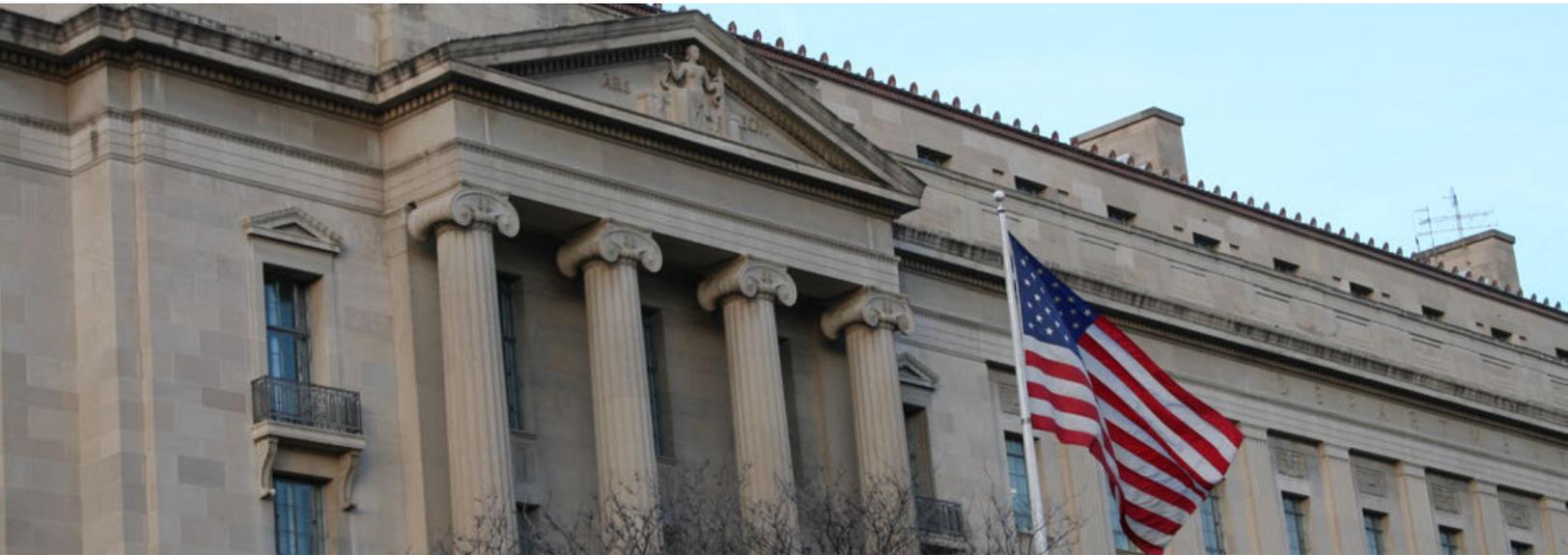




Office of the Inspector General
U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



**Audit of the Office of Justice Programs
Victim Compensation Grants
Awarded to the New Jersey
Department of Law and Public Safety
Trenton, New Jersey**



Executive Summary

*Audit of the Office of Justice Programs
Victim Compensation Grants Awarded to the
New Jersey Department of Law and Public Safety, Trenton, New Jersey*

Objective

The objective of the audit was to evaluate how the New Jersey Department of Law and Public Safety (DLPS) 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 DLPS used and managed its Victims of Crime Act (VOCA) funding to enhance its crime victim compensation program. We did not identify significant concerns regarding DLPS's state certification form, use of the administrative funding, performance reporting, or the accuracy of its federal financial reports.

However, we did find areas for improvement for DLPS's case management system access controls and compensation claim payments. As a result, we questioned \$109,030.

Recommendations

Our report contains three recommendations to the Department of Justice Office of Justice Programs (OJP) to assist DLPS in improving its access controls and remedy questioned costs. We requested a response to our draft audit report from OJP and DLPS, which can be found in Appendix 4 and 3, respectively. Our analysis of those responses is included in Appendix 5.

Audit Results

The U.S. Department of Justice Office of the Inspector General completed an audit of three *Victims of Crime Act* victim compensation grants awarded by OJP to the DLPS in Trenton, New Jersey. The OVC awarded these formula grants, totaling \$11,861,000, from Fiscal Years 2014 to 2016, from the Crime Victims Fund (CVF) to provide financial support through the payment of compensation benefits to crime victims throughout New Jersey. As of June 2018, DLPS drew down a cumulative amount of \$9,318,420 for all of the grants we reviewed.

