Audit of the Office on Violence Against Women and California Governor’s Office of Emergency Services Awards to the LIFT3 Support Group, Incorporated, Fairfield, California
Executive Summary

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Objectives

The Office on Violence Against Women (OVW) awarded the LIFT3 Support Group, Incorporated (LIFT3) two grants totaling $547,000 for temporary housing and support services for victims. In addition, the State of California Governor’s Office of Emergency Services (Cal OES) awarded LIFT3 two sub-grants totaling $20,000, which derived from grants awarded to Cal OES by the Office of Justice Programs (OJP). The objective of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions.

Results in Brief

The Office of the Inspector General (OIG) concluded that LIFT3 engaged in fraudulent and suspicious activities using grant funds. Specifically, we found that LIFT3’s Executive Director and family (mother, three sisters, nephew, son, and niece) filled key management and financial positions and other roles in the organization. The LIFT3 Executive Director and family used LIFT3’s funding to pay for personal items such as handbags, gasoline, groceries, clothing, and trips to Las Vegas, Nevada. Further, LIFT3 consistently transferred funds to other family-owned businesses and to family member bank accounts. We also found that LIFT3 had an unusual number of cash transactions totaling $255,998 and limited documentation for the use of this cash.

The OIG Audit Division referred these findings to the OIG Investigations Division, at which time this audit was placed on hold. As a result of the OIG’s audit and investigation, the Executive Director pled guilty to theft of public funds and falsifying records in a federal investigation. On April 11, 2019, the Executive Director was sentenced to 6 months in prison and ordered to pay $71,423 in restitution. OVW has deobligated the remaining $237,135 in funds not drawn down, and LIFT3 and its Executive Director presently are suspended from contracting with or receiving grants from the Federal Government, and as of July 2019 are proposed for debarment. Because of the court action, as well as LIFT3’s suspension and proposed debarment, and its cessation of operations, this report is issued closed.

Audit Results

In August 2013, OVW performed a site visit of LIFT3 and found, among other issues, undisclosed family relationships with key employees, lack of internal controls, and poor financial management. Given its findings, OVW referred the issues to the OIG.

The purposes of the two OVW Transitional Housing Assistance for Sexual Assault, Domestic Violence, or Stalking Program (Transitional Housing) and the Culturally Specific Services for Victims of Sexual Assault, Domestic Violence, Dating Violence, and Stalking Program (CLSSP) grants were to provide short term transitional housing and culturally specific services to victims of sexual assault, domestic violence, dating violence, or stalking. The purposes of the two Cal OES sub-grants were to maintain and expand existing services and provide support for the development and establishment of domestic violence services to unserved and underserved populations. The project period for the grants was from October 2011 through September 2014. LIFT3 drew down a cumulative amount of $309,865 for all of the grants we reviewed.

Program Performance and Accomplishments – We determined that LIFT3 requested and received grant funds to implement activities it had completed before applying for grant funds. Overall, given LIFT3’s gross mismanagement of federal dollars and misappropriation of those funds, we do not believe that LIFT3 furthered the goals and objectives of the grant programs we audited.

Grant Financial Management – We found serious issues with all aspects of LIFT3’s management of grant funds. Key positions such as Financial Officer, Bookkeeper, and Assistant Executive Director, were held by members of LIFT3’s Executive Director’s immediate family. LIFT3 consistently transferred grant funds to other LIFT3 bank accounts to cover other business costs, transferred funds to family member bank accounts and to other family-owned businesses, had an exorbitant number of cash transactions, paid for personal items with grant funds, drew down more than it expended, did not maintain supporting documentation as required, and filed inaccurate financial and programmatic reports.
AUDIT OF THE OFFICE ON VIOLENCE AGAINST WOMEN AND CALIFORNIA GOVERNOR’S OFFICE OF EMERGENCY SERVICES AWARDS TO THE LIFT3 SUPPORT GROUP, INCORPORATED FAIRFIELD, CALIFORNIA

