



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

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



**Audit of the Office of Justice Programs
Victim Compensation Grants Awarded
to the Montana Office of Victim
Services' Crime Victim Compensation
Program, Helena, Montana**



Executive Summary

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Objective

The objective of the audit was to evaluate how the Montana Office of Victim Services' Crime Victim Compensation Program (CVCP) 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 CVCP used its victim compensation grant funding to provide financial support for crime victims. We did not identify issues with the compliance of drawdown procedures and the financial reports. However, we identified issues with the lack of policies and procedures related to program performance reports, grant expenditures, administrative costs, state certification, and other special conditions. We identified errors in the certification form for one of the years in our scope, resulting in the under-awarding of compensation funding to Montana in FY 2018. We also identified \$3,730 in questioned costs for unsupported claims payments, and \$57,341 in unsupported payroll costs.

Recommendations

Our report contains nine recommendations to the Office of Justice Programs (OJP) to assist the CVCP in improving its grant management and administration of crime victim compensation funding, and remedy \$61,071 in questioned costs. We requested a response to our draft audit report from the Montana Office of Victim Services' CVCP and OJP, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is include in Appendix 5.

Audit Results

The U.S. Department of Justice Office of the Inspector General completed an audit of four Victims of Crime Act (VOCA) victim compensation formula grants awarded by the OJP, Office for Victims of Crime (OVC) to the Victim Services' CVCP in Helena, Montana. The OVC awarded these formula grants, totaling \$1,456,000 from fiscal years (FY) 2014 through 2017, from the Crime Victims Fund to provide financial support through the payment of compensation benefits to crime victims throughout Montana. As of October 2018, the CVCP drew down a cumulative amount of \$1,071,308 for all of the grants we reviewed.

Planning and Execution – The CVCP enhanced public awareness of victim compensation benefits for crime victims. However, the CVCP could enhance its written policies and procedures, which could help reduce the issues identified in the report. We found that the CVCP included in the FY 2016 annual state certification form funds that it spent in FY 2017. As a result, the CVCP overstated the amount of federal funds used to pay compensation claims in FY 2016 and ultimately received \$176,000 less funding than what could have been awarded for FY 2018.

Program Requirements and Performance

Reporting – We found that the CVCP was unable to support some of its performance data and did not retain the original queries of performance metrics used to support the performance measures. We also found that the CVCP did not comply with two special conditions we tested related to the timely submission of performance reports and attendance at the Annual VOCA National Training Conference.

Grant Financial Management – The CVCP generally implemented adequate controls over claim expenditures. However, we identified two claims for lost wages for which the CVCP did not obtain adequate documentation according to its policy. These claims were from self-employed claimants and resulted in in \$3,730 in unsupported costs. In addition, we identified deficiencies in allocation of payroll that resulted in \$57,341 in unsupported costs.

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THE MONTANA OFFICE OF VICTIM SERVICES’
CRIME VICTIM COMPENSATION PROGRAM,
HELENA, MONTANA**

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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 State of Montana Office of Victim Services' Crime Victim Compensation Program (CVCP) in Helena, Montana. The OVC awards victim compensation grants annually from the Crime Victims Fund (CVF) to state administering agencies. As shown in Table 1, from fiscal years (FY) 2014 through 2017, these OVC grants totaled \$1,456,000.

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

Award Number	Award Date	Award Period Start Date	Award Period End Date	Award Amount
2014-VC-GX-0036	08/29/2014	10/01/2013	09/30/2017	\$391,000
2015-VC-GX-0046	09/15/2015	10/01/2014	09/30/2018	\$277,000
2016-VC-GX-0050	09/08/2016	10/01/2015	09/30/2019	\$309,000
2017-VC-GX-0073	09/28/2017	10/01/2016	09/30/2020	\$479,000
Total:				\$ 1,456,000

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

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.¹ The CVF is supported entirely by federal criminal fees, penalties, forfeited bail bonds, gifts, donations, and special assessments. The OVC annually distributes proceeds from the CVF to states and territories. 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 criminal violence for: (1) medical expenses attributable to a physical injury resulting from a compensable crime, including expenses for mental health counseling and care; (2) loss of wages attributable to a

¹ The VOCA victim compensation formula program is funded under 34 U.S.C. §20102.

physical injury resulting from a compensable crime; and (3) funeral expenses attributable to a death resulting from a compensable crime.²

The Grantee

As the Montana state administering agency, the State of Montana Department of Justice received the VOCA funding, and the Office of Victim Services' CVCP was responsible for administering the VOCA victim compensation program. The goal of the Office of Victim Services is to provide tools and information to help crime victims in their recovery and provide them with a range of services. The CVCP was established in 1978 and strives to reduce some of the financial burdens victims may suffer. Between October 2013 and September 2017, CVCP disbursed more than \$4.6 million to victims of crime, which is generated through a combination of federal grants, state appropriations, and restitution payments.

OIG Audit Approach

The objective of the audit was to evaluate how the Office of Victim Services 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 compensation program guidelines (VOCA Guidelines), the OJP Financial Guide and the DOJ Grants Financial Guide (Financial Guide) as our primary criteria.³ We also reviewed relevant state statutes and CVCP policies and procedures, including the Montana Code Annotated and the Montana Administrative Rules, and interviewed CVCP personnel to determine how they administered the VOCA funds. We also reviewed CVCP records reflecting grant activity.⁴

² This program defines criminal violence to include drunk driving and domestic violence.

³ 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. In this report we will refer to the applicable requirements for each award under the singular term Financial Guide.

⁴ 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. Appendix 2 presents a schedule of our dollar-related findings.

