



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



Audit of Office of Justice Programs Grants Awarded to the Puerto Rico Department of Justice, San Juan, Puerto Rico

AUDIT OF OFFICE OF JUSTICE PROGRAMS GRANTS AWARDED TO THE PUERTO RICO DEPARTMENT OF JUSTICE, SAN JUAN, PUERTO RICO

EXECUTIVE SUMMARY¹

The Office of the Inspector General Audit Division has completed an audit of the management of Department of Justice (DOJ) grants, including American Recovery and Reinvestment Act (Recovery Act) grants, awarded by the Office of Justice Programs (OJP) to the Puerto Rico Department of Justice (PRDOJ).² The purposes of these grants were to support a broad range of activities to control and prevent crime based on local needs and conditions; provide services to victims of crime; enhance sex offender registration and notification programs; and provide loan repayment assistance for local, state, and federal public defenders and local and state prosecutors.

As shown in Table 1, from fiscal year (FY) 2008 through 2013, DOJ awarded \$77.5 million to the PRDOJ. These grants were awarded primarily under the Edward Byrne Memorial Justice Assistance Grant (Byrne JAG) Program and the Victims of Crime Act (VOCA) Grant Program, including Recovery Act grants totaling \$22.7 million awarded under the Byrne JAG and VOCA grant programs.³

Table 1

**DOJ Grants Awarded to the PRDOJ
FYs 2008 through 2013**

OJP Bureau or Office	Number of Grants	Total Funds Awarded
Bureau of Justice Assistance – Byrne JAG	8	\$22,322,688
Bureau of Justice Assistance – Byrne JAG Recovery Act	1	\$21,790,612
Bureau of Justice Assistance – John R. Justice	3	\$245,355
Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking	1	\$183,040
Office for Victims of Crime	12	\$31,724,276
Office for Victims of Crime – Recovery Act	2	\$907,139
Bureau of Justice Statistics	2	\$325,000
Total OJP Grants	29	\$77,498,110

Source: OJP grant award records

¹ Department of Justice Inspector General Michael E. Horowitz recused himself from this review.

² The PRDOJ is the state administering agency for Byrne JAG and VOCA grants.

³ The DOJ also awarded \$53.1 million to other Puerto Rico government entities and non-governmental organizations, but those grants were not part of this audit, which focused on DOJ grants to the PRDOJ. The other grants were awarded by OJP, the Office on Violence against Women (OVW), and the Office of Community Oriented Policing Services (COPS).

Puerto Rico has recently experienced both extreme economic difficulties and increasing levels of criminal activity. The economic difficulties that have been affecting Puerto Rico since 2006, including a public debt that was 104 percent of its Gross National Product (GNP) at the end of March 2015, have resulted in significant pressures on its criminal justice systems, which also have had to address crime rates for some types of crime significantly higher than the national averages. DOJ seeks to assist the law enforcement effort in Puerto Rico by providing funding through grants to the PRDOJ and other state and local government entities and non-governmental organizations.

The PRDOJ's External Resources Division (ERD) and Criminal Justice Information Services (PRCJIS) Division administered the grants we audited. The objective of the audit was to assess performance in the key areas of grant management that were applicable and appropriate for the grants under review. We assessed performance in the areas of: (1) internal controls; (2) grant fund drawdowns; (3) management of sub-recipients, including the processes for soliciting applications for funding, awarding grant funds and contracts, and monitoring of sub-recipients; (4) income generated from grant funds and programs; (5) grant expenditures; (6) management of property items bought with grant funds; and (7) grant goals and accomplishments.

The PRDOJ did not comply with some document requests and delayed in responding to other OIG requests for records and other information we needed to complete the audit objectives. For example, the PRDOJ did not provide support for 46 transactions, valued at more than \$2 million, of the 147 transactions that we selected for testing, and we question those 46 transactions as unsupported costs. During the audit we made multiple requests for documentation, such as invoices and other supporting documentation for grant expenditures, but most of those documents were not provided to us. PRDOJ managers told us that delays were caused by lack of personnel and trouble locating requested documentation, and that some supporting documents were not within PRDOJ's possession and PRDOJ would have to obtain them from third party vendors.

Based on the documentation available to us, we found that the PRDOJ (1) drew down about \$2.6 million in excess funds, did not return the money to OJP, and did not draw down an additional \$3.6 million of the grant funds it was awarded, resulting in a total of \$6.2 million in missed criminal justice funding opportunities; (2) did not allocate grant funds based on the needs of the criminal justice agencies or according to a strategic plan to address crime, and had inadequate grant monitoring; (3) charged \$23,355 in unallowable costs and over \$2 million in unsupported costs to the grants; (4) did not accomplish a significant portion of the grant funded projects; and (5) had not fully implemented the Sex Offender Registration and Notification Act (SORNA) or the National Instant Background Check System (NICS) Improvements Act. We found that a primary cause for many of these deficiencies was inexperienced and inadequately trained PRDOJ grant staff, in addition to controls, policies, and procedures that were inadequate to properly administer and fully account for grant funds.

Based on our audit results, we identified over \$6.6 million in dollar-related findings, including \$5.1 million in net questioned costs and \$1.5 million in funds to better use.⁴ The audit makes 5 recommendations to address dollar-related findings and 15 recommendations to improve the management of DOJ grants. These are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix 1.

⁴ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicated amounts.

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TO THE PUERTO RICO DEPARTMENT OF JUSTICE,
SAN JUAN, PUERTO RICO**

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AUDIT OF OFFICE OF JUSTICE PROGRAMS GRANTS AWARDED TO THE PUERTO RICO DEPARTMENT OF JUSTICE, SAN JUAN, PUERTO RICO

INTRODUCTION

The Office of the Inspector General (OIG) Audit Division has completed an audit of the management of Department of Justice (DOJ) grants awarded by the Office of Justice Programs (OJP) to the Puerto Rico Department of Justice (PRDOJ). This audit directly addresses two of the top management and performance challenges identified by the Inspector General for 2014: Ensuring Effective and Efficient Oversight of Law Enforcement Programs and Protecting Taxpayer Funds from Mismanagement and Misuse.⁵ The OIG recognizes the unique challenges of creating and coordinating law enforcement efforts in U.S. territories, such as the Commonwealth of Puerto Rico.

Our audit concentrated on grants awarded to the PRDOJ during fiscal year (FY) 2008 through FY 2012.⁶ The purposes of these grants were to support a broad range of activities to control and prevent crime based on local needs and conditions; provide services to victims of crime; enhance sex offender registration and notification programs; and provide loan repayment assistance for local, state, and federal public defenders and local and state prosecutors.

Background

Located in the northeastern Caribbean, east of the Dominican Republic and west of the United States Virgin Islands, Puerto Rico has a population of 3.7 million people. Puerto Rico has 78 municipalities, including the two municipal islands, Culebra and Vieques, located east of the main island. Puerto Rico is a self-governing commonwealth in association with the United States. The chief of state is the President of the United States of America and the head of government is an elected Governor. The Legislative Assembly of Puerto Rico is a bicameral legislature consisting of the Chamber of Representatives and the Senate. Puerto Rico has authority over its internal affairs, subject to U.S. law, except in those cases where the U.S. Congress legislates otherwise. Major differences between Puerto Rico and the 50 states include an exemption from some aspects of the Internal Revenue Code, an absence of voting representation in either house of the U.S. Congress, the ineligibility of Puerto Ricans residing on the island to vote in presidential elections, and a difference in the way certain federal programs are extended to Puerto Rico compared to the states.

⁵ The Office of the Inspector General's report on the 2014 Top Management and Performance Challenges Facing the Department of Justice can be found at: <http://www.justice.gov/oig/challenges/>.

⁶ We did not audit grants awarded to the PRDOJ during FY 2013 because most of those grants had no activity or no grant funds had been drawn down.

Economic Challenges

Puerto Rico has experienced extreme economic difficulties since 2006. Its public debt at that time was \$45.9 billion, and increased to \$71.9 billion in December 2013. This level of debt was 103 percent of its Gross National Product (GNP). Since February 2014, three major U.S. credit rating agencies have lowered to non-investment grade the credit ratings on Puerto Rico's general obligation bonds and Commonwealth guaranteed bonds, as well as the ratings for most of its public corporations. As of March 31, 2015, Puerto Rico's total debt increased to \$72.2 billion, approximately 104 percent of its GNP. According to the U.S. Census Bureau, from 2010 to 2013, Puerto Rico's population decreased by 3 percent.

Crime in Puerto Rico

The economic difficulties that have been affecting Puerto Rico since 2006 have resulted in significant pressures on its criminal justice systems. The March 2011 *Report by the President's Task Force on Puerto Rico's Status* (Task Force) noted that public safety was a significant challenge in Puerto Rico.⁷ While reported violent crime was less in Puerto Rico than the United States as a whole, the homicide rate in Puerto Rico was five times the national average. Specifically, the number of homicides and non-negligent manslaughter increased by 22.8 percent (from 728 to 894) between calendar years 2007 and 2009. By 2010, this total increased an additional 9.9 percent, with 983 murders reported for 2010 — the second highest murder rate in Puerto Rico's history. While violent crime rates for murder and robbery have trended down in the overall United States, Puerto Rico saw an increase in these categories.

According to the Federal Bureau of Investigation, Puerto Rico ended 2011 with 1,136 incidents of murder or manslaughter; more than any other year on record. Puerto Rico's reported number of these incidents was five times the national average.⁸ Only California, with a population 10 times larger than that of Puerto Rico, reported more incidents of murder and manslaughter.

The Task Force report also noted that Puerto Rico's geographic location makes it especially vulnerable to transnational crime and that, with approximately 300 miles of unprotected shoreline, Puerto Rico has become a significant transshipment point for drugs between South America and the continental

⁷ *Report by the President's Task Force on Puerto Rico's Status*, March 2011. President Clinton created the Task Force in 2000 to examine proposals for Puerto Rico's future political status. President Bush continued the Task Force's sole focus on the issue of political status. The Bush Administration's Task Force issued reports in 2005 and 2007. On October 30, 2009, President Obama signed Executive Order 13517, which directed the Task Force to maintain its focus on the political status question, but added to the Task Force's responsibilities by seeking advice and recommendations on policies that promote job creation, education, health care, clean energy, and economic development on the island.

⁸ According to the FBI, there were 978 incidents of murder or manslaughter during 2012 and 883 during 2013; still the highest rate in this category.

United States. The report stated that “an increase in narco-trafficking activity in Puerto Rico would likely have a direct correlation to the increase of crime on the Island.”

The Task Force report also noted that in October 2010, DOJ announced the results of one of the largest law enforcement corruption operations in history, which included the indictment of 133 people, including 89 law enforcement officers in Puerto Rico.

The Task Force concluded that significant attention must be paid both to the capacity of local law enforcement and the efforts of the Federal agencies charged with public safety in Puerto Rico. The report stated that improvements in public safety in Puerto Rico would benefit the people of Puerto Rico and contribute to the United States’ broader efforts to combat narcotics trafficking throughout the Americas.

DOJ Grants Awarded to the PRDOJ

DOJ seeks to assist the law enforcement effort in Puerto Rico by providing grants to the PRDOJ and other state and local government entities and non-governmental organizations. As shown in Table 2, during FY 2008 through 2013, the PRDOJ was awarded 29 grants totaling \$77.5 million. These grants were awarded primarily under the Edward Byrne Memorial Justice Assistance Grant (Byrne JAG) Program and the Victims of Crime Act (VOCA) Grant Program. Three of these grants totaling \$22,697,751 were Recovery Act grants awarded under the Byrne JAG and the VOCA grant programs.

Table 2
DOJ Grants Awarded to the PRDOJ
FYs 2008 through 2013

OJP Bureau or Office	Number of Grants	Total Funds Awarded
Bureau of Justice Assistance – Byrne JAG	8	\$22,322,688
Bureau of Justice Assistance – Byrne JAG Recovery Act	1	\$21,790,612
Bureau of Justice Assistance – John R. Justice	3	\$245,355
Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking	1	\$183,040
Office for Victims of Crime	12	\$31,724,276
Office for Victims of Crime – Recovery Act	2	\$907,139
Bureau of Justice Statistics	2	\$325,000
Total OJP Grants	29	\$77,498,110

Source: OJP grant award records

DOJ Grants Awarded to Other Government and Non-Governmental Organizations

In addition to the grants awarded to PRDOJ, during FY 2008 through 2013, DOJ awarded other Puerto Rico state and municipal government and non-governmental organizations a total of 113 grants totaling \$53,190,129 through OJP, the Office on Violence Against Women (OVW) and the Office of Community Oriented Policing Services (COPS). These grants were awarded to multiple organizations and jurisdictions throughout Puerto Rico to support a broad range of activities to control and prevent crime, provide services to victims of crime, address violence against women, and assist state and municipal police departments. This audit focused solely on the grants awarded to and administered by the PRDOJ, the single entity that received the majority of the DOJ funding during this period.

The Puerto Rico Department of Justice's Administration of Grant Programs

The PRDOJ is the State Administering Agency for Byrne JAG and VOCA grants. By designation of the Governor, the External Resources Division (ERD) of the PRDOJ serves as the liaison between the Commonwealth of Puerto Rico and OJP in administering these grant programs. The PRDOJ's Criminal Justice Information Services Division (PRCJIS) administered grants awarded to implement the Sex Offender Registration and Notification Act (SORNA) and Byrne JAG sub-grants.

In its role as the designated State Administering Agency, the PRDOJ ERD is responsible for: (1) applying to the DOJ for grant funding; (2) soliciting and evaluating sub-recipient applications for funding; (3) recommending sub-recipients applications for funding; (4) drawing down grant funds from OJP; (5) reviewing and approving grant fund disbursements; (6) monitoring sub-recipients to ensure they meet the fiscal and programmatic requirements of the grants; and (7) submitting financial and programmatic reports to OJP.

The PRDOJ received funding through grant programs administered by the following OJP bureaus and offices:

- Bureau of Justice Assistance (BJA)
- Office for Victims of Crime (OVC)
- Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking (SMART office)
- Bureau of Justice Statistics (BJS)

Below is a brief description of the grant programs included in our audit.

Edward Byrne Memorial Justice Assistance Grant Program (Byrne JAG)

BJA administers the Edward Byrne Memorial Justice Assistance Grant Program (Byrne JAG). Byrne JAG grants are the primary source of federal criminal justice funding to state and local jurisdictions. Byrne JAG funds support all components of the criminal justice system, from multijurisdictional drug and gang

task forces to crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives. Byrne JAG funds are also used to address crime by providing services to individuals and communities and improve the effectiveness and efficiency of criminal justice systems, processes, and procedures.

Office for Victims of Crime (OVC)

OVC administers annual grants awarded to eligible states to provide victim services and compensation to victims of crime. Victim services are defined as those 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 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.

Sex Offender Registration and Notification Act (SORNA)

The SMART office administers grants to assist states, local, and tribal jurisdictions in developing or enhancing sex offender registration and notification programs to support implementation of the SORNA. The Adam Walsh Child Protection and Safety Act of 2006 authorized the SMART office to administer these grants.

John R. Justice Student Loan Repayment Grant Program (JRJ)

The BJA's John R. Justice (JRJ) Student Loan Repayment Grant Program provides loan repayment assistance to federal, state, and local public defenders and state and local prosecutors who agree to continued employment as public defenders and prosecutors for at least 3 years. BJA provides funds to states, territories, and the District of Columbia to assist eligible recipients working within their jurisdictions.

National Criminal History Improvement Program (NCHIP)

BJS administers the National Criminal History Improvement Program (NCHIP) that provides grants to improve the quality, completeness, and accessibility of criminal history and related records accessed by the National Instant Background Check System (NICS) and the national sex offender registry.

The American Recovery and Reinvestment Act of 2009 (Recovery Act)

In February 2009, Congress passed the Recovery Act to help create jobs and stimulate the economy. The Recovery Act provided \$787 billion for tax cuts, education, health care, entitlement programs, contracts, grants, and loans. The DOJ received \$4 billion in Recovery Act funds and made almost \$2 billion of that funding available through the OJP Byrne JAG grant program.

Audit Approach

The objective of the audit was to assess performance in the key areas of grant management that were applicable and appropriate for the grants under review. We assessed performance in the areas of: (1) internal controls; (2) grant fund drawdowns; (3) management of sub-recipients, including the processes for soliciting applications for funding, awarding grant funds and contracts, and monitoring of sub-recipients; (4) income generated from grant funds and programs; (5) grant expenditures; (6) management of property items bought with grant funds; and (7) grant goals and accomplishments. Unless otherwise stated in our report, the criteria we audited against are contained in the OJP Financial Guide, grant award documents, Code of Federal Regulations, VOCA Program Guidelines, and Office of Management and Budget Circulars. We tested PRDOJ's:

- **internal controls** including staff training and experience, the PRDOJ's financial management system, Single Audits, and policies and procedures for administering grants;
- **grant drawdowns** to determine whether grant drawdowns were adequately supported and if the PRDOJ was managing grant funds in accordance with federal requirements;
- **management of sub-recipients** including the PRDOJ's processes for soliciting and making sub-awards and contracts and monitoring sub-recipients and contractors to ensure they meet the fiscal and programmatic requirements of the grants;
- **program income** to determine whether grant funds or programs generated revenues and whether this income was reported and used for grant purposes;
- **grant expenditures** to determine whether costs were allowable, supported, reasonable, and properly charged to the grants;
- **property management** to determine whether the PRDOJ could account for property bought with grant funds and whether the property was being used for grant purposes; and
- **grant goals and accomplishments** to determine whether the PRDOJ and sub-recipients met, or were meeting, the goals and objectives of the grants.

