



**AUDIT OF THE NATIONAL INSTITUTE OF JUSTICE
AWARD TO THE VIRGINIA DEPARTMENT OF
FORENSIC SCIENCE**

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

Audit Report GR-30-13-003
July 2013

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AUDIT OF THE NATIONAL INSTITUTE OF JUSTICE AWARD TO THE VIRGINIA DEPARTMENT OF FORENSIC SCIENCE RICHMOND, VIRGINIA

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of National Institute of Justice (NIJ) cooperative agreement number 2011-DN-BX-K421 totaling \$1,447,358 awarded to the Virginia Department of Forensic Science (DFS) in Richmond, Virginia. The NIJ funding was part of the fiscal year (FY) 2011 DNA Backlog Reduction Program. The goal of the DNA Backlog Reduction Program is to assist eligible states and units of local government in reducing the number of forensic DNA and DNA database samples awaiting analysis.

The objective of our audit was to assess performance in the key areas of cooperative agreement management that are applicable and appropriate for the cooperative agreement under review. These areas include: (1) internal control environment, (2) federal financial reports and progress reports, (3) drawdowns, (4) budget management and control, (5) expenditures, and (6) contract management.

Our audit found that the transactions we reviewed were, in general, properly authorized, supported, and charged to the cooperative agreement. However, during the audit, we found DFS did not reconcile the cooperative agreement's subsidiary records to the general ledger, and, consequently, filed an inaccurate Federal Financial Report (FFR) and submitted an inaccurate drawdown request. Therefore, we recommend that DFS implement an internal procedure to reconcile the cooperative agreement's subsidiary accounting records to the official DFS accounting system, the Commonwealth Accounting and Reporting System known as CARS, to ensure that DFS accurately reports its FFRs and calculates its drawdown requests. Additionally, while we verified that DFS has met, in part, the objectives of the award, we note that cuts to the DFS budget impaired its ability to decrease the overall backlog of forensic DNA samples.

Our report contains one recommendation. We discussed the results of our audit with DFS officials and have included their comments in the report.

Table of Contents

	Page
INTRODUCTION	1
FINDINGS AND RECOMMENDATIONS	3
Internal Control Environment	3
Reporting	4
<i>Federal Financial Reports</i>	4
<i>Progress Reports</i>	6
Program Performance.....	7
<i>Forensic Scientist Staffing Levels</i>	8
Drawdowns	9
Budget Management and Control	9
Cooperative Agreement Expenditures	10
<i>Personnel Costs</i>	10
<i>Travel and Other Costs</i>	12
Contract Management	12
Recommendations.....	13
STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS ...	14
STATEMENT ON INTERNAL CONTROLS	15
APPENDIX I - OBJECTIVES, SCOPE, AND METHODOLOGY.....	16
APPENDIX II - VIRGINIA DEPARTMENT OF FORENSIC SCIENCE RESPONSE TO THE DRAFT REPORT	19
APPENDIX III - OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT AUDIT REPORT.....	22
APPENDIX IV - OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT 	24

INTRODUCTION

The Office of the Inspector General, Audit Division, has completed an audit of National Institute of Justice (NIJ) cooperative agreement number 2011-DN-BX-K421 in the amount of \$1,447,358 awarded to the Virginia Department of Forensic Science (DFS).¹ The NIJ funding was part of the fiscal year (FY) 2011 DNA Backlog Reduction Program. The goal of the DNA Backlog Reduction Program is to assist eligible states and units of local government in processing, recording, screening, and analyzing forensic DNA and/or DNA database samples, and to increase the capacity of public forensic DNA and DNA database laboratories to process more DNA samples, thereby helping to reduce the number of forensic DNA and DNA database samples awaiting analysis.

Specific goals that DFS sought to achieve during the award period were to: (1) Reduce the forensic DNA case backlog through forensic scientist overtime and purchase of supplies; (2) Increase the capacity of the laboratory system by purchasing equipment, such as a DNA extraction robot and expert systems software, and by hiring four fully-qualified forensic scientists and one full-time forensic laboratory specialist; and (3) Provide the required continuing education for each forensic scientist.

Audit Approach

The purpose of the audit was to determine whether costs claimed under the cooperative agreement were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and whether the awardee was meeting its program goals and objectives.

The objective of our audit was to assess performance in the key areas of cooperative agreement management that are applicable and appropriate for the cooperative agreement under review. These areas include: (1) internal control environment, (2) federal financial reports and progress reports, (3) drawdowns, (4) budget management and control, (5) expenditures, and (6) contract management.

¹ As established by the Code of Virginia, the DFS is a statewide forensic laboratory system under the Virginia Office of Public Safety. DFS has the sole responsibility for analyzing evidential material associated with criminal investigations for all state and local law enforcement agencies and medical examiners within the Commonwealth of Virginia.

