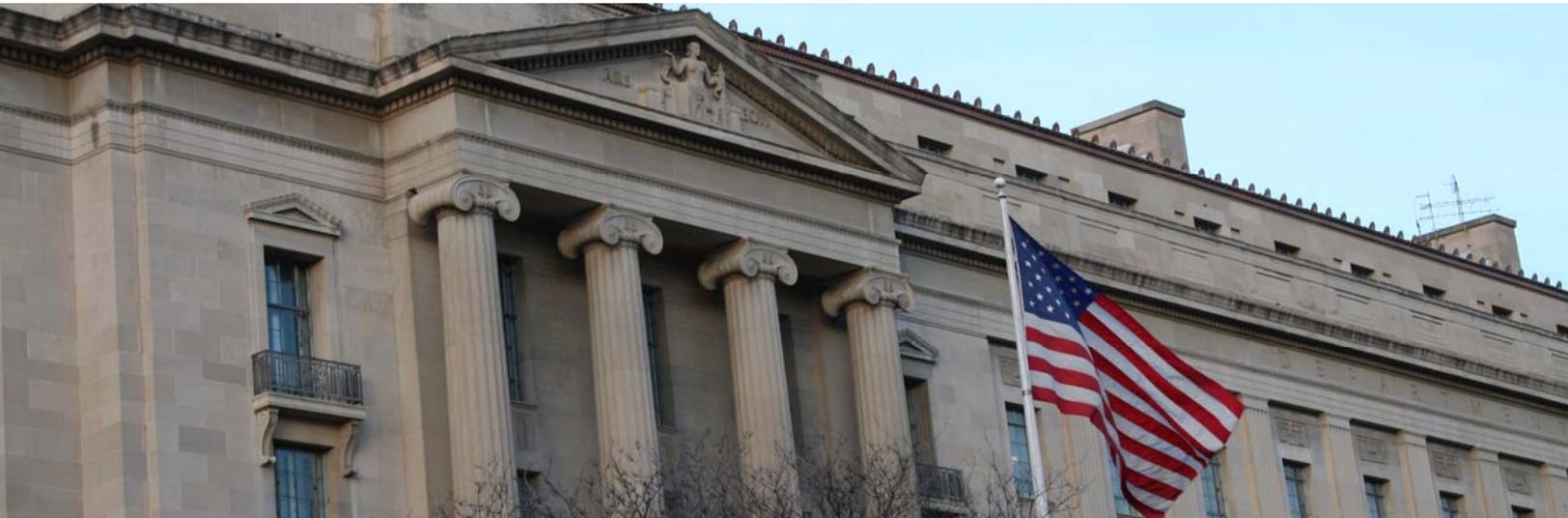




Office of the Inspector General
U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



**Audit of the Office of Justice Programs
Office for Victims of Crime
Victim Compensation Formula Grants
Awarded to the Wisconsin Department
of Justice, Madison, Wisconsin**

REDACTED FOR PUBLIC RELEASE

Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 3, the grantor's response, and are of individuals' names.

Audit Division GR-50-18-005

August 2018



Executive Summary

*Audit of the Office of Justice Programs Office for Victims of Crime
Victim Compensation Formula Grants Awarded to the
Wisconsin Department of Justice, Madison, Wisconsin*

Objective

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

Results in Brief

As a result of our audit, we concluded that the WI DOJ used and managed its *Victims of Crime Act* (VOCA) funding to enhance its crime victim compensation program. We did not identify significant concerns regarding the WI DOJ's compensation claim payments, use of the administrative funding allowance, performance reporting, or accuracy of its federal financial reports.

However, we did find that the WI DOJ employs a method for accounting for restitution associated with federal compensation claims that may affect its financial reporting of these payments.

We also identified an area for internal control improvement related to the WI DOJ's compensation claims review and adjudication process.

Recommendations

Our report contains two recommendations to OJP to improve the administration of the WI DOJ's crime victim compensation program by ensuring it employs an acceptable method to account for and report all restitution payments and revising its claims review process to include a secondary review and approval prior to the authorization of a payment. We provided our draft audit report to the WI DOJ and OJP, and their responses can be found in Appendices 2 and 3. Our analysis of those responses is included in Appendix 4.

Audit Results

The U.S. Department of Justice Office of the Inspector General completed an audit of four VOCA victim compensation formula grants awarded by OJP's Office for Victims of Crime (OVC) to the WI DOJ in Madison, Wisconsin. The OVC awarded these formula grants, totaling \$8,659,000 from fiscal years 2014 to 2017, from the Crime Victims Fund to provide financial support through the payment of compensation benefits to crime victims throughout Wisconsin. As of July 2018, the WI DOJ drew down a cumulative amount of \$4,005,890 for all of the grants we reviewed.