In conducting our audit, we performed sample testing in the areas of grant drawdowns, grant expenditures, property management, management of sub-recipients, and grant goals and accomplishments.

FINDINGS AND RECOMMENDATIONS

The PRDOJ drew down about \$2.6 million in excess funds, did not return the money to OJP, and did not draw down an additional \$3.6 million of the grant funds it was awarded; resulting in a total of \$6.2 million in missed criminal justice funding opportunities. The PRDOJ did not allocate grant funds based on the needs of the stakeholders or according to a strategic plan to address crime, and had inadequate grant monitoring. In addition, the PRDOJ charged over \$23,000 in unallowable costs and over \$2 million in unsupported costs to the grants, and did not accomplish a significant portion of the grant-funded projects. It had not fully implemented the Sex Offender Registration and Notification Act (SORNA) or the National Instant Background Check System Improvement Amendments Act (NICS Act). A primary cause for many of these deficiencies was inexperienced and inadequately trained PRDOJ grant staff, in addition to controls, policies, and procedures that were inadequate to properly administer and fully account for grant funds. We make 5 recommendations to address dollar-related findings and 15 recommendations to improve the management of DOJ grants.

Internal Controls

We reviewed PRDOJ staff training and experience, the financial management system, financial audit reports conducted in accordance with the Single Audit Act, and PRDOJ policies and procedures for administering federal grants.⁹ The PRDOJ's ERD and PRCJIS administered the grants covered by this audit.¹⁰

Staff Training and Experience

We found that the PRDOJ lacked sufficient staff with the training and experience needed to administer grants. As part of a government-wide reduction in the workforce, the PRDOJ eliminated jobs in a number of programs funded by federal grants, including a \$21.9 million Recovery Act grant awarded to the PRDOJ to preserve and create jobs. In November 2009, the government of Puerto Rico eliminated 13,000 jobs, including the jobs of 12 of the 15 PRDOJ staff who were responsible for administering DOJ grants. Ten months after eliminating those 12 staff positions, the PRDOJ had to hire a consultant at a rate of \$450 per day to help administer federal grants and charged \$22,950 of those costs to the Recovery Act grant.

⁹ Non-federal entities that expend \$500,000 or more in a year in federal awards must have a Single Audit conducted. The single audit report shall be submitted no later than nine months after the end of the audit period.

¹⁰ The PRDOJ's CJIS Division administered two grants awarded to implement the Sex Offender Registration and Notification Act and the Byrne Act sub-grants. The other grants that we reviewed were administered by the PRDOJ's ERD.

PRDOJ officials told us that since 2009, the PRDOJ has hired six new employees and rehired one former employee, but we were told that the new employees lacked significant grant management experience and were not adequately trained. We interviewed the six new employees and found that most of them had little or no prior grant management experience and none of them had received grant management training.

We informed PRDOJ officials about our findings in this regard and as a result, it provided in-house training to PRDOJ staff, as well as personnel from non-governmental organizations that receive VOCA funds from the PRDOJ. In June 2015, PRDOJ officials told us that they plan to provide additional training to their staff, as well as subgrantees, before the end of calendar year 2015.

PRDOJ officials also expressed concern that grant management staff may seek employment elsewhere because their positions are classified as non-permanent. PRDOJ officials told us that in addition to the ERD staff job classification, the turnover is negatively affected any time there is a change in leadership in the administration of the PRDOJ after general elections. Specifically, the ERD director position has been filled by 3 different persons during the last 3 years performing the duties as Acting Director; which resulted in additional turnover. Such turnover could cause additional loss of grant management training and experience. PRDOJ officials indicated that they believed that ERD staff positions should be made permanent because those positions are being funded by DOJ grants.¹¹ However, the PRDOJ's application to the Puerto Rico Office of Management and Budget (PROMB) to make these positions permanent was denied.¹²

Inadequate staff training and experience combined with the lack of sufficient written policies and procedures for administering federal grants at PRDOJ have contributed to the PRDOJ's inability to implement completely federal grant programs and maximize the use of federal funds. As a result, the PRDOJ lost the use of more than \$6.2 million in federal grant funds because the funds were not used before the grants expired. The lack of written policies and procedures for grant administration, as well as the expiration of grant funds, are described later in our report.

We recommend that OJP ensure the PRDOJ takes appropriate steps to address the turnover of grant management staff at the ERD. We also recommend that OJP determine the appropriate training needs and provide such training to all PRDOJ staff involved in administering DOJ grant funds.

¹¹ Depending on the type of grant, grantees may use either 5 percent or 10 percent of the award amount for the costs of administering the grants, such as salaries for grant management staff.

¹² The PRDOJ appealed the PROMB's decision. In June 2015, PRDOJ officials informed us that OMB had authorized making some of the positions permanent and that currently there are 7 permanent positions and 3 remain classified as transitory.

Financial Management System

The accounting system for all Commonwealth of Puerto Rico agencies, including the PRDOJ, is the Puerto Rico Integrated Financial Accounting System (PRIFAS). The Puerto Rico Department of Treasury (PR Treasury) administers PRIFAS and processes all grant fund receipts and disbursements through the system. According to Puerto Rico Accounting Law 230, only the Secretary of Treasury has the authority to design and implement financial systems. State agencies are prohibited from implementing accounting systems that would substitute, complement, or run parallel to PRIFAS.

We found that the PRDOJ did not record transactions in PRIFAS in a timely manner. As a result, the use of PRIFAS did not provide the information the PRDOJ needed to prepare timely and accurate financial status reports for submission to OJP. Some expenditures were not recorded in PRIFAS for as long as 8 months. To compensate for this, the PRDOJ maintained spreadsheets to track grant activity and help prepare the required financial reports, but it did not reconcile those spreadsheets to PRIFAS. Consequently, PRDOJ submitted incorrect federal financial status reports, was not aware that the bank had commingled federal grant funds with funds from other sources, and did not return excess grant funds that were drawn down. We discuss these issues later in the report under *Controls Over Federal Funds*. During this audit, a PRDOJ official told us that the PR Treasury was planning to implement a new accounting system that would provide timely and accurate information for financial reports to be submitted to OJP for each grant. Initial implementation of the new system was anticipated in December 2014. However, as of July 2015, the PR Treasury had not implemented the new system and a PRDOJ official told us that the PRDOJ will be exploring the possibility of acquiring a management system for the administration of federal grants.

Single Audits

We reviewed Single Audit reports issued by independent public accounting firms for FYs 2009 through 2013 and identified recurring findings pertaining to the PRDOJ's internal controls and its ability to adequately manage federally funded programs.¹³ These findings are described below, and are similar to those we found in our review.

- Single Audit Finding 2013-006. Sixty percent of Byrne JAG grant expenditures (24 of 40 payments tested) were not supported by adequate documentation such as vouchers, invoices, requisitions, and documents pertaining to contract bids. The auditors questioned \$319,785 of the disbursements.

¹³ The PRDOJ's FY 2013 Single Audit report was due on March 31, 2014, but the report was submitted 73 days late on June 12, 2014. PRDOJ officials told us that the audit report was not provided by the external auditors until May 2014; consequently delaying the date of submission after review by PRDOJ officials.

In response, the PRDOJ stated that it had taken steps to develop and maintain an accurate filing system that complies with state and federal regulations and would work closely with PR Treasury to locate the missing documentation.

- Single Audit Finding 2013-009. The PRDOJ did not have a formal process for the receipt, review, and evaluation of Single Audit reports of sub-recipients of VOCA and Byrne JAG grants in accordance with federal requirements.

In response, the PRDOJ updated its monitoring procedures to request the Single Audit reports during the sub-grantee grant period.

- Single Audit Finding 2013-010. The PRDOJ did not conduct monitoring site visits for two of six VOCA grant sub-recipient files that auditors examined.

In response, the PRDOJ stated that it is implementing a risk assessment and monitoring procedure that will ensure monitors are performing the required monitoring on a regular basis.

- Single Audit Findings 2009–01 through 2012-01. The PRDOJ did not maintain an adequate accounting system and financial records to provide sufficient information for the preparation of basic financial statements. Auditors also found that the PRDOJ had inappropriate or incomplete cut-off procedures, as well as incomplete month-end and year-end closing procedures resulting in many transactions posted months after the applicable closing. Auditors recommended that the PRDOJ either improve or implement an integrated accounting system that provides complete financial information.

In response, the PRDOJ indicated that it depends on the PR Treasury to implement a new system, and that state agencies are prohibited from implementing accounting systems that would substitute, complement, or run parallel to PRIFAS. As of June 2015, the PR Treasury had not yet implemented a new system.

Policies and Procedures for Administering Grants

Policies and procedures provide the framework within which an organization operates. Such rules provide guidance for handling a wide range of organizational and programmatic issues, and establish a framework for both management and staff decision making. The PRDOJ did not have sufficient written financial and programmatic policies and procedures for the management of grants. We found a lack of adequate controls in key areas that increased the risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grants. These controls should exist and should be defined in written policies and procedures. As discussed throughout this report, we found deficiencies pertaining to: accounting for, managing, and reporting the use of grant funds; procuring contracts;

compliance with laws; and the accomplishment of grant goals and grant funded projects. We explain these deficiencies in the following sections of this report.

Segregation of Duties

Most of the grant funds awarded to the PRDOJ were administered by the ERD. We did not identify any segregation of duty issues at ERD; however we did find such issues at the PRCJIS, which was responsible for the administration of \$1.1 million in Byrne JAG sub-grants from FY 2009 through 2011 and \$823,474 in two SORNA grants from FY 2010 through 2012. Specifically, we found that the PRCJIS did not have sufficient resources to appropriately segregate the administrative tasks of the grants. Such tasks include developing requests for contract and sub-recipient proposals, identifying and selecting contractors, and approving contractor payments, all of which were performed by a single manager at PRCJIS.¹⁴ Effective internal control requires an adequate division of responsibilities among those who perform grant management activities. Not segregating these functions increases the risk of errors and procurement irregularities. We recommend that OJP ensure the PRDOJ implements procedures to segregate the grant administration duties, including segregation in identifying and selecting contractors from the duties of approving contractor payments and ensuring transparency in the awarding of contracts.

Drawdowns

Grant funds usually should not be drawn down in a lump sum, but rather drawn down over time as project costs are incurred or anticipated. However, under the Byrne JAG program, recipients may draw down any amount of the grant funds in advance, but must establish a trust fund in which to deposit the funds. OJP does not require grantees to physically segregate cash deposits, but the recipient's accounting system must be able to separately track the receipt and use of funds from each grant. The Recovery Act Byrne JAG grants also specifically require recipients to establish a trust fund in which to deposit the funds.

We interviewed PRDOJ staff responsible for drawing down grant funds and reviewed accounting records to obtain an understanding of the PRDOJ's drawdown procedures and controls over Federal funds. We found that the PRDOJ drew down more than \$2.5 million in grant funds that were neither used nor returned to OJP. This is explained in more detail in the next section.

¹⁴ The manager who completed the administrative tasks had no prior grant management experience and had not received DOJ grant management training.

Controls Over Federal Funds

Federal grant funds received by the PRDOJ are electronically deposited into the Puerto Rico Government Development Bank. The PRDOJ procedures require that the funds be separated into PRDOJ accounts for (1) Recovery Act Byrne JAG grant funds, (2) non-Recovery Act Byrne JAG grant funds, and (3) all other grant funds. However, we found that in instances dating back to December 2012, grant funds drawn down by the PRDOJ were no longer credited to PRDOJ bank accounts; instead, funds were deposited in the PR Treasury Operational bank account and commingled with funds belonging to other Puerto Rico government agencies.

Specifically, we found that while funds from the Byrne JAG Recovery Act grant were deposited to a separate PRDOJ bank account as required, funds from non-Recovery Act Byrne JAG grants and other grants were commingled with funds belonging to other Puerto Rico government agencies. In addition to the misdirection of deposits, in February 2013, the Puerto Rico Government Development Bank closed the non-Recovery Act Byrne JAG trust fund account and transferred the \$2.4 million balance to the PR Treasury Operational bank account. A PRDOJ official told us that the closure of the trust fund and subsequent transfer of funds had not been authorized by the PRDOJ. The official told us that they were not aware of the trust fund closure until we informed them in February 2014, and neither PRDOJ nor the bank was able to provide a reason for the closure.

PRIFAS uses unique codes for each grant that enable the PRDOJ to track grant funds received and expended, but the PRDOJ did not reconcile the accounting records to the bank account balances. This issue could have been identified sooner if the PRDOJ had performed periodic bank reconciliations. The PRDOJ should reconcile the bank accounts to the accounting records to determine the current balance of the grants and have PRDOJ grant funds in the PR Treasury Operational bank account transferred to appropriately segregated PRDOJ bank accounts.

PRDOJ's existing procedures also did not provide for the complete accounting of federal funds. The table below shows six grants for which grant funds drawn down exceeded grant expenditures recorded in the accounting records.

Table 3
Excess Grant Funds Drawn Down

Grant	Total Drawdowns	Expenditures per PRIFAS	Excess Drawn Down
2008-VA-GX-0051	\$3,929,707	\$3,816,079	\$113,628
2009-SG-B9-0112	\$756,757	\$734,313	\$22,444
2008-DJ-BX-0050	\$1,652,445	\$1,566,839	\$85,606
2009-VA-GX-0069	\$3,403,840	\$3,295,660	\$108,180
2010-VA-GX-0093	\$4,565,647	\$4,439,757	\$125,890
2009-SU-B9-0053	\$21,790,612	\$19,597,308	\$2,193,304
Total			\$2,649,052
Less: Funds Returned to the DOJ¹⁵			(\$87,330)
Questioned Costs			\$2,561,722

Source: PRDOJ grant records

PRDOJ officials told us that, with the exception of the two Recovery Act grants, 2009-SG-B9-0112 and 2009-SU-B9-0053, they were not aware that they had drawn down excess funds or that the PRDOJ had grant funds that were not in a PRDOJ bank account. We found that they had not performed reconciliations between grant funds drawn down, funds deposited in PRDOJ bank accounts, and grant expenditures recorded in PRIFAS. Such reconciliations would have alerted them of these funds left in the Puerto Rico Government Development Bank. They also told us that the funds from the Recovery Act grants had not been returned due to errors in accounting and that the errors were the result of the grant management staff turnover. We recommend that OJP remedy the \$2,561,722 in excess drawdowns.

After our discussion, PRDOJ officials met with PR Treasury officials to correct the problem, but as of June 2015, the PRDOJ's grant funds had not been credited to PRDOJ bank accounts.

We recommend that OJP ensure the PRDOJ has all DOJ grant funds being held in PR Treasury bank accounts transferred to PRDOJ bank accounts separated in conformance with PRDOJ procedures. We also recommend that OJP ensure the PRDOJ implements procedures to conduct monthly reconciliations between grant funds drawn down and expenditures recorded in the accounting records and account for any differences. These procedures should also include steps to ensure that grant funds drawn down were credited to the proper PRDOJ bank account.

¹⁵ The PRDOJ returned \$87,330 to OJP. It returned the entire \$85,606 in excess drawdowns from grant 2008-DJ-BX-0050 and \$1,724 of the \$22,444 from grant 2009-SG-B9-0112, leaving \$20,720 from grant 2009-SG-B9-0112 that OJP should remedy.

Grant Funds Not Used

We also identified \$3.6 million in grant funds that were not drawn down before the grants expired.¹⁶ OJP deobligated \$2.1 million of this amount and those funds are no longer available to the PRDOJ.

Table 4
Grant Funds Not Drawn Down
for Grants that Expired during FY 2009 through FY 2014

Grant Number	Grant Expiration Date	Award Amount	Grant Funds Not Drawn Down	Deobligated As of June 2015	To be Deobligated
Bureau of Justice Assistance (Byrne JAG) Grants					
2006-DJ-BX-0063	09/30/2010	\$3,484,187	\$41,619	\$41,619	
2007-DJ-BX-0108	03/31/2012	\$5,165,058	\$97,965	\$97,965	
2007-TT-BX-0001	10/31/2009	\$169,994	\$2,256	\$2,256	
2008-DJ-BX-0739	09/30/2011	\$111,465	\$9,054	\$9,054	
Total Byrne JAG		\$8,930,704	\$150,894	\$150,894	
Office for Victims of Crime (Crime Victim Assistance) Grants					
2006-VA-GX-0043	09/30/2009	\$5,321,359	\$2,388	\$2,388	
2007-VA-GX-0054	09/30/2010	\$4,967,000	\$162,490	\$162,490	
2008-VA-GX-0051	09/30/2011	\$4,146,000	\$216,293	\$216,293	
2009-VA-GX-0069	09/30/2012	\$4,816,123	\$1,412,283	\$1,412,283	
2009-SG-B9-0112	09/30/2012	\$762,000	\$5,243		\$5,243
2010-VA-GX-0093	09/30/2013	\$5,405,724	\$840,077		\$840,077
2011-VA-GX-0058	09/30/2014	\$5,274,949	\$658,305		\$658,305
Total VOCA		\$30,693,155	\$3,297,079	\$1,793,454	\$1,503,625
Bureau of Justice Statistics (National Crime History Improvement) Grants					
2008-RU-BX-K021	09/30/2009	\$150,000	\$150,000	\$150,000	
Total All Programs		\$39,773,859	\$3,597,973	\$2,094,348	\$1,503,625

Source: OIG analysis of DOJ and PRDOJ records

In four of the crime victim assistance grants, 2008-VA-GX-0051, 2009-VA-GX-0069, 2009-SG-B9-0112, and 2010-VA-GX-0093, the PRDOJ drew down funds exceeding grant expenditures as detailed in Table 3 above. The PRDOJ also did not

¹⁶ These grants were awarded in FYs 2006 through 2011 and expired in FYs 2009 through 2014.

use all the available funding under those grants before the grants expired as reflected in Table 4. We recommend that OJP deobligate and put to better use the remaining \$1,503,625 in grant funds not drawn down.