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INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit of two Office on Violence Against Women (OVW) grants that were awarded to the LIFT3 Support Group, Incorporated (LIFT3), Fairfield, California. Specifically, the two OVW grants included the Transitional Housing Assistance for Sexual Assault, Domestic Violence, Dating Violence or Stalking Program (Transitional Housing) grant (2011-WH-AX-0023) for $250,000 and the Culturally Specific Services for Victims of Sexual Assault, Domestic Violence, Dating Violence, and Stalking Program (CLSSP) grant (2012-UW-AX-0005) for $297,000. In addition, we also audited two sub-grants totaling $20,000 that the State of California Governor’s Office of Emergency Services (Cal OES) awarded to LIFT3. The origin of these sub-grants was the Office of Justice Programs (OJP), which awarded grants to Cal OES under the Victims of Crime Act. In total, OVW and Cal OES awarded LIFT3 $567,000, as shown in Table 1. In August 2013, OVW placed a hold on its funding to LIFT3 until an OIG review could be completed because of concerns it had with LIFT3’s financial and programmatic management of the grants. As of August 9, 2013, LIFT3 had drawn down $309,865 (57 percent) of the total OVW grant awards. The two sub-awards from Cal OES had been fully drawn down and expended.

Table 1

<table>
<thead>
<tr>
<th>Grant Award Number</th>
<th>Award Start Date</th>
<th>Award End Date</th>
<th>Award Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVW 2011-WH-AX-0023</td>
<td>10/01/11</td>
<td>09/30/14</td>
<td>$250,000</td>
</tr>
<tr>
<td>OVW 2012-UW-AX-0005</td>
<td>10/01/12</td>
<td>09/30/14</td>
<td>297,000</td>
</tr>
<tr>
<td>CALOES DV11018661b</td>
<td>07/01/11</td>
<td>06/30/12</td>
<td>10,000</td>
</tr>
<tr>
<td>CALOES DV12028661c</td>
<td>07/01/12</td>
<td>06/30/13</td>
<td>10,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>$567,000</td>
</tr>
</tbody>
</table>

Source: OJP and Cal OES

a The Award End Date includes all time extensions that were approved by OVW.
b CALOES’ subgrant DV11018661 was funded by OJP’s grant to CalOES, 2011-VA-GX-0028.
c CALOES’ subgrant DV12028661 was funded by OJP’s grant to CalOES, 2012-VA-GX-0038.

The purpose of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: (1) internal control environment, (2) banking activity, (3) drawdowns, (4) budget management,
Background

OVW provides national leadership in reducing violence against women through the implementation of the Violence Against Women Act.\(^1\) Created in 1995, OVW administers financial and technical assistance to communities across the country that are developing programs, policies, and practices aimed at ending domestic violence, dating violence, sexual assault, and stalking. The Crime Victims Fund (CVF) was established by the Victims of Crime Act (VOCA) of 1984. The CVF is to help victims and victim service providers with program funding. Cal OES is located in Mather, California, which is approximately 13 miles east of Sacramento. The principal objective of Cal OES is to reduce vulnerability to hazards and crimes through emergency management and criminal justice to ensure a safe and resilient California. On average, Cal OES receives approximately $42 million in VOCA funds annually and it redistributes these funds to more than 300 victim assistance providing agencies such as LIFT3.

LIFT3, (acronym for “Leading Individuals Forward Through Tough Times”), was established in 2005 as a 501(c)(3) not-for-profit organization that offers direct services to victims of family violence in Solano County, California. In general, the grants awarded to LIFT3 were to provide short term transitional housing and culturally specific services to victims of sexual assault, domestic violence, dating violence, or stalking. Specifically, the purpose of the Transitional Housing grant was for LIFT3 to: (1) hire a part-time case manager to provide victims with a specialized safety plan, linkages to permanent housing, tools and skills to regain self-confidence and control over their lives, and development of a transitional plan to include securing permanent housing; (2) contract with the Vallejo Housing Authority to obtain resource referrals for affordable housing complexes with rent subsidies or low rent and affordable apartments; (3) assist transitional shelter clients in identifying and overcoming barriers to obtaining affordable permanent housing; and (4) partner with the Solano Family Justice Center to ensure all LIFT3 clients are referred to the full range of social services available to help them utilize and fully benefit from the transitional housing services offered by LIFT3.