We tested compliance with what we considered the most important conditions of the cooperative agreement. Unless otherwise stated in the report, we used the Office of Justice Programs (OJP) Financial Guide (Financial Guide) to assess DFS's performance and compliance with the requirements of the cooperative agreement.² Specifically, we tested what we believed to be critical award requirements necessary to meet the objectives of the audit, including:

- **Internal Control Environment** to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard the funds awarded to DFS and to ensure compliance with the terms and conditions of the NIJ cooperative agreement;
- **Reporting** to determine if the required federal financial reports and progress reports were submitted timely and accurately reflect the activity of the cooperative agreement;
- **Drawdowns** to determine whether drawdowns were adequately supported and if the auditee was managing receipts in accordance with federal requirements;
- **Budget Management and Control** to ensure that DFS appropriately tracked costs to approved budget categories;
- **Cooperative Agreement Expenditures** to determine the accuracy and allowability of costs charged to the cooperative agreement; and
- **Contract Management** to ensure compliance with overall financial management requirements for procurements.

The award did not include program income, matching funds, or indirect costs. The results of our analysis are discussed in detail in the Findings and Recommendations section of the report. Appendix I contains additional information on our objective, scope, and methodology.

² The Financial Guide serves as a reference manual that provides guidance to award recipients on the fiduciary responsibility to safeguard award funds and to ensure funds are used appropriately. OJP requires award recipients to abide by the requirements in the Financial Guide.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

Our audit found that the transactions were, in general, properly authorized, supported, and charged to the cooperative agreement. However, during the audit, we found DFS did not reconcile the cooperative agreement's subsidiary records to its general ledger, and, consequently, filed an inaccurate Federal Financial Report (FFR) and submitted an inaccurate drawdown request. Therefore, we recommend that DFS implement an internal procedure to reconcile the cooperative agreement's subsidiary accounting records to the official DFS accounting system, the Commonwealth Accounting and Reporting System known as CARS, to ensure that DFS accurately reports its FFRs and calculates its drawdown requests.

Internal Control Environment

According to the OJP Financial Guide, award recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost controls to ensure optimal use of funds. Award recipients must adequately safeguard funds and ensure they are used solely for authorized purposes. While our audit did not assess DFS's overall system of internal controls, we did review the internal controls of DFS's financial management system specific to the administration of cooperative agreement funds during the periods under review. Specifically, we interviewed pertinent DFS officials, reviewed written policies and procedures that affect the NIJ award, and reviewed the Commonwealth of Virginia's single audit report.

The Code of Federal Regulations requires recipients to maintain records to adequately identify the source and application of cooperative agreement funds provided for financially supported activities. These records must contain information pertaining to cooperative agreement awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. DFS used Commonwealth Accounting and Reporting System (CARS), and a subsidiary accounting record known as the grants tracking spreadsheet for the DFS award. We

determined that the accounts tracked obligations, outlays, and expenditures allocated to the DFS award. However, we found financial reporting issues discussed later in the “Reporting” section of this report.

Reporting

The special conditions of the award require that DFS comply with administrative and financial requirements outlined in the Financial Guide and the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (OMB Circular A-133).³ The Financial Guide requires that awardees submit both financial and program progress reports to inform awarding agencies on the status of each award. Federal Financial Reports (FFRs) should detail the actual expenditures incurred for each quarterly reporting period, while progress reports should be submitted semiannually and describe the performance activities and achievements of the project supported by each award.

Because accurate and timely FFRs and progress reports are necessary to ensure that DOJ awarding agencies can effectively monitor award activities and expenditures, we reviewed DFS reports for cooperative agreement number 2011-DN-BX-K421. As detailed in the following sections, DFS submitted all required FFRs and progress reports in a timely manner. However, while we were able to verify that progress reports accurately reflected actual program accomplishments, FFRs did not accurately report cooperative agreement expenditure activity due to errors in subsidiary accounting records.

Federal Financial Reports

DOJ awarding agencies monitor the financial performance of each award via FFRs. According to the Financial Guide, FFRs should be submitted within 30 days of the end of each quarterly reporting period. Even when there have been no outlays of award funds, a report containing zeroes must be submitted. Awarding agencies may withhold funds or future awards if reports are submitted late, or not at all.

³ OMB Circular A-133 requires non-federal entities that expend at least \$500,000 a year in federal awards to have a single audit conducted of its financial statements. The purpose of the single audit is to determine whether the financial statements and schedule of expenditures of federal awards are presented fairly in all material respects and in conformity with generally accepted accounting principles.

To verify the timeliness of the FFRs, we tested the last four reports submitted as of October 23, 2012, which included award activity as of September 30, 2012. We compared the submission date of each report to the date each report was due, and found that all FFRs were submitted on time.

The Financial Guide indicates that an awardee's accounting system for reporting must support all amounts reported on the FFRs. To verify the accuracy of the FFRs, we discussed the process for submitting FFRs with the responsible DFS officials and compared the amounts reported on the last four FFRs to expenditures recorded in the awardee's accounting records. Based on our testing, we found that expenditures reported on one of the last four FFRs did not reconcile to the official accounting records of the award.