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 CVCP's overall process for making victim compensation payments. We also assessed the CVCP's policies and procedures for providing compensation payments to victims, as well as the accuracy of the state certification form.

Overall, we determined that the CVCP established and implemented a victim compensation program that compensated victims of criminal violence, and generally complied with federal grant requirements and VOCA Guidelines. However, we also found the CVCP could enhance its written policies and procedures which could help reduce the issues identified throughout this report, including:

- Developing and implementing formal policies and procedures for the annual certification form, and performance reports.
- Strengthen its current policies and procedures to ensure appropriate documentation is obtained for claim payments.
- Update and adhere to a secondary review of the claim payments.
- Developing procedures to ensure that personnel costs accurately account for the time spent on the victim compensation program.

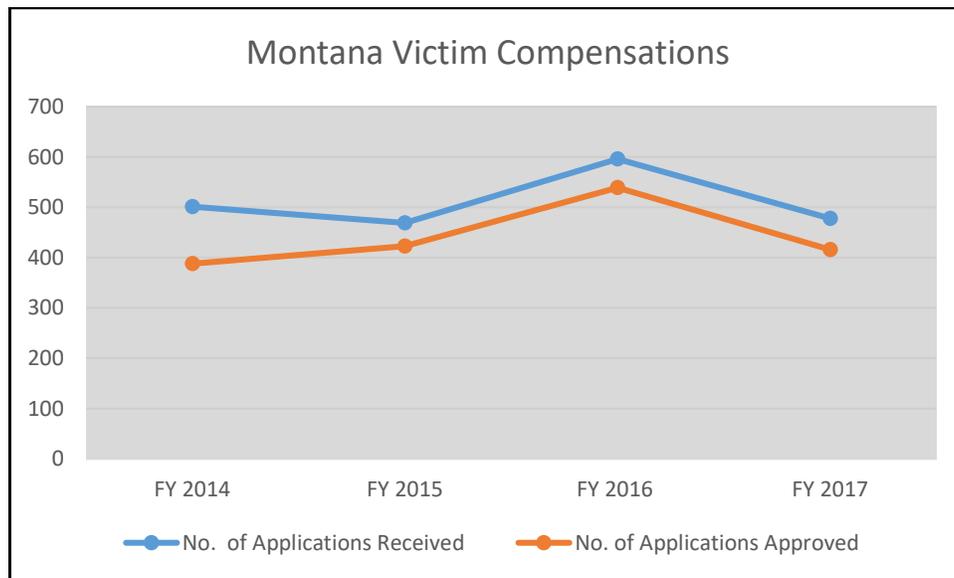
Program Implementation

State administering agencies receive VOCA victim compensation grants to compensate victims directly for expenses incurred from criminal victimization. As the state administering agency for Montana, the CVCP is responsible for the victim compensation program, including meeting all financial and programmatic requirements. When paying claims for victims, the CVCP operates under the Montana Code Annotated, Administrative Rules of Montana, the Program Performance Operation Manual, and the Crime Victim Compensation Administrative Policy Manual, which collectively convey the state-specific policies for the victim compensation program. In assessing the CVCP's implementation of its victim compensation program, we analyzed policies and procedures governing the decision-making process for individual compensation claims, as well as efforts the CVCP has made to bring awareness to victims eligible for compensation program benefits.

Based on our review, we found that the CVCP has a process for accepting, recording, and reviewing applications for victim compensation. The CVCP relied upon the Montana Code Annotated, Administrative Rules of Montana, the Program Performance Operation Manual, and the Crime Victim Compensation Administrative Policy Manual as guidance for the eligibility of claims and limits on allowable payments. We determined that this guidance is consistent with VOCA Guidelines and contains direction on many of the common types of claims that CVCP receives.

According to CVCP officials, efforts have been made to enhance public awareness of available victim compensation benefits by participating in community presentations, forums, and conferences throughout the state. As shown in Chart 1, the CVCP reported that the number of victim compensation applicants in Montana ranged from 469 to 596 between FYs 2014 and 2017.

Chart 1
Victim Compensation Applicants



Source: The CVCP Annual Performance Reports for FYs 2014 through 2017.

Moreover, we found that the CVCP’s website contained the State of Montana crime victim compensation eligibility requirements, application process, and the compensation benefits that can be awarded. Therefore, the CVCP enhanced public awareness of victim compensation benefits for crime victims. We encourage the CVCP to continue exploring initiatives to increase public awareness of its victim compensation program.

Annual State Certification

State administering agencies must submit an annual Crime Victim Compensation State Certification Form, which provides the OVC with 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 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.

OJP 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.⁵ For example, this means a state's FY 2018 compensation award would be based on certified FY 2016 financial data. As a result, we compared and attempted to reconcile the amounts the CVCP submitted to the OVC via its annual certification forms for FYs 2012 through 2017, which were or will be used to calculate the award amounts granted in FYs 2014 through 2019.⁶ We reviewed support for the payout and revenue amounts, including accounting data maintained by CVCP documenting the amounts reported for total compensation claims paid, VOCA grants, subrogation recovery, and restitution recovery.

We determined the CVCP's certification forms were generally accurate and supported by the accounting system records; however, we did identify an error in the FY 2016 certification form. Specifically, the line item for the payouts made with VOCA funds included funds from both FYs 2016 and 2017 even though the reporting period was only for FY 2016. As a result, the CVCP overstated the amount of federal funds used to pay compensation claims, which reduced the eligible payout amount for award consideration, and ultimately received \$176,000 less funding than what could have been awarded in FY 2018⁷. The risk of this error occurring in the future could be mitigated if the CVCP implemented policies and procedures requiring a secondary review before the annual certification form is submitted. Therefore, we recommend OJP ensure the CVCP develop and implement formal policies and procedures to ensure the annual certification form is complete and accurate, and to include a secondary review prior to submission.