PRDOJ officials told us that grant funds were not used because the PRDOJ has not had a sufficient number of staff with the experience and training needed to administer grants and monitor sub-recipients since 2009. The officials said that sub-recipients also took excessive time to implement the grant projects and the grants expired before the projects could be completed. We found that this was due at least in part to inadequate oversight of sub-recipients, as discussed later in this report.

For grants awarded between FYs 2008 and 2012, we noted an average of 511 days from the award of grants to the PRDOJ to the initial drawdown of funds.¹⁷ In addition, the PRDOJ's policy is to limit the sub-recipient's time to use the funds. One sub-recipient official told us that grant projects had to be completed within 1 year. These delays significantly shortened the length of time the PRDOJ and sub-recipients had to implement and complete the grant projects and any funds not expended within that time period had to be returned to the PRDOJ.

We recommend that OJP ensure the PRDOJ reviews its current policies and practices for deciding the period of performance for sub-awards and provide sufficient time for sub-recipients to complete grant projects.

Allocating Grant Funds and Managing Sub-Recipients

We interviewed PRDOJ staff and reviewed its policies and procedures for managing grants, including how it allocated grant funds to address criminal justice issues and its processes for soliciting applications and awarding sub-grants and contracts. We found three types of problems in its allocation of grant funds: (1) inadequate strategic planning, (2) inadequate outreach, and (3) an inadequate process for making sub-awards.

Allocating Grant Funds According to a Strategic Plan or Needs Assessment

BJA strongly encourages recipients of Byrne JAG grant funds to use a strategic planning process, using a community engagement model, including law enforcement, courts, prosecutors, victim advocates, indigent defense providers and corrections officials, to guide spending. Likewise, the OVC encourages recipients of VOCA grant funds to develop a program funding strategy considering the unmet needs of crime victims, the demographic profile of crime victims, the availability of services to crime victims and the extent to which other funds are available. To meet these objectives, the PRDOJ should assess priorities and coordinate the use of resources with other criminal justice agencies, law enforcement agencies, the

¹⁷ This reflects almost half of the 3-year period in which most of the grants we audited expired.

courts, forensic laboratories, and officials from the Department of Corrections in order to ensure the most effective use of the funds.

Byrne JAG Grants

Prior to December 2013, the PRDOJ did not have a strategic plan that PRDOJ grant management staff could use as a guide in allocating Byrne JAG grant funds and making sub-awards to state agencies. The PRDOJ did not coordinate sufficiently with other state criminal justice agencies, such as the Puerto Rico Police Department, the courts, the Institute of Forensic Sciences, or the Department of Corrections in order to enable it to determine the areas of priorities to allocate Byrne JAG funding according to the needs of those stakeholders.

Although some of these agencies needed funds for their specific functions within the criminal justice administration, there was no coordination with the agencies to maximize the use of Byrne JAG funds to address those needs. For example, the PRDOJ's FY 2012 Byrne JAG grant application stated that it would use these grant funds to increase the capacity of state forensic laboratories, improve the correctional system, and increase the effectiveness of state and local law enforcement operations. However, the Puerto Rico Institute of Forensic Sciences, which is responsible for the forensic laboratories and the analysis of forensic evidence; the Department of Corrections; and the Puerto Rico Police Department each applied to the PRDOJ for, but were not awarded, funds from the FY 2012 Byrne JAG grant. The PRDOJ allocated the FY 2012 funds, \$2,896,579, in the following manner: (1) \$1,593,143 for seven internal projects and administrative costs; (2) \$56,788 to the Courts, the only state agency subawarded funds; (3) \$640,292 to five non-governmental organizations; and \$606,356 to eight municipalities.

The PRDOJ has the responsibility for allocating grant resources in an effort to address serious crime issues; however, \$2.4 million of Byrne JAG grant funds were not used.¹⁸ This occurred despite what appear to be clear areas of need.¹⁹ Implementing a strategic plan and coordinating law enforcement efforts could help the PRDOJ address crime and maximize the use of grant funds.

We raised this issue to PRDOJ officials during our on-site audit work and they told us that they had begun consulting with other criminal justice agencies to develop a strategic plan, which was later completed and provided to us. The PRDOJ informed us that the plan has been used as a tool to allocate FYs 2013 and 2014 Byrne JAG grant funds.

¹⁸ OJP deobligated \$150,894 from four Byrne JAG grant for funds that were not drawn down (see Table 4). The PRDOJ did not use \$85,606 excess funds drawn down from Byrne JAG grant 2008-DJ-BX-0050 and \$2,193,304 from grant 2009-SU-B9-0053 (see Table 3).

¹⁹ For example, in late FY 2013, the Institute of Forensic Sciences had a backlog of more than 30,000 pieces of evidence and did not have sufficient staff to analyze the evidence.

The Puerto Rico Legislature also recognized the importance of coordinating criminal justice agencies' efforts and introduced the *360 Integral Security Plan* at the beginning of 2014. This plan aims to identify and overcome the communication problems among the different agencies and components responsible for public safety such as the Police Department, the Institute of Forensic Sciences, the PRDOJ, court administration, and federal agencies. One of the plan's main objectives is to achieve efficiency in the integration of efforts in order to ensure the resolution of pending criminal cases and investigations.

Victims of Crime Act (VOCA) Grants

The VOCA grant program encourages states to develop a strategy to allocate grant funds according to a "needs assessment" based on: (1) the needs of the crime victims and their demographic profiles, (2) the availability of victim services throughout the criminal justice process, and (3) the extent to which other sources of funding are available for services.

We found that the PRDOJ did not assess the types of services that crime victims needed or the geographic areas in which the services were needed before it allocated the funds to various projects. Grant managers confirmed to us that there had been no assessments to identify and prioritize areas with the greatest need for services and that some geographic areas were not being served. One manager told us that the PRDOJ did not implement the program to ensure that more victims of crime receive psychological services.

We recommend the PRDOJ perform a needs assessment to determine the types of services needed and the geographical areas in need of services.

Soliciting Applications for Grant Funding (Outreach)

The PRDOJ solicited applications for Byrne JAG and VOCA Victim Assistance grant funding through grant announcements on its public website. We reviewed the PRDOJ's announcement for the FY 2013 Byrne JAG and VOCA Victim Assistance grants and interviewed officials from the PRDOJ and a state criminal justice agency about the PRDOJ's grant solicitation process. We found deficiencies in the solicitation process for both types of grants.

Byrne JAG Grants

According to PRDOJ officials, the PRDOJ published an announcement every year on its public website to solicit applications for Byrne JAG funds, but the announcements were open for only 30 calendar days. These officials stated that this restriction in the length of time the announcements were open represents a challenge for the PRDOJ and for applicants to develop proposals. State criminal justice agencies are responsible for researching funding opportunities; however, we found that not all agencies checked the PRDOJ website. One state agency did not apply for funding from the FY 2013 Byrne JAG grant because the manager did not become aware of the grant announcement until after the due date to apply for

funding had passed. The agency's program manager told us that the PRDOJ should perform outreach and coordinate with state agencies, including sending the agencies an e-mail announcing the new funding opportunity.

We also believe the PRDOJ should conduct outreach to all state criminal justice agencies. PRDOJ's stated purpose for the JAG funds was to increase the capacity of state forensic laboratories, improve the correctional system, and increase the effectiveness of state and local law enforcement operations. Consequently, as part of its grant solicitation process the PRDOJ should specifically notify all relevant potential recipients, including the Institute of Forensic Sciences, the Department of Corrections, and the Puerto Rico Police Department, about new funding opportunities. The PRDOJ should also ensure that grant solicitation announcements are open for a sufficient period so that all criminal justice agencies have the opportunity to apply for Byrne JAG funding.

VOCA Grants

The PRDOJ also told us that it published annual announcements on its public website to solicit applications for VOCA Victim Assistance funds with a 30-day period to apply for funding. The PRDOJ's solicitations for VOCA grant funds describe the VOCA program, including the types of crime victim and related services eligible for funding, but did not specify the types of services that were needed based on any needs assessment. Services such as mental health, physical health and safety, shelter, and forensic examinations should be identified through a needs assessment. Also, the announcements invited only state and municipal government organizations to apply for funding; however, PRDOJ officials told us they also wanted additional non-government organizations to apply for funding. Consequently, the PRDOJ's VOCA grant announcement prevented the PRDOJ from identifying service providers needed throughout Puerto Rico. PRDOJ managers told us they had not realized the error in the announcement until we brought it to their attention and revised the language for the solicitations published in January 2015. These deficiencies contributed to the \$3 million in VOCA grant funds that were not used and are no longer available as discussed earlier in the Drawdowns section of this report. One official also expressed concern about the need for such services in rural areas and the municipal islands of Culebra and Vieques.

As a result of our notification of the deficiencies in the announcements for soliciting applications, the PRDOJ revised its policy with regards to the time Byrne JAG solicitations are open from 30 days to 51 days. They also told us that they planned to perform outreach to state agencies to improve the solicitation process of Byrne JAG grants.

We recommend that OJP ensure the PRDOJ's grant solicitation process: (1) includes outreach to state agencies that received PRDOJ funding in prior years, and (2) includes details in the announcements about the type of services and where they are needed.

Evaluating Grant Proposals

The PRDOJ's ERD screens grant applications and forwards them to an evaluation board consisting of PRDOJ managers and directors from different PRDOJ divisions. The evaluation board reviews the proposals and makes recommendations to the Puerto Rico Attorney General for final approval. We interviewed five of the six members of the evaluation board and we were told that the evaluation board members:

- lacked experience and training in working with DOJ grants; and
- had inadequate guidance as to both how to allocate funds to various internal and external grant projects and how to determine which grant applications should be recommended for funding.

Given the comments of the board members, our own assessments of the applications process, and the lack of the use of a coordinated strategy for allocating funds, we believe that the board has difficulty in effectively allocating grant funds in accordance with program needs and priorities. These concerns are demonstrated in the PRDOJ's funding decisions. For example, the PRDOJ did not award funding to the Institute of Forensic Sciences, even though one of the program goals was to increase capacity of forensic laboratories, and the Institute of Forensic Sciences submitted a grant application to request funding. We determined that the Evaluation Board did not award any funds to the Institute of Forensic Sciences even though the Institute's proposal was submitted and had been recommended for funding by the ERD. Board officials told us that there were too many applicants to fund all requests and it was unable to fund all proposals. The Board officials also told us they did not receive adequate guidance and training for making strategic funding decisions. A PRDOJ official told us that the request was not funded because the Board had funded other projects and had run out of funds.

Overseeing Sub-Recipients (Grant Monitoring)

Grant monitoring is an essential tool to ensure that sub-recipients implement grant projects, stay on track to achieve grant objectives, and properly expend grant funds. The PRDOJ's monitoring process consists of four phases, including conducting two desk reviews of sub-recipient financial and program documents and performing two site visits at various phases of the project implementation. To assess the PRDOJ's practices for monitoring sub-recipients of Byrne JAG and VOCA programs, we judgmentally selected the FY 2009 Byrne JAG Recovery Act grant and the FY 2010 VOCA Victim Assistance grant and reviewed the grant monitoring data.

We selected a judgmental sample of 20 grant projects and reviewed the PRDOJ's monitoring activities. The PRDOJ completed the four phases of its monitoring process for only 2 of the 20 projects, completed some monitoring for 6 of the 20 projects, and no monitoring for the remaining 12 projects. Based on these results, we expanded our testing and reviewed the historical data of a total of 172 projects funded by these grants. We found that the PRDOJ did not complete all

four phases of its established monitoring procedures for 130 of 172 projects (almost 76 percent).

- For the FY 2009 Byrne JAG Recovery Act grant, we found the PRDOJ did not complete all four phases of its established monitoring procedures for 64 of 95 grant-funded projects (67 percent). As a result of this inadequate monitoring, the PRDOJ did not identify unused grant funds and allowed more than \$2.1 million of this grant to expire.
- For the FY 2010 VOCA Victim Assistance grant, we found the PRDOJ did not complete all four phases of its established monitoring procedures for 66 of 77 grant-funded projects (86 percent). As a result of this inadequate monitoring, the PRDOJ did not identify unused grant funds and allowed \$965,967 of this grant to expire.

In summary, the PRDOJ could not ensure that the projects had been implemented and were on track towards completion or that the grant funds were being used according to the grant requirements. We discussed our audit results with PRDOJ officials. They concurred with our concerns about inadequate monitoring and told us that inadequate policies and procedures, inadequate training, and a lack of personnel were the causes for some projects not being monitored or completed. In June 2015, they told us they had hired a contractor who was in the process of revising the policies and procedures to monitor projects adequately.

PRDOJ Internal Audit Department

Byrne JAG grant funds were used to fund one auditor in the PRDOJ's Internal Audit Department. However, we found that the PRDOJ did not have clear written policies for using Internal Audit staff in the oversight of federal funds. We identified a lack of coordination and agreement on the duties of this Department within the PRDOJ. An ERD program manager told us that issues identified during the grant monitoring process are referred to the Internal Audit Department for follow-up with grant recipients. However, the Director of the Internal Audit Department told us that such auditing work involving outside organizations was not within the scope of the Department's responsibilities.

We recommend that OJP ensure the PRDOJ establishes clearly-stated written policies for using the Internal Audit Department to help oversee DOJ grant funds and projects.

PRDOJ Procurement Practices

According to Federal Regulations 28 C.F.R. § 66.36 (a), a state should follow the same procedures for procurements funded by federal grants that it uses on procurements using non-federal funds and ensure that every federally funded purchase order or contract includes any clauses required by federal statutes and executive orders and their implementing regulations. The OJP Financial Guide states that all procurement transactions, whether negotiated or competitively bid and without regard to dollar value, shall be conducted in a manner so as to provide maximum open free, and fair competition. An exception to the requirement for open competition is allowed for sole-source (not competitively bid) procurements if justified. In addition, all sole-source contracts in excess of \$100,000 must receive prior approval from the awarding agency (here, OJP).

We judgmentally selected 10 contracts the PRDOJ awarded to 5 contractors and performed a review to assess the PRDOJ procurement practices for these contracts. Nine of the contracts were for information technology improvements and one was for hospital medical services. We found that for 8 of the 10 contracts we reviewed:

- the contract had been awarded without fair and open competition,
- the reason for selection of the contractor was not documented, and
- the PRDOJ had not obtained OJP approval for the sole-source procurements.

These contracts are shown in Table 5 below.

Table 5
Contracts Awarded Without Competition

Grant Number	Contract Number	Contractor Vendor ID	PRDOJ Division	Contract Date	Amount
2008-DJ-BX-0050	2010-000098 2010-000009	660572899	PRCJIS	03/02/10 07/01/09	\$125,913
2009-RU-BX-K039	2010-000111 2011-000105	660572899	PRCJIS	06/02/10 01/28/11	\$174,990
2009-DJ-BX-1102 2010-DJ-BX-0636	2013-000076 2012-000135	660696378	PRCJIS	09/11/12 06/08/12	\$209,293
2010-DJ-BX-0636	2012-000138	593081678	PRCJIS	06/15/12	\$119,826
2009-SU-B9-0053	2011-AOF-063 ²⁰	660490148	ERD	04/29/11	\$257,730
Total					\$887,752

Source: PRDOJ records

²⁰ The PRDOJ submitted a sole-source request to OJP. The request was denied, however, the PRDOJ awarded the contract.

We made multiple requests to PRDOJ's Contracting Division and the ERD for documentation to support its decision to use these contractors, but the PRDOJ did not provide any justification for the sole-source selections. One official informed us that the PRDOJ was in the process of implementing policies to correct the lack of transparency in selecting sole source contractors and provided a copy of a more recent sole-source approval received from OJP.

We recommend that OJP remedy the \$887,752 in grant funds expended for contracts that were not competitively awarded and were not properly justified and approved by OJP as sole-source awards. We also recommend that OJP require the PRDOJ to implement policy and procedures to ensure that it meets the requirements pertaining to competitive awards and sole-source procurements and to provide training to ERD and PRCJIS staff in the new procedures to help prevent such issues from recurring.

We also found that for one competitively awarded contract, the PRDOJ prepared letters to the bidders who were not awarded the contract to notify them that they had 10 days from the award date to file an appeal. However, the PRDOJ did not send the notices until 12 days after the award date and, therefore, the bidders lost their right to appeal the PRDOJ's decision. We asked PRDOJ why this occurred, but did not receive a response.