This reporting error was caused by the awardee not reconciling subsidiary records to the official accounting system and general ledger of DFS. Instead of using the Commonwealth's accounting system, the Commonwealth Accounting and Reporting System (CARS), as the source for FFR data, DFS uses a subsidiary accounting record known as the grants tracking spreadsheet. During our testing, we found an error in the grants tracking spreadsheet that resulted in an understatement of personnel charges totaling \$53,269. The awardee addressed this error and we verified that as of January 31, 2013, the award's subsidiary records reconcile to CARS.

While the grants tracking spreadsheet is a valuable budgeting and accounting tool, we believe the awardee should reconcile the spreadsheet to the general ledger in CARS before the awardee files its FFRs. Because DFS uses the FFRs as the basis for drawdown requests, an error in an FFR will not only result in DFS reporting the incorrect financial results for a period, but also drawing down an incorrect amount of federal funds.⁴ Therefore, we recommend that OJP ensure that DFS accurately reports its FFRs and calculates its drawdown requests by implementing an internal procedure to reconcile the cooperative agreement's subsidiary accounting records to the official DFS accounting system (CARS).

⁴ In this instance, the result of the DFS accounting error was an understatement of its own costs.

Progress Reports

While FFRs report award financial activity, progress reports describe the project status and accomplishments of the DOJ supported program or project. Progress reports should also describe the status of the project and compare actual accomplishments to anticipated program objectives. According to the Financial Guide, award recipients are required to submit progress reports every six months during the performance period of the award. Progress reports are due 30 days after the end of each semi-annual reporting period, June 30 and December 31. DOJ awarding agencies may withhold award funds if awardees fail to submit accurate progress reports on time.

To assess whether DFS submitted progress reports on time, we reviewed two progress reports covering October 1, 2011 through December 31, 2011 and January 1, 2012 through June 30, 2012 and compared the submission dates to the due date for each progress report. Both progress reports were submitted on time.

We also reviewed reported program achievements detailed in these same progress reports, to determine if DFS achievements were consistent with its stated program goals. According to its award documentation, goals of the program are to: (1) Reduce the forensic DNA case backlog through forensic scientist overtime and purchase of supplies; (2) Increase the capacity of the laboratory system by purchasing equipment, such as a DNA extraction robot and expert systems software, and by hiring four fully-qualified forensic scientists and one full-time forensic laboratory specialist; and (3) Provide the required continuing education for each forensic scientist.

According to DFS personnel, DFS did not report any achievements in the first two progress report periods because an overlapping FY 2010 DNA Backlog Reduction Program award provided NIJ Backlog Reduction Program funding to DFS through June 30, 2012.⁵ From October 1, 2011 through June 30, 2012, only \$620.95 was expended with FY 2011 award funds. This expense was incurred to pay for the travel and training expenses for one

⁵ Currently, NIJ DNA Backlog Reduction awards are made on an annual basis; however, the project period of the award lasts for 18 months, thereby creating overlap between award periods. The project period for the 2010 DNA Backlog Reduction award was October 1, 2010 – March 31, 2012. Additionally, DFS asked for a three month no-cost extension for the 2010 award, therefore extending the 2010 award until June 30, 2012. As a result, the FY 2010 award project period overlapped a total of 9 months of the planned FY 2011 award project period.

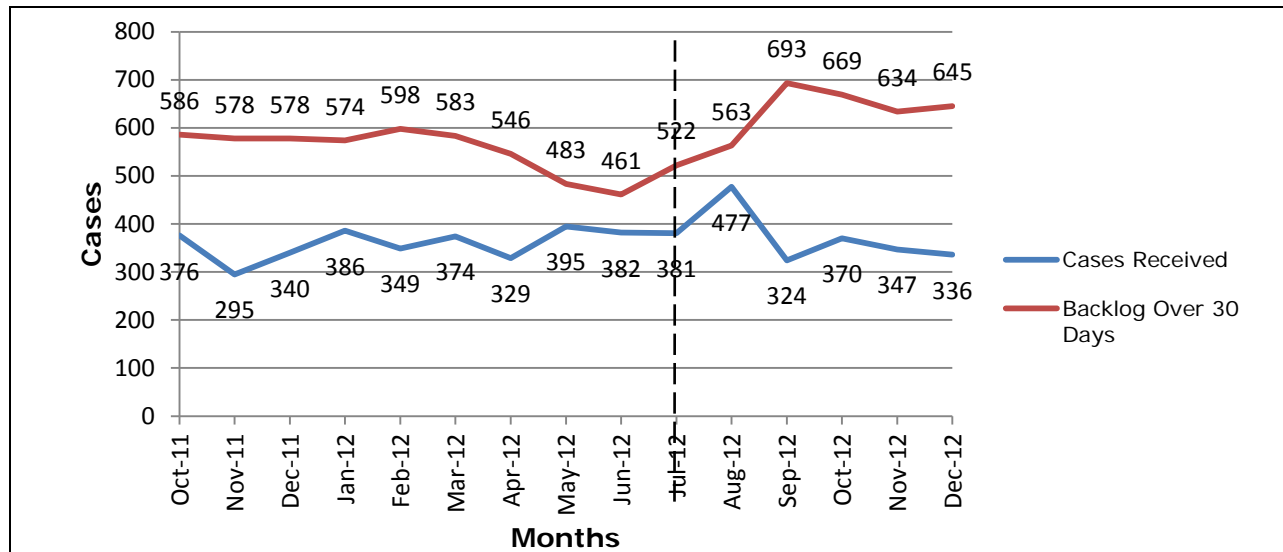
forensic scientist, in May 2012, who was unable to attend the training provided to the rest of the DFS forensic scientists in September 2012.