Program Requirements and Performance Reporting

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

As discussed in the following sections, we found that the CVCP: (1) did not have adequate policies and procedures to compile and submit annual performance reports and (2) did not comply with the special conditions we tested.

⁵ The eligible payout amount for award consideration is determined after deducting payments made with VOCA funds, subrogation and restitution recoveries, refunds, amounts awarded for property loss, and other reimbursements.

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.

⁷ According to the VOCA Guidelines, if a state undercertifies amounts paid to crime victims, OJP will not supplement payments to the state to correct the state's error since this would require recalculating allocations to every state VOCA compensation and assistance program and cause disruption in administration of these programs.

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). After the end of a fiscal year, the CVCP is required to produce the Annual State Performance Report and upload it to GMS.

For the victim compensation grants, states must ensure that valid and auditable source documentation is available to support 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 total compensation paid by service type. Table 2 shows a summary of the CVCP's annual reports.

Table 2
Summary from CVCP Annual State Performance Report

Performance Categories	FY 2014	FY 2015	FY 2016	FY 2017
Number of Claims Paid ^a	1,091	552	507	462
Number of Applications Received	501	469	596	478
Number of Applications Approved	388	423	539	416
Number of Applications Denied/Closed	113	90	109	65
Total Amount of Claims Paid	\$1,172,454	\$1,375,004	\$1,337,623	\$711,188

^a Multiple claims can be paid to a single victim. These totals count each payment as a different claim.

Note: We noted that the CVCP's tracking system did not differentiate federal versus state-funded victims, and that the reports are for the overall performance data from its tracking system. We find that this practice can affect the accuracy of the reporting of VOCA-funded activity.

Source: The CVCP Annual State Performance Reports for FYs 2014 through 2017.

We assessed whether the CVCP's annual performance data reported to the OVC fairly reflected the victim compensation program activities by comparing the data the CVCP reported to the data it had recorded in its internal tracking system. To this end, we selected one quarter (QTR) from the FYs 2015 and 2016 yearly performance reports to test. While the records in the CVCP's internal tracking system generally supported the figures tested, we found that they did not match precisely. Specifically, as shown in the Table 3, we identified some differences in the performance metrics for the FY 2015 and 2016 performance report testing.

Table 3
Differences of the Performance Report Metrics

FY Quarter	Performance Metric	Sub Metric (if applicable)	Progress Report	Supporting Documents	Difference
2 nd QTR 2015	Victim Demographics	Age: 0-12	11	9	(2)
2 nd QTR 2015	Victim Demographics	Age: 13-17	7	6	(1)
2 nd QTR 2015	Victim Demographics	Age: 25-59	55	58	3
2 nd QTR 2015	Applications Approved		93	84	(9)
2 nd QTR 2015	Applications Denied/Closed		16	6	(10)
3 rd QTR 2016	Applications Denied/Closed	Ineligible Crime	5	6	1
3 rd QTR 2016	Applications Denied/Closed	Ineligible Application	4	2	(2)
3 rd QTR 2016	Applications Denied/Closed	Other	0	1	1
2 nd QTR 2015	Applications Paid, by Crime Type	Domestic/Family Violence	25	27	2
3 rd QTR 2016	Applications Paid, by Crime Type	Assault	72	74	2
3 rd QTR 2016	Payment Statistics, by Crime Type - Assault	Mental Health	\$5,328	\$5,184	(\$144)

Source: The CVCP Annual Performance Reports for FYs 2015 and 2016.

The CVCP officials did not retain the original queries used to generate the supporting information from its internal tracking system, therefore, the CVCP could not support why there were differences identified in the metrics above when they tried to recreate the queries. The CVCP officials reproduced the supporting information by running new queries of the internal tracking system at the time of our fieldwork. In order to verify this data, we then traced a sample of these results to the victim files. Based on our analysis, except for the discrepancies noted above, we found the supporting information from CVCP’s internal tracking system to be reliable.

Overall, we found the CVCP policies and procedures lack specific guidance related to maintenance of valid and auditable source documentation. In our judgment, accurate statistics are a vital tool for OVC to use to better manage the victim compensation program. Therefore, we recommend OJP ensure the CVCP

develop and adhere to written policies and procedures to help ensure that the performance reports are complete and accurate, and include the necessary steps of maintaining supporting documentation for the performance measures at the time of reporting to enable reconciliation of reported data with its internal records.

Compliance with Special Conditions

The special conditions of a federal grant award establish specific requirements for grant recipients. In its grant application documents, the CVCP certified it would comply with these special conditions. We reviewed the special conditions for each VOCA victim compensation program grant and identified two special conditions that we deemed significant to grant performance to test, which are not otherwise addressed in another section of this report.

The first tested special condition required that the recipient complete and submit performance reports, in accordance with the instructions developed by OVC. Specifically, OVC requires that the Annual Performance Report be submitted by December 30, and requires the PMT quarterly reports to be submitted February 15, May 15, August 15, and November 15.

We found of the 13 quarterly performance reports submitted by CVCP since October 2015, 5 were submitted between 12 and 179 days late. Additionally, of the five annual performance report submitted, we found two reports were submitted 15 and 17 days late. Therefore, we recommend that OJP ensure that the CVCP establish and implement policies and procedures for the timely submission of all required performance reports, including the required GMS and PMT submission dates.