The purpose of the CLSSP grant was to hire two part-time employees in the positions of Program Manager and Case Manager. The two new project staff would provide survivors with: a specialized safety plan and linkages to culturally specific services to address the complex multi-layered challenges and obstacles that African American survivors face when attempting to access services. LIFT3 would also contract with the Solano County Black Infant Health (BIH) Program.\(^2\) It was anticipated that BIH would work with LIFT3 to develop a comprehensive screening


\(^2\) The Solano County BIH Program aims to assist pregnant or parenting African American women by providing prenatal, postpartum, and infant care. Solano County’s Office of Family Violence Prevention’s mission was to further the success of family violence prevention and intervention efforts in Solano County.
and assessment tool to identify abuse and barriers that survivors face as well as options that were available to address survivors’ needs. Also, BIH and LIFT3 planned to partner with the Solano County’s Office of Family Violence Prevention to ensure all LIFT3 clients were referred to the full range of social services available and to help them utilize and fully benefit from the culturally specific services offered by LIFT3.

Lastly, the purpose of the Cal OES sub-grants were for LIFT3 to maintain and expand existing services and provide support for the development and establishment of domestic violence (DV) services to unserved and underserved populations, including, but not limited to, rural areas, non-English speaking individuals, persons of color, and various geographical areas without services. According to the grant award, the services that must be provided were: a 24-hour crisis hotline, crisis intervention and assistance to victims of domestic violence and their children, group counseling, and emergency shelter for victims and their children.

OVW Site Visit

In June 2013, OVW received an email from a LIFT3 employee asking why OVW had placed a hold on grant funds that were designated for LIFT3. The employee stated that he and another employee had not been paid for several weeks and services were not being provided to victims of domestic violence. It was the employee’s understanding that the delay in paychecks and interruption in victim services were the result of OVW placing a hold on grant funds that were awarded to LIFT3. However, OVW had only placed LIFT3’s funds on hold for a total of 2 days in May 2013. In June 2013, LIFT3 was able to draw down OVW grant funds on the other days. Given the allegations that LIFT3 was not paying its employees or providing services to victims while it was drawing down grant funds, OVW decided to perform a site visit to LIFT3 in August 2013. OVW identified a number of findings, including undisclosed family relationships with key employees, lack of internal controls, and poor financial management. Given OVW’s site visit findings, OVW asked the OIG to look into the grantee’s actions.

OIG Audit Approach

We tested LIFT3’s compliance with what we consider to be the most important conditions of the grant award. Unless otherwise stated in our report, the criteria we audited against are contained in the OVW Financial Grants Management Guide, award documents, Code of Federal Regulations, Office of Management and Budget Circulars, the Cal OES Recipient Handbook, and the OJP Financial Guide.³ We performed our audit work between November 2014 and October 2016. Given the seriousness of our findings and the potentially fraudulent actions that we identified, we referred these matters to the OIG’s Investigations Division in March 2015, and in October 2016 we suspended our audit pending the results of

³ The 2011 OJP Financial Guide was applicable to the OVW Transitional Housing grant; the 2012 OVW Financial Grants Management Guide was applicable to the OVW CLSSP grant; and the 2011 and 2012 Cal OES Recipient Handbooks were applicable to the two Cal OES subgrants.
the investigation and prosecutorial actions. Subsequently, the LIFT3 Executive Director was convicted, the OIG’s investigation was closed, and as of July 2019, LIFT3 and its Executive Director were proposed for debarment; therefore, we were able to issue this report.

The results of our audit are discussed in detail in the Audit Results section of this report; the audit objective, scope, and methodology are described in Appendix 1. We discussed the results of our audit with LIFT3’s Executive Director in August 2015 and have included her comments in the report, as applicable. In June 2019, we separately discussed the findings in this report with officials from OVW and Cal OES and included their comments, if any, in the report where applicable. We also shared a draft copy of our report with Cal OES, OJP, and OVW and requested their comments, if any; their written responses are found in Appendices 2, 3, and 4, respectively.
AUDIT RESULTS

We found gross deficiencies in how LIFT3 managed the grant funds that we audited. Throughout our audit, LIFT3’s Executive Director failed to answer our questions with candor and to disclose familial relationships among LIFT3’s employees, including individuals that had control over the organization’s finances. Overall, LIFT3 did not comply with essential award conditions in all areas that we tested. Specifically, LIFT3 lacked sufficient internal controls to ensure that it complied with federal and state regulations, and LIFT3 did not follow its own policies and procedures. LIFT3 also did not have a financial management system that accurately recorded the use of federal funds. Furthermore, LIFT3 consistently moved grant funds to: (1) other non-grant related LIFT3 bank accounts to cover non-grant related business costs, (2) family member bank accounts, and (3) other family-owned businesses. Additionally, LIFT3 used grant funds in a high number of cash transactions for personal expenditures and other non-grant-related transactions. Finally, LIFT3 did not maintain supporting documentation and filed inaccurate financial and programmatic reports.