The PRDOJ also did not have written policies and procedures for monitoring contractor performance and compliance with contracts paid with grant funds and did not evaluate contract deliverables or the accuracy of the contractors' billings. Some contractor invoices that we reviewed included total hours billed, but not the dates and number of hours, so the PRDOJ could not verify the accuracy of the billings. We found that, as a result, the PRDOJ approved these invoices for payment without verifying the accuracy of the billings.

Awarding contracts without fair and open competition increases the risk of procurement irregularities or obtaining contractors who are unable to complete the required work. A PRDOJ official told us that during the last 7 years, contractors involved in developing and implementing criminal justice information systems have not always completed delivery of the systems they were hired to develop.

All aspects of grant management for Byrne JAG sub-grants, including developing requests for contracts and sub-recipient proposals, identifying and selecting contractors, and certifying contractor invoices for payments, were performed by one manager at a PRDOJ division. Not segregating these functions defeats necessary checks and balances, consequently increasing the likelihood that errors will be undetected.

We recommend that OJP ensure the PRDOJ implements written procedures for monitoring contractor performance and compliance with the contract and for reviewing the accuracy and completeness of contractors' billings. As previously recommended in the Internal Controls section of this report, the PRDOJ should also

implement procedures to segregate the duties of identifying and selecting contractors from the duties of approving contractor payments.

Program Income

According to the OJP Financial Guide (the Guide), all income generated as a direct result of a federally-funded project or program, including interest earned, is considered program income. The Guide states that program income may be used to further program objectives but may only be used for allowable program purposes. The Guide also states that any unexpended program income must be returned to the awarding agency.

We tested the only grant project that generated program income. We reviewed documentation related to \$222,000 in program income from this Byrne JAG Recovery Act project and determined that it was used for allowable program purposes. However, we found that \$6,452 in interest earned on Byrne JAG grant funds drawn down in advance were not recorded as program income in the accounting records, and had not been used for grant projects.

We recommend that OJP ensure the PRDOJ implements procedures to ensure that interest earned on grant funds is reported to OJP, recorded in the accounting records, and used for allowable grant purposes or refunded to OJP.

Grant Expenditures

According to the Guide, allowable costs are those identified in Office of Management and Budget (OMB) circulars and the grant program's authorizing legislation. In addition, costs must be reasonable and permissible under the specific guidance of the grants.

Title 28, Code of Federal Regulations, Section 66.20 (B)(6) requires that grantee and sub-recipient accounting records be supported by source documentation, such as cancelled checks, paid bills, payroll records, time and attendance records, and contract and sub-recipient award documents. In addition, the Guide states that all financial records, supporting documents, statistical records, and other records pertaining to the award must be retained for at least 3 years after closure of the grant or closure of the audit report covering the entire award period, whichever is later. Record retention is required for purposes of federal examination and audit.

Grant Expenditure Test Results

We reviewed grant expenditures from two major programs administered by the PRDOJ – Byrne JAG and VOCA grant programs. The grant expenditures we tested were PRDOJ expenditures for administrative costs and grant projects administered by the PRDOJ. We also performed limited testing of grant

expenditures for SORNA and NCHIP grant projects.²¹ We judgmentally selected 147 transactions from 9 grants administered by the PRDOJ. In selecting the samples we considered the cost categories, value/materiality, and the results of our risk assessment. We attempted to test 96 transactions from 6 Byrne JAG grants, 43 transactions from 6 VOCA grants, 5 transactions from 2 SORNA grants, and 3 transactions from 1 NCHIP grant. After we made multiple requests and provided a number of extensions, the PRDOJ provided supporting documentation for 101 of these 147 transactions. For the remaining 46 transactions, the PRDOJ did not provide supporting documentation. Consequently, we question the total costs of \$2,010,413 corresponding to the 46 unsupported transactions.

We reviewed two payments totaling \$23,355, for construction services at a courthouse in the Municipality of Mayaguez, under Grant Number 2010-DJ-BX-0636. These costs are unallowable because Byrne JAG grant funds may not be used for construction costs unless BJA certifies that the construction was essential to maintain public safety. The PRDOJ did not provide such certification or any documentation to demonstrate that these expenditures were essential for public safety. The results of our testing are shown in the table below.

²¹ We did not test sub-grantee expenditures because they were outside the scope of this audit.

Table 6
Summary of Audit Testing of Grant Expenditures

Grant Number	Expenditures for PRDOJ Administrative Costs and Internal Projects	Amount Audited	Questioned Costs	
			Unallowable	Unsupported
Edward Byrne Memorial Justice Assistance Grants (Byrne JAG Grants)				
2008-DJ-BX-0050	\$963,170	\$390,423	\$0	\$259,730
2008-DJ-BX-0739	\$4,348	\$1,875	\$0	\$1,875
2009-DJ-BX-1102	\$1,961,755	\$945,483	\$0	\$405,412
2009-SU-B9-0053	\$5,016,943	\$2,036,511	\$0	\$1,095,102
2010-DJ-BX-0636	\$1,971,168	\$482,163	\$23,355	\$207,326
2011-DJ-BX-2693	\$151,174	\$9,146	\$0	\$0
Victims of Crime Act (VOCA) Grants				
2009-SG-B9-0112	\$94,880	\$82,581	\$0	\$0
2008-VA-GX-0051	\$795,485	\$52,312	\$0	\$0
2009-VC-GX-0045	\$555,413	\$34,766	\$0	\$2,461
2010-VC-GX-0044	\$195,138	\$61,237	\$0	\$0
2008-VC-GX-0058	\$260,000	\$13,669	\$0	\$0
2009-SF-B9-0117	\$145,139	\$51,000	\$0	\$18,000
Sex Offender Registration and Notification Act (SORNA) Grants				
2010-AW-BX-0037	\$151,841	\$77,187	\$0	\$0
2012-DS-BX-0001	\$103,436	\$8,353	\$0	\$0
National Criminal History Improvement Program (NCHIP) Grants				
2009-RU-BX-K039	\$174,990	\$52,493	\$0	\$20,507
Total:	\$12,544,880	\$4,299,199	\$23,355	\$2,010,413

Source: OIG analysis of PRDOJ records

We recommend that OJP remedy the \$2,010,413 in unsupported costs and the \$23,355 in unallowable costs.

Property Management

According to the Guide, grant recipients must be prudent in the acquisition and management of property bought with federal funds. The Guide requires grantees to have an effective system for property management. The Guide requires the State to use equipment acquired under an award for criminal justice purposes, and to ensure that equipment acquired under an award is managed in accordance with State laws and procedures for property management. Puerto Rico's property management regulations provide guidance for control over government property, including the performance of an annual physical inventory.

We found that the PRDOJ did not maintain a system of property records to track and account for items bought with federal funds and, contrary to Puerto Rico's property management regulations, had not performed a physical inventory of equipment purchased with grant funds since 2008. We created a list of property bought with grant funds by reviewing the accounting records. We selected 45 of those items at random to determine whether the PRDOJ could account for the items and whether those items were being used for grant purposes.

We located all 45 property items selected for testing. However, 39 of the 45 items were computers that had been received by the PRCJIS over 30 days prior to our site work but had not been deployed to police stations to be used as intended for the sex offender registry. A PRDOJ official told us that the computers had not been deployed because the PRDOJ did not have a property custodian. Another PRDOJ official told us that PRCJIS did not have controls to ensure adequate property management. An effective system of property management would include tracking of property before it is deployed.

Included in the 45 property items we tested were 3 industrial washing machines bought with \$22,881 in grant funds. The washing machines were purchased for the PRDOJ's Witness and Victims Shelter. Although we found similar pieces of property at the shelter, neither we nor PRDOJ could confirm that those were the 3 machines bought with grant funds. The washing machines apparently had been used for an extended period of time and did not have property tracking tags. We do not question the costs incurred to purchase those machines; however, we are concerned with the lack of controls to track property purchased with federal funds and lack of an annual physical inventory.

We recommend that OJP ensure the PRDOJ implements policies and procedures for tracking property and equipment bought with grant funds and segregates the duties of receiving the property items from the duties of approving the invoices for payment to ensure that the PRDOJ has received the property being paid for.

Grant Goals and Accomplishments

We assessed the performance of the Byrne JAG and VOCA Victim Assistance programs. We also reviewed the grants awarded under the John R. Justice student loan repayment grant program. In addition, we reviewed documentation related to the PRDOJ's improvement of its criminal justice information system, including implementation of the SORNA and the NICS Acts, as discussed in the next section of this report. We interviewed PRDOJ staff and reviewed available records pertaining to grant goals and accomplishments and found the PRDOJ's policies and procedures were inadequate for evaluating grant performance. PRDOJ officials told us that since 2009 they have faced a high turnover of grant management staff and have not had sufficient staff with the training and experience to monitor sub-grantees' financial and programmatic reports and track grant goals and accomplishments.

Byrne JAG Grants

It is not clear whether the Byrne JAG grants accomplished their intended goals. We found the following during our review with regard to these grants:

- Grant accomplishments that the PRDOJ reported to OJP were based on reports provided by PRDOJ sub-recipients, but we found no evidence that the PRDOJ validated the data or otherwise verified the accuracy of the sub-recipients' reports.
- Forty-one percent (39 of 95) of the projects funded by the 2009 Byrne JAG Recovery Act grant were not completed. That grant has expired and \$2,193,304 of the grant funds not put to use should be returned to DOJ.
- We judgmentally selected a 2009 Byrne JAG sub-award made to the Institute of Forensic Sciences and found that the Institute used only 39 percent (\$108,178 of \$275,000) of the funds it received. According to the project manager, this happened because the project did not start until 5 months into the 1-year project period.²²

VOCA Grants

In addition to the deficiencies in the areas of outreach, coordination, and oversight of sub-recipients discussed above, we found weaknesses in the evaluation of the services provided to victims of crime under the VOCA grants. Specifically, PRDOJ program managers told us that during monitoring site visits they validate data provided by the sub-recipients. However, we did not find evidence that the PRDOJ independently verified the accuracy of sub-recipient program accomplishments, nor did we find any review guidelines in the PRDOJ's monitoring guide to perform such verification. Consequently, due to the lack of evidence of verification, we could not use the performance data that sub-recipients reported to the PRDOJ to express an opinion on the grant goals and accomplishments of the VOCA program.

We discussed with PRDOJ officials the results of our review of program goals and accomplishments of both the Byrne JAG and VOCA grant projects and they agreed with our concerns. PRDOJ officials told us that their staff and sub-recipients had received training after our discussion. The training included monitoring procedures to ensure that the Byrne JAG and VOCA grant sub-recipients' performance is adequately evaluated by PRDOJ program analysts. In June 2015, PRDOJ officials also told us they plan to provide additional training in the near future. PRDOJ officials also told us that the monitoring guide is being revised to ensure that program analysts have the adequate training and guidance to monitor

²² The PRDOJ did not award funds to the Institute of Forensic Sciences from the FY 2012 Byrne JAG grant. The reason for not providing funding from that grant was not related to the fact that the Institute was able to use only 39 percent of the FY 2009 funds.

the projects. In addition, the PRDOJ told us that it is revising its policies and procedures to ensure that sub-recipients have sufficient time to complete the grant projects and extend the project period when necessary.

We recommend that OJP ensure the PRDOJ implements procedures for validating information provided by sub-recipients and contractors regarding their project goals and accomplishments and provides adequate training to the staff members tasked with monitoring the sub-recipients.

John R. Justice (JRJ) Student Loan Repayment Grants

The Bureau of Justice Assistance awarded FYs 2011, 2012, and 2013 grants to the PRDOJ under the John R. Justice (JRJ) Student Loan Repayment Grant Program. The purpose of these grants is to provide loan repayment assistance to federal, state, and local public defenders and state and local prosecutors who agree to continued employment as public defenders and prosecutors for at least 3 years.

The FY 2011 JRJ grant (Grant Number 2011-RJ-BX-0055) for \$128,606 was awarded in September 2011 and expired on June 30, 2014. The PRDOJ provided repayment assistance to 14 prosecutors and 24 public defenders with these funds.

The FY 2012 JRJ grant (Grant Number 2012-RJ-BX-0047) for \$58,967 was awarded in August 2012 and was set to expire on September 30, 2014. The PRDOJ requested and OJP approved an extension of the expiration date to March 31, 2015. The PRDOJ drew down the funds in February 2015 and provided repayment assistance to 16 prosecutors and 16 public defenders.

The FY 2013 JRJ grant (Grant Number 2013-RJ-BX-0032) for \$57,782, was awarded in September 2013, and was supposed to expire on September 30, 2014. The PRDOJ requested and OJP approved two extensions of the grant end date. The end date was extended to March 31, 2015 and the second extension set the end date to September 30, 2015. As of June 2015, the PRDOJ had not put those grant funds to use.

Criminal Justice Information System Improvements

The PRCJIS is responsible for managing Puerto Rico's criminal history data system and other related systems to ensure that law enforcement agencies have detailed, accurate, and complete criminal justice information. As part of this duty, the PRCJIS is responsible for establishing the data communications necessary for compliance with SORNA. PRCJIS is also responsible for managing the network connection with the National Crime Information Center (NCIC), a computerized database of documented criminal justice information available to law enforcement

agencies and other authorized criminal justice users nationwide. The network connection, or "message switch," is a specialized computer application designed for this communication.²³

Incomplete criminal justice information can have an adverse effect on public safety. For example, the lack of criminal justice information pertaining to persons arrested in Puerto Rico makes it more difficult to evaluate the risk those persons represent to the community if arrested again within Puerto Rico or elsewhere in the United States.

Since 2006, OJP's Bureau of Justice Assistance (BJA) and Bureau of Justice Statistics have provided more than \$2.9 million to the PRDOJ to improve the operations of the PRCJIS.²⁴ Of this amount, about \$1.9 million were provided by the PRDOJ via Byrne JAG sub-awards. The PRDOJ used the funds to upgrade its message switch and replace communication systems to be able to integrate certain applications and exchange data based on approved nationwide standards. As of June 2015, upgrades to some segments of PRCJIS were not yet complete, including system improvements needed to comply with SORNA and the NICS Act, for which OJP awarded funds to the PRDOJ. We reviewed the use of these grant funds to assess the progress the PRDOJ has made in bringing Puerto Rico in compliance with SORNA and the NICS Act. Our results are explained below.

Compliance with the Sex Offender Registration and Notification Act (SORNA)

SORNA established a deadline of July 27, 2009, for Puerto Rico among others to establish data communications and make records of registered sex offenders available for criminal justice purposes. The PRCJIS is responsible for establishing the data communications. The DOJ provided Puerto Rico two 1-year extensions to implement SORNA, thereby extending the deadline to July 2011.

In September 2010, DOJ's Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking (SMART office), awarded the PRDOJ \$183,040 to implement SORNA. In October 2011, after the expiration of the extended deadline for implementing SORNA, DOJ determined that Puerto Rico had not substantially implemented SORNA. As a result, the PRDOJ received a statutorily mandated 10-percent reduction in the Byrne JAG funding for FY 2012 and FY 2013. Nevertheless, OJP permitted the PRCJIS Division to apply directly for these funds to implement SORNA. Consequently, OJP reallocated funds normally

²³ During the course of our audit, we were informed that the PRDOJ was having problems maintaining the message switch in operation due to payment and contracting issues between the PRDOJ and the vendor responsible for the maintenance of the message switch software. As a result, PRCJIS's access to Federal systems, such as NCIC, was interrupted at least three times in a period of 2 weeks. The interruptions lasted from a few hours to 2 days. The issues between the PRDOJ and the vendor were resolved and the message switch is operational.

²⁴ We also noted that a FY 2008 National Criminal History Improvement Project grant for \$150,000 awarded to the PRDOJ to improve its criminal history records was not used and those funds were deobligated in July 2010.

administered by ERD to the PRCJIS in the amount of \$321,842 from FY 2012 Byrne JAG grant and \$318,592 from the FY 2013 Byrne JAG to implement SORNA.

In late 2013, the PRCJIS Division had made progress in implementing SORNA and had upgraded most of the software and hardware and had published the sex offender registry. PRDOJ still needed officials to approve procedures for managing the data to be entered in the registry and obtain a waiver from DOJ to permit Puerto Rico to exclude from the registry the records of minors convicted of sex offenses. PRDOJ officials told us that this exception is required because, under Puerto Rico law, the records of juvenile sex offenders may not be included in the registry as SORNA would otherwise require. As of June 2015, these additional steps had not been completed. We recommend that OJP obtain from the PRDOJ a plan to complete the remaining steps to bring Puerto Rico into compliance with SORNA and closely monitor progress on the plan.

Compliance with the National Instant Background Check System Improvement Amendments Act (NICS Act)

The NICS Act requires states to initiate background checks on firearms purchasers through the FBI's National Instant Criminal Background Check System. The NICS queries the National Crime Information Center and the Interstate Information Index containing states' criminal history records. Lack of access to criminal records can result in prohibited persons obtaining firearms.