The second tested special condition required the CVCP to ensure that at least one key official attended the Annual VOCA National Training Conference, or obtain prior written approval from OVC that the recipient would not attend. We found that the CVCP complied with this requirement for FYs 2014, 2015, and 2017. However, the CVCP was unable to provide support that a least one key grantee official attended or evidence of prior approval for not attending the annual VOCA National Training Conference in 2016. Therefore, we also recommend that OJP ensure that the CVCP send at least one key grantee official to the annual VOCA National Training Conference or obtain the necessary approvals for not attending, as required.

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 CVCP's financial management of the VOCA victim compensation grants, we reviewed the process the CVCP used to administer these funds by examining expenditures charged to the grants, subsequent drawdown requests, and resulting financial reports.

To further evaluate the CVCP's financial management of the VOCA victim compensation grants, we examined the Single Audit Reports for FYs 2013 through

2017. These Single Audits did not identify significant deficiencies or material weaknesses specific to the CVCP or the victim compensation program.

To further assess the CVCP's grant financial management, we also interviewed CVCP personnel responsible for financial aspects of the grants, reviewed the CVCP written policies and procedures, inspected award documents, and reviewed financial records. In addition, we reviewed CVCP's procedures for determining and making drawdowns, as well as the preparation and submission of periodic federal financial reports.

In our overall assessment of the grant financial management, we determined that the CVCP implemented adequate controls over claim payments; however, as discussed in further detail below, we found that the CVCP could improve its policies and procedures for: (1) obtaining additional supporting documentation for lost wage claims, and (2) improving its secondary review of claims. In addition, we identified deficiencies in payroll allocation. We believe that updating and adhering to policies and procedures to improve grant administration will reduce the risk of errors and lessen the potential for misuse of the crime victims compensation funding.

Grant Expenditures

State administering agency VOCA 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 select transactions.

Victim Compensation Claim Expenditures

Victims of crime in the State of Montana submit claims for reimbursement of expenses incurred as a result of victimization, such as medical and funeral costs or loss of wages. The CVCP staff adjudicate these claims for eligibility and make payments from the VOCA victim compensation grants and state funding.

To evaluate the CVCP'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 the Montana Code Annotated. We judgmentally selected 64 claims that totaled \$148,539 from the audited awards. These claims included costs for funeral services, lost wages, medical travel, hospital visits, ambulance services, physical therapy, chiropractor services, vocational rehabilitation, and psychological counseling. We found that CVCP did not always obtain adequate documentation for claim payments, or consistently perform a secondary review of claims. Our findings are discussed in greater detail in the following sections of the report.

- **Inadequate Documentation**

In order to pay a claim for lost wages, CVCP requires the victim's employer to complete an Employment Verification Form. The Employment Verification Form is used to determine whether the victim was employed at the time of the crime and collects the necessary information related to the wage rate, gross earnings, dates of missed work, and insurance information. However, we found that CVCP policy does not require the victim or employer to submit additional supporting documentation to verify income (e.g., prior pay stubs, W-2s, tax returns) for lost wage claims. We found that CVCP had obtained, when applicable, the required Employment Verification Form and made the appropriate calculation based on the information on the forms. However, based on our analysis, we believe federal funds may be at risk, since no supporting documentation is required to support the income claimed on the Employment Verification Form. Therefore, we recommend OJP work with CVCP to strengthen its current policies and procedures to ensure appropriate supporting documentation is obtained in order to verify income, including prior pay stubs, W-2s, tax returns, or any other relevant documentation.

Furthermore, CVCP requires self-employed victims to submit information related to their net profit plus noncash business expenses. During our review, we identified two claims for lost wages to individuals that were self-employed for which the CVCP did not obtain adequate documentation to support the claims paid. Specifically, we found that:

- The CVCP paid out \$2,974 in lost wages for one claim. During our review, we found that the victim self-reported their financial information on the Employment Verification Form submitted to CVCP. CVCP relied solely on this information and did not obtain any other documentation to support the claim.
- The CVCP paid out \$756 in lost wages for another claim. During our review, we found that the victim provided only handwritten invoices to support this claim. No other documentation was requested or provided to CVCP to support this claim.

We discussed these findings with CVCP officials who agreed that they had not followed their policy. Therefore, we recommend OJP remedy \$3,730 in unsupported lost wage claims.

- **Secondary Review**

According to CVCP officials, for payment processing, each claims examiner will have another claims examiner approve and initial their payments. The CVCP's payment review process provides multiple individuals with the opportunity to catch errors and mitigate the potential misapplication of victim compensation resources. However, we found that the procedures were not always effective in detecting or correcting errors within the claims selected for review. The 2017 Montana Code Annotated states that a claimant is entitled to weekly compensation benefits when the claimant has a total actual loss of wages due to injury. Furthermore, the Code states that the weekly benefit amount is $66\frac{2}{3}$ percent of the wages received at the time of the criminally injurious conduct, subject to a maximum of one-half the

state's average weekly wage. The state's average weekly wage is subject to change each state fiscal year. During our review, we identified two instances in which the lost wage claim crossed the state's fiscal year, and the CVCP did not calculate the lost wage claim with the state average weekly wage rate in effect at the time. We discussed these findings with CVCP officials who agreed that they did not use the correct state average weekly wage rate.

Additionally, the Montana Administrative Rules state that duplicate medical treatment received on the same day is not allowed. We identified one claim for which the CVCP paid \$220 for two counseling sessions on the same day. Based on our review of the supporting documentation, the CVCP overpaid \$110 for the counseling service. During the course of the audit, the CVCP recovered this overpayment. As a result, we do not take exception with this overpayment.