Program Accomplishments – The WI DOJ enhanced its crime victim compensation program by appropriately planning for and distributing the VOCA funding it received. Additionally, we believe that the WI DOJ took adequate steps to keep the public informed about the compensation program.

Accounting for Restitution Payments – We found that the WI DOJ also separately categorizes the state and federal sources of revenue received by the compensation program, including restitution payments. This method of accounting for federal claims-related restitution payments is not conducive for reporting these payments on the state certification form or for reporting grant expenditures on its quarterly federal financial reports. In addition, this method has resulted in instances of the WI DOJ temporarily returning grant funds to OJP to avoid the appearance of having excess grant funds on hand following the receipt of restitution associated with federal compensation claims.

Compensation Claims Review Process – We found that the WI DOJ's claims review process does not include a secondary review of claims. Because only one employee is responsible for the decisions surrounding any one particular claim, we believe that this process lacks necessary internal controls to mitigate the risk of employee errors or misconduct.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE FOR VICTIMS OF CRIME
VICTIM COMPENSATION FORMULA GRANTS
AWARDED TO THE
WISCONSIN DEPARTMENT OF JUSTICE,
MADISON, WISCONSIN**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE FOR VICTIMS OF CRIME
VICTIM COMPENSATION FORMULA GRANTS
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WISCONSIN DEPARTMENT OF JUSTICE,
MADISON, WISCONSIN**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of four victim compensation formula grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) to the Wisconsin Department of Justice (WI DOJ) in Madison, Wisconsin. The OVC awards victim compensation grants annually from the Crime Victims Fund (CVF) to state administering agencies.¹ As shown in Table 1, from fiscal years (FY) 2014 to 2017, these OVC grants totaled \$8,659,000.

**Table 1
Audited Grants
Fiscal Years 2014 – 2017**

AWARD NUMBER	AWARD DATE	PROJECT PERIOD START DATE	PROJECT PERIOD END DATE	AMOUNT
2014-VC-GX-0016	09/25/2014	10/01/2013	09/30/2017	\$ 1,969,000
2015-VC-GX-0008	08/25/2015	10/01/2014	09/30/2018	\$ 2,459,000
2016-VC-GX-0015	09/16/2016	10/01/2015	09/30/2019	\$ 2,350,000
2017-VC-GX-0018 ^a	09/28/2017	10/01/2016	09/30/2020	\$ 1,881,000
TOTAL:				\$ 8,659,000

Note: Grant funds are available for the fiscal year of the award plus 3 additional fiscal years.

^a At the time of our audit, the WI DOJ had not yet expended funds from the FY 2017 award.

Source: OJP

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

The primary purpose of the victim compensation grant program is to compensate victims and survivors of victims of criminal violence for: (1) medical

¹ Each of these awards has a 4-year period of performance.

² The VOCA victim compensation formula program is funded under 34 U.S.C. 20102.

expenses attributable to a physical injury resulting from a compensable crime, including expenses for mental health counseling and care; (2) loss of wages attributable to a physical injury resulting from a compensable crime; and (3) funeral expenses attributable to a death resulting from a compensable crime.³

The Grantee

As the state administering agency, the WI DOJ is responsible for administering VOCA grants throughout Wisconsin, including administering the VOCA victim compensation program. To this end, the WI DOJ provides compensation to victims, family and dependents of deceased victims, and any individual who voluntarily assumes funeral or medical expenses of the victim. Eligible victims are those who have suffered physical injury or extreme mental distress because of one or more crimes as defined by the state of Wisconsin.

OIG Audit Approach

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

We tested compliance with what we considered the most important conditions of the grants. Unless otherwise stated in our report, we applied the authorizing VOCA legislation, the VOCA victim compensation program guidelines (VOCA Guidelines), and the OJP Financial Guide and DOJ Grants Financial Guide (Financial Guides) as our primary criteria.⁴ We also reviewed relevant WI DOJ policies and procedures and interviewed WI DOJ personnel to determine how they administered the VOCA funds.⁵

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

⁴ The OJP Financial Guide governs the FY 2014 grant in our scope, while the DOJ Grants Financial Guide applies to the FY 2015, 2016, and 2017 awards. The DOJ Grants Financial Guide reflects updates to comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, 2 C.F.R. part 200.