At the time of our testing, we were able to determine DFS expended monies to pursue, in part, all three of its project goals. Specifically, we reviewed documentation that evidenced DFS paid overtime for forensic scientists, salaries of four full-time forensic scientists, and paid for forensic scientist travel and registration fees for training events. DFS had not yet purchased equipment with the FY 2011 award because, according to DFS, vendor agreements were extended to increase the lifespan of existing equipment.

Program Performance

DFS provided us overall data on received and backlogged DNA cases for the time frame of the FY 2011 project period. This data is presented in Exhibit 1 below.

Exhibit 1: Virginia Department of Forensic Science Backlogged Cases versus Cases Received (October 2011-December 2012)



Source: Virginia Department of Forensic Science

Note: Dotted line shows that Virginia Department of Forensic Science began to use FY 2011 award funds to pay for forensic examiner salary and overtime in July 2012.

During the period of October 2011 – June 2012, DFS used FY 2010 award funds to hire forensic scientists, purchase equipment, and fund forensic scientist overtime. In July 2012, DFS began to use FY 2011 award funds to pay for forensic scientist overtime and salary and the backlog steadily increased. Although many factors, including the complexity in testing case evidence, can contribute to an increase in case backlog, a DFS official told us that the increase in case backlog seen in the second half of 2012 is attributable to the loss of forensic scientists from DFS.⁶

Forensic Scientist Staffing Levels

According to the DFS FY 2011 Backlog Reduction Program documentation, DFS stated that it would hire four fully-qualified forensic scientists to conduct analyses on forensic DNA cases. As noted in the grant application, the four forensic scientists were originally hired years earlier using prior awards. The FY 2011 award has been used to continue to pay the salary of these forensic scientists, and not for the purpose of hiring additional forensic scientists.

In order to determine the level of federal support for forensic scientist positions provided to DFS, we requested from DFS a breakdown of funding sources for forensic scientist positions from FY 2008 – FY 2012.⁷ This data is provided in Exhibit 2:

**Exhibit 2: Virginia Department of Forensic Science
Forensic Scientist Funding Sources
FY 2008 – 2012 (Commonwealth vs. Federal Funding)**

	FY 08	FY 09	FY 10	FY 11	FY 12
Virginia General Fund Filled	49	43	41	41	38
Virginia General Fund Vacant	1	0	0	0	4
<i>Total Virginia General Fund Positions</i>	<i>50</i>	<i>43</i>	<i>41</i>	<i>41</i>	<i>42</i>
Federally Funded Filled	0	1	3	5	5
Federally Funded Vacant	0	0	3	0	0
<i>Total Federally Funded Positions</i>	<i>0</i>	<i>1</i>	<i>6</i>	<i>5</i>	<i>5</i>
Total Available	50	44	47	46	47

Source: Virginia Department of Forensic Science

⁶ This official added that there are currently 5 new forensic scientists that were hired, using non-federal funds, during the second half of 2012. According to this official, these forensic scientists were in training during this period.

⁷ The Commonwealth of Virginia's Fiscal Year is July through June.

As presented in the table above, forensic scientist positions funded by the Commonwealth of Virginia have decreased from 50 in FY 2008 to 42 in FY 2012. According to DFS, in FY 2008, approximately \$1.7 million in Commonwealth funds was permanently eliminated from the DFS budget, \$240,000 of which came from holding open positions as they became vacant. Similarly, in FY 2010, further permanent Commonwealth general fund reductions removed an additional \$200,000 in personnel costs from the DFS budget. Multiple federal forensic DNA analysis awards, including the FY 2011 Forensic DNA Backlog Reduction award, have provided funds to mitigate the loss of Commonwealth general fund forensic scientist positions.⁸ However, the cuts to the DFS budget impaired its capacity to process more DNA samples, thereby not helping to reduce the number of forensic DNA samples awaiting analysis.

Drawdowns

To obtain DOJ award money, award recipients must electronically request award funds via drawdowns. The Financial Guide states that award recipients should only request federal award funds when they incur or anticipate project costs. Therefore, recipients should time their requests for award funds to ensure they will have only the minimum federal cash on hand required to pay actual or anticipated costs within 10 days.

According to DFS personnel, drawdown requests are based on reimbursements of expenses for salaries, fringe benefits, travel, and training. DFS confirmed that their policy is to request a drawdown each quarter based on the expenditures reported on the FFRs. To ensure that DFS requested funds properly and kept minimum cash on hand, we analyzed its drawdowns to date and compared the overall amount to the cooperative agreement's accounting records. Overall, we found that the amounts drawn down did not exceed the expenditures in the accounting records.