Program Accomplishments – We were unable to reconcile performance data submitted to OJP because DLPS did not maintain the supporting documentation used to prepare the reported data. During our audit, DLPS revised their reporting procedures to ensure supporting documentation was maintained for future submissions.

Compensation Claim Payments – We found most of the payments we sampled were adequately supported and complied with New Jersey statute, and did not identify instances of non-compliance with administrative payments. However, we identified \$109,030 in rental security deposits that were not appropriately tracked or recovered.

Access Controls – We determined that DLPS did not implement adequate controls within its case management system to adequately secure confidential victim information.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIM COMPENSATION GRANTS
AWARDED TO THE NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY,
TRENTON, NEW JERSEY**

TABLE OF CONTENTS

INTRODUCTION.....	1
The Grantee	2
OIG Audit Approach	2
AUDIT RESULTS.....	3
Grant Program Planning and Execution	3
Program Implementation	3
Annual State Certification	3
Program Requirements and Performance Reporting	4
Annual Performance Reports	4
Compliance with Special Conditions.....	5
Grant Financial Management	6
Grant Expenditures	6
Drawdowns	7
Financial Reporting	8
Other Reportable Matters.....	8
CONCLUSION AND RECOMMENDATIONS.....	10
APPENDIX 1: OBJECTIVE, SCOPE, AND METHODOLOGY.....	11
APPENDIX 2: SCHEDULE OF DOLLAR-RELATED FINDINGS.....	13
APPENDIX 3: NEW JERSEY DEPARTMENT OF PUBLIC SAFETY RESPONSE TO THE DRAFT AUDIT REPORT	14
APPENDIX 4: U.S. DEPARTMENT OF JUSTICE OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT AUDIT REPORT	17
APPENDIX 5: OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT.....	20

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIM COMPENSATION GRANTS
AWARDED TO THE NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY,
TRENTON, NEW JERSEY**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three victim compensation formula grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) to the New Jersey Department of Law and Public Safety (DLPS) in Trenton, New Jersey. As an office within DLPS, the Victims of Crime Compensation Office (VCCO) is responsible for administering the victim compensation program. 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 to 2016, these OVC grants totaled \$11,861,000.

**Table 1
Audited Grants
Fiscal Years 2014 – 2016**

Award Number	Award Date	Award Period Start Date	Award Period End Date	Award Amount
2014-VC-GX-0023	9/15/2014	10/1/2013	9/30/2017	\$ 4,929,000
2015-VC-GX-0029	9/15/2015	10/1/2014	9/30/2018	2,384,000
2016-VC-GX-0060	9/16/2016	10/1/2015	9/30/2019	4,548,000
Total:				\$ 11,861,000

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

Source: OJP Records

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

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

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.²

The Grantee

As the state administering agency, DLPS delegated its responsibilities for administering the victims' compensation program to the Victims of Crime Compensation Office (VCCO), which was responsible for meeting all programmatic requirements. VCCO's mission is to provide compensation to innocent victims of violent crime for expenses they suffer as a result of a crime. VCCO's main office is located in Newark, New Jersey, with a satellite office in Trenton, New Jersey. While VCCO primarily managed this grant, for purposes of this audit, we will refer to the auditee as DLPS.

OIG Audit Approach

The objective of the audit was to evaluate how DLPS 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 consider 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), and the OJP Financial Guide and DOJ Grants Financial Guide (Financial Guides) as our primary criteria.³ We reviewed the relevant New Jersey statute, DLPS policies and procedures, and interviewed DLPS personnel to determine how they administered the VOCA funds. We also reviewed DLPS 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 grants in our scope, while the revised 2015 DOJ Grants Financial Guide applies to the FY 2015 and 2016 awards. The revised DOJ guide reflects updates to comply with the Uniform Guidance, 2 C.F.R. part 200.

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

Overall, we determined that the DLPS's implementation of its victim compensation program was appropriate and in compliance with the VOCA Guidelines. We found the DLPS complied with federal grant requirements, and established an adequate program to compensate victims and survivors of criminal violence. We did not identify any issues with DLPS's efforts to bring awareness to the program, or the accuracy of its state certification forms.