DOJ determined that Puerto Rico was not in compliance with the NICS Act because it had not provided DOJ an estimate of the number of individuals disqualified from possessing firearms and had made only a limited number of Puerto Rico criminal history records available to national files accessed by the NICS. As a consequence, the FYs 2012 and 2013 Byrne JAG grants included a special condition requiring the PRDOJ to: (1) allocate at least 3 percent of the award for criminal records improvement efforts consistent with the purposes of the NICS Act and (2) provide documentation demonstrating such use or risk losing 3 percent of the grant funds under each award (\$86,897 of the FY 2012 grant award of \$2,896,579 and \$86,020 of the FY 2013 grant award of \$2,867,327).

As of July 29, 2014, the PRDOJ had not allocated any of the \$86,897 from the FY 2012 Byrne JAG grant or the \$86,020 from the FY 2013 Byrne JAG grant to the NICS Act as required by the special conditions of those grants. PRDOJ officials told us that they had overlooked the special conditions and had allocated the funds to other grant projects, but that they had identified \$207,866 from the FY 2009 Byrne JAG grant to implement the NICS Act. The PRDOJ provided documentation showing that on January 16, 2014, the PRDOJ sub-awarded the \$207,866 to the PRCJIS for information technology improvement and compliance with the NICS Act. According to PRDOJ officials, as of June 2015, this improvement is still in progress.

Conclusion

The PRDOJ's controls, policies, and procedures were inadequate in a number of ways to properly administer and fully account for grant funds and, consequently, we question more than \$5.1 million. We recognize that Puerto Rico faces a challenge in addressing its crime problems in light of economic difficulties, but that makes good grant management practices all the more important, and we found that the PRDOJ did not provide for the full and responsible use of grant funds. The PRDOJ drew down about \$2.6 million in excess funds, did not return the funds to OJP, and did not draw down an additional \$3.6 million of the grant funds it was awarded; resulting in a total of \$6.2 million in missed criminal justice funding opportunities. The PRDOJ did not allocate grant funds based on the needs of the criminal justice agencies or according to a strategic plan to address crime and had inadequate grant monitoring, charged \$23,355 in unallowable costs and over \$2 million in unsupported costs to the grants, did not accomplish a significant portion of the grant funded projects, and did not fully implement SORNA or the NICS Act. We found that PRDOJ grant management staff were inexperienced and lacked the necessary training to carry out their responsibilities, which we believe to be a primary cause for many of the issues identified during this audit.

Based on our audit results, we make 5 recommendations to address dollar-related findings and 15 recommendations to improve the management of DOJ grants.

Recommendations

We recommend that OJP:

1. Remedy \$2,561,722 in questioned costs considered to be unsupported as excess grant funds drawn down.
 - a. Remedy \$113,628 in excess grant funds drawn down from Grant Number 2008-VA-GX-0051.
 - b. Remedy \$20,720 in excess grant funds drawn down from Grant Number 2009-SG-B9-0112.
 - c. Remedy \$108,180 in excess grant funds drawn down from Grant Number 2009-VA-GX-0069.
 - d. Remedy \$125,890 in excess grant funds drawn down from Grant Number 2010-VA-GX-0093.
 - e. Remedy \$2,193,304 in excess grant funds drawn down from Grant Number 2009-SU-B9-0053.

2. Remedy \$887,752 in grant funds expended for contracts that were not competitively awarded and not approved in advance by OJP as sole-source procurements.
3. Remedy \$23,355 in unallowable construction costs charged to Grant Number 2010-DJ-BX-0636.
4. Remedy \$2,010,413 in questioned grant expenditures not supported by adequate documentation.
 - a. Remedy \$259,730 in grant expenditures not supported by adequate documentation from Grant Number 2008-DJ-BX-0050.
 - b. Remedy \$1,875 in grant expenditures not supported by adequate documentation from Grant Number 2008-DJ-BX-0739.
 - c. Remedy \$405,412 in grant expenditures not supported by adequate documentation from Grant Number 2009-DJ-BX-1102.
 - d. Remedy \$1,095,102 in grant expenditures not supported by adequate documentation from Grant Number 2009-SU-B9-0053.
 - e. Remedy \$207,326 in grant expenditures not supported by adequate documentation from Grant Number 2010-DJ-BX-0636.
 - f. Remedy \$2,461 in grant expenditures not supported by adequate documentation from Grant Number 2009-VC-GX-0045.
 - g. Remedy \$18,000 in grant expenditures not supported by adequate documentation from Grant Number 2009-SF-B9-0117.
 - h. Remedy \$20,507 in grant expenditures not supported by adequate documentation from Grant Number 2009-RU-BX-K039.
5. Put to better use the \$1,503,625 in grant funds not drawn down.
 - a. Put to better use \$5,243 in grant funds not drawn down from Grant Number 2009-SG-B9-0112.
 - b. Put to better use \$840,077 in grant funds not drawn down from Grant Number 2010-VA-GX-0093.
 - c. Put to better use \$658,305 in grant funds not drawn down from Grant Number 2011-VA-GX-0058.
6. Ensure the PRDOJ takes steps to address the turnover of grant management staff at the External Resources Division by obtaining a plan to address the turnover and monitoring the implementation of the plan.

7. Provide training to PRDOJ grant management staff in the External Resources Division and the Criminal Justice Information System Division.
8. Ensure the PRDOJ promptly performs reconciliations to determine the actual amount of grant fund balances commingled in the PR Treasury Operational account and have those funds transferred to PRDOJ bank accounts separated in conformance with PRDOJ procedures.
9. Ensure the PRDOJ implements procedures to conduct monthly reconciliations between grant funds drawn down and expenditures recorded in the accounting records and account for any differences. The procedures should also include steps to ensure that grant funds were credited to the proper PRDOJ bank account.
10. Ensure the PRDOJ reviews its current policies and practices for deciding the period of performance for sub-awards and, when necessary and appropriate, reassess the project period for the sub-awards.
11. Ensure the PRDOJ's grant solicitation process: (1) includes outreach to state agencies that received PRDOJ funding in prior years, and (2) includes details in the announcements about the type of services and where they are needed.
12. Ensure the PRDOJ performs a needs assessment for its VOCA Victim Assistance program to determine the types of services needed and the geographical areas in need of services.
13. Ensure the PRDOJ establishes clear written policies for using the Internal Audit Department to help oversee DOJ grant funds and projects.
14. Ensure that PRDOJ implements policies and procedures to ensure that it meets the requirements pertaining to competitive awards and sole-source procurements, and that staff in both the External Resources Division and Criminal Justice Information Services Division receive related training on the new policies and procedures.
15. Ensure the PRDOJ implements written procedures for monitoring contractor performance and compliance with the contract and for reviewing the accuracy and completeness of contractor billings.
16. Ensure the PRDOJ implements procedures to segregate grant administration duties, including the duties of identifying and selecting contractors, from the duties of approving contractor payments and ensuring transparency in the awarding of contracts.

17. Ensure the PRDOJ implements procedures to report to OJP the interest earned on grant funds, record the interest in the accounting records, and ensure the interest is managed in accordance with applicable grant rules.
18. Ensure the PRDOJ implements policies and procedures for tracking property and equipment bought with grant funds and segregates the duties of receiving the property items from the duties of approving the invoices for payment to ensure that the PRDOJ has received the property being paid for.
19. Ensure the PRDOJ implements procedures for validating information provided by sub-recipients and contractors regarding their project goals and accomplishments and provides adequate training to the staff members tasked with monitoring the sub-recipients.
20. Obtain from the PRDOJ a plan to complete the remaining steps to bring Puerto Rico into compliance with the Sex Offender Registration and Notification Act, and closely monitor progress on the plan.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to assess performance in the key areas of grant management that were applicable and appropriate for the grants under review. We assessed performance in the areas of: (1) internal controls; (2) grant fund drawdowns; (3) management of sub-recipients, including the processes for soliciting applications for funding, awarding grant funds and contracts, and monitoring of sub-recipients; (4) income generated from grant funds and programs; (5) grant expenditures; (6) management of property items bought with grant funds; and (7) grant goals and accomplishments.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit generally covered, but was not limited to, Byrne JAG and VOCA grants awarded to the PRDOJ for federal fiscal years 2008 through 2013. When necessary, we reviewed activities that occurred through September 30, 2014. We also performed limited testing of National Criminal History Improvement Program (NCHIP) grants administered by the Bureau of Justice Statistics and SORNA grants administered by OJP's SMART Office. We reviewed grant expenditures from two major programs administered by the PRDOJ – Byrne JAG and VOCA grant programs. The grant expenditures we tested were PRDOJ expenditures for administrative costs and grant projects administered by the PRDOJ. We also performed limited testing of grant expenditures for SORNA and NCHIP grant projects. We judgmentally selected 147 transactions from 9 grants from 5 of 6 grant programs administered by the PRDOJ. In selecting the samples we took into consideration the cost categories, value/materiality, and the results of our risk assessment. To assess the PRDOJ's practices for monitoring sub-recipients of Byrne JAG and VOCA programs, we judgmentally selected the FY 2009 Byrne JAG Recovery Act grant and the FY 2010 VOCA Victim Assistance grant and reviewed the grant monitoring data.

We obtained the status of the implementation of John R. Justice Prosecution and Defenders Incentive Act grants, but did not perform any testing since the grants were not active. We tested compliance with what we considered to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audited against are identified in the OJP Financial Guide, VOCA Guidelines, and award documents. The evidence we analyzed and its significance within the context of our audit objective are disclosed in the Findings and Recommendations section of this report. We encountered excessive delays obtaining expenditure support documents; however, these delays were not significant constraints or scope impairments for this audit.

We did not test the internal controls or the financial management system for the PRDOJ as a whole. Independent public accounting firms conducted audits of the PRDOJ's financial statements for each of the fiscal years within the scope of our audit and prepared Single Audit reports in accordance with the provisions of OMB Circular A-133. We reviewed the independent auditors' reports to identify internal control weaknesses and significant noncompliance issues related to the grants and assessed the risks of those findings in our audit. Further, we reviewed certain internal control policies and procedures that were significant within the context of our objective, which the grantee had in place at the time of our audit. Specifically, we reviewed grant-related procedures in place for financial management, drawdowns, financial status reports, progress reports, procurement, sub-recipient monitoring, and contractor/consultant monitoring.

In conducting our audit, we performed sample testing in drawdowns; grant expenditures, including personnel and other expenditures; property management; management of sub-recipients; management of contracts; and program performance and accomplishments. However, we did not assess the reliability of the financial management system as a whole. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts, grant program, or expenditure category. This non-statistical sample design does not allow us to project the results of our testing to the universe from which the samples were selected.

SCHEDULE OF DOLLAR-RELATED FINDINGS

Description	Amount	Page
Questioned Costs: ²⁵		
Unallowable Construction Costs	\$23,355	24
Unallowable Costs Expended for Unapproved Noncompetitive Contracts	\$887,752	21
Total Unallowable Costs	\$911,107	
Excess Grant Fund Drawdowns Considered to be Unsupported	\$2,561,722	13
Grant Expenditures Not Supported by Adequate Documentation	\$2,010,413	24
Total Unsupported Costs	4,572,135	
<i>Less: Duplication (Unapproved Noncompetitive Contracts)</i>	(\$382,884)	
Net Questioned Costs ²⁶	\$5,100,358	
Funds Put to Better Use:		
Grant Funds Not Drawn Down	\$1,503,625	14
Total Funds Put to Better Use	\$1,503,625	
Total Dollar-Related Findings	\$6,603,983	

²⁵ 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 can be remedied by returning the funds to DOJ, providing appropriate documentation for costs not adequately supported, seeking retroactive approval for unallowable costs, offsetting unallowable questioned costs against funds being drawn down from other grants, or obtaining a waiver from OJP for the questioned costs.

²⁶ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicated amounts, which include unapproved contract related transactions totaling \$382,884.

THE PUERTO RICO DEPARTMENT OF JUSTICE
RESPONSE TO THE DRAFT REPORT²⁷



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August 10, 2015

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**In Re: OIG Audit of Office of Justice Programs Grants Awarded to the Puerto Rico
Department of Justice, San Juan-Puerto Rico**

Dear Mr. Polk:

On July 15, 2015 the Puerto Rico Department of Justice (PRDOJ) received from the Office of the Inspector General (OIG) of the United States Department of Justice (USDOJ) a Draft Audit Report (the Report) on the grants awarded by the Office of Justice Programs (OJP) to the PRDOJ. As mentioned on the Report, the "audit concentrated on grants awarded to the PRDOJ during fiscal year (FY) 2008 through FY 2012."¹

The OIG requested the PRDOJ to respond all the Report's recommendations by August 5, 2015. On that same date, the PRDOJ requested a short extension of time of five (5) days to provide a proper response and it was approved by the OIG Regional Audit Manager.² The PRDOJ reviewed the recommendations and now provides all the actions taken or to be taken on each one.

¹ Office of the Inspector General, "Draft Audit Report" at 1. The Report also states that the "audit generally covered, but was not limited to, Byrne JAG and VOCA grants awarded to the PRDOJ for federal fiscal years 2008 through 2013." *Id.* at 35.

² The OIG Regional Audit Manager, Mr. Ferris B. Polk, sent the approval by email on August 6, 2015. The five-day period ends on August 10, 2015.

²⁷ Attachments to this response were not included in this final report.

Recommendation 1:

Remedy \$2,561,722 in questioned costs considered to be unsupported as excess grant funds drawn down.

The Puerto Rico Department of Justice agrees with this recommendation, which regards to grants from the following years 2008, 2009, and 2010. The PRDOJ Finance Division recently conducted a reconciliation of the accounts covering up to June 30, 2015. According to the reconciliation, in the Puerto Rico Integrated Financial Accounting System (PRIFAS) the amount of funds questioned is available to be returned to the OJP. Finally, we will complete the process for the reimbursement of funds by September 15, 2015 or earlier. **See Appendix # 1.**

Additionally, since December 2014, proper closeout procedures have been followed. During the last grants closeouts, funds not used were returned to the U.S. Department of Justice (USDOJ) according to the final SF-425. For future grants we will keep this practice and we will ensure that our personnel know the closeout procedures and financial management regulations to ensure proper draw down transactions. Personnel will receive trainings on financial procedures during the next semester. See further discussion under the Recommendation #7.

Recommendation 2:

Remedy \$887,752 in grant funds expended for contracts that were not competitively awarded and not approved in advance by OJP as sole source procurements.

The Puerto Rico Department of Justice partially agrees with this recommendation, which questions contracts awarded between July 1, 2009 and December 31, 2012. The PRDOJ will review all questioned contracts to examine whether they were permissively awarded without competition under the Puerto Rico law. In addition, we will provide evidence to prove whether the services were rendered or not. Under the Puerto Rico procurement regulations, a sole-source procurement process may be used only in the following circumstances:

- The item or service is available only from a single source; or
- A true public need or emergency exists; or
- After competitive solicitation, competition is considered inadequate

Hence, the lack of competition is not necessarily unlawful under the Puerto Rico law. For those contracts legally awarded, but without prior approval from the OJP, we will seek a waiver or retroactive approval.

As to the requirement that all sole source procurements in excess of \$100,000 must receive prior approval from the awarding agency, the PRDOJ is aware of this disposition and corrective actions have been taken. For instance, the current Administration has conducted the proper procedures to get sole-source contracts approval, to obtain certifications of services, and to furnish all approvals of payments. **See Appendix # 2.**

Recommendation 3:

Remedy \$23,355 in unallowable construction costs charged to Grant Number 2010-DJ-BX-0636.

The Puerto Rico Department of Justice has reviewed the mentioned grant expenditure and respectfully disagrees with this recommendation. These costs were mainly associated costs incurred as incidental. As well, they were a necessary part of the program for the installation of the computer equipment system. These costs do not constitute capital expenditures and are generally allowable under federal financial guidelines. Certifications and required documentation to demonstrate these expenditures are included. **See Appendix # 3.**

Recommendation 4:

Remedy \$2,010,413 in questioned grant expenditures not supported by adequate documentation.

The Puerto Rico Department of Justice agrees with this recommendation and has already identified the 46 unsupported transactions. We are currently in process of acquiring the necessary documentation to support all transactions and evidence will be provided by December 30, 2015 or earlier. As a result of improvements that the current PRDOJ Administration has made on the Finance Division filing system, we had no questioned costs on the 2013-2014 Puerto Rico Department of Justice Single Audit Report. We will continue strengthening our filing system and all our procedures on reviewing documentation. **See Appendix # 4 (List of 46 identified transactions).**

Recommendation 5:

Put to better use the \$1,503,625 in grant funds not drawn down.

The Puerto Rico Department of Justice agrees with this recommendation. Since November 2014, we have been implementing two immediate measures to maximize the use of funds. On one hand, we have been reassigning funds to projects based on more frequent financial reports requested to the Finance Division. This has allowed us to fully obligate funds (based on balances informed by the Finance Division) for the grants that are proximately to conclude (2009-DJ-BX-1102 and 2012-VA-GX-0034). On the other hand, in January 2015 we also implemented a monthly report system to closely monitor sub grantees expenses and help them to prevent the de-obligations at the end of their projects.