We referred our findings to the OIG’s Investigations Division. On November 3, 2016, LIFT3’s Executive Director was indicted by a grand jury on 16 counts of theft of public money, obstruction of a federal audit, and falsifying records in a federal investigation. On January 13, 2017, LIFT3 and its Executive Director were suspended from contracting with any agency of the executive branch of the federal government and from directly or indirectly receiving the benefits of federal assistance programs, including receiving any grants. As of July 2019, they were proposed for debarment. As of June 2018, OVW had deobligated the remaining $237,135 in funds not drawn down by LIFT3. On September 13, 2018, LIFT3’s Executive Director pled guilty to theft of public money and falsifying records in a federal investigation. On April 11, 2019, she was sentenced to 6 months in prison and ordered to pay $71,423 in restitution. By this time, LIFT3 as an organization had ceased to operate. Therefore, we separately discussed the findings in this report with officials from OVW and Cal OES and shared a draft copy of the report with OVW, OJP, and Cal OES. Given the conviction of LIFT3’s Executive Director, LIFT3’s current suspension and proposed debarment, OVW’s deobligation of remaining award funds, and the fact that LIFT3 has ceased its operations, our report does not contain any recommendations for improvement or the remedy of questioned costs.

Internal Control Environment

We reviewed LIFT3’s policies and procedures, its financial management system, and internal control environment to assess its risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the grant. We also interviewed current and former employees from LIFT3 and members of the LIFT3’s Board of Directors, who were involved in LIFT3’s accounting, financial, and
managerial functions. Additionally, we observed the financial management system to further assess risk.

**Single Audit Act**

According to Office of Management and Budget Circular A-133, non-federal entities that expend less than $500,000 in federal awards in a year are exempt from the requirement to have a Single Audit conducted.⁴ We did not find evidence that LIFT3 expended more than $500,000 in federal funds for any fiscal years applicable to the awards – 2011 to 2014. As it was not required, LIFT3 did not choose to have a Single Audit performed. Given the threshold and our interviews with LIFT3’s Executive Director and its tax accountant, it is important to note that LIFT3’s financial statements, accounting records, and internal control environment had never been audited prior to our audit.

**Financial Management System**

Contrary to the requirements of federal, state, and LIFT3 policy, we found that LIFT3 did not have grant accounting ledgers prior to December 2013. LIFT3’s accounting system consisted of a series of spreadsheets in which LIFT3 had failed to maintain and record all transactions. The spreadsheets only recorded monthly amounts by budget category and did not record individual line items. Although LIFT3 had written policies and bylaws requiring a separate accounting for grant-related transactions, and it was required to follow federal and state grant regulations, we found it did not follow these policies and its internal controls were extremely weak. For example, LIFT3’s tax accountant stated that LIFT3’s accounting records “were a mess” and that their internal controls were “laughable.” We identified many deficiencies related to its financial management and its overall internal control environment. We describe the most significant issues in more detail below.

The 2011 OJP Financial Guide, which was applicable to the Transitional Housing grant; the 2012 OVW Financial Management Guide, which was applicable to the CLSSP grant; and the Cal OES 2011 and 2012 Recipient Handbooks, which were applicable to the Cal OES sub-awards, required that all grant recipients establish and maintain adequate accounting systems and financial records and accurately account for funds awarded to them. In addition, according to LIFT3’s own accounting policy, LIFT3 Financial Accounting Practices, “all funds awarded under the [grant] will be maintained in a manner that will be accounted for separately and distinctly from other sources of revenue or funding.” By not having a functioning accounting system and commingling grant funds with all other funds that LIFT3 received, LIFT3 failed to adhere to federal, state, and its own policies.