Program Implementation

State administering agencies receive VOCA victim compensation grants to compensate victims directly for expenses incurred from criminal victimization. In administering the victim compensation program, DLPS operated under the New Jersey Administrative Code *Rules Relating to the Practice and Procedure before the New Jersey Victims of Crime Compensation Office* (New Jersey statute). In assessing DLPS's implementation of its victim compensation program, we analyzed policies and procedures governing the decision-making process for individual compensation claims, as well as what efforts DLPS made to bring awareness to victims eligible for compensation program benefits.

Based on our review, we found that DLPS had an established process for the intake, review, and payment or denial of individual compensation claims, and that the New Jersey statute was consistent with VOCA Guidelines. We also reviewed New Jersey's claim appeal process and believe that this process offers victims with rejected claims a sufficient opportunity to appeal the DLPS adjudication of a claim.

We also found that DLPS made efforts to enhance public awareness of available victim compensation benefits through a media campaign that included online advertisements, billboards, public transportation banners, and diner placemats throughout the state. DLPS also provided trainings at victim assistance organizations, legal service agencies, colleges and universities, and other local victim-advocate offices. We further found that DLPS's website contained the state of New Jersey crime victim compensation application and provided information about the victim compensation program, including brochures written in Spanish, which described New Jersey's program.

Annual State Certification

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 (funding) 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 two years prior. The accuracy of the information provided in the certification form is critical to OVC's calculation of victim compensation award amounts granted to each state.

We assessed DLPS's controls for preparing the annual certification forms submitted to the OVC for Fiscal Years (FY) 2015 and 2016, which were used to calculate the award amounts granted in FYs 2017 and 2018.⁵ We then reviewed the annual certification forms, including the financial supporting documentation for the victim payouts and revenues received.

We determined DLPS's certification forms were generally accurate and supported by accounting system records.

Program Requirements and Performance Reporting

To determine whether DLPS appropriately distributed VOCA victim compensation program funds to compensate victims of crime, we reviewed DLPS performance measures and documents used to track the achievement of its goals and objectives. We also examined OVC solicitations and award documents, and verified DLPS's compliance with select special conditions accompanying each of the grants we reviewed.

Based on our overall assessment in the areas of program requirements and performance reporting, we believe that DLPS did not implement adequate procedures to compile complete and accurate annual performance reports, but did comply with the special conditions we reviewed.

Annual Performance Reports

Each state administering agency must annually report to the OVC on crime victim 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 its web-based Performance Measurement Tool (PMT). At fiscal year-end, state administering agencies are required to prepare the Annual State Performance Report and submit it through GMS.

For the victim compensation grants, states must report the number of people 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

⁵ 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.

were received, approved, denied, and closed; and total compensation paid by service type.

Table 2
Summary from DLPS
Victim Compensation Program Annual Performance Report
FY 2016

Performance Categories	Data Reported
Number of New Applications Received	3,703
Number of Applications Approved	1,931
Number of Applications Denied ^a	2,346
Total Compensation Claims Paid	\$8,257,306

^a Included in this category are administrative closures that were not denied. Administratively closed claims can include claims that are missing documentation or are pending the outcome of an investigation or trial.

Source: OJP PMT Report

We assessed whether the DLPS's annual performance report to the OVC fairly reflected the performance figures of the victim compensation program. We compared performance data provided by DLPS to support its reports, but these records could not be reconciled. We discussed this issue with DLPS and confirmed these records could not be reconciled and records were not maintained when the reports were prepared to support the reported figures.

Based on our review of documentation provided by DLPS, we determined the variance between the reports and supporting documentation was not significant. We notified officials that supporting records must be maintained to ensure reported figures can be independently verified to supporting documentation, as required by the DOJ Grants Financial Guide. DLPS officials agreed, and prior to the end of our fieldwork for this audit we were provided with revised reporting procedures that ensure supporting records will be maintained going forward.

Compliance with Special Conditions

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

We selected two special conditions for a more detailed compliance review. These special conditions included: (1) mandatory grant recipient attendance at the annual VOCA National Training Conference and (2) required grants training for grant recipient personnel. We reviewed DLPS's documentation related to complying with these special conditions and found no issues of non-compliance.

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 DLPS's financial management of the VOCA victim compensation grants, we reviewed the process DLPS used to administer these funds by examining expenditures charged to the grants, subsequent drawdown funding requests, and resulting financial reports. To further evaluate DLPS's financial management of the VOCA victim compensation grants, we also reviewed the state of New Jersey's most recent Single Audit Reports, for FYs 2016 and 2017, and did not find significant deficiencies or material weaknesses specific to DLPS grant administration. We also interviewed DLPS personnel who were responsible for financial and programmatic aspects of the grants, reviewed DLPS written policies and procedures, inspected award documents, and reviewed financial records. In addition, we reviewed DLPS's procedures for determining and making funding drawdowns, as well as the preparation and submission of periodic federal financial reports.