⁵ Appendix 1 contains additional information on the audit's objective, scope, and methodology, as well as further detail on the criteria we applied for our audit.

AUDIT RESULTS

Grant Program Planning and Execution

The main purpose of the VOCA victim compensation grants is to enhance state victim compensation payments to eligible crime victims. As part of our audit, we assessed the WI DOJ's overall process for making victim compensation payments, including its payment procedures and state statutes regarding eligibility. We also tested the accuracy of the state certification forms.

Overall, as described in the following sections, we determined that the WI DOJ's implementation of its victim compensation program was appropriate and in compliance with the VOCA Guidelines. We found the WI DOJ complied with federal grant requirements and established an adequate program to compensate victims and survivors of victims of criminal violence. The WI DOJ also made efforts to keep its program current and enhance awareness of the program.

Program Implementation

State administering agencies receive VOCA victim compensation grants to compensate victims directly for expenses incurred from criminal victimization. As the state administering agency for Wisconsin, the WI DOJ is responsible for the victim compensation program, including meeting all financial and programmatic requirements. In assessing the WI DOJ's implementation of its victim compensation program, we analyzed the policies and procedures governing the decision-making process for individual compensation claims, as well as the efforts the WI DOJ made to bring awareness to victims eligible for compensation program benefits. When paying claims for victims, the WI DOJ operated under Chapter 949 of the Wisconsin Statute, *Awards for the Victims of Crimes*, which conveyed the state-specific policies for the victim compensation program.

Based on our review we found that the WI DOJ had an established process for the intake, review, and payment or denial of individual compensation claims and that the Wisconsin Statute correlated with the VOCA Guidelines. We also reviewed Wisconsin's claims appeal process and believe that this process offers rejected claimants a sufficient opportunity to appeal the WI DOJ's adjudication of a claim.

We also found that the WI DOJ made efforts to enhance public awareness of available victim compensation benefits by conducting training events with victim service providers, various hospitals, and law enforcement agencies. These training events provided information on the compensation application process to entities that regularly interact with victims. We further found that the WI DOJ's website contained the state of Wisconsin crime victim compensation application and provided information about the victim compensation program, including brochures written in three different languages that described Wisconsin's program.

Additionally, we believe that the WI DOJ has taken steps to keep its compensation program current. A WI DOJ senior official stated that the victim compensation program staff determined that there were areas that could be

enhanced by changing or adding benefits, such as raising the allowable payment limit in certain areas. The program staff worked with the former executive director of the program, the Wisconsin Attorney General, and the state legislature to amend the state statute in 2016 to raise the compensation limit for funeral expenses, allow reimbursement for new victimization categories of mental health treatment, allow for the reasonable reimbursement for certain property held as evidence, and redefine "family" to include foster parents.

State Certification Form

State administering agencies must submit an annual Crime Victim Compensation State Certification Form, which provides the OVC the necessary information to determine the grant award amount. The certification form must include all sources of revenue to the crime victim compensation program during the federal fiscal year, as well as the total of all compensation claims paid out to, or on behalf of, victims from all funding sources. The OVC allocates VOCA victim compensation formula grant funds to each state by calculating 60 percent of the eligible compensation claims paid out to victims during the fiscal year 2 years prior. The accuracy of the information provided in the certification form is critical to OJP's correct calculation of the victim compensation award amounts granted to each state.⁶

We obtained information regarding the WI DOJ's procedures for preparing the annual certification forms submitted to the OVC for FYs 2012 through 2015, which were used to calculate the award amounts granted in FYs 2014 through 2017. The WI DOJ employee who completes the forms gathers necessary data from the general ledger, which distinguishes compensation claims as paid with either state or federal funds. In turn, the WI DOJ also separately categorizes the sources of revenue received by the compensation program, including restitution payments. When a restitution payment is received by the WI DOJ, it applies the restitution to either the federal or state account depending on the source of funding used to pay the original claim associated with the restitution payment. The WI DOJ process results in applying federal claims-related restitution payments as credits in the federal grant expense account rather than identifying (and separately reporting) these funds as revenues, as the WI DOJ does with state claims-related restitution payments.

In response to our inquiries about this practice, WI DOJ officials stated that they had not received clear instruction from OJP on the accounting of restitution payments and that in an abundance of caution the agency preferred to separately distinguish federal and state restitution payments to ensure the federal government received an appropriate return of funds expended from prior grants. WI DOJ officials also provided evidence that they had discussed this method for accounting for restitution payments with OJP.

