funds be spent within 10 days of receipt.

Resolved. DOJ OJP concurred with our recommendation. DOJ OJP stated in its response that it will coordinate with MN OJP to obtain a copy of written policies and procedures, developed and implemented, to ensure that drawdowns of federal grant funds are based on actual amounts needed for immediate disbursement or within 10 days.

MN OJP concurred with our recommendation and stated in its response that it has implemented a new practice by which all disbursements are based on reimbursement only.

This recommendation can be closed when we receive evidence that MN OJP has implemented new policies and procedures to ensure that drawdowns of federal funds are based on actual amounts needed for immediate disbursement or within 10 days. In addition, DOJ OJP should ensure that MN OJP has communicated this new policy to its subrecipients.

6. Ensure that MN OJP accurately reports the amount of match provided to subrecipients.

Resolved. DOJ OJP concurred with our recommendation. DOJ OJP stated in its response that it will coordinate with MN OJP to obtain a copy of written policies and procedures, developed and implemented, to ensure that VOCA subrecipient match amounts are accurately reported.

MN OJP partially concurred with our recommendation. In its response, MN OJP stated that match amounts reported on federal financial reports (FFR) are documented expenditures and agreed that this process resulted in the FFRs reflecting an "overmatch." However, MN OJP further stated that it will work with DOJ OJP on a methodology to accurately calculate the subrecipient matching amounts.

This recommendation can be closed when we receive evidence that MN OJP is accurately reporting matching funds amounts on its FFRs.

7. Require MN OJP to establish a method to ensure the reliability of subrecipient performance data.

Resolved. DOJ OJP concurred with our recommendation. DOJ OJP stated in its response that it will coordinate with MN OJP to obtain a copy of written policies and procedures, developed and implemented, established to ensure the reliability of subrecipients performance data.

MN OJP concurred with our recommendation and stated in its response that it is working with subrecipients and grant managers to accurately input and review data in the Performance Management Tool (PMT) system. MN OJP also provided documentation to support its actions related to this recommendation.

This recommendation can be closed when we receive evidence that DOJ OJP coordinated with MN OJP on written policies and procedures, developed and implemented, which ensure the reliability of subrecipients performance data.

8. Ensure that MN OJP adequately monitor its subrecipient to provide reasonable assurance that its subrecipients comply with the terms and conditions of the VOCA victim assistance grants, including: (1) providing financial training and assistance to staff involved with the oversight of subrecipients, and (2) ensuring that resources are available to provide adequate monitoring of subrecipients through both annual desk reviews and site visits.

Resolved. DOJ OJP concurred with our recommendation. DOJ OJP stated in its response that it will coordinate with MN OJP to obtain a copy of written policies and procedures, developed and implemented, to ensure that MN OJP is: (1) providing financial training and assistance to staff involved with the oversight of subrecipients; and (2) ensuring that resources are available to provide adequate monitoring of subrecipients through both annual desk reviews and site visits.

MN OJP partially concurred with our recommendation. Specifically, MN OJP indicated it considers activities beyond those described in our report to be characterized as monitoring, such as reviewing subrecipient expenditure reports. MN OJP also acknowledged that more review and verification should be conducted and stated that it is in the process of enhancing its grant management systems. Further, MN OJP provided a description of steps taken to increase its monitoring effectiveness, including finalizing a training plan for grant managers and enhancing the documentation and reporting of site visits.

This recommendation can be closed when we receive evidence that DOJ OJP has coordinated with MN OJP to ensure that MN OJP adequately monitor its subrecipients to provide reasonable assurance that its subrecipients comply with the terms and conditions of the VOCA victim assistance grants, including: (1) providing financial training and assistance to staff involved with the oversight of subrecipients; and (2) ensuring that resources are available to provide adequate monitoring of subrecipients through both annual desk reviews and site visits.

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