Budget Management and Control

Awardees should expend funds according to the budget approved by the awarding agency and included in the final award. Approved award budgets document how much the recipient is authorized to spend in high-level budget categories, such as personnel, supplies, and contractors. The

⁸ Since FY 2009, forensic scientist positions have been funded through other related programs, including prior year Backlog Reduction Program awards as well as a Post-Conviction DNA Testing Program award and an Identify the Missing Program award.

Financial Guide also states that award recipients may request a modification to approved award budgets to reallocate amounts between various budget categories within the same award. No prior approval is required if the reallocations between budget categories do not exceed 10 percent of the total award amount. We compared the actual amounts spent in each budget category to the budgeted amounts in the same categories. For cooperative agreement 2011-DN-BX-K421, DFS adhered to the Financial Guide requirements.

Cooperative Agreement Expenditures

According to 2 C.F.R. § 225 *Cost Principles for State, Local, and Indian Tribal Governments*, costs are allowable if they are reasonable, consistently applied, adequately documented, comply with policies and procedures, and conform to any limitations or exclusions specified in applicable criteria. As of December 14, 2012, the award's subsidiary accounting ledger reported \$288,562 in project costs associated with cooperative agreement number 2011-DN-BX-K421. We tested \$90,501 (31 percent) in personnel, travel, and other costs charged to the cooperative agreement, and determined that the reviewed expenses were allowable.

Personnel Costs

The personnel costs of the cooperative agreement include the total salary and fringe benefits costs of four dedicated forensic scientists, one dedicated forensic specialist, and, on an as-needed basis, forensic scientists working overtime.

To gain an understanding of the payroll process, we interviewed DFS human resources and management personnel. The DFS payroll is processed through the Commonwealth of Virginia's centralized Commonwealth Integrated Payroll and Personnel System (CIPPS), which interfaces with Virginia's centralized accounting system, CARS. Payroll is processed semi-monthly on the 1st and 16th of each month. The salary and fringe benefits payments for the employees exclusively dedicated to the cooperative agreement project are automatically generated each pay period based on the employee's payroll and work project information entered into the system. As needed, overtime forensic scientists working on the award record their hours on timesheets and charge the cooperative agreement at their regular hourly wage for overtime hours plus the employer's share of FICA. Overtime pay is processed as a one-time addition to the employee's regular pay.

Salaries

Since there were only two quarters of salary expenditures recorded for the cooperative agreement as of the January 7, 2013, we tested the salary and fringe benefits of one employee dedicated to the award for each quarter. We verified each employee's semi-monthly salary charged to the award to the semi-monthly calculation of each employee's salary based on the master list of DFS salaries. Additionally, we tested each employee's fringe benefits charged to the award, including health insurance, social security, retirement, and group life insurance. These fringe benefits charges were tested by examination of supporting documentation and recalculation. In general, we found that each employee's salary and fringe benefits were accurately charged to the award, and the charges were supportable and allowable under the conditions of the award.

During the course of our testing, we noted that for one of the employees tested, the salary and fringe benefits costs charged to the award were less than they should have been. The subsidiary records contained errors in its formulas, so the amount of salary and fringe benefits that were recorded on the quarter's FFR, and drawn down for the period, were actually less than the actual salary and fringe benefits for the affected employee. Because the awardee had not reconciled its subsidiary accounting records to its official accounting records, the Commonwealth accounting system known as CARS, the awardee had understated the expenditures on an FFR and drawdown request. This matter was brought to the attention of DFS grant management personnel, and the total understatement in salary and fringe benefits of \$53,269 that should have been charged to the award was corrected in the accounting records and reported on a subsequent FFR.

Fringe Benefits

When DFS employees work on cooperative agreements, DFS incurs costs associated with providing its employees fringe benefits such as payroll taxes, health insurance, and pension plan contributions, which are allowable under the cooperative agreement. As part of our payroll testing, we recalculated payroll taxes, retirement plan contributions, group life insurance premiums, and health insurance costs charged to the award based on the Commonwealth of Virginia's employee fringe benefits rates effective July 1, 2012. We noted no exceptions in our testing and determined that the fringe benefits charged to the cooperative agreement were reasonable based on the Commonwealth's approved fringe benefits rates.

Overtime

In testing charges to the award for employees receiving overtime pay, we judgmentally selected the pay of three employees who charged overtime to the award. Our tests included verifying the employees' regular pay rate and the associated employer portion of FICA. Additionally we tested four attributes of the overtime charges: (1) Is there evidence the employee is an award overtime employee, (2) Do the overtime hours per the employee's timesheet equal the hours reported on the pay history, (3) Was the overtime timesheet approved by the supervisor, and (4) Are the salary and FICA amounts charged to the cooperative agreement entered in CARS. Based on our analysis, we take no exceptions to the overtime charges.