⁶ The OJP's Office of the Chief Financial Officer, Budget Execution Division calculates the allocations for VOCA eligible crime victim compensation programs and OVC makes the grant awards.

As indicated in notes from the discussion with OJP, the WI DOJ's method of accounting for federal claims-related restitution payments is not conducive for reporting these payments on the state certification form. We spoke with the WI DOJ about the OVC's requirement to separately account for restitution payments on the state certification form, and WI DOJ officials stated that their method's impact on grant funding is neutral throughout the life of the victim compensation program. WI DOJ officials further stated that this is because the restitution payments are handled consistently from one year to the next and future grant award amounts are based upon previously reported activity, resulting in any apparent differences in earned grant award amounts being offset in later periods. The WI DOJ provided the audit team with an exhibit displaying the impact of the federal claims-related restitution payments over the life of each grant for FYs 2012 through 2015, which affected the grants awarded for FYs 2014 through 2017. This exhibit showed that treating restitution payments as credited expenses did not impact the reported figures on the certification form when considered in the aggregate over the life of each grant, and subsequently did not impact the overall amount of grant funding awarded to the state of Wisconsin.

We reviewed the annual certification forms, including the WI DOJ's financial support for the payouts and revenues reported. The figures reported on the WI DOJ's Crime Victim Compensation State Certification Form were supported by information in the general ledger and reflected the WI DOJ's method of accounting for federal claims-related restitution payments. We discussed this method with OJP, and OJP did not take issue with the WI DOJ's method. However, we believe that this practice is not in line with the OVC's design of the state certification form, which specifically requires the separate reporting of each type of revenue, including restitution. In order for this method to be appropriate, OJP must be in agreement that any differences in grant amounts are offset over time and between multiple grants. We find OJP's guidance on this issue to be silent, as the guidance only applies to one grant at a time. Therefore, we recommend that OJP ensure the WI DOJ employs an acceptable method to accurately and appropriately account for and report all restitution payments received by its victim compensation program.

Program Requirements and Performance Reporting

To determine whether the WI DOJ appropriately distributed VOCA victim compensation program funds to compensate victims of crime, we reviewed WI DOJ performance measures and performance documents that the WI DOJ used to track the achievement of its goals and objectives. We also examined OVC solicitations and award documents and verified WI DOJ compliance with special conditions governing recipient award activity.

Based on our overall assessment in the areas of program requirements and performance reporting, as described in the following sections, we believe that the WI DOJ: (1) implemented adequate procedures to compile annual performance reports, and (2) complied with the special conditions we tested.

Annual Performance Reports

Each state administering agency must annually report to the OVC on activity funded by any VOCA awards active during the federal fiscal year. The reports are submitted through OJP's Grants Management System (GMS). As of FY 2016, the OVC also began requiring states to submit quarterly performance data through the web-based Performance Measurement Tool (PMT). Additionally, after the end of the fiscal year, the state administering agencies are required to produce the Annual State Performance Report from PMT and upload it to GMS.

For the victim compensation grants, the states must report the number of victims for whom an application was made; the number of victims whose victimization is the basis for the application; victim demographics; the number of applications that were received, approved, denied, and closed; and the total compensation paid by service type. The WI DOJ's FY 2017 performance information is summarized in Table 2.

Table 2
Summary from WI DOJ
Victim Compensation Program Annual Performance Report
FY 2017

Performance Categories	Data Reported
Number of People For Whom an Application Was Made	3,665
Number of Applications Received/Approved/Denied & Closed (Combined)	2,679/1,423/545

Source: The WI DOJ

Note: The aggregate number of approved, denied, and closed applications does not equal the applications received because at the time of reporting not all of the applications had been adjudicated.

We assessed whether the WI DOJ's most recent annual performance report to the OVC fairly reflected the performance figures of the victim compensation program. We reconciled data from the WI DOJ's internal tracking system to the annual performance report by looking at the support for the four quarterly reports used to complete the annual report. Generally, we were able to reconcile the supporting information to the totals the WI DOJ reported to the OVC.⁷

Compliance with Special Conditions

The special conditions of a federal grant award establish specific requirements for grant recipients. In its grant application documents, the WI DOJ certified it would comply with these special conditions. We reviewed the special conditions for each VOCA victim compensation program grant and identified special

⁷ While we were able to reconcile the reported figures to the WI DOJ's claims tracking system, we note that the WI DOJ's system does not differentiate federal versus state-funded victims, and that the WI DOJ simply reported the overall performance data that was reflected in the tracking system at the time. We find that this practice can affect the accuracy of the reporting of VOCA-funded activity.

conditions that we deemed significant to grant performance that are not otherwise addressed in another section of this report.