**Lack of a Grant Accounting Ledgers**

Between June 2013 when OVW notified LIFT3 of its planned site visit and

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⁴ For fiscal years (FY) beginning on or after December 26, 2014, the threshold for the Single Audit requirement was raised to $750,000 or more in federal expenditures in a given year. However, the $500,000 threshold applied during our review period.
OVW’s site visit in August 2013, LIFT3 had asked its tax accountant to help implement the use of bookkeeping software and create ledgers for the grants. LIFT3’s tax accountant stated that he found “LIFT3’s books to be unreconciled and the books contained numerous duplicative entries.” In December 2013, more than 4 months after OVW’s site visit, these new grant ledgers were provided to OVW.

At the beginning of this audit, LIFT3’s Executive Director stated that LIFT3 had been using bookkeeping software since 2011. Her statement was false and was an example of the lack of candor that we experienced throughout this audit and have documented throughout this report. After we challenged the Executive Director on this fact, she admitted that LIFT3 began using bookkeeping software after its tax accountant implemented the system in 2013. In January 2015, she admitted to us that LIFT3 did not have a grant ledger or an overall general ledger at the time of the OVW site visit. Furthermore, she admitted that LIFT3 personnel had failed to maintain their accounting records up to date with all transactions being accurately and timely recorded. Given the spreadsheets were incomplete, we found LIFT3’s tax accountant used bank statements and payroll records to create general ledgers in the bookkeeping software for LIFT3’s various funding streams to include the OVW grants and Cal OES sub-grants.

Commingling of LIFT3 Transactions

We found LIFT3’s grant-related accounting records were unreliable and unsupportable, as we were unable to reconcile the ledgers to the bank statements. Since LIFT3 operated on a cash basis, we relied heavily on the information in its 14 bank accounts. We found that all of its funding streams were completely commingled with: (1) LIFT3’s non-grant related operations; (2) LIFT3’s Executive Director’s personal expenditures, including her family members’ personal transactions; and (3) LIFT3 Executive Director’s other businesses. Based on our review of the bank accounts, we could not distinguish between non-grant-related transactions and grant-related transactions within LIFT3’s banking records. LIFT3’s Executive Director admitted that she did not know how many transactions were personal in nature. She explained that all the bank accounts were created in an attempt to segregate the different funding streams. However, because of cash flow problems, she had to transfer funds amongst the 14 bank accounts to maintain the accounts.

Inadequate Separation of Duties

We found inadequate separation of duties concerning controls over LIFT3’s Executive Director’s compensation to herself. Adequate segregation of duties are required by both federal and state regulations. However, we found that LIFT3’s Executive Director was allowed to prepare, authorize, and sign LIFT3’s checks made payable to herself. Additionally, we found that her timesheets were filled out by her and not approved by any supervisor as required by LIFT3 policy. Specifically, we discovered all six of the judgmentally selected timesheets submitted by LIFT3’s Executive Director were either signed by her as an employee and not approved by someone else, or signed by her as the supervisor with no employee signature. More concerning, LIFT3’s Executive Director wrote 19 checks to herself for a total of
$35,587 between November 15, 2011, and February 21, 2014. She explained that these transactions were delayed salary payments (she called them “reimbursements”) for times that she did not receive compensation from LIFT3. However, she was unable to produce any supporting documentation to support this statement. She also admitted that these compensation payments were probably not reported to the Internal Revenue Service (IRS).

Additional Internal Control Deficiencies

On January 12, 2015, LIFT3’s Executive Director admitted that LIFT3 did not follow most of its policies and procedures (LIFT3 Financial Accounting Practices or LIFT3 Accounting Policies and Procedures). Based on our review, we concur with the Executive Director’s admission and describe below some supporting detail.

Inadequate Control of Check Stock

In our review of LIFT3’s banking activity, we found many instances where LIFT3 issued checks in non-sequential order. On multiple occasions, more than 10 checks were missing from check registers. Specifically, 774 checks were missing from the sequential order in three LIFT3 bank accounts. LIFT3’s Accounting Policies and Procedures, Cash Disbursements section states checks are to be issued in sequence. In August 2015, we asked LIFT3’s Executive Director where LIFT3 stored its check stock and why LIFT3’s issued checks were not in sequence. The Executive Director stated that the check stock was stored at LIFT3 in a locked office and at her home in a locked file cabinet. She stated that sometimes she works from her home. She admitted that she does not have records of how many issued checks were outstanding, how many have been voided, or how many have been lost.