As discussed below, in our overall assessment of grant financial management, we determined that DLPS generally used grant funds to pay for approved victim claims, as well as to cover its allowable administrative expenditures for costs associated with managing the victim compensation program. However, our audit identified questioned costs related to victim claim expenditures.

Grant Expenditures

VOCA victim compensation expenditures fall into two overarching categories that include: (1) compensation claim payments – which constitute the vast majority of total expenses, and (2) administrative expenditures – which are allowed to total up to 5 percent of each grant. 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 supporting documentation for the selected transactions.

Victim Compensation Claim Expenditures

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

To evaluate DLPS'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 New Jersey statute. We judgmentally selected 21 claims composed of 110 separate payments totaling \$168,661. The transactions we reviewed included costs in the following categories: medical, dental, mental health counseling, funeral, lost wages, loss of support, child care, relocation expenses, stolen cash, and clothing expenses.

Although we found that the sampled claims were adequately supported and complied with New Jersey statute, DLPS paid at least \$109,030 in rental security deposits from the three grants we audited but failed to seek recovery of these funds.⁶ During the audit, officials informed us that DLPS did not seek recovery of these funds despite its policy that required renters and landlords to return security deposits to DLPS upon termination of a rental agreement. We were told that recovery of security deposits was not sought because DLPS lacks the resources to track these costs, as required in its Standard Internal Operating Procedures. As a result, we determined DLPS's administration of security deposits was inadequate and question the \$109,030 as unnecessary because they were not appropriately tracked or recovered. We recommend OJP remedy \$109,030 in questioned costs related to rental security deposits and ensure DLPS establish and implement policies and procedures that include the use of reasonable and appropriate measures to recover grant funded rental security deposits, including procedures that ensure these expenditures are readily identifiable in its accounting records and the Claims Processing System.

Administrative Expenditures

State administering agencies may retain up to 5 percent of each grant to pay for the costs of administering its crime victim compensation program. However, such costs must derive from efforts to improve program effectiveness and services to crime victims, including claims processing, staff development and training, and public outreach. We tested DLPS's compliance with the 5 percent limit on the administrative category and found that DLPS complied with the administrative expenditure requirement in how these funds were used.

In addition to testing DLPS's compliance with the 5 percent administrative allowance, we also tested a sample of these administrative transactions. We reviewed all 25 administrative transactions totaling \$136,965, or 100 percent of the administrative expenditures charged in total to 3 grants as of June 2018. These expenditures included outreach, advertising, and VOCA-related travel costs. We found these expenditures complied with the VOCA requirements and were tracked under the grant's requirements.

Drawdowns

Award recipients should request funds based upon immediate disbursement or reimbursement needs, and should time drawdown requests to ensure that federal cash on hand is the minimum needed for disbursements or reimbursements made 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 DLPS managed grant receipts in accordance with these federal requirements, we compared the total amount reimbursed to the total expenditures in the DLPS's accounting system and accompanying financial records.

⁶ We calculated these amounts by categorizing expenses using the description DLPS made in its accounting system for each expenditure. These amounts do not reflect all security deposits DLPS may have paid with grant funds.

For the VOCA victim compensation awards, DLPS drawdowns were made on a reimbursement basis and after the close of quarterly reporting periods. Table 3 shows the total amount drawn down for each grant as of June 2018.

Table 3
Amount Drawn Down for Each Grant as of June 2018

Award Number	Award Period End Date	Total Award	Amount Drawn Down	Amount Remaining
2014-VC-GX-0023	9/30/2017	\$ 4,929,000	\$4,929,000	\$0
2015-VC-GX-0029	9/30/2018	2,384,000	2,266,599	117,401
2016-VC-GX-0060	9/30/2019	4,548,000	2,122,821	2,425,179
Total:		\$ 11,861,000	\$9,318,420	\$2,542,580

Source: OJP

From our review, we determined that DLPS adequately developed and supported its drawdown requests.

Financial Reporting

According to the Financial Guides, recipients shall report actual expenditures and unliquidated obligations incurred for the reporting period on each quarterly financial report, as well as cumulative expenditures. To determine whether the DLPS submitted accurate FFRs, we compared the four most recent reports to the DLPS accounting records supporting the reported expenditures.