We reviewed two special conditions in greater detail. The first is the obligation for the grantee to comply with applicable requirements regarding registration with the System for Award Management. The second is for the WI DOJ to ensure that at least one key grantee official attends the annual VOCA National Training Conference. We reviewed the WI DOJ's actions related to these two special conditions, and we determined that the WI DOJ fully complied with both.

Grant Financial Management

Award recipients must establish and maintain an adequate accounting system and financial records that accurately account for awarded funds. To assess the adequacy of the WI DOJ's financial management of the VOCA victim compensation grants, we reviewed the process by which the WI DOJ administered these funds by examining expenditures charged to the grants, subsequent drawdown requests, and resulting financial reports. To evaluate further the WI DOJ's financial management of the VOCA victim compensation grants, we reviewed the state of Wisconsin Single Audit Report for FY 2015-2016 and did not find significant deficiencies or material weaknesses specifically related to the WI DOJ. We also interviewed WI DOJ personnel who were responsible for financial aspects of the grants, reviewed WI DOJ written policies and procedures, inspected award documents, and reviewed financial records.

As discussed below, in our overall assessment of grant financial management, we determined that the WI DOJ adequately used grant funds to pay for approved victim claims, as well as its administrative expenses. We also reviewed its procedures for determining and making drawdowns, as well as the preparation and submission of federal financial reports. We did not identify any questioned costs during our tests of grant transactions; however, we identified an area for internal control improvement related to the review and adjudication of claims.

Grant Expenditures

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

Victim Compensation Claim Expenditures

Victims of crime in the state of Wisconsin can submit claims for reimbursement of expenses incurred because of victimization, such as medical and

funeral costs or loss of wages. When a claim application arrives at the WI DOJ, it is assigned to a claims specialist who is responsible for adjudicating the claim, which includes determining eligibility and calculating the correct payment amount. Payments should then be made to the appropriate individual, healthcare provider, or funeral home and are paid from the VOCA victim compensation grants and state funding.

To evaluate the WI DOJ's financial controls over VOCA victim compensation grant expenditures, we reviewed victim compensation claims to determine whether the payments were accurate, allowable, timely, and in accordance with the policies of the VOCA Guidelines and Wisconsin Statute Chapter 949, *Awards for the Victims of Crimes*. We judgmentally selected 48 claims that totaled \$499,652, or 20 percent of all claims paid with federal funds in the audited awards, by selecting 20 of the largest claims, as well as a sample from each claim category such as loss of wages, medical costs, or funeral expenses.

Our review of the sampled claims showed that all but one claim were allowable, supported, and accurate. We found one compensation payment for \$30,150 that was paid to the wrong health care provider. A WI DOJ official explained that the error occurred when the assigned claims specialist was on leave and another WI DOJ employee handled the claim. The WI DOJ was alerted to the error when a healthcare provider received a check for which it did not have an associated claim. This healthcare provider notified the WI DOJ, which subsequently corrected the error by canceling the check and issuing a new check to the correct healthcare provider. Although the error was detected and corrected, we believe that the error should have been caught before the first payment was issued.

The WI DOJ's process for claims adjudication does not include a secondary review of claims; one claims specialist adjudicates the claim, determines the payment amount, and enters payee information into the system for the finance department to issue a check. Because only one employee is responsible for the decisions surrounding any one particular claim, we believe that this process lacks necessary internal controls to mitigate the risk of employee errors or misconduct. Having another employee review the claim decision and payment information would help ensure payment information is correct and reduce the risk of malfeasance. Therefore, as a best practice, we recommend that OJP ensure the WI DOJ revises its claims review process to include a secondary review and approval prior to the authorization of a payment.

We also examined a sample of denied and appealed claims to assess the support the WI DOJ retained to demonstrate that these claims were incomplete or unallowable. Specifically, we reviewed 20 denied claim requests and verified that the WI DOJ maintained adequate documentation supporting its determinations to deny the claims. Our sample included four appealed claims; we found that the WI DOJ maintained adequate and sufficient documentation regarding the appealed claims.

Administrative Expenditures

The state administering agency may retain up to 5 percent of each grant to pay for administering its crime victim compensation program. Such costs must derive from efforts to improve program effectiveness and service to crime victims, including claims processing, staff development and training, and public outreach. For the compensation grant program, we tested the WI DOJ's compliance with the 5-percent limit on the administrative category of expenses, as shown in Table 3.