Inadequate Controls Oversight Over Bank Accounts

As of September 2013, LIFT3 did not perform monthly bank reconciliations for its 14 bank accounts. Starting in September 2013, LIFT3’s tax accountant began performing monthly bank reconciliations including going back in time in an attempt to reconcile LIFT3’s bank accounts for all months. In January 2015, LIFT3’s current bookkeeper was still a few months behind in reconciling all of LIFT3’s bank accounts. According to LIFT3’s policy, the monthly bank reconciliation process included but was not limited to the following steps: a comparison of canceled checks with the disbursement journal as to check number, date, payee, and amount; an accounting of sequential check numbers to identify missing check numbers; an examination of canceled checks in order to identify unauthorized signatures or irregular endorsements; an examination of canceled checks for alterations; a review of voided checks; and an investigation of all issued checks that have been outstanding for more than 90 days. Had LIFT3 adhered to its controls over its blank check stock and performed monthly bank reconciliations, it could have avoided at least $300 in fees over a 2-year period when checks were issued from accounts with insufficient funds. The federal grant funds spent on non-sufficient funds (NSF) fees was an indication of federal resources being wasted on
fees that could have been avoid had LIFT3 adhered to its banking policies. See the Banking Activity section of this report for more information on the NSF fee issue.

**Inadequate Controls Over Cash**

The position of LIFT3 Treasurer, who was also to serve as a member of its Board of Directors, was not filled most of the time during the grant award periods. As we point out in the Banking Activity section of this report, LIFT3’s President and Treasurer never signed any checks. LIFT3’s bylaws state “except as otherwise specifically determined by resolution of the Board of Directors, or as otherwise required by law, checks, drafts, promissory notes, orders for the payment of money, and other evidence of indebtedness of the corporation shall be signed by the Treasurer and countersigned by the President of the corporation.” Contrary to LIFT3’s bylaws and without proper controls over cash management, we found LIFT3’s Executive Director moved funds from LIFT3’s bank accounts that contained OVW and Cal OES grant funds to her personal bank account, family, and other businesses. Also, the Executive Director wrote checks payable directly to family members and for the payment of rent at her other business locations. See the Banking Activity section of this report for additional detail on LIFT3’s transfers and payments to family members and related entities.

In reviewing cancelled checks, we found that all checks we reviewed were signed by either LIFT3’s Executive Director or her sister, who performed most of the accounting functions for LIFT3 prior to her death in April 2013. This included three checks written for more than $10,000. LIFT3’s Accounting Policies and Procedures states “all checks over $10,000 require a second signature by a designated board [member],” but we found this did not occur. Bypassing any proper controls over cash and payments, LIFT3’s Executive Director improperly made payments to herself and family members with no oversight.

**Family Business – Nepotism**

LIFT3’s Executive Director hired family members in direct violation of OJP, OVW, and Cal OES regulations. Further, she failed to disclose these family relationships to OVW or Cal OES and attempted to conceal her actions and relationships to us when we conducted our audit. Only after we began to fully examine LIFT3’s operations did we find that until late 2013 only the Executive Director and her family members controlled LIFT3’s bank accounts and accounting records.

According to LIFT3’s bylaws, LIFT3 was established by the Executive Director, her sister, and her mother. During our audit, we found her mother, three sisters, a niece, and three nephews of the Executive Director also worked for LIFT3. Furthermore, we found LIFT3’s acceptance of the first Cal OES sub-grant was signed by the Executive Director, her two sisters, and her mother. The second Cal

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5 Two checks did not have signatures and yet the bank processed them. Another check was a preauthorized payment that also did not have a signature. LIFT3’s Executive Director and her sister were the only persons who had signature authority over all LIFT3 bank accounts that we identified.
OES sub-grant was signed for by the Executive Director, her three sisters, her niece, and her mother. LIFT3’s Executive Director provided $1,100 of LIFT3 funds to her mother for a flooded apartment and day care services, and she paid more than $4,600 from LIFT3 funds to her son for rental assistance. On two of the checks to her son, she noted that her son was a client. See Figure 1 below for a diagram of the family members that we determined worked for or have received funds from LIFT3. To avoid any confusion, we will use the below numbering for the sisters and nephews in the remainder of this report.