Travel and Other Costs

We selected a judgmental sample of 25 transactions from the categories of Travel and Other Costs from cooperative agreement 2011-DN-BX-K421 totaling \$38,552 to determine if the charges were allowable and allocable to the award. Based on our testing, we determined that the sampled transactions were allowable.⁹

Contract Management

We reviewed DFS's procurement policies and interviewed DFS's award procurement personnel. Although equipment purchases under this award had not yet occurred during the period of our audit, DFS obtained a grant adjustment notice to make a sole-source procurement for DNA typing kits from Promega. Given the limited number of vendors who provide kits that meet appropriate standards, and the fact that DFS has validated the use of Promega kits in its existing equipment, the sole-source procurement request was approved by NIJ. DFS began to purchase these kits in January 2013.

⁹ We tested 6 transactions within the category of Other Costs totaling \$24,105, which were comprised of DNA examiner training workshop registration fees. Additionally, we tested 19 transactions within the category of Travel totaling \$14,447, which included costs for travel to DNA examiner training workshops.

Recommendations

We recommend that OJP:

1. Ensure that DFS accurately reports its FFRs and calculates its drawdown requests by implementing an internal procedure to reconcile the cooperative agreement's subsidiary accounting records to the official DFS accounting system (CARS).

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the *Government Auditing Standards*, we tested, as appropriate given our audit scope and objectives, selected transactions, records, procedures, and practices, to obtain reasonable assurance that DFS's management complied with federal laws and regulations, for which noncompliance, in our judgment, could have a material effect on the results of our audit. DFS's management is responsible for ensuring compliance with applicable federal laws and regulations. In planning our audit, we identified the following laws and regulations that concerned the operations of DFS and that were significant within the context of the audit objectives:

- 2 C.F.R. Part 225 – Cost Principles for State, Local, and Indian Tribal Governments.
- 28 C.F.R. Part 66 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

Our audit included examining, on a test basis, DFS's compliance with the aforementioned laws and regulations that could have a material effect on DFS's operations, through interviewing auditee personnel, analyzing data, assessing internal control procedures, and examining procedural practices. Nothing came to our attention that caused us to believe that DFS was not in compliance with the aforementioned laws and regulations.

STATEMENT ON INTERNAL CONTROLS

As required by the *Government Auditing Standards*, we tested, as appropriate, internal controls significant within the context of our audit objectives. A deficiency in an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to timely prevent or detect: (1) impairments to the effectiveness and efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations. Our evaluation of DFS's internal controls was not made for the purpose of providing assurance on its internal control structure as a whole. DFS management is responsible for the establishment and maintenance of internal controls.

Through our audit testing, we did not identify any deficiencies in DFS's internal controls that are significant within the context of the audit objectives and based upon the audit work performed that we believe would affect DFS's ability to effectively and efficiently operate, to correctly state financial and performance information, and to ensure compliance with laws and regulations.

Because we are not expressing an opinion on DFS's internal control structure as a whole, this statement is intended solely for the information and use of DFS. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX I

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this performance audit was to determine whether reimbursements claimed for costs under the cooperative agreement reviewed were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement. The objective of our audit was to assess performance in the key areas of cooperative agreement management that are applicable and appropriate for the cooperative agreement under review. These areas include: (1) internal control environment, (2) federal financial reports and progress reports, (3) drawdowns, (4) budget management and control, (5) expenditures, and (6) contract management.

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

Our audit concentrated on cooperative agreement number 2011-DN-BX-K421 in the amount of \$1,447,358 to the Virginia Department of Forensic Science (DFS) awarded by the National Institute of Justice. DFS uses these funds to process and analyze forensic DNA and/or DNA database samples in order to reduce the number of forensic DNA and DNA database samples awaiting analysis. We reviewed cooperative agreement activities and transactions beginning with the inception of the award on October 1, 2011, through December 14, 2012. Due to errors in accounting for the cooperative agreement, we considered adjustments to the general ledger that occurred following December 14, 2012. Furthermore, because nearly all of the project activity began in July 2012, this project activity was not captured in the available submitted progress reports that we tested. Therefore, we considered backlog and case acceptance metrics as well as forensic scientist staffing data through the end of December 2012 to determine if DFS was successfully reducing its forensic DNA case backlog.

In conducting our audit, we performed judgmentally selected, non-statistical sample testing in those areas we deemed critical to the award requirements. Judgmental sampling design was applied to obtain broad

exposure to numerous facets of the reimbursements reviewed. This non-statistical sample design does not allow projection of the test results to all payroll expenditures. Our sample testing was conducted in the following areas:

- **Drawdowns.** We analyzed DFS's overall drawdowns of \$120,857 for the DOJ award from the date of award obligation, August 16, 2011, through December 14, 2012. The overall drawdowns did not exceed the total expenditures per the cooperative agreement's subsidiary accounting ledger.
- **Payroll.** We interviewed DFS human resources personnel and grant management personnel regarding the charging of personnel and fringe benefits costs to the cooperative agreement. To determine whether the cooperative agreement's labor and fringe benefits costs were supported and allowed, we judgmentally selected employees to test from the two quarters of labor and fringe benefits charged to the award through the December 14, 2012 pay date. We tested personnel costs totaling \$51,949 out of \$226,178 charged to the cooperative agreement. We recalculated salary figures based on the DFS master list of salaries and agreed fringe benefits rates to the Commonwealth of Virginia's schedule of benefits rates effective July 1, 2012. There were no exceptions noted in our testing, and the labor and fringe benefits costs charged to the cooperative agreement were supported and allowable.¹⁰
- **Transactions.** To test the cooperative agreement's transactions for authorizations, approvals, and sufficient supporting documentation, we judgmentally selected 25 non-payroll transactions totaling \$38,552 out of \$62,384 charged to the cooperative agreement. We analyzed the transactions to determine if the costs were properly authorized, classified, recorded, and supported.
- **Contract Management.** We reviewed DFS's procurement policies and interviewed DFS's award procurement personnel. Although equipment purchases under this award had not yet taken place during