In addition to both immediate actions, on June 9, 2015 the PRDOJ's External Resources Division (ERD) presented a plan to deal with other situations that have impeded us to work more efficiently. The plan makes emphasis on: (i) the procedure for administering federal grants, (ii) how to maximize the use of federal funds, (iii) improving financial and programmatic policies, (iv) employing adequate and stricter controls, and (v) increasing the compliance rate with all the grants' terms and conditions. **See Appendix # 5.**

Recommendation 6:

Ensure that PRDOJ takes steps to address the turnover of grant management staff at the External Resources Division by obtaining a plan to address the turnover and monitoring the implementation of the plan.

The Puerto Rico Department of Justice agrees with this recommendation and with the following OIG's expression:

As part of a government-wide reduction in the workforce, the PRDOJ eliminated jobs in a number of programs funded by federal grants, including a \$21.9 million Recovery Act grant awarded to the PRDOJ to preserve and create jobs. In November 2009, the government of Puerto Rico eliminated 13,000 jobs, including the jobs of 12 of the 15 PRDOJ staff who were responsible for administering DOJ grants. Ten months after eliminating those 12 staff positions, the PRDOJ had to hire a consultant at a rate of \$450 per day to help administer federal grants and charged \$22,950 of those costs to the Recovery Act grant. Office of the Inspector General, "Draft Audit Report" at 7.

During the last six months, 3 non-permanent employees from in the External Resources and Finance Divisions were reclassified as permanent employees. As well, during the same period of time, we recruited an additional permanent employee. As of June 22, 2015 we have 7 employees (4 permanent and 3 non-permanent employees) on the Edward Byrne-JAG Program and 4 permanent employees on the VOCA Program. The authorization of new positions is based on funds available on JAG and VOCA administrative costs budgets. We are currently in the process of recruiting new personnel for the VOCA program. However, all personnel recruitment is subject to approval by the Puerto Rico Office of Management and Budget.

Recommendation 7:

Provide training to PRDOJ grant management staff in the External Resources Division and the Criminal Justice Information Division.

The Puerto Rico Department of Justice agrees with this recommendation. We have already coordinated some training sessions with different institutions to help us train our staff. With this initiative, we are seeking to improve our staff's skills in managing federal grants funds. In addition, we are looking for maximizing internal controls, risk management analysis, and strategic planning. As of June 30, 2015, eight members of the staff have participated of five new seminars and/or workshops in topics specifically related to grant management. Staff members will participate in both, JAG and VOCA National Training Conferences during FY 2015-2016. Finally, trainings will be offered on a rolling basis. **See Appendix # 6.**

Recommendation 8:

Ensure the PRDOJ promptly performs reconciliations to determine the actual amount of grant fund balances commingled in the PR Treasury Operational account and have those funds transferred to the PRDOJ bank accounts separated in conformance with PRDOJ procedures.

The Puerto Rico Department of Justice agrees with this recommendation. We will strengthen our management controls to ensure proper administration of federal grants and compliance in conformance with the revised procedures. For instance, by December 30, 2015 or earlier we will design an internal process to keep our accounting records up to date in order to reconcile the information of federal funds in hand of the PRDOJ with that information at the Puerto Rico Treasury Department. With regard to having separated bank accounts, it is important to say that the PRDOJ is not a stand-alone agency and under the Puerto Rico law the Treasury Department is in charge of managing all agencies' bank accounts. However, by August 31, 2015 or earlier we will convey OIG's recommendation to the Treasury Department. Notwithstanding the above, it is worth telling that all our grants are codified and we can track each one of them as well as their balances.

Recommendation 9:

Ensure the PRDOJ implements procedures to conduct monthly reconciliations between grant funds drawn down and expenditures recorded in the accounting records and account for any differences. The procedures should also include steps to ensure that grant funds were credited to the proper PRDOJ bank account.

The Puerto Rico Department of Justice agrees with this recommendation. The PRDOJ Finance Division recently conducted a reconciliation of the accounts covering from 2012 through 2015, as mentioned before under Recommendation #1. As well, we are currently conducting monthly reconciliations between grant funds drawn down and expenditures. **See Appendix # 7.** However, we will provide guidance to our staff in the Finance Division on how to improve the current process for reviewing reconciliations and ensure consistency of all procedures. In addition, we will instruct our staff on how to perform their duties according to what it is expected in terms of quality control and grant funds management compliance rules. All guidance will be completed by December 30, 2015.

Recommendation 10:

Ensure the PRDOJ review its current policies and practices for deciding the period of performance for sub-awards and when necessary and appropriate reassess the project period for sub-awards.

The Puerto Rico Department of Justice agrees with this recommendation and will draft a plan to reduce the period between the grant award notification and the first drawdown of funds. That will allow more time to our agency and sub grantees to use the funds within the award period and reprogramming funds as needed. Nevertheless, we should point out that even when sub awards under Edward Byrne-JAG and VOCA grants have a period of performance of one year, the Cooperative Agreements clearly establish that sub grantees have opportunities to request either reprogramming of funds or an award extension. Generally, all extensions requested by sub grantees are approved (taking into consideration the award ending date). The plan will be completed by December 30, 2015.

Recommendations 11 and 12:

Ensure the PRDOJ's grant solicitation process: (1) includes outreach to state agencies that received PRDOJ funding in prior years, and (2) includes details in the announcement about type of services and where they are needed.

Ensure the PRDOJ performs a need assessment for its VOCA Victim Assistance program to determine the types of services needed and the geographical areas in need of service.

The Puerto Rico Department of Justice agrees with both recommendations and has prepared the needs assessment for FY 2015 VOCA Victim Assistance Grant solicitation. See **Appendix # 8**. The announcement for the solicitation of applications for the FY 2015 VOCA Grant will include the publication of the needs assessment and the priorities for types of services and geographical areas considered underserved.

Besides the annual announcement in our new and improved website, we have initiated an outreach plan as part of the grant solicitation process. Several meetings with non-government organizations and state agencies have been held or scheduled. Other approaches as phone calls, fax services and public media will be used to ensure that information will be available to all interested organizations and agencies.

Recommendation 13:

Ensure the PRDOJ establishes clear written policies for using the Internal Audit Department to help oversee DOJ grant funds and projects.

The Puerto Rico Department of Justice agrees with this recommendation. The PRDOJ will draft an administrative order assigning responsibilities to the internal audit division for overseeing the use of federal funds according to federal laws and regulations. The administrative order will also assign one or more auditors to the internal audit division that will be in charge of overseeing USDOJ grant funds and projects. This action is expected to occur before December 30, 2015.

Recommendations 14 and 15:

Ensure that PRDOJ implements policies and procedures to ensure that it meets the requirements pertaining to competitive awards and sole source procurements, and that staff in both the External Resources Division and Criminal Justice Information Services Division receive related training on the new policies and procedures.

Ensure the PRDOJ implements written procedures for monitoring contractor performance and compliance with the contract and for reviewing the accuracy and completeness of contractor billings.

The Puerto Rico Department of Justice agrees with these recommendations and has reviewed federal documentation to support the actions that have been taken regarding these issues.

Executive agencies in Puerto Rico are required to follow the "Regulation of all Purchases under the Provisions of Act Num. 96 of June 29, 1954." The Puerto Rico General Services Administration (PRGSA) requires that the Purchase and Supply Area and the executive departments and dependencies of the Commonwealth of Puerto Rico must follow these rules in the acquisition of equipment, materials, articles, and non-professional services. The PRDOJ follows these dispositions. The internal process at the PRDOJ is as follows: directors of all units submit their needs to the Purchase Section, which proceeds with obtaining the bids according to the requirements of regulations in force. Finally, after the Budget Division certifies funds, the Purchase Section purchases the item.

Staff from the Finance Division, the External Resources Divisions (ERD), Crime Victims Compensation Office, and the Puerto Rico Criminal Justice Information Services (PRCJIS) will be trained on sole-source contracting policies. **See Appendix # 6.**

Since 2013, by way of Administrative Order 2013-04 and Administrative Order 2013-07, the PRDOJ has implemented new policies and procedures for monitoring contractor performance and reviewing the accuracy and completeness of contractor billings. **See Appendix # 9.** Each division at the PRDOJ follows these policies and procedures for the contracting of services. **See also Appendix # 10 (Administrative Order 2010-05) and Appendix # 11 (Manual de Procedimientos División de Finanzas).** Finally, Administrative Order 2013-04 will be amended to include USDOJ's requirements regarding sole-source procurement in excess of \$100,000.

Recommendation 16:

Ensure the PRDOJ implements procedures to segregate grant administration duties, including duties of identifying and selecting contractors, from the duties of approving contractor payments and ensuring transparency in the awarding of contracts.

The Puerto Rico Department of Justice agrees with this recommendation and corrective action has been taken.

Executive agencies in Puerto Rico are required to follow the "Regulation of all Purchases under the Provisions of Act Num. 96 of June 29, 1954." **See Appendix # 12.** The Puerto Rico General Services Administration (PRGSA) requires that the Purchase and Supply Area and the executive departments and dependencies of the Commonwealth of Puerto Rico must follow these rules for the procurement of equipment, materials, articles, and non-professional services.

The PRDOJ follows these dispositions. The current internal procurement process is as follows: the head of the unit requiring the acquisition submits its petition to the Purchase Section, which proceeds with obtaining the bids according to the requirements of applicable regulations. Then, after the Budget Division certifies funds, the Purchase Section purchases the item. The person receiving the purchased item in the operational area must certify that it matches all the specifications requested. The head of the unit that received the item or service must certify the invoice, as to the hours and services received. With no exception, the supplier's invoice is reviewed by the Finance Division and the Finance Director approves its payment.

Administrative Order 2013-04 requires the head of the unit petitioning the purchase to send to the Contract Division the following information for review and preparation of the contract:

- Contractor's proposal
- Need of services
- Services to be contracted
- Justification of services to be contracted
- Name of person on firm to be contracted
- Amount to be paid to the contractor and certification of fund by the Budget Division
- All legal documents of the contractor required by law and regulations to contract with the department. **See Appendix # 9.**

Notwithstanding the above, the Puerto Rico Secretary of Justice will send an administrative letter to grant administrators in the PRDOJ requesting them to assure that their duties of identifying and selecting contractors are separated from the duties of approving contractor payments. The administrative letter will also emphasize the importance of preserving the transparency of the procurement process. In addition, the letter will cover the requirements regarding sole-source procurement in excess of \$100,000, which must receive prior approval from the awarding agency. It will also clarify that under the Puerto Rico procurement requirements, a sole source procurement process may be used only in the following circumstances:

- The item or service is available only from a single source; or
- A true public need or emergency exists; or
- After competitive solicitation, competition is considered inadequate

For each of the above alternatives, however, the contractor has always to be registered in the Sole Register of Bidders of the Puerto Rico General Services Administration. This action is expected to occur before December 30, 2015.

Recommendation 17:

Ensure the PRDOJ implements procedures to report to OJP the interest earned on grant funds, record the interest in the accounting records, and ensure the interest is managed in accordance with applicable grant rules.

The Puerto Rico Department of Justice agrees with this recommendation and will establish a process to assess the procedures to report, record, and ensure the management of the interest earned of the identified grant funds. We will address each step of the process to ensure proper management in accordance with grant rules. This action can be taken after completing corrective action of Recommendation #8. Therefore, the PRDOJ will work both corrective actions almost simultaneously. Corrective action will be completed by December 30, 2015.

Recommendation 18:

Ensure the PRDOJ implements policies and procedures for tracking property and equipment bought with grant funds and segregates the duties of receiving the property

items from the duties of approving the invoices for payment to ensure that the PRDOJ has received the property being paid for.

The Puerto Rico Department of Justice agrees with this recommendation and by December 30, 2015 will issue guidance clarifying the importance of ensuring that applicable policies and systemic procedures are followed. However, in December 2013 the PRDOJ implemented the Administrative Order 2013-08 establishing new procedures for the receipt, control, inventory, and disposition of all movable property and equipment. See **Appendix # 13**. Besides, in 2013 the External Resources Division required all sub-recipients to complete a form with information of all property and equipment bought with federal funds administered by the PRDOJ. See **Appendix # 14**. In 2014 and through June 2015 the PRDOJ conducted an inventory on all PRDOJ's property, including property bought with federal funds during the period subject to the Draft Audit Report. See **Appendix # 15**.

With regard to segregating the duties of receiving the property items from the duties of approving the invoices for payment, at the PRDOJ both duties are separated. The person receiving the purchased item must certify that it matches all the specifications requested. Then, the head of the unit that is receiving the item must certify the invoice, as to ensuring that the PRDOJ received the property that will be paid for. Afterwards, the Director of the Finance Division reviews the invoice and approves its payment. See **Appendix # 11 and Appendix # 13**.

Recommendation 19:

Ensure the PRDOJ implements procedures for validating information provided by sub recipients and contractors regarding their project goals and accomplishments and provides adequate training to the staff members tasked with monitoring the sub recipients.

The Puerto Rico Department of Justice agrees with this recommendation. The PRDOJ will draft a protocol for collecting, evaluating, and validating data provided by sub recipients and contractors regarding their goals and accomplishments. This protocol will be issued by December 30, 2015.

As mentioned in the answer to Recommendation #7, a training strategy has been developed to enhance the grant management skills of our staff members. The PRDOJ will provide training to monitors tasked with validating information provided by sub-recipients and contractors. This training will be based on the aforementioned protocol and will start on or before January 2016.

Recommendation 20:

Obtain from the PRDOJ a plan to complete the remaining steps to bring Puerto Rico into compliance with the Sex Offender Registration and Notification Act, and closely monitor progress on the plan.

The Puerto Rico Department of Justice agrees with this recommendation and is respectfully presenting evidence of the multiple efforts conducted to complete the remaining steps to bring Puerto Rico into compliance with SORNA-PR. We are closely monitoring the progress on the

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plan and working together with the Senate and the House of Representatives to promote legislation concerning this issue and conclude with the requirements established for SORNA-PR. **See Appendix # 16 and Appendix # 17.**

Finally, we hope that the above explanation will help to clearly explain and justify all the recommendations. Should you have further questions, please do not hesitate to contact us.

Sincerely,



César R. Miranda

cc Linda J. Taylor
U.S. Department of Justice
Office of Justice Programs

Enclosure:

- Appendix 1- Reconciliation for the reimbursing of funds
- Appendix 2- Sole Source Approval GAN
- Appendix 3- Allowable Construction Requirements
- Appendix 4- List of 46 identified transactions
- Appendix 5- Corrective Action Plan/VOCA
- Appendix 6- Staff Training Plan
- Appendix 7- Reconciliations 2012-2015
- Appendix 8- Needs Assessment VOCA Program
- Appendix 9- Administrative Order 2013-04 & Administrative Order 2013-07
- Appendix 10- Administrative Order 2010-05
- Appendix 11- Finance Manual
- Appendix 12- Regulations on Purchases
- Appendix 13- Administrative Order 2013-08
- Appendix 14- ERD's Form for tracking property and equipment
- Appendix 15- PRDOJ's property inventory
- Appendix 16- Letter of evidence to bring Puerto Rico to compliance with SORNA
- Appendix 17- SORNA implementation plan

OFFICE OF JUSTICE PROGRAMS RESPONSE
TO THE DRAFT REPORT²⁸



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

August 26, 2015

MEMORANDUM TO: Ferris B. Polk
Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General

FROM: /s/
Ralph E. Martin
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Grants Awarded to the Puerto Rico Department of Justice, San Juan, Puerto Rico*

This memorandum is in reference to your correspondence, dated July 15, 2015, transmitting the above-referenced draft audit report for the Puerto Rico Department of Justice (PRDOJ). We consider the subject report resolved and request written acceptance of this action from your office.

The PRDOJ audit findings indicate a substantial number of questioned costs and significant weaknesses in PRDOJ's financial management capabilities and internal controls, raising serious concerns about PRDOJ's administration of DOJ grant funds. In addition, on August 3, 2015, the Commonwealth of Puerto Rico (Puerto Rico) defaulted on its \$58 million debt payment due to creditors of its Public Finance Corporation. Puerto Rico's current fiscal crisis heightened the concerns of the U.S. Department of Justice's (Department, DOJ) three major grant-making components – the Office of Justice Programs (OJP), the Office of Community Oriented Policing Services (COPS), and the Office on Violence Against Women (OVW) – of Puerto Rico's ability to properly safeguard and manage DOJ grant funds.

To that end, on August 17, 2015, OJP notified the Governor of Puerto Rico that each of its component units that receive DOJ grant funds had been designated as a DOJ high-risk grantee, pursuant to 28 C.F.R. § 66.12 and the DOJ's High-Risk Grantee Policy (Policy). By invoking the restrictions prescribed by the Policy, the Department will be able to more closely monitor Puerto Rico's existing DOJ awards, and provide additional training, technical assistance, and/or increased financial and programmatic monitoring to ensure proper and effective use of taxpayers' dollars to the various component units that receive DOJ grant funding.

²⁸ Attachments to this response were not included in this final report.