Figure 1

LIFT3’s Executive Director and Family Who Received Compensation from LIFT3

Source: OIG Analysis of LIFT3 Information

The 2011 OJP Financial Guide states:

*You are required to use Federal funds in the best interest of your award program. Your decisions related to these funds must be free of hidden personal or organizational conflicts of interest, both in advice and in appearance.* . . *In the use of award funds (direct or indirect), a recipient or subrecipient should not participate in any decisions, approval, disapproval, recommendations, investigation decisions, or any other proceeding concerning any of the following people or groups: an immediate family member.*

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6 As far as we were able to determine, Son, Sister #2, Nephew #1, Nephew #2, Nephew #3, and the Mother, were not overtly paid with DOJ funds for work performed. However, with the commingling of funds (see the Banking Activity section of this report) we were unable to definitively conclude whether these family members were paid with DOJ funds.
The 2011 OJP Financial Guide goes on to define less-than-arm’s-length transactions as:

\[
\text{The act of purchasing goods or services or hiring an individual from a related party such as a family member or a business associated with an employee of the recipient [and] not using fair and transparent processes for subrecipient decisions and vendor selection. These processes must be free of undue influence, and fair and transparent. Most procurement requires full and open competition.}
\]

Additionally, the 2012 OVW Grants Financial Management Guide states:

\[
\text{No employee, officer or agent shall participate in selection, or in the award or administration of a subaward, contract or hiring decision supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when the employee, officer or agent, an immediate family member, a partner, or an organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm or individual selected. Individuals shall recuse themselves from being personally involved with these types of decisions . . . A recipient must notify OVW in writing of its decision to hire an individual to fill a grant-funded position, or to receive, or otherwise derive direct financial gain from, a subgrant or contract that is made with grant award funds, where the individual is either an immediate family member or business partner of an official or employee of the grantee.}
\]

Finally, the 2011 and 2012 Cal OES Recipient Handbooks, which was applicable to the two Cal OES subgrants states:

\[
\text{Officials and employees of a Recipient must not participate in activities involving use of grant funds where there is a financial interest or benefit: (a) to him or herself, immediate family, partners, organization (other than a public agency in which he or she is serving as an officer, director, trustee, partner, or employee); or (b) to any person or organization with whom he or she is negotiating or has any arrangement concerning prospective employment . . .}
\]

Without receiving prior authorization from OVW and Cal OES, LIFT3’s hiring and contracting of family members violated the above policies and any transactions with family members were less-than-arm’s length transactions. We found that these familial relationships within the organization were not disclosed to OVW during the grant application process or at any time leading up to the August 2013 OVW site visit. We also found the family relationships were not disclosed to Cal OES.

During our interview with LIFT3’s Executive Director, she did not disclose that several members of her family had worked at LIFT3 during the grant periods. Once we pointed out these familial relationships to her, the Executive Director explained that some of the familial relationships had been communicated and approved by OVW. Additionally, she asked why it was an issue that she hired
family members. First, we verified that OVW had communicated to LIFT3 that any hiring of family members for grant-related purposes would need to be approved by OVW. Additionally, we verified that OVW did not approve the employment of any of the Executive Director’s family members at LIFT3. Given that LIFT3’s Executive Director failed to inform the audit team of the familial relationships, failed to obtain approval from OVW, and falsely claimed OVW’s approval, we found the Executive Director’s statements to be examples of her lack of candor. Without prior approval, the employment of family was a violation of OVW, Cal OES, and by extension of OJP’s grants to Cal OES that were sub-granted to LIFT3, OJP regulations.

With the comingling of grant funds with other LIFT3 funding, we were unable to determine the total amount of DOJ funds that were paid to the Executive Director’s family. Based on payroll records, cancelled checks, and interviews, we were able to determine at least $296,547 in LIFT3 funds were provided to family members. See Table 2 for a breakdown of the payments. See the Banking Activity section of this report for additional detail as to why we believe that the true compensation to family members, though undeterminable, was actually higher than $296,547.