¹⁰ We verified each employee's annual salary to the master list of DFS salaries and divided the annual salary by the standard annual DFS work hours per year. This calculation produced the employee's regular pay rate. For the employer's portion of FICA charged to the cooperative agreement, we calculated the FICA by multiplying the overtime pay by the employer's FICA rate of 7.65 percent.

the period of our audit, DFS obtained a grant adjustment notice to make a sole-source procurement of DNA reagent kits.

In addition, we reviewed the timeliness and accuracy of financial status and progress reports and reviewed the internal controls for the cooperative agreement number 2011-DN-BX-K421. However, we did not test the reliability of the internal control procedures or the financial management system as a whole.

APPENDIX II

VIRGINIA DEPARTMENT OF FORENSIC SCIENCE RESPONSE TO THE DRAFT REPORT



COMMONWEALTH of VIRGINIA DEPARTMENT OF FORENSIC SCIENCE

OFFICE OF THE DIRECTOR
A Nationally Accredited Laboratory

June 18, 2013

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Troy M. Meyer
Regional Audit Manager
Office of the Inspector General
United States Department of Justice

Dear Mr. Meyer:

The Virginia Department of Forensic Science (DFS) has reviewed the draft report prepared by the U. S. Department of Justice (DOJ) Office of the Inspector General (OIG) in connection with the audit of the National Institute of Justice (NIJ) DNA Backlog Reduction Program grant, cooperative agreement number 2011-DN-BX-K421. DFS respectfully submits the following response to the audit recommendation in addition to supplemental information regarding the audit report for your consideration.

OIG Recommendation: Ensure that DFS accurately reports its FFRs and calculates its drawdown requests by implementing an internal procedure to reconcile the cooperative agreement's subsidiary accounting records to the official DFS accounting system (CARS).

DFS Management Response: DFS partially concurs with this recommendation. DFS agrees that the information in one FFR was under reported and agrees that an additional procedure should be incorporated to prevent a reoccurrence in the future. DFS believes that the reconciliation procedure proposed in the OIG recommendation is not sufficient to prevent a reoccurrence, due to the nature of personnel expense data residing in the CARS system, and offers an alternative solution.

Background

DFS uses the state accounting and vendor payment system (CARS), which is a mainframe application first implemented in 1978 and then upgraded in 1986 (27 years ago). This system lacks the functionality and flexibility of more current accounting systems. Also, DFS uses the services of the Commonwealth's Payroll Service Bureau for the processing of employee pay via the state payroll system (CIPPS). CIPPS is also a mainframe system and lacks the functionality and flexibility of more current payroll systems.

- The process for adding a grant project code to an employee's pay in CIPPS is not adequate to allow for the full and timely tracking of those expenses to a particular grant.
- Personnel expenditure data in CARS is a summary of CIPPS data; therefore, it suffers from the same system limitations.
- DFS has developed processes and procedures, including a detailed grants subsidiary ledger, to augment our capability to accurately manage and report grant expenses in spite of the inherent limitations of the CARS and CIPPS systems. Although the subsidiary ledger is reconciled to CARS for non-personnel expenses, it cannot be reconciled to CARS for personnel expenses for the reasons noted above.

DFS Management Alternate Solution: The understatement of grant related personnel expenditures was caused by a calculation error in its Excel-based grants subsidiary ledger. The calculation did not include the expenses for two pay periods. In order to prevent this type of error in the future, DFS offers a written procedure (Attachment 1) to calculate the personnel expenses for the grant quarter and compare that to the subsidiary ledger to ensure all pay periods have been included. If this procedure had previously been incorporated, the formula error would have been detected and corrected prior to the submission of the FFR.

DFS Additional Information: DFS respectfully submits three additional comments for clarification of the information in the draft OIG report:

1. Based on information in the OIG report and subsequent discussion with the auditors, OIG believes there were two different errors in the subsidiary ledger, and subsequently in two FFRs, totaling \$53,269. DFS and OIG are in agreement that the personnel expenses for the fourth quarter FFR were understated by \$31,178 and that this amount was added to the fifth quarter FFR. We are not in agreement that personnel expenses for the fifth quarter were understated by \$22,091 and that a revised FFR was submitted. An interim copy of the grants subsidiary ledger was provided to the auditors prior to the end of the fifth quarter. Expenses that occurred after the date of the interim document through the end of the quarter totaled \$22,091. These expenses were properly tracked in the subsidiary ledger prior to the finalization of the ledger for the quarter and prior to the preparation and submission of the fifth quarter FFR.