The draft report contains **20** recommendations and **\$5,100,358¹** in net questioned costs, and \$1,503,625 in funds to better use. The following is the 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 OJP remedy the \$2,561,722 in unallowable questioned costs considered to be unsupported as excess grant funds drawn down, associated with the following awards:

- a. **\$113,628 in excess grant funds drawn down from Grant Number 2008-VA-GX-0051.**
- b. **\$20,720 in excess grant funds drawn down from Grant Number 2009-SG-B9-0112.**
- c. **\$108,180 in excess grant funds drawn down from Grant Number 2009-VA-GX-0069.**
- d. **\$125,890 in excess grant funds drawn down from Grant Number 2010-VA-GX-0093.**
- e. **\$2,193,304 in excess grant funds drawn down from Grant Number 2009-SU-B9-0053.**

OJP agrees with all parts of the recommendation. In its August 10, 2015 response, PRDOJ stated that its Finance Division recently conducted a reconciliation of the accounts for Grant Numbers 2008-VA-GX-0051 (\$113,628), 2009-SG-B9-0112 (\$20,720), 2009-VA-GX-0069 (\$108,180), 2010-VA-GX-0093 (\$125,890), and 2009-SU-B9-0053 (\$2,193,304), and determined that the excess grant funds will be returned to OJP. Accordingly, in the audit resolution phase, we will request that PRDOJ return the \$2,561,722 in questioned costs, related to excess funds drawn down, to OJP.

2. We recommend that OJP remedy the \$887,752 in grant funds expended for contracts that were not competitively awarded and not approved in advance by OJP as sole-source procurements.

OJP agrees with the recommendation. We will coordinate with PRDOJ to remedy the \$887,752 in questioned costs, related to grant funds expended for contracts that were not competitively awarded, or approved in advance by OJP, as sole-source procurements, that were charged to Grant Numbers 2008-DJ-BX-0050 (\$125,913), 2009-RU-BX-K039 (\$174,990), 2009-DJ-BX-1102 and 2010-DJ-BX-0636 (\$209,293), 2010-DJ-BX-0636 (\$119,826), and 2009-SU-B9-0053 (\$257,730).

¹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts.

3. **We recommend that OJP remedy \$23,355 in unallowable construction costs charged to Grant Number 2010-DJ-BX-0636.**

OJP agrees with the recommendation. However, upon examination of the documentation that PRDOJ submitted in its August 10, 2015 response, related to this recommendation, OJP's Bureau of Justice Assistance (BJA) determined that the \$23,355 in questioned costs, that were charged to Grant Number 2010-DJ-BX-0636, were not utilized for construction, but rather for wiring at a courthouse in the Municipality of Mayaguez, which is an allowable purpose under BJA's Edward Byrne Memorial Justice Assistance Grant Program (see Attachments 1 and 1a). Accordingly, the Office of Justice Programs requests closure of this recommendation.

4. **We recommend that OJP remedy \$2,010,413 in questioned grant expenditures not supported by adequate documentation for the following awards:**

- a. **\$259,730 in grant expenditures not supported by adequate documentation from Grant Number 2008-DJ-BX-0050.**
- b. **\$1,875 in grant expenditures not supported by adequate documentation from Grant Number 2008-DJ-BX-0739.**
- c. **\$405,412 in grant expenditures not supported by adequate documentation from Grant Number 2009-DJ-BX-1102.**
- d. **\$1,095,102 in grant expenditures not supported by adequate documentation from Grant Number 2009-SU-B9-0053.**
- e. **\$207,326 in grant expenditures not supported by adequate documentation from Grant Number 2010-DJ-BX-0636.**
- f. **\$2,461 in grant expenditures not supported by adequate documentation from Grant Number 2009-VC-GX-0045.**
- g. **\$18,000 in grant expenditures not supported by adequate documentation from Grant Number 2009-SF-B9-0117.**
- h. **\$20,507 in grant expenditures not supported by adequate documentation from Grant Number 2009-RU-BX-K039.**

OJP agrees with all parts of the recommendation. We will coordinate with PRDOJ to remedy the \$2,010,413 in questioned costs, related to expenditures not supported by adequate documentation, that were charged to the grants referenced above.

5. We recommend that OJP put to better use the \$1,503,625 in grant funds not drawn down for the following awards:

a. \$5,243 in grant funds not drawn down from Grant Number 2009-SG-B9-0112.

OJP agrees with the recommendation. On July 9, 2015, OJP's Office of the Chief Financial Officer (OCFO) deobligated the remaining funds, in the amount of \$6,967, for Grant Number 2009-SG-B9-0112 (see Attachment 2, page 1).

b. \$840,077 in grant funds not drawn down from Grant Number 2010-VA-GX-0093.

OJP agrees with the recommendation. On July 16, 2015, the OCFO deobligated the remaining funds, in the amount of \$840,077, for Grant Number 2010-VA-GX-0093 (see Attachment 2, page 4).

c. \$658,305 in grant funds not drawn down from Grant Number 2011-VA-GX-0058.

OJP agrees with the recommendation. On July 16, 2015, the OCFO deobligated the remaining funds, in the amount of \$658,305, for Grant Number 2011-VA-GX-0058 (see Attachment 2, page 6).

Accordingly, the Office of Justice Programs requests closure of this recommendation.

6. We recommend that OJP ensure the PRDOJ takes steps to address the turnover of grant management staff at the External Resources Division by obtaining a plan to address the turnover and monitoring the implementation of the plan.

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of its contingency plans for staff transition to address the turnover of grant management staff at the External Resources Division.

7. We recommend that OJP provide training to PRDOJ grant management staff in the External Resources Division and the Criminal Justice Information System Division.

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain documentation to support that key grant management staff, in the External Resources Division and the Criminal Justice Information System Division, completed the DOJ-sponsored Grants Financial Management On-line Training.

8. **We recommend that OJP ensure that PRDOJ promptly performs reconciliations to determine the actual amount of grant fund balances commingled in the PR Treasury Operational account and have those funds transferred to PRDOJ bank accounts separated in conformance with PRDOJ procedures.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain supporting documentation, which reconciles the DOJ grant fund balances to the Commonwealth's Treasury Operational account, including documentation to support that the funds have been transferred to separate PRDOJ bank accounts.

In addition, we will coordinate with PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that all bank accounts are reconciled to the general ledger on a monthly basis; differences are researched and corrected in a timely manner; reconciliations are reviewed and approved by management; and documentation is maintained for future auditing purposes.

9. **We recommend that OJP ensure that PRDOJ implements procedures to conduct monthly reconciliations between grant funds drawn down and expenditures recorded in the accounting records and account for any differences. The procedures should also include steps to ensure that grant funds were credited to the proper PRDOJ bank account.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that Federal grant funds drawn down are reconciled, on a monthly basis, to the grant-related expenditures recorded in the general ledger. We will request that the procedures include steps to ensure that grant funds are credited to the proper PRDOJ bank account; differences are researched and corrected in a timely manner; reconciliations are reviewed and approved by management; and documentation is maintained for future auditing purposes.

10. **We recommend that OJP ensure that PRDOJ reviews its current policies and practices for deciding the period of performance for sub-awards and, when necessary and appropriate, reassess the project period for the sub-awards.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of its formal plans for deciding the period of performance for sub-awards and, when necessary and appropriate, reassess the project period for the sub-awards.

11. **We recommend that OJP ensure PRDOJ's grant solicitation process: (1) includes outreach to state agencies that received PRDOJ funding in prior years, and (2) includes details in the announcements about the type of services and where they are needed.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of its formal plans related to PRDOJ's grant solicitation process, which at a minimum, should include: a process on PRDOJ's outreach to state agencies that received PRDOJ funding in prior years; and details about the type of services and where they are needed in the solicitation announcements.

12. **We recommend that OJP ensure that PRDOJ performs a needs assessment for its VOCA Victim Assistance program to determine the types of services needed and the geographical areas in need of services.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of its formal plans related to a needs assessment for its Victims of Crime Act (VOCA), Victim Assistance program, to determine the types of services needed, and the geographical areas in need of services.

13. **We recommend that OJP ensure that PRDOJ establishes clear written policies for using the Internal Audit Department to help oversee DOJ grant funds and projects.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that the Internal Audit Department is used to help oversee DOJ grant funds and projects.

14. **We recommend that OJP ensure that PRDOJ implements policies and procedures to ensure that it meets the requirements pertaining to competitive awards and sole-source procurements, and that staff in both the External Resources Division and Criminal Justice Information Services Division receive related training on the new policies and procedures.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that all Federally funded procurement transactions are conducted in a manner to provide maximum open, free, and fair competition. We will also coordinate with PRDOJ to obtain documentation to support that staff in both the External Resources Division and the Criminal Justice Information Services Division is properly trained on the new policies and procedures.

15. **We recommend that OJP ensure that PRDOJ implements written procedures for monitoring contractor performance and compliance with the contract and for reviewing the accuracy and completeness of contractor billings.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of written policies and procedures, developed and implemented, to ensure that adequate monitoring of contractor performance is performed. Such monitoring must include steps to ensure contractor compliance with the contract, and a review of the accuracy and completeness of contractor invoices.

16. **We recommend that OJP ensure that PRDOJ implements procedures to segregate grant administration duties, including the duties of identifying and selecting contractors, from the duties of approving contractor payments and ensuring transparency in the awarding of contracts.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that grant administration duties are properly segregated and transparent. We will ensure that PRDOJ's new procedures require that grant administration duties, including the duties of identifying and selecting contractors, are conducted by personnel that are not involved in approving contractor payments.

17. **We recommend that OJP ensure that PRDOJ implements procedures to report to OJP the interest earned on grant funds, record the interest in the accounting records, and ensure the interest is managed in accordance with applicable grant rules.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that the interest earned on Federal grant funds is properly reported to OJP, recorded in PRDOJ's grant accounting records, and managed in accordance with rules outlined in the DOJ Financial Guide.

18. **We recommend that OJP ensure that PRDOJ implements policies and procedures for tracking property and equipment bought with grant funds and segregates the duties of receiving the property items from the duties of approving the invoices for payment to ensure that the PRDOJ has received the property being paid for.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of written policies and procedures, developed and implemented to ensure that: 1) accountable property items purchased with Federal funds are properly accounted for and controlled; and 2) proper segregation of duties is in place to ensure that staff charged with receiving property items are not involved in approving the invoices for payment of such items.

19. **We recommend that OJP ensure that PRDOJ implements procedures for validating information provided by sub-recipients and contractors regarding their project goals and accomplishments and provides adequate training to the staff members tasked with monitoring the sub-recipients.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of written policies and procedures, developed and implemented, to ensure that sub-recipients are adequately monitored for quality and performance; and that PRDOJ staff responsible for conducting sub-recipient monitoring are properly trained.

20. **We recommend that OJP obtain from the PRDOJ a plan to complete the remaining steps to bring Puerto Rico into compliance with the Sex Offender Registration and Notification Act, and closely monitor progress on the plan.**

OJP agrees with the recommendation. We will coordinate with PRDOJ to obtain a copy of its formal plans for completing the remaining steps to bring Puerto Rico into compliance with the Sex Offender Registration and Notification Act. Additionally, OJP will closely monitor PRDOJ's progress on the plan.

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.

Attachments

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

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Director
Bureau of Justice Assistance

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Richard P. Theis
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Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20150811154704

APPENDIX 5

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 Office of Justice Programs (OJP) and the Puerto Rico Department of Justice (PRDOJ). PRDOJ's response is incorporated as Appendix 3 of this final report, and OJP's response is incorporated as Appendix 4. In response to our audit report, OJP stated that it agrees with all of our recommendations, therefore, the status of the audit report is resolved. The PRDOJ agrees with 18 of the 20 recommendations and disagreed in whole or in part with the other 2 recommendations. Both OJP and PRDOJ discussed the actions to be implemented in response to our findings and provided attachments, which are not included in this final report, to support their responses. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation:

- 1. We recommend that OJP remedy \$2,561,722 in questioned costs considered to be unsupported as excess grant funds drawn down.**
 - a. Remedy \$113,628 in excess grant funds drawn down from Grant Number 2008-VA-GX-0051.**
 - b. Remedy \$20,720 in excess grant funds drawn down from Grant Number 2009-SG-B9-0112.**
 - c. Remedy \$108,180 in excess grant funds drawn down from Grant Number 2009-VA-GX-0069.**
 - d. Remedy \$125,890 in excess grant funds drawn down from Grant Number 2010-VA-GX-0093.**
 - e. Remedy \$2,193,304 in excess grant funds drawn down from Grant Number 2009-SU-B9-0053.**

Resolved. OJP concurred with the recommendation and indicated that it will request that the PRDOJ return the \$2,561,722 to OJP. The PRDOJ also concurred with the OIG recommendation and indicated that it will return the funds to OJP by September 15, 2015, or earlier.

This recommendation can be closed when we receive documentation demonstrating that the funds have been returned to OJP.

- 2. We recommend that OJP remedy \$887,752 in grant funds expended for contracts that were not competitively awarded and not approved in advance by OJP as sole-source procurements.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with PRDOJ to remedy the \$887,752 in questioned costs.

The PRDOJ partially concurred with the OIG recommendation and indicated that it will review all questioned contracts to examine whether the contracts were permissively awarded without competition under the Puerto Rico law and will provide evidence to prove whether the services were rendered or not. The PRDOJ noted that for contracts that were legally awarded under Puerto Rico law as sole source, but for which prior approval to procure such contract was not granted by OJP, the PRDOJ will seek a waiver or retroactive approval.

This recommendation can be closed when we receive documentation demonstrating that the \$887,752 has been remedied.

- 3. We recommend that OJP remedy \$23,355 in unallowable construction costs charged to Grant Number 2010-DJ-BX-0636.**

Resolved. OJP concurred with the recommendation. However, in its response OJP indicated that, upon examination of the documentation that PRDOJ submitted in its August 10, 2015 response to a draft of this report, OJP's Bureau of Justice Assistance (BJA) determined that the \$23,355 in questioned costs were not utilized for construction, but rather for wiring at a courthouse. OJP stated that such costs are allowable under the Edward Byrne Memorial Justice Assistance Grant (JAG) program. OJP provided as support for the determination a copy of the PRDOJ's response to this recommendation including a copy of the OJP Financial Guide section on procurement and construction projects. Language from the OJP Financial Guide states: "Costs incurred as an incidental and necessary part of a program for renovation, remodeling, maintenance, and repair costs that do not constitute capital expenditures ARE generally allowable, subject to provisions of program-authorizing legislation" (emphasis in original). Accordingly, the Office of Justice Programs requested closure of this recommendation.

The PRDOJ did not concur with this recommendation and indicated that the costs were mainly associated costs incurred as incidental as a necessary part of the program for the installation of a computer equipment system. The PRDOJ stated that these costs do not constitute capital expenditures and are generally allowable under federal financial guidelines. The PRDOJ provided a copy of an invoice from the contractor and accounting documentation to support the expenditures.

After consideration of the OJP and PRDOJ responses, we do not believe the determination of allowability is correct based on the current documentation. In accordance with the OJP Financial Guide, the allowability of the costs is "subject to provisions of program-authorizing legislation." The program-authorizing legislation, found in 42 U.S.C. § 3751 (d), and the JAG Program FY 2010 State Solicitation both provide a definition of prohibited uses. Both the legislation and the solicitation state that JAG funds may not be used, directly or indirectly, to provide for, among other things, "construction projects" or "any similar matters" unless BJA certifies that extraordinary and exigent circumstances exist, making the costs essential to the maintenance of public safety and good order.

We do not dispute that costs associated with the installation of electrical panels may be considered incidental and necessary costs of installing the computer equipment system and would therefore be included in the type of costs identified in the OJP Financial Guide. However, the authorizing legislation still requires certification that the costs related to construction projects or similar matters were essential and we were not provided documentation of any certification by BJA that the costs were essential. Although BJA's opinion provided in its response to our draft report could be interpreted as an authorization of the costs, we believe that BJA should either explicitly certify the extraordinary and exigent circumstances to authorize the costs as provided in the solicitation or otherwise remedy the questioned costs.

This recommendation can be closed when we receive and review documentation demonstrating that BJA has authorized or otherwise remedied the costs.

4. **We recommend that OJP remedy \$2,010,413 in questioned grant expenditures not supported by adequate documentation.**
 - a. **Remedy \$259,730 in grant expenditures not supported by adequate documentation from Grant Number 2008-DJ-BX-0050.**
 - b. **Remedy \$1,875 in grant expenditures not supported by adequate documentation from Grant Number 2008-DJ-BX-0739.**
 - c. **Remedy \$405,412 in grant expenditures not supported by adequate documentation from Grant Number 2009-DJ-BX-1102.**
 - d. **Remedy \$1,095,102 in grant expenditures not supported by adequate documentation from Grant Number 2009-SU-B9-0053.**
 - e. **Remedy \$207,326 in grant expenditures not supported by adequate documentation from Grant Number 2010-DJ-BX-0636.**

- f. Remedy \$2,461 in grant expenditures not supported by adequate documentation from Grant Number 2009-VC-GX-0045.**
- g. Remedy \$18,000 in grant expenditures not supported by adequate documentation from Grant Number 2009-SF-B9-0117.**
- h. Remedy \$20,507 in grant expenditures not supported by adequate documentation from Grant Number 2009-RU-BX-K039.**

Resolved. OJP concurred with the recommendation and stated that it will coordinate with the PRDOJ to remedy the \$2,010,413 in questioned costs related to expenditures not supported by adequate documentation. The PRDOJ concurred with the OIG recommendation and stated that it is currently in the process of acquiring the necessary documentation to support all transactions and that the evidence will be provided by December 30, 2015.

This recommendation can be closed when we receive documentation demonstrating that the questioned costs have been remedied.