Finally, the Montana Administrative Rules state that a claimant will be reimbursed for necessary travel costs but not in amounts more than those allowed to state employees for travel expenses. We reviewed six medical mileage claims and found five were calculated using the incorrect mileage rate. We consider these differences to be immaterial, ranging from \$3 to \$39, and do not take exception to these overpayments. The CVCP's claim review process should be enhanced in order to mitigate the risk of misapplication of the limited crime victims compensation funding. As a result, we recommend OJP ensure CVCP update and adhere to written policies and procedures for its secondary review process.

Administrative Expenditures

The state administering agency may retain up to 5 percent of each grant to pay for administering its crime victim compensation program. However, 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.

We tested CVCP's compliance with the 5 percent limit on the administrative category and found that CVCP complied with or is positioned to comply with the 5 percent administrative expenditure limitation. In addition to testing the CVCP's compliance with the 5 percent administrative allowance, we also performed a detailed review of a sample of these administrative expenditures, which were all categorized as payroll or indirect costs. We judgmentally selected 11 pay periods of personnel expenditures and 8 indirect cost expenditures, totaling \$10,695. We reviewed each of these expenditures and identified deficiencies in the allocation of personnel costs.

According to the Victim Compensation Program Guidelines, staff supported by administrative funds under the VOCA crime victim compensation grant must work directly for the compensation program in the same proportion as their level of support from VOCA grant funds. If the staff performs other functions unrelated to the provision of compensation to crime victims, the proportion of time spent working on the compensation program must be documented using some reasonable method of valuation at regular measurable intervals, e.g., time and attendance

records. The documentation must provide a clear audit trail for the expenditure of grant funds. In addition, according to the Financial Guides, when employees work on multiple programs or cost activities, the award recipient must reasonably allocate costs to each activity and base that allocation on time and effort reports, such as timesheets.

Based on our review of personnel expenditures, we found the CVCP charged a percentage of each employee’s total payroll as approved in the grant budget. However, CVCP personnel did not track their time and effort to the specific cost activity they spent their time on, as required by the Victim Compensation Guidelines and the Financial Guide when staff performed functions unrelated to the provision of compensation to crime victims. As a result, we recommend that OJP remedy \$57,341 in unsupported personnel expenditures charged to all four audited VOCA victim compensation grants. In addition, we recommend that OJP require the CVCP develop procedures to ensure that personnel costs charged to the program accurately account for the time spent on the victim compensation program.

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 CVCP managed grant receipts in accordance with these federal requirements, we compared the total amount reimbursed to the total expenditures in the CVCP’s accounting system and accompanying financial records.

For the VOCA victim compensation awards, we found that the CVCP calculated its drawdown funding requests to reimburse the state for compensation claims paid on behalf of the victim or to the victim, and the 5 percent administrative costs. Table 4 shows the total amount drawn down for each grant as of October 2018.

Table 4
Amount Drawn Down for Each Grant as of October 2018

Award Number	Total Award	Award Period End Date	Amount Drawn Down	Amount Remaining
2014-VC-GX-0036	\$391,000	9/30/2017	\$391,000	\$0
2015-VC-GX-0046	\$277,000	9/30/2018	\$277,000	\$0
2016-VC-GX-0050	\$309,000	9/30/2019	\$309,000	\$0
2017-VC-GX-0073	\$479,000	9/30/2020	\$94,308	\$384,692
Total:	\$1,456,000		\$1,071,308	\$384,692

Source: OJP

During this audit, we did not identify deficiencies related to the recipient's process for developing drawdown requests.

Financial Reporting

According to the Financial Guide, 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 CVCP submitted accurate Federal Financial Reports (FFRs), we compared the FFRs to the CVCP's accounting records for each grant. We determined that the quarterly and cumulative expenditures for the reports reviewed generally matched the CVCP's accounting records.

CONCLUSION AND RECOMMENDATIONS

We found the CVCP used its grant funds to compensate crime victims. However, we found that the CVCP was unable to support some of its performance data and did not retain its queries of data to support its reported performance metrics. Further, the CVCP could improve its policies for obtaining additional documentation for lost wage claims, improve its secondary review of claims, and accurately account for the allocation of payroll. In addition, we found an error in its FY 2016 annual state certification form. As a result, the CVCP overstated the amount of federal funds used to pay compensation claims and ultimately received \$176,000 less funding than what could have been awarded. We provide nine recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Ensure the CVCP develop and implement formal policies and procedures to ensure the annual certification form is complete and accurate, and to include a secondary review prior to submission.
2. Ensure the CVCP develop and adhere to written policies and procedures to help ensure that the performance reports are complete and accurate, and include the necessary steps of maintaining supporting documentation for the performance measures at the time of reporting to enable reconciliation of reported data with its internal records.
3. Ensure that the CVCP establish and implement policies and procedures for the timely submission of all required performance reports, including the required GMS and PMT submission dates.
4. Ensure that the CVCP send at least one key grantee official to the annual VOCA National Training Conference or obtain the necessary approvals for not attending.
5. Work with CVCP to strengthen its current policies and procedures to ensure appropriate supporting documentation is obtained in order to verify income, including prior pay stubs, W-2s, tax returns, or any other relevant documentation.
6. Remedy \$3,730 in unsupported lost wage claims.
7. Ensure CVCP update and adhere to written policies and procedures for its secondary review process.
8. Remedy \$57,341 in unsupported personnel expenditures.
9. Require CVCP to develop procedures to ensure that personnel costs charged to the program accurately account for the time spent on the victim compensation program.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to evaluate how the Crime Victim Compensation Program (CVCP) 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-0036, 2015-VC-GX-0046, 2016-VC-GX-0050, and 2017-VC-GX-0073 from the Crime Victims Fund (CVF) awarded to the CVCP. The Office of Justice Programs (OJP), Office for Victims of Crime (OVC) awarded these grants totaling \$1,456,000 to the CVCP, which serves as the state administering agency. Our audit concentrated on, but was not limited to, the period of October 1, 2013, the project start date for VOCA compensation grant number 2014-VC-GX-0036, through April 2019. As of October 2, 2018, the CVCP had drawn down a total of \$1,071,308 from the four audited grants.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of the CVCP's activities related to the audited grants. We performed sample-based audit testing for grant expenditures including payroll and fringe benefit charges, financial reports, progress reports, and victim compensation. 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 compensation program guidelines, the Financial Guide, state compensation criteria, and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System as well as the CVCP accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole; therefore, any findings identified involving information from those systems was verified with documents from other sources.