Table 3
Administrative Expenditures as of November 30, 2017^a

Award Number	Total Award	State Administrative Expenditures	Administrative Percentage
2014-VC-GX-0016	\$1,969,000	\$98,450	5%
2015-VC-GX-0008	\$2,459,000	\$123,082	5%
2016-VC-GX-0015	\$2,350,000	\$17,384	1%
2017-VC-GX-0018	\$1,881,000	\$0	0%

^a At the time of our audit, the WI DOJ had not yet charged administrative expenditures to the FY 2017 award.

Source: OJP and the WI DOJ

We compared the total administrative expenditures charged to the grants against the general ledger and determined that the state complied or is positioned to comply with these limits. In addition to testing the WI DOJ's compliance with the 5-percent administrative allowance, we performed a detailed review of a sample of these administrative transactions. We judgmentally selected a sample of 41 administrative expenditures from the 3 grants with expenditures, totaling \$39,894, or 17 percent of all administrative expenditures paid with federal funds, from the personnel, fringe, rent, equipment, and travel categories. We reviewed each of the expenditures, and we determined that they were allowable, properly authorized, and adequately supported.

Drawdowns

Award recipients should request funds based upon immediate disbursement or reimbursement needs, and the grantee should time drawdown requests to ensure that the federal cash on hand is the minimum needed for disbursements or reimbursements made immediately or within 10 days. VOCA victim compensation grant funds are available for the fiscal year of the award plus 3 additional fiscal years. To assess whether the WI DOJ managed grant receipts in accordance with these federal requirements, we compared the total amount reimbursed to the total expenditures in the WI DOJ's accounting system and accompanying financial records.

For the VOCA victim compensation awards, the state of Wisconsin uses the Wisconsin Department of Administration (WI DOA) to execute requests for federal funds, which includes determining the timing of drawdown requests. An official of the WI DOA explained that the grant funds are requested on a reimbursement basis and the WI DOA generally creates a draw every 2 weeks, or more often if needed. Table 4 shows the total amount drawn down for each grant as of July 18, 2018.

Table 4
Amount Drawn Down for Each Grant as of July 18, 2018

Award Number	Total Award	Amount Drawn Down	Amount Remaining
2014-VC-GX-0016	\$1,969,000	\$1,969,000	\$0
2015-VC-GX-0008	2,459,000	1,955,770	503,230
2016-VC-GX-0015	2,350,000	81,120	2,268,880
2017-VC-GX-0018	1,881,000	0	1,881,000
Total:	\$8,659,000	\$4,005,890	\$4,653,110

Source: OJP

The aforementioned WI DOJ method for accounting for restitution associated with federal compensation claims also has an impact on the WI DOJ's drawdown process. Due to the timing of the collection of certain restitution payments, it can sometimes appear that the WI DOJ has received federal grant funds in excess of its federal claim-related expenditures. To ensure its compliance with cash management requirements, the WI DOJ has temporarily returned federal funds to OJP in some of these instances.

Our review of the WI DOJ's drawdown requests throughout the audited period demonstrated that the WI DOJ's drawdown activity was supported by its expenditures as recorded in the accounting records. However, there is a risk that WI DOJ's handling of restitution payments causes inefficiencies in its drawdown processes when it results in the WI DOJ returning funds to OJP. We believe our previous recommendation that OJP ensure the WI DOJ employs an adequate method to accurately and appropriately account for and report all restitution payments will address any related risks in the WI DOJ's drawdown process.

Financial Reporting

According to the Financial Guides, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. To determine whether the WI DOJ submitted accurate federal financial reports, we compared the four most recent reports for the 2014, 2015, and 2016 grants to the WI DOJ's accounting records for each grant. We determined that quarterly and cumulative expenditures for the reports reviewed matched the accounting records.

However, similar to the *Drawdowns* section of this report, the aforementioned WI DOJ method for accounting for restitution associated with federal compensation claims also has an impact on the WI DOJ's financial reporting. As a result of the accounting method employed for restitution, WI DOJ's financial reports have occasionally reported negative expenditure totals for the reporting period. Again, we believe our previous recommendation that OJP ensure the WI DOJ employs an adequate method to accurately and appropriately account for and report all restitution payments will address any issues in the WI DOJ's financial reporting activities.