- 5. We recommend that OJP put to better use the \$1,503,625 in grant funds not drawn down.**
 - a. Put to better use \$5,243 in grant funds not drawn down from Grant Number 2009-SG-B9-0112.²⁹**
 - b. Put to better use \$840,077 in grant funds not drawn down from Grant Number 2010-VA-GX-0093.**
 - c. Put to better use \$658,305 in grant funds not drawn down from Grant Number 2011-VA-GX-0058.**

Closed. This recommendation is closed. OJP concurred with this recommendation, deobligated the funds not drawn down, and provided documentation demonstrating that the funds had been deobligated. The PRDOJ concurred with the recommendation and stated that it was implementing measures to ensure more effective use of funds in the future.

- 6. We recommend that OJP ensure the PRDOJ takes steps to address the turnover of grant management staff at the External Resources Division by obtaining a plan to address the turnover and monitoring the implementation of the plan.**

²⁹ In addition to the \$5,243 in funds not drawn down from grant 2009-SG-B9-0112, OJP deobligated \$1,724 in funds which had been drawn down but returned to OJP on March 5, 2013.

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with PRDOJ to obtain a copy of its contingency plans for staff transition to address the turnover of grant management staff at the External Resources Division.

The PRDOJ concurred with the recommendation and indicated that it had converted three positions currently occupied to permanent status and recruited an additional permanent employee. The PRDOJ also indicated that as of June 22, 2015, it had three of seven positions classified as non-permanent. However, the PRDOJ did not provide a plan for these positions and did not address the status of the position of the Director of the External Resources Division, which has been filled by personnel working in an acting role for more than 2 years and has been filled by three different persons during that period.

This recommendation can be closed when we receive documentation demonstrating that OJP has obtained a copy of PRDOJ's contingency plans for staff transition to address the turnover of grant management staff at the External Resources Division and has established a plan for monitoring its implementation.

7. We recommend that OJP provide training to PRDOJ grant management staff in the External Resources Division and the Criminal Justice Information System Division.

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with PRDOJ to obtain documentation to support that key grant management staff completed the DOJ-sponsored Grants Financial Management online training.

The PRDOJ concurred with the recommendation and indicated that it has already coordinated some training sessions with different institutions to help train staff. The PRDOJ also stated that staff members will participate in both JAG and Victims of Crime Act (VOCA) National Training Conferences during FYs 2015-2016.

This recommendation can be closed when OJP provides documentation to support that it has provided training to PRDOJ grant management staff in the External Resources Division and the Criminal Justice Information System Division.

8. We recommend that OJP ensure the PRDOJ promptly performs reconciliations to determine the actual amount of grant fund balances commingled in the Puerto Rico Treasury (PR Treasury) Operational account and have those funds transferred to PRDOJ bank accounts separated in conformance with PRDOJ procedures.

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain supporting documentation, which reconciles the DOJ grant fund balances to the Commonwealth's Treasury Operational account, including documentation to support that the funds have been transferred to separate PRDOJ bank accounts. In addition, OJP indicated that it will coordinate with PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that all bank accounts are reconciled to the general ledger on a monthly basis; differences are researched and corrected in a timely manner; reconciliations are reviewed and approved by management; and documentation is maintained for future auditing purposes.

The PRDOJ concurred with this recommendation, and indicated that it will design processes to strengthen controls and, by December 30, 2015, to improve reconciliation procedures. However, the PRDOJ did not provide a specific action plan to address the recommendation, and it also indicated that it is not a stand-alone agency and under the Puerto Rico law the Treasury Department is in charge of managing all agencies' bank accounts, though the PRDOJ indicated that it would convey the recommendation to the Treasury Department. Yet, the PRDOJ's response does not take into account the fact that, as discussed in the Controls over Federal Funds section on page 12 of this report, the PR Treasury had multiple bank accounts for the exclusive use of the PRDOJ to deposit DOJ funds, but the PR Treasury discontinued using those accounts and instead the DOJ funds have been commingled in the PR Treasury Operational account.

This recommendation can be closed when we receive and review documentation demonstrating that the PRDOJ promptly performs reconciliations to determine the actual amount of grant fund balances commingled in the PR Treasury Operational account and has transferred those funds to PRDOJ bank accounts separated in conformance with PRDOJ procedures.

9. **We recommend that OJP ensure the PRDOJ implements procedures to conduct monthly reconciliations between grant funds drawn down and expenditures recorded in the accounting records and account for any differences. The procedures should also include steps to ensure that grant funds were credited to the proper PRDOJ bank account.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that federal grant funds drawn down are reconciled, on a monthly basis, to the grant-related expenditures recorded in the general ledger. OJP indicated that it will request that the procedures include steps to ensure that grant funds are credited to the proper PRDOJ bank account, differences are researched and corrected in a timely manner, reconciliations are reviewed and approved by management, and documentation is maintained for future auditing purposes.

The PRDOJ concurred with this recommendation and indicated that the PRDOJ Finance Division had recently conducted a reconciliation of the accounts covering from 2012 through 2015. The PRDOJ provided a document with a reconciliation of grant drawdowns to expenditures recorded in the accounting system. However, the document provided did not contain evidence that the recommended procedures have been implemented for monthly use or that the procedures ensure that grant funds are credited to the proper PRDOJ bank account. The PRDOJ also indicated that it will provide guidance to staff in the Finance Division on how to improve the current process for reviewing reconciliations and ensure consistency of all procedures. In addition, PRDOJ stated it would instruct staff on how to perform their duties according to what it is expected in terms of quality control and grant funds management compliance rules. PRDOJ stated that the guidance will be completed by December 30, 2015.

This recommendation can be closed when we receive and review documentation demonstrating that the PRDOJ has implemented the procedures to conduct monthly reconciliations between grant funds drawn down and expenditures recorded in the accounting records and to account for any differences.

10. **We recommend that OJP ensure the PRDOJ reviews its current policies and practices for deciding the period of performance for sub-awards and, when necessary and appropriate, reassess the project period for the sub-awards.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of its formal plans for determining the period of performance for sub-awards and, when necessary and appropriate, to reassess the project period for the sub-awards.

The PRDOJ concurred with this recommendation and stated it will draft a plan to reduce the period between the grant award notification and the first drawdown of funds to allow more time for sub-grantees to use the funds within the award period and for reprogramming funds as needed. The PRDOJ stated the plan will be completed by December 30, 2015.

This recommendation can be closed when we receive and review documentation demonstrating that the PRDOJ has implemented a plan for determining an appropriate period of performance for sub-awards.

11. **We recommend that OJP ensure the PRDOJ's grant solicitation process: (1) includes outreach to state agencies that received PRDOJ funding in prior years, and (2) includes details in the announcements about the type of services and where they are needed.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of its formal plans related to PRDOJ's grant solicitation process, which at a minimum, should include a process on PRDOJ's outreach to state agencies that received PRDOJ funding in prior years, and details about the type of services and where they are needed in the solicitation announcements.

The PRDOJ concurred with the recommendation and indicated that the announcement for the solicitation of applications for the FY 2015 VOCA Grant will include the publication of a needs assessment and the priorities for types of services and geographical areas considered underserved. The PRDOJ also indicated that in addition to the annual announcement in the PRDOJ website, it has initiated outreach to non-government organizations and state agencies. The outreach plan includes meetings, phone calls, facsimile services, and public media.

This recommendation can be closed when we receive and review documentation demonstrating that the PRDOJ performed the outreach described in its response and it has revised the announcements to include details of the types of services and where they are needed.

12. **We recommend that OJP ensure the PRDOJ performs a needs assessment for its VOCA Victim Assistance program to determine the types of services needed and the geographical areas in need of services.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with PRDOJ to obtain a copy of its formal plans related to a needs assessment for its victim assistance program, to determine the types of services needed, and the geographical areas in need of services.

The PRDOJ concurred with the recommendation and indicated that it had performed a needs assessment. Along with the response, the PRDOJ provided a copy of the VOCA Program Needs Assessment. The PRDOJ also indicated that the announcement for the solicitation of applications for the FY 2015 VOCA Grant will include the publication of the needs assessment and the priorities for types of services and geographical areas considered underserved. We reviewed the document provided. We found that the document did not provide the methodology used to make the assessment, identify partner agencies that come in first contact with the victims, identify the period of assessment, or identify the results with regard to geographical areas in need of services and the type of services needed.

This recommendation can be closed when we receive and review documentation demonstrating PRDOJ's performance of a needs assessment for its VOCA Victim Assistance program.

- 13. We recommend that OJP ensure the PRDOJ establishes clear written policies for using the Internal Audit Department to help oversee DOJ grant funds and projects.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that the Internal Audit Department is used to help oversee DOJ grant funds and projects.

The PRDOJ concurred with this recommendation and indicated that it will draft an administrative order assigning responsibilities to the internal audit division for overseeing the use of federal funds according to federal laws and regulations. The administrative order will also assign one or more auditors to the internal audit division that will be in charge of overseeing U.S. Department of Justice grant funds and projects. This action is expected to occur before December 30, 2015.

This recommendation can be closed when we receive and review documentation demonstrating that the PRDOJ has established the policies for using the Internal Audit Department to help oversee U.S. Department of Justice grant funds and projects.

- 14. We recommend that OJP ensure that PRDOJ implements policies and procedures to ensure that it meets the requirements pertaining to competitive awards and sole-source procurements, and that staff in both the External Resources Division and Criminal Justice Information Services Division receive related training on the new policies and procedures.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that all federally funded procurement transactions are conducted in a manner to provide maximum open, free, and fair competition. OJP indicated that it will also coordinate with the PRDOJ to obtain documentation to support that staff in both the External Resources Division and the Criminal Justice Information Services Division are properly trained on the new policies and procedures.

The PRDOJ concurred with the recommendation and provided documentation of revised contracting policies for competitive contract awards, and stated that the PRDOJ plans to amend additional policies to comply with federal regulations for awarding contracts in excess of \$100,000 to sole-source contractors. The PRDOJ also indicated that staff from the External Resources Division and Criminal Justice Information Division will receive training on sole-source contracting policies.

This recommendation can be closed when we receive and review documentation of PRDOJ's amendments to its policies and procedures

requiring compliance with federal regulations for competitive awards and sole-source procurements, as well as documentation that demonstrates the staff from the External Resources Division and Criminal Justice Information Division have received training in competitive procurement policies, including sole-source contracting policies.

- 15. We recommend that OJP ensure the PRDOJ implements written procedures for monitoring contractor performance and compliance with the contract and for reviewing the accuracy and completeness of contractor billings.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of written policies and procedures, developed and implemented, to ensure adequate monitoring of contractor performance and that such monitoring will include steps to ensure contractor compliance with the contract, and a review of the accuracy and completeness of contractor invoices.

The PRDOJ concurred with the recommendation and provided two administrative orders requiring review of compliance with finalized contract terms and certification of hours and services billed. We agree that the orders include a requirement for monitoring and certifying the accuracy of contractor billings. However, the orders do not include specific procedures necessary for adequate monitoring of contractor performance and compliance. In addition, these orders do not include specific procedures for verifying the accuracy and completeness of contractor billings. As discussed on page 22 of this report, some contractor invoices that we reviewed included total hours billed but not the dates and number of hours. Consequently, the PRDOJ could not verify the accuracy of the billings. The procedures included in the administrative order do not correct these deficiencies. Also, the orders do not reflect that PRDOJ has adequately segregated the contract administration functions. The lack of specific contract monitoring procedures hinders the PRDOJ from implementing the necessary steps to segregate contract administration functions.

This recommendation can be closed when we receive and review documentation that demonstrates PRDOJ has implemented appropriate written procedures for monitoring contractor performance and compliance with the contract and for reviewing the accuracy and completeness of contractor billings.

- 16. We recommend that OJP ensure the PRDOJ implements procedures to segregate grant administration duties, including the duties of identifying and selecting contractors, from the duties of approving contractor payments and ensuring transparency in the awarding of contracts.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that grant administration duties are properly segregated and transparent. OJP stated it would ensure that PRDOJ's new procedures require that grant administration duties, including the duties of identifying and selecting contractors, are conducted by personnel that are not involved in approving contractor payments.

The PRDOJ concurred with the recommendation and indicated that it had taken corrective action and provided a copy of the procurement regulations included in the Procurement and Service Act of 1954 and a copy of Administrative Order number 2013-04. We reviewed both documents and did not find language about procedures to segregate grant administration duties, including the duties of identifying and selecting contractors, from the duties of approving contractor payments and ensuring transparency in the awarding of contracts. However, the PRDOJ indicated that, before December 30, 2015, the Puerto Rico Secretary of Justice (the Attorney General) will send an administrative letter to grant administrators in the PRDOJ requesting them to ensure that their duties of identifying and selecting contractors are separated from the duties of approving contractor payments. Further, the PRDOJ indicated that the administrative letter will also emphasize the importance of preserving the transparency of the procurement process.

This recommendation can be closed when we receive and review documentation demonstrating that the PRDOJ has implemented procedures to segregate grant administration duties, including the duties of identifying and selecting contractors, from the duties of approving contractor payments and ensuring transparency in the awarding of contracts.

17. **We recommend that OJP ensure the PRDOJ implements procedures to report to OJP the interest earned on grant funds, record the interest in the accounting records, and ensure the interest is managed in accordance with applicable grant rules.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of formal written policies and procedures, developed and implemented, to ensure that the interest earned on federal grant funds is properly reported to OJP, recorded in PRDOJ's grant accounting records, and managed in accordance with rules outlined in the OJP Financial Guide.

The PRDOJ concurred with the recommendation and indicated that it will establish a process to assess the procedures to report, record, and ensure the management of the interest earned by grant funds. The PRDOJ stated that action on this recommendation can be taken after completing correction action in response to recommendation number 8. The PRDOJ stated it

expects to complete the implementation of the corrective action by December 30, 2015.

This recommendation can be closed when we receive and review documentation demonstrating PRDOJ's implementation of procedures to report to OJP the interest earned on grant funds, record the interest earned in PRDOJ's accounting records, and manage interest earned on grants according with applicable grant rules.

18. **We recommend that OJP ensure the PRDOJ implements policies and procedures for tracking property and equipment bought with grant funds and segregates the duties of receiving the property items from the duties of approving the invoices for payment to ensure that the PRDOJ has received the property being paid for.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of written policies and procedures, developed and implemented, to ensure that: (1) accountable property items purchased with federal funds are properly accounted for and controlled; and (2) proper segregation of duties is in place to ensure that staff charged with receiving property items are not involved in approving the invoices for payment of such items.

The PRDOJ concurred with the recommendation and indicated that, by December 30, 2015, it will issue guidance clarifying the importance of ensuring that applicable policies and systemic procedures are followed. In addition, the PRDOJ stated that the duties of receiving property and approving invoices are separated. The PRDOJ also provided the following documentation: (1) copy of Administrative Order 2013-08, establishing new procedures for the receipt, control, inventory, and disposition of all movable property and equipment; (2) copy of a log provided to the sub-recipients for them to track property purchased with DOJ grant funds; and (3) documentation supporting an inventory of property purchased with federal funds, completed in June 2015. We reviewed the documentation provided and found that the policies provided by the PRDOJ partially addressed the recommendation, but did not address internal controls to require the segregation of duties. Further, PRDOJ required procedures for sub-grantees to track property purchased with DOJ funds, but it did not implement similar policies for property located at the PRDOJ.

This recommendation can be closed when we receive and review documentation demonstrating the implementation of policies and procedures including appropriate internal controls addressing the need for segregation of duties related to the procurement and tracking of property purchased with DOJ grant funds.

19. **We recommend that OJP ensure the PRDOJ implements procedures for validating information provided by sub-recipients and contractors**

regarding their project goals and accomplishments and provides adequate training to the staff members tasked with monitoring the sub-recipients.

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of written policies and procedures, developed and implemented, to ensure that sub-recipients are adequately monitored for quality and performance and that PRDOJ staff responsible for conducting sub-recipient monitoring are properly trained.

The PRDOJ concurred with the recommendation and indicated that it will draft a protocol for collecting, evaluating and validating data provided by sub-recipients and contractors regarding their goals and accomplishments. The PRDOJ stated that the protocol will be issued by December 30, 2015. The PRDOJ also stated that it will provide training to staff tasked with validating information provided by sub-recipients and contractors, beginning on or before January 2016.

This recommendation can be closed when we receive and review documentation demonstrating the implementation of the procedures recommended.

20. **We recommend that OJP obtain from the PRDOJ a plan to complete the remaining steps to bring Puerto Rico into compliance with the Sex Offender Registration and Notification Act (SORNA), and closely monitor progress on the plan.**

Resolved. OJP concurred with the recommendation and indicated that it will coordinate with the PRDOJ to obtain a copy of its formal plans for completing the remaining steps to bring Puerto Rico into compliance with the Sex Offender Registration and Notification Act and will closely monitor PRDOJ's progress on the plan.

The PRDOJ concurred with the recommendation and provided documents as support of its efforts to bring Puerto Rico into compliance with SORNA. The PRDOJ also indicated that it is working with the Puerto Rico Senate and House of Representatives to promote legislation concerning SORNA and bring Puerto Rico into compliance with SORNA.

This recommendation can be closed when we receive PRDOJ's formal plan for completing the remaining steps to bring Puerto Rico into compliance and documentation indicating that OJP is closely monitoring progress on the plan.

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