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

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Pages</u>
Questioned Costs:⁸		
Unsupported Lost Wage Costs	\$3,730	10
Unsupported Personnel Costs	<u>\$57,341</u>	12
Total Questioned Costs	\$61,071	

⁸ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, where appropriate.

**STATE OF MONTANA DEPARTMENT OF JUSTICE CVCP'S
RESPONSE TO THE DRAFT REPORT**

STATE OF MONTANA
DEPARTMENT OF JUSTICE
CRIME VICTIM COMPENSATION PROGRAM

Tim Fox
Attorney General



555 Fuller Avenue
P.O. Box 201410
Helena, MT 59620-1410

May 29, 2019

David M. Sheeren, Regional Audit Manager
U.S. Department of Justice, Office of the Inspector General
Denver Regional Audit Office
1120 Lincoln, Suite 1500
Denver, Colorado 80203

Dear Mr. Sheeren:

The Montana Department of Justice thanks you and your audit team for your time while conducting the audit of our crime victim compensation program. The audit provides valuable and timely information for us to evaluate our programs and accounting processes.

Please accept the following as my response to the recommendations presented in the draft audit report for the four Victims of Crime Act (VOCA) victim compensation formula grants awarded by the OJP.

Recommendation # 1

Ensure the CVCP develop and implement formal policies and procedures to ensure the annual certification form is complete and accurate, and to include a secondary review prior to submission.

Concur. The Department updated position duties within the Central Services Division in March 2019 to ensure that there is secondary accounting staff available for supporting the federal awards. The grant financial management training for the additional position is ongoing and will include how to prepare and review the annual certification form. The Department will also establish a written procedure on preparation of the annual certification form by September 30, 2019.

In subsequent filing periods the Department's grant accountant will prepare the annual certification form and another Department accountant will conduct a secondary review of the certification prior to submission.

Recommendation # 2

Ensure the CVCP develop and adhere to written policies and procedures to help ensure that the performance reports are complete and accurate and include the necessary steps of maintaining supporting documentation for the performance measures at the time of reporting to enable reconciliation of reported data with its internal records.

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Concur. The CVCP has established a written policy and an operation manual to ensure that the performance reports are completed accurately and submitted in a timely manner. The policy ensures that original query documentation will be kept, providing supporting documentation if there is a discrepancy. The policy and operations manual will be reviewed annually for accuracy and updated as needed. The Program Manager's claims case load has been reduced by one-third to allow additional time to ensure the PMT policy is followed.

Recommendation # 3

Ensure that the CVCP establish and implement policies and procedures for the timely submission of all required performance reports, including the required GMS and PMT submission dates.

Concur. The CVCP has established an operations manual which outlines all requirements of the Grants Management System and Performance Measures Tool System. The Program Manager's claims case load has been reduced by one-third to allow additional time to complete the grant application process and performance measurement reporting. GMS and PMT submission deadlines are reviewed at monthly staff meetings and the Executive Director serves in a backup capacity if the Program Manager is unable to perform necessary duties.

Recommendation # 4

Ensure that the CVCP send at least one key grantee official to the annual VOCA National Training Conference or obtain the necessary approvals for not attending.

Concur. The CVCP will ensure that at least one key grantee official will attend the annual VOCA National Training Conference or will seek approval for not attending.

Recommendation # 5

Work with CVCP to strengthen its current policies and procedures to ensure appropriate supporting documentation is obtained in order to verify income, including prior pay stubs, W-2s, tax returns, or any other relevant documentation.

Concur. The CVCP has established a policy which outlines the additional documentation required to verify lost income on claims that are approved for the wage loss benefit. The CVCP now requires that all self-employed claimants provide W-2's and/or past year's tax return documentation to verify income.

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Recommendation # 6

Remedy \$3,730 in unsupported lost wage claims.

Concur. The CVCP agrees that not enough documentation was received to support the payment of the questioned claims. The CVCP agrees to remedy the \$3,730.00 in unsupported wage loss by claims by June 30, 2019.

Recommendation # 7

Ensure CVCP update and adhere to written policies and procedures for its secondary review process.

Concur. The CVCP has established a procedure outlining the process for secondary review of payments made on claims. The CVCP has created a form to ensure that the correct state average wage rate is used to calculate wage loss claims. In addition, a form has been created to ensure that correct medical mileage rate is used to calculate mileage reimbursement. The Program Manager's claims case load has been reduced by one-third to allow additional time to perform a final review of payments prior to processing.

Recommendation # 8

Remedy \$57,341 in unsupported personnel expenditures.