CONCLUSION AND RECOMMENDATIONS

Based on the results of our audit, we concluded that the WI DOJ used its VOCA funding to enhance its crime victim compensation program in accordance with the criteria governing the VOCA victim compensation program. We determined that the WI DOJ used grant funds to pay allowable victim claims, as well as its administrative expenses. We did not identify significant issues with the WI DOJ's victim compensation payments or its performance reporting. However, we did find that the WI DOJ employs a method for accounting for restitution associated with federal compensation claims that is not conducive for reporting these payments on the state certification form and on its quarterly financial reporting. In addition, this method has resulted in instances of the WI DOJ temporarily returning grant funds to OJP to avoid the appearance of having excess grant funds on hand following the receipt of restitution associated with federal compensation claims. We also identified an area for internal control improvement related to the review and adjudication of claims. Our report contains two recommendations to OJP to improve the administration of the victim compensation grants provided to the state of Wisconsin.

We recommend that OJP:

1. Ensure the WI DOJ employs an acceptable method to accurately and appropriately account for and report all restitution payments received by its victim compensation program.
2. Ensure the WI DOJ revises its claims review process to include a secondary review and approval prior to the authorization of a payment.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope and Methodology

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

This was an audit of *Victims of Crime Act* (VOCA) victim compensation formula grants 2014-VC-GX-0016, 2015-VC-GX-0008, 2016-VC-GX-0015, and 2017-VC-GX-0018 from the Crime Victims Fund (CVF) awarded to the WI DOJ. The Office of Justice Programs (OJP) Office for Victims of Crime (OVC) awarded these grants totaling \$8,659,000 to the WI DOJ, which serves as the state administering agency. Our audit concentrated on, but was not limited to, the period of September 25, 2014, the project start date for VOCA victim compensation grant number 2014-VC-GX-0016, through November 2017. In our analysis of grant draw down status, we reviewed funds drawn down through July 18, 2018, which totaled \$4,005,890 from three of the audited grants; the WI DOJ had not yet expended funds from the FY 2017 award.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of the WI DOJ's activities related to the audited grants. We performed sample-based audit testing for grant expenditures, including payroll and fringe benefit charges, compensation claims, financial reports, and performance reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The authorizing VOCA legislation, the VOCA victim compensation program guidelines, the OJP Financial Guide and DOJ Grants Financial Guide, state victim compensation criteria, and the award documents contain the primary criteria we applied during the audit. We also reviewed the most recent state of Wisconsin Single Audit Report for FY 2015-2016.

During our audit, we obtained information from OJP's Grants Management System and the OVC's Performance Management Tool, as well as the WI DOJ accounting system specific to the management of DOJ funds during the audit

period. We did not test the reliability of those systems as a whole; therefore, any findings identified involving information from those systems were verified with documents from other sources.

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

**WISCONSIN DEPARTMENT OF JUSTICE
RESPONSE TO THE DRAFT AUDIT REPORT**



**STATE OF WISCONSIN
DEPARTMENT OF JUSTICE**

**BRAD D. SCHIMMEL
ATTORNEY GENERAL**

**Paul W. Connell
Deputy Attorney General**

**Delanie M. Breuer
Chief of Staff**

17 West Main Street
P.O. Box 7857
Madison, WI 53707-7857

August 17, 2018

Ms. Carol S. Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
500 West Madison Street, Suite 1121
Chicago, IL 60661-2590

Dear Ms. Taraszka;

Thank you for the opportunity to respond to the two recommendations in the audit of the VOCA Victim Compensation Formula Grant Program 2014-VC-GX-0016, 2015-VC-GX-0008, 2016-VC-GX-0015, 2017-VC-GX-0018 awarded to the Wisconsin Department of Justice.

Recommendation #1:

Ensure the WI DOJ employs an acceptable method to accurately and appropriately account for and report all restitution payments received by its victim compensation program.

WI DOJ Response #1:

WI DOJ concurs with the finding and is working with the USDOJ, Office of Justice Programs, OVC program representatives to find a solution that meets the program requirements.

Recommendation #2:

Ensure the WI DOJ revises its claims review process to include a secondary review and approval prior to the authorization of a payment.

WI DOJ Response #2:

WI DOJ concurs with the finding and is developing a process to implement a second approver on payments.

Please let us know if you have further questions.