2. The report correctly states that DFS stated in the grant application that we would "hire" four fully-qualified forensic scientists. However, the application also explained in specific detail that the scientists had been hired under a previous grant and would continue work on the 2011 grant, if awarded.
3. The report also correctly states that DFS was unable to provide specific metrics within its first two progress reports. However, it was not possible to provide certain metrics since the 2011 funds had not yet been expended for backlog reduction purposes.

In conclusion, we would like to thank your agency for the audit of the DNA Backlog Reduction grant, which has been instrumental in DFS' efforts to reduce the forensic casework backlog. DFS takes its responsibility for proper stewardship of public funds very seriously and appreciates the value that is gained when an outside entity reviews the processes and procedures that we have in place.

Sincerely,



Linda C. Jackson

Director, Department of Forensic Science

Enclosures

APPENDIX III

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

June 26, 2013

MEMORANDUM TO: Troy M. Meyer
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

FROM: */s/*
Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the National Institute of Justice Award to the Virginia Department of Forensic Science, Richmond, Virginia, Cooperative Agreement Number 2011-DN-BX-K421*

This memorandum is in response to your correspondence, dated May 28, 2013, transmitting the subject draft audit report for the Virginia Department of Forensic Science (DFS). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **one** recommendation and **no** questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendation. For ease of review, the recommendation is restated in bold and is followed by our response.

- 1. We recommend that OJP ensure that DFS accurately reports its Federal Financial Reports and calculates its drawdown requests by implementing an internal procedure to reconcile the cooperative agreement's subsidiary accounting records to the official DFS accounting system (CARS).**

OJP agrees with the recommendation. However, DFS provided OJP with a copy of its June 18, 2013 response to the draft audit report (see Attachment). In its response, DFS agreed that the information in one Federal Financial Report (FFR) was under reported, and concurred that additional procedures should be incorporated to prevent a recurrence in the future. As such, on June 21, 2013, DFS implemented revised procedures to ensure that future FFRs are accurately prepared, prior to submission to OJP. These new procedures appear to sufficiently address the recommendation. Therefore, OJP respectfully requests closure of the recommendation.

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: Jeffery A. Haley
Deputy Director, Audit and Review Division
Office of Audit, Assessment, and Management

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

The Department of Justice (DOJ) Office of the Inspector General (OIG) provided a draft of this audit report to the Virginia Department of Forensic Science (DFS) and the Office of Justice Programs (OJP). The responses are incorporated respectively as Appendices II and III of this final report. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Analysis of DFS' Response

In response to our draft audit report, DFS concurred with our recommendation, but offered an alternative corrective action to address our finding. DFS also responded to information in our draft report that did not pertain to our recommendation. We provide the following reply to these statements before discussing DFS' specific response to our recommendation.

In its response, DFS was not in agreement with our analysis that the FFR understated personnel charges by \$53,269. The \$53,269 is comprised of \$31,178 in personnel charges relating to July 2012 – September 2012, and \$22,091 in personnel charges relating to October 2012 through December 2012. DFS agrees that personnel charges were understated by the \$31,178, and therefore caused the related FFR to be understated. However, it disagrees with the characterization that \$22,091 was also understated. According to the DFS, the OIG was provided an interim copy of the grant subsidiary ledger and after the interim copy was provided to the OIG, an additional \$22,091 of expenses occurred.

We believe we correctly characterized the understatement at \$53,269. We requested grant expenses from the inception of the grant through December 14, 2012. We received a copy of the grant subsidiary ledger on December 27, 2012 and the ledger reflected \$172,909 of personnel costs. We compared subsidiary ledger amounts for personnel cost recorded to amounts reflected in CARS (the general ledger) and noted differences. We inquired about the differences and were told the grant subsidiary ledger contained errors in that it had not pulled down all the personnel cost. On January 10, 2013, we received a revised grant subsidiary ledger that reflected personnel costs through December 14, 2012 to be \$226,178. The

difference between the original personnel cost and the revised personnel cost is \$53,269.

Additionally, DFS offered two other comments for clarification. First, DFS noted that the grant application explained that the forensic scientists used on this grant were hired under a previous award. We revised our report to clarify this point. Second, our report noted that DFS was unable to provide specific metrics within its first two progress reports due to overlapping project periods of the FYs 2010 and 2011 awards. According to DFS, it could not provide certain metrics since the 2011 funds had not yet been expended for backlog reduction purposes. We revised our report to clarify that our concern is with the increase in backlogged cases.

Status of Recommendation

1. **Closed.** We recommended that OJP ensure that DFS accurately reports its Federal Financial Reports and calculates its drawdown requests by implementing an internal procedure to reconcile the cooperative agreement's subsidiary accounting records to the official DFS accounting system CARS. OJP concurred with the recommendation and provided a DFS alternate remedy to address the recommendation. DFS provided revised procedures demonstrating the requirement to reconcile payroll to the grant tracking spreadsheet.

We reviewed the revised "Verification of Grant Payroll Amounts" procedures and determined it adequately addresses our recommendation. Therefore, this recommendation is closed.