Concur. The Department agrees that time not spent working on the CVCP was not identified on time sheets. The CVCP agrees to remedy the \$57,341 in unsupported personnel expenditures by June 30, 2019.

Recommendation # 9

Require CVCP to develop procedures to ensure that personnel costs charged to the program accurately account for the time spent on the victim compensation program.

Concur. The Department has changed the way program staff report their time spent on the victim compensation program. As of May 6, 2019 program staff began reporting time not worked on the victim compensation program as a separate line item on timesheets, with the related salaries and fringe benefits funded entirely by the Department.

Sincerely,

Melissa Schlichting
Administrator,
Department of Justice State of Montana
Legal Services Division

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OJP'S 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

JUN 5 - 2019

MEMORANDUM TO: David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin
Director 

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Victim Compensation Grants Awarded to the Montana Office of Victim Services' Crime Victim Compensation Program, Helena, Montana*

This memorandum is in reference to your correspondence, dated May 8, 2019, transmitting the above-referenced draft audit report for the State of Montana, Office of Victim Services' Crime Victim Compensation Program (CVCP). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **nine** recommendations and **\$61,071** in 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 our response.

- 1. We recommend that OJP ensure that the CVCP develop and implement formal policies and procedures to ensure the annual certification form is complete and accurate, and to include a secondary review prior to submission.**

OJP agrees with the recommendation. We will coordinate with the CVCP to obtain a copy of written policies and procedures, developed and implemented, to ensure that annual certification forms are accurate, and that a secondary review is performed before the annual certification forms are submitted.

2. **We recommend that OJP ensure that the CVCP develop and adhere to written policies and procedures to help ensure that the performance reports are complete and accurate, and include the necessary steps of maintaining supporting documentation for the performance measures at the time of reporting to enable reconciliation of reported data with its internal records.**

OJP agrees with the recommendation. We will coordinate with the CVCP to obtain a copy of written policies and procedures, developed and implemented, to ensure that performance reports are accurate; and include the necessary steps of maintaining supporting documentation for the performance measures at the time of reporting, to ensure reconciliation of reported data with its internal records.

3. **We recommend that OJP ensure that the CVCP establish and implement policies and procedures for the timely submission of all required performance reports, including the required GMS and PMT submission dates.**

OJP agrees with the recommendation. We will coordinate with the CVCP to obtain a copy of written policies and procedures, developed and implemented, to ensure that performance reports are timely submitted; and adhere to the required OJP Grants Management System and the Performance Measurement Tool submission dates.

4. **We recommend that OJP ensure that the CVCP send at least one key grantee official to the annual VOCA National Training Conference or obtain the necessary approvals for not attending.**

OJP agrees with the recommendation. We will work with the CVCP to ensure that at least one key grantee official attends the annual Victim of Crimes Act National Training Conference, or obtains the necessary approvals for not attending.

5. **We recommend that OJP work with CVCP to strengthen its current policies and procedures to ensure appropriate supporting documentation is obtained in order to verify income, including prior pay stubs, W-2s, tax returns, or any other relevant documentation.**

OJP agrees with the recommendation. We will coordinate with the CVCP to obtain a copy of revised written policies and procedures, developed and implemented, to ensure appropriate supporting documentation is obtained to verify income.

6. **We recommend that OJP remedy \$3,730 in unsupported lost wage claims.**

OJP agrees with the recommendation. We will review the \$3,730 in questioned costs, related to unsupported lost wage claims charged to Grant Number 2017-VC-GX-0073, and will work with the CVCP to remedy, as appropriate.

7. **We recommend that OJP ensure the CVCP update and adhere to written policies and procedures for its secondary review process.**

OJP agrees with the recommendation. We will coordinate with the CVCP to obtain a copy of revised written policies and procedures, developed and implemented, to ensure that CVCP properly adheres to its secondary review process.

8. **We recommend that OJP remedy \$57,341 in unsupported personnel expenditures.**

OJP agrees with the recommendation. We will review the \$57,341 in questioned costs, related to unsupported personnel expenditures charged to Grant Numbers 2014-VC-GX-0036, 2015-VC-GX-0046, 2016-VC-GX-0050, and 2017-VC-GX-0073, and will work with the CVCP to remedy, as appropriate.

9. **We recommend that OJP require CVCP to develop procedures to ensure that personnel costs charged to the program accurately account for the time spent on the victim compensation program.**

OJP agrees with the recommendation. We will coordinate with the CVCP to obtain a copy of written policies and procedures, developed and implemented, to ensure that personnel costs charged to the program accurately account for the time spent on the victim compensation program.

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: Matt M. Dummermuth
Principal Deputy Assistant Attorney General

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Deputy Assistant Attorney General
for Operations and Management

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Louise Duhamel
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Justice Management Division

OJP Executive Secretariat
Control Number IT20190516065104

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 State of Montana Office of Victim Services' Crime Victim Compensation Program (CVCP) and the Office of Justice Programs (OJP) for review and official comment. CVCP stated in its response, found in Appendix 3 of this final report, that it concurred with our recommendations. OJP's response is included in Appendix 4, in which it agrees with the recommendations. As a result, the audit report is resolved. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation for OJP

- 1. Ensure the CVCP develop and implement formal policies and procedures to ensure the annual certification form is complete and accurate, and to include a secondary review prior to submission.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that they will obtain a copy of the annual certification form written policies and procedures, to ensure that the forms are accurate and a secondary review is performed.