Sincerely,



Michelle Viste
Director, Office of Crime Victim Services
Wisconsin Department of Justice
17 W. Main Street
Madison, WI 53707

Cc: Darcey Varese
Michelle Gauger
Kathy Zupan
Linda Taylor

**U.S. DEPARTMENT OF JUSTICE
OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT AUDIT REPORT**



U.S. Department of Justice

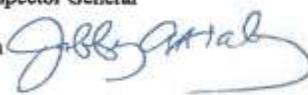
Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

AUG 21 2018

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

FROM:  Ralph E. Martin 
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Office for Victims of Crime, Victim Compensation Formula Grants, Awarded to the Wisconsin Department of Justice, Madison, Wisconsin*

This memorandum is in reference to your correspondence, dated July 25, 2018, transmitting the above-referenced draft audit report for the Wisconsin Department of Justice (WI DOJ). We consider the subject report resolved and request written acceptance of this action from your office.

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

1. **We recommend that OJP ensure that WI DOJ employs an acceptable method to accurately and appropriately account for and report all restitution payments received by its victim compensation program.**

OJP agrees with the recommendation. We will coordinate with WI DOJ to obtain a copy of written policies and procedures, developed and implemented, to ensure that an acceptable method is employed to accurately and appropriately account for and report on all restitution payments received under its Crime Victim Compensation Program.

2. **We recommend that OJP ensure that WI DOJ revises its claims review process to include a secondary review and approval prior to the authorization of a payment.**

OJP agrees with the recommendation. We will coordinate with WI DOJ to obtain a copy of its revised claims review process, developed and implemented, to ensure that it includes a secondary review and approval prior to the authorization of payment.

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

cc: Maureen A. Henneberg
Deputy Assistant Attorney General
for Operations and Management

LeToya A. Johnson
Senior Advisor
Office of the Assistant Attorney General

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

Darlene L. Hutchinson
Director
Office for Victims of Crime

Marilyn Roberts
Deputy Director
Office for Victims of Crime

Allison Turkel
Deputy Director
Office for Victims of Crime

Susan Williams
Acting Deputy Director
Office for Victims of Crime

James Simonson
Associate Director for Operations
Office for Victims of Crime



Toni Thomas
Associate Director, State Compensation
and Assistance Division
Office for Victims of Crime

cc:



Charles E. Moses
Deputy General Counsel

Robert Davis
Acting Director
Office of Communications

Leigh A. Benda
Chief Financial Officer

Christal McNeil-Wright
Associate Chief Financial Officer
Grants Financial Management Division
Office of the Chief Financial Officer

Joanne M. Suttington
Associate Chief Financial Officer
Finance, Accounting, and Analysis Division
Office of the Chief Financial Officer

Jerry Conty
Assistant Chief Financial Officer
Grants Financial Management Division
Office of the Chief Financial Officer

Aida Brumme
Manager, Evaluation and Oversight Branch
Grants Financial Management Division
Office of the Chief Financial Officer

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

OJP Executive Secretariat
Control Number IT20180726081538

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

The OIG provided a draft of this audit report to the Department of Justice Office of Justice Programs (OJP) and the Wisconsin Department of Justice (WI DOJ). OJP's response is incorporated in Appendix 3 and the WI DOJ response is incorporated in Appendix 2 of this final report. In response to our draft audit report, OJP concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for OJP:

- 1. Ensure the WI DOJ employs an acceptable method to accurately and appropriately account for and report all restitution payments received by its victim compensation program.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the WI DOJ to obtain a copy of written policies and procedures, developed and implemented, to ensure that an acceptable method is employed to accurately and appropriately account for and report on all restitution payments received under its Crime Victim Compensation Program.

The WI DOJ stated that it concurred with our recommendation and stated in its response that it is working with OJP's Office for Victims of Crime (OVC) program representatives to find a solution that meets the program requirements.

This recommendation can be closed when we receive evidence that OJP ensured the adequacy of the WI DOJ method for accounting for and reporting victim compensation restitution payments.

- 2. Ensure the WI DOJ revises its claims review process to include a secondary review and approval prior to the authorization of a payment.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the WI DOJ to obtain a copy of its revised claim review process, developed and implemented, to ensure that it includes a secondary review and approval prior to the authorization of a payment.

The WI DOJ stated that it concurred with our recommendation and stated in its response that it is developing a process to implement a second approver on payments.

This recommendation can be closed when we receive evidence that OJP ensured that the WI DOJ's revised claim review process includes a secondary review and approval prior to the authorization of payments.



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U.S. DEPARTMENT OF JUSTICE OFFICE OF THE INSPECTOR GENERAL

950 Pennsylvania Avenue, Northwest
Suite 4760
Washington, DC 20530-0001

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