We determined that quarterly and cumulative expenditures for the reports reviewed matched the accounting records.

Other Reportable Matters

From our review, we determined that DLPS did not implement adequate controls within its case management system, known as the Claims Processing System, to adequately secure confidential victim information. Based on our observation of the system and confirmation from officials, we determined the system did not include controls to restrict access among its authorized system users. As a result, all system users, regardless of their level of authority, had unrestricted access to all claim information, and the system did not maintain a log of claims accessed by any given user. We believe that this is a significant risk as the case management system has approximately 100,000 unique claims that include personally identifiable information, such as full names, social security numbers, addresses, birth dates, medical histories, and other sensitive data necessary to process a victim compensation claim. The system also included details on victims' relocation addresses.

We discussed this issue with officials and were told that DLPS was trying to secure additional federal funding to improve its case management system, but it had not considered imposing access restrictions before our audit identified this concern. Officials told us that they understood the risks associated with access controls, but had not addressed this risk before we concluded our audit.

Based on the sensitivity of the information contained in its case management system and the potential risk associated with the lack of access and tracking controls, we recommend that DLPS establish restrictive access controls to its case management system.

CONCLUSION AND RECOMMENDATIONS

Based on the results of our audit, we concluded that DLPS enhanced its crime victim compensation program in accordance with the criteria governing the VOCA victim compensation program. While we generally believe DLPS adequately used grant funds to pay for approved victim claims, we identified opportunities for management improvement to the program, and questioned costs for security deposits. Our report contains three recommendations to OJP to improve the administration of the victim compensation grants provided to the state of New Jersey.

We recommend that OJP:

1. Remedy \$109,030 in unnecessary questioned costs related to untracked or unrecovered rental security deposits.
2. Ensure DLPS establish and implement policies and procedures that include the use of reasonable and appropriate measures to recover grant funded rental security deposits, including procedures that ensure these expenditures are readily identifiable in its accounting records and the Claims Processing System.
3. Ensure DLPS establish restrictive access controls to its current and future iterations of its existing case management system.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to evaluate how the New Jersey Department of Law and Public Safety (DLPS) 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-0023, 2015-VC-GX-0029, and 2016-VC-GX-0060 from the Crime Victims Fund (CVF) awarded to the DLPS. The Office of Justice Programs (OJP) awarded these grants totaling \$11,861,000 to the DLPS. 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-0023, through audit fieldwork that concluded September 2018. As of June 1, 2018, the DLPS had drawn down a total of \$9,318,420 from the three audited grants.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of the DLPS's activities related to the audited grants. We performed sample-based audit testing for grant expenditures including financial reports, progress reports, and victim compensation expenditures. 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 OJP Financial Guide, and the DOJ Grants Financial Guide, state compensation criteria, and the award documents contain the primary criteria we applied during the audit. We also reviewed compliance with relevant state of New Jersey statutes that govern the administration of the victim compensation program.

During our audit, we obtained information from OJP's Grants Management System as well as the DLPS 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 DLPS's overall system of internal controls, we did review the internal controls of DLPS's financial management system specific to the management of funds for each VOCA grant within our review. To determine whether DLPS adequately managed the VOCA funds we audited, we conducted interviews with state of New Jersey financial staff, examined policies and procedures, and reviewed grant documentation and financial records. We also developed an understanding of DLPS'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>Page</u>
Unnecessary Questioned Costs:		
Rental Security Deposits	<u>109,030</u>	7
Untracked or Unrecovered Rental Security Deposits	\$109,030	
Questioned Costs⁷	\$109,030	

⁷ **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.

NEW JERSEY DEPARTMENT OF PUBLIC SAFETY RESPONSE TO
THE DRAFT AUDIT REPORT



State of New Jersey
OFFICE OF THE ATTORNEY GENERAL
DEPARTMENT OF LAW AND PUBLIC SAFETY
PO BOX 080
TRENTON, NJ 08625-0080

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

GURBIR S. GREWAL
Attorney General

JENNIFER E. FRADEL
Administrator

January 10, 2019

Thomas O. Puerzer
Regional Audit Manager
Office of the Inspector General
Philadelphia Regional Office
701 Market Street, Suite 2300
Philadelphia, Pennsylvania 19106

Re: Audit of New Jersey Department of Law and Public Safety, Victims of Crimes Compensation Program

Dear Mr. Puerzer,

We appreciate the opportunity to respond to the Office of the Inspector General (OIG) 2018 audit of New Jersey Department of Law and Public Safety, Victims of Crimes Compensation Program. The Victim of Crime Compensation Office (VCCO) and the Office of the Attorney General (OAG) recognize and respect the role of the OIG, and have taken this audit as an opportunity to improve our Unit as a whole, with emphasis on the areas recommended in the report.