The CVCP also concurred with our recommendation. The CVC stated in its response that a written procedure on preparation of the annual certification form will be established by September 30, 2019. The CVCP also stated that the financial department updated position duties in March 2019 to ensure that there is secondary accounting staff available to support the federal awards. The financial management training for the additional position is ongoing and will include how to prepare and review the annual certification form.

This recommendation can be closed when we receive the procedures on the preparation of the annual certification form and evidence that a secondary review is being performed.

- 2. Ensure the CVCP develop and adhere to written policies and procedures to help ensure that the performance reports are complete and accurate, and include the necessary steps of maintaining supporting documentation for the performance measures at the time of reporting to enable reconciliation of reported data with its internal records.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that they will obtain a copy of the performance reports written policies and procedures, to ensure that the reports are accurate and include the

necessary steps of maintaining supporting documentation for the performance measures at the time of reporting.

The CVCP concurred with our recommendation and stated in its response that a written policy and an operation manual was established to ensure that the performance reports are completed accurately, submitted in a timely manner, and that the original query documentation will be kept. The CVCP also stated that the Program Manager's claim case load has been reduced by one-third.

This recommendation can be closed when we receive the written policy and operation manual for the progress reports.

3. Ensure that the CVCP establish and implement policies and procedures for the timely submission of all required performance reports, including the required GMS and PMT submission dates.

Resolved. OJP agreed with our recommendation. OJP stated in its response that they obtain a copy of the written policies and procedures to ensure that the performance reports are submitted timely and adhere to the required OJP Grants Management System and the Performance Measurement Tool submission dates.

The CVCP concurred with our recommendation and stated in its response that an operations manual that outlines all requirements of the Grants Management System and Performance Measures Tool System was established. The CVCP also stated that at the monthly staff meetings the deadlines are reviewed and the Executive Director serves in a backup capacity if the Program Manger is unable to perform necessary duties.

This recommendation can be closed when we receive the operations manual for the outline of all submission date requirements of the Grants Management System and Performance Measures Tool System.

4. Ensure that the CVCP send at least one key grantee official to the annual VOCA National Training Conference or obtain the necessary approvals for not attending.

Resolved. OJP agreed with our recommendation. OJP stated in its response that they will work with CVCP to ensure that at least one key grantee official attends the annual VOCA National Training Conference, or obtain the necessary approval for not attending.

The CVCP concurred with our recommendation and stated in its response that at least one key grantee official will attend the annual VOCA National Training Conference or seek approval for not attending.

This recommendation can be closed when we receive evidence that the CVCP is in compliance with attendance with the annual VOCA National Training Conference, or obtain approval for not attending.

5. Work with CVCP to strengthen its current policies and procedures to ensure appropriate supporting documentation is obtained in order to verify income, including prior pay stubs, W-2s, tax returns, or any other relevant documentation.

Resolved. OJP agreed with our recommendation. OJP stated in its response that they will obtain a copy of the revised written policies and procedures to ensure appropriate supporting documentation is obtained to verify income.

The CVCP concurred with our recommendation and stated in its response that a policy was established, which outlines the additional documentation requirement to verify lost income on claims. The CVCP also stated that all self-employed claimants are required to provide W-2's and/or past year's tax return documentation to verify income.

This recommendation can be closed when we receive the policy outlining the documentation required to verify lost income on claims.

6. Remedy \$3,730 in unsupported lost wage claims.

Resolved. OJP agreed with our recommendation. OJP stated in its response that they will review the \$3,730 in questioned costs, related to the unsupported lost wage claims charged to Grant Number 2017-VC-GX-0073, and will work with CVCP to remedy the amount, as appropriate.

The CVCP concurred with our recommendation and stated in its response that not enough documentation was received and agrees to remedy the \$3,730 in unsupported lost wage claims by June 30, 2019.

This recommendation can be closed when OJP remedies the \$3,730 in unsupported lost wage claims charged to Grant Number 2017-VC-GX-0073.

7. Ensure CVCP update and adhere to written policies and procedures for its secondary review process.

Resolved. OJP agreed with our recommendation. OJP stated in its response that they will obtain a copy of the revised written policies and procedures to ensure that the CVCP properly adheres to its secondary review process.

The CVCP concurred with our recommendation and stated in its response that a procedure was established outlining the process for secondary review of payments made on claims. The CVCP also stated that forms were created to ensure that the correct state average wage rate and medical mileage rate is used. In addition, the Program Manager's claims case load was reduced to allow additional time to perform a final review of payments prior to processing.

This recommendation can be closed when we receive the procedure outlining the secondary review of the payment process.

8. Remedy \$57,341 in unsupported personnel expenditures.

Resolved. OJP agreed with our recommendation. OJP stated in its response that they will review the \$57,341 in questioned costs, related to the unsupported personnel expenditures and will work with CVCP to remedy the amount, as appropriate.

The CVCP concurred with our recommendation and stated in its response that time not spent working on the CVCP was not identified on the timesheets and agrees to remedy the \$57,341 in unsupported personnel expenditures by June 30, 2019.

This recommendation can be closed when OJP remedies the \$57,341 in unsupported personnel expenditures charged to the grants.

9. Require CVCP to develop procedures to ensure that personnel costs charged to the program accurately account for the time spent on the victim compensation program.

Resolved. OJP agreed with our recommendation. OJP stated in its response that they will obtain a copy of the written policies and procedures to ensure that personnel costs charged to the program accurately account for the time spent on the victim compensation program.

The CVCP concurred with our recommendation and stated in its response that, as of May 6, 2019, the program staff now report their time spent on the victim compensation program as a separate line item on the timesheets.

This recommendation can be closed when OJP provides evidence that the CVCP accounts for the time spent on the victim compensation program.



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