We appreciate the dedication and insight the OIG staff has shown during this review process, and we look forward to continuing the professional relationship we have developed going forward.

OIG has respectfully requested our comments on each of the recommendations in the report. It has been asked that our comments include whether we concur with the recommendations and statements in the report, along with the actions and any timelines associated with those actions.

In the enclosed response, we have included the summary recommendation from the Onsite Review, our plan to comply with the recommendation, and our timeline to implement the changes stated.

VCCO recently received notice of grant funding in order to upgrade their case processing system to a new platform. This upgrade will include new software which will allow for control of all users and restrict access by position responsibilities. In addition, a module will be added to properly account for and track Security Deposits. Since this funding was just received, the new system is still in the planning stages.



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1. Remedy \$109,030 in unnecessary questioned costs related to rental security deposits.

We do not concur with this recommendation. While VCCO understands its requirement to seek refunds of security deposits paid to landlords on behalf of victims for purposes of relocation, we do not agree with the recommendation describing those security deposits as “unnecessary.” The claimants for whom those deposits were paid, met eligibility requirements to receive those payments, thereby making the security deposits necessary.

VCCO has identified all of the security deposits in question. We are in the process of drafting a letter to be sent to all landlords requesting updated information on the status of each security deposit. These letters and responses, along with all security deposits paid going forward, will be tracked in a spreadsheet. We expect to have the responses from the landlords completed by June 30, 2019. VCCO is in the process of drafting review procedures to account for all security deposits until the new system is in place.

2. Ensure DLPS establish and implement policies and procedures that include the use of reasonable and appropriate measures to recover grant funded rental security deposits, including procedures that ensure these expenditures are readily identifiable in its accounting records and the Claims Processing System.

We concur with the recommendation, and as part of the system upgrade, we have requested a module be put in place which will generate a status letter to each landlord when a lease is coming due. The landlords will be required to provide information regarding the status of the security deposit, as well as a notice that all security deposits must be returned to the State of New Jersey once the lease has ended. If the landlord assesses damages and retains all or part of the security deposit, the landlord will be required to provide an accounting of the security deposit to the State.

3. Ensure DLPS establish restrictive access controls to its current and future iterations of its existing case management system.

We concur with the recommendation. As part of our system upgrade, new access controls will be put in place to both restrict access and review changes to access. Until that time, we are reviewing our current user profiles to ensure that users have only the access required to perform their job duties. In addition, we are in the process of creating an audit report for the system that will provide information to us regarding system access and usage. The audit report and access review are in process, and should be completed by June 30, 2019.

Should you have any questions related to this response, or require further information, please feel free to contact me.

Sincerely,



Jennifer E. Fradel
Administrator

C: Veronica Allende, Director, Division of Criminal Justice
Louise Lester, Deputy Director, Victim of Crimes Compensation Office
William Cranford, Deputy Administrator, Office of the Attorney General
Jonathan Garelick, Deputy Chief of Staff, Office of the Attorney General
Kathlyn Bender, Internal Controls, Office of the Attorney General

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

JAN 16 2019

MEMORANDUM TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia 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 Grants Awarded to the New Jersey Department of Law and Public Safety, Trenton, New Jersey*

This memorandum is in reference to your correspondence, dated December 6, 2018, transmitting the above-referenced draft audit report for the New Jersey Department of Law and Public Safety (DLPS). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **three** recommendations and **\$109,030** 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 remedy \$109,303 in unnecessary questioned costs related to rental security deposits.**

OJP agrees with the recommendation. We will review the \$109,030 in questioned costs, related to rental security deposits charged to Grant Numbers 2014-VC-GX-0023, 2015-VC-GX-0029, and 2016-VC-GX-0060, and will work with DLPS to remedy, as appropriate.

2. **We recommend that OJP ensure DLPS establishes and implements policies and procedures that include the use of reasonable and appropriate measures to recover grant funded rental security deposits, including procedures that ensure these expenditures are readily identifiable in its accounting records and the Claims Processing System.**

OJP agrees with the recommendation. We will coordinate with DLPS to obtain a copy of written policies and procedures, developed and implemented, to ensure that grant funded rental security deposit expenditures are readily identifiable in its accounting records and Claims Processing System; and that DLPS takes reasonable and appropriate measures to recover these funds.

3. **We recommend that OJP ensure DLPS establishes restrictive access controls to its current and future iterations of its existing case management system.**

OJP agrees with the recommendation. We will coordinate with DLPS to obtain a copy of written policies and procedures, developed and implemented, to ensure that appropriate restrictive access controls are established in its current case management system, and in future iterations of the system.

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

Maurcen 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

Allison Turkel
Deputy Director
Office for Victims of Crime

cc: James Simonson
Associate Director for Operations
Office for Victims of Crime

Kathrina S. Peterson
Attorney Advisor
Office for Victims of Crime

Tiffany Graham
Grants Management Specialist
Office for Victims of Crime

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

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 IT20181206173407

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

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and the New Jersey Department of Law and Public Safety (DLPS). The OJP's response is incorporated in Appendix 4 and the NJDLPS's response is incorporated in Appendix 3 of this final report. Because OJP agreed with all of our recommendations and discussed the actions it plans to complete in order to address our recommendations, we consider the report resolved. The DLPS agreed with two of the three recommendations and disagreed with the remaining recommendation. We address DLPS's position in our analysis of each recommendation. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for OJP:

1. Remedy \$109,030 in unnecessary questioned costs related to untracked or unrecovered rental security deposits.

Resolved. OJP agreed with our recommendation. OJP stated in its response it will review the \$109,030 in questioned costs related to rental security deposits charged to the grants, and work with DLPS to remedy, as appropriate.

DLPS did not concur with our recommendation that the rental security deposits were unnecessary because claimants for whom those deposits were paid met eligibility requirements to receive those payments. We agree that the payments were initially needed by the claimants, making them necessary. Instead the unnecessary nature of the questioned costs stems from refunds not being recovered by DLPS, resulting in an unnecessary loss of funds. DLPS did acknowledge that it is required to seek refunds of security deposits paid to landlords on behalf of victims. DLPS also said that it identified all of the security deposits in question, and that it is drafting letters to send to all landlords requesting updated information on the status of each security deposit. Additionally, DLPS stated that it will track these letters and responses in a spreadsheet for future payments. DLPS expects that landlord responses will be completed by June 30, 2019.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$109,030 in questioned costs.

2. **Ensure DLPS establish and implement policies and procedures that include the use of reasonable and appropriate measures to recover grant funded rental security deposits, including procedures that ensure these expenditures are readily identifiable in its accounting records and the Claims Processing System.**

Resolved. OJP agreed with our recommendation. OJP stated in its response it will coordinate with DLPS to obtain a copy of written policies and procedures, developed and implemented, to ensure that grant funded rental security deposit expenditures are readily identifiable in its accounting system and Claims Processing System; and that DLPS takes reasonable and appropriate measures to recover these funds.

DLSP concurred with our recommendation and stated that it will update its Claims Processing System to generate a status letter when a lease is coming due. DLPS stated further that landlords will be required to provide information regarding the status of the security deposit, as well as notice that all security deposits must be returned to the State of New Jersey once the lease has ended.

This recommendation can be closed when we receive documentation demonstrating DLPS established and implemented policies and procedures addressing the need for the use of reasonable and appropriate measures to recover grant funded rental security deposits.

3. **Ensure DLPS establish restrictive access controls to its current and future iterations of its existing case management system.**

Resolved. OJP agreed with our recommendation. OJP stated in its response it will coordinate with DLPS to obtain a copy of written policies and procedures, developed and implemented, to ensure that appropriate restrictive access controls are established in its current case management system, and in future iterations of the system.

DLPS concurred with our recommendation and stated that it will implement new access controls as part of its claim processing system upgrade to both restrict access and review changes to access and is creating an audit report of system access and usage. DLPS plans to complete these corrective actions by June 30, 2019. In the meantime, DLPS said that it will review current user profiles to ensure that user access is limited to that required to perform their job duties.

This recommendation can be closed when we receive documentation demonstrating DLPS established and implemented policies and procedures to ensure restrictive access controls to its current and future iterations of its existing case management system.



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

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

Website
oig.justice.gov

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