Table 2
Compensation Paid to LIFT3’s Executive Director and Her Family
October 1, 2011, to December 31, 2013

<table>
<thead>
<tr>
<th>Family Member</th>
<th>Commingled Fundinga</th>
<th>Transfersb</th>
<th>Loans Not Repaidc</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td>$127,684</td>
<td>$6,485</td>
<td>$0</td>
<td>$134,169</td>
</tr>
<tr>
<td>Son</td>
<td>4,650</td>
<td>0</td>
<td>0</td>
<td>4,650</td>
</tr>
<tr>
<td>Sister #1</td>
<td>10,555</td>
<td>0</td>
<td>0</td>
<td>10,555</td>
</tr>
<tr>
<td>Sister #2</td>
<td>57,662</td>
<td>0</td>
<td>5,000</td>
<td>62,662</td>
</tr>
<tr>
<td>Sister #3</td>
<td>7,893</td>
<td>0</td>
<td>0</td>
<td>7,893</td>
</tr>
<tr>
<td>Niece</td>
<td>73,293</td>
<td>0</td>
<td>300</td>
<td>73,593</td>
</tr>
<tr>
<td>Nephew #1</td>
<td>1,175</td>
<td>0</td>
<td>0</td>
<td>1,175</td>
</tr>
<tr>
<td>Nephew #2</td>
<td>50</td>
<td>0</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Nephew #3</td>
<td>50</td>
<td>0</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Mother</td>
<td>1,750</td>
<td>0</td>
<td>0</td>
<td>1,750</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$284,762</td>
<td>$6,485</td>
<td>$5,300</td>
<td>$296,547</td>
</tr>
</tbody>
</table>

a This was based on LIFT3 accounting records. See Internal Control Environment section of this report for issues we identified regarding the accuracy and validity of the accounting records.

b Transfers from LIFT3’s bank accounts to LIFT3’s Executive Director’s personal bank account. See Additional Personal and Unidentified Activity section of this report for more on these transfers. LIFT3’s Executive Director also admitted transferring funds to her son, but the amount for this transfer was unknown.

c These amounts were based on statements made by LIFT3’s Executive Director and her niece. LIFT3’s Executive Director does not know if the loans were repaid and has no record of these transactions. The niece also admitted that she does not remember repaying the loan. For more on the loans, see the Loans to Family Members section of this report.

Source: Banking records and LIFT3 Support Group
We found the Executive Director’s hiring of family members to be troubling, especially when we consider the roles these family members performed at LIFT3. It is important to note that before OVW’s site visit in August 2013, which prompted LIFT3 to assign responsibility to their tax accountant to set up LIFT3’s accounting records using bookkeeping software, all financial bookkeeping and banking activity was handled exclusively by the Executive Director’s family members (Sister #1, Sister #2, Sister #3, and her Niece).7

Internal Control Environment Conclusion

Contrary to the OJP Financial Guide, OVW Financial Grants Management Guide, LIFT3’s accounting policies, and LIFT3’s bylaws, LIFT3 did not have an adequate financial management system or set of internal controls that ensured grant transactions were accurately, completely, and separately tracked from non-grant transactions. In fact, during our audit, we found a complete lack of internal controls in most of the areas in which we performed testing.

Given OVW’s concerns with this grantee’s business practices and LIFT3’s tax accountant’s statement that the grant general ledgers contained duplicative entries, we tested 74 of 725 (10 percent) transactions from LIFT3’s ledgers by comparing them to LIFT3’s bank statements. Unfortunately, we were unable to trace most (49 of 74, or 66 percent) of the grant general ledger transactions to the bank statements. See Banking Activity and Cash Activity sections of this report for why we believe the grant general ledgers did not reconcile to the bank statements. Given that we were unable to trace the grant ledger transactions to the bank statements and given our concerns with a lack of basic internal controls, we determined that the grant ledgers were unreliable. Instead, we relied on the information in the bank statements in order to understand LIFT3’s transactions.

Banking Activity

We found LIFT3 and its Executive Director had more than 14 bank accounts and regularly transferred money between these accounts. Between October 1, 2011, and December 31, 2013, LIFT3 personnel made 872 transfers (or approximately 1 per day) amongst its bank accounts and the Executive Director’s personal accounts. These transfers were between $1 and $30,000. There were also transfers to bank accounts where LIFT3 did not identify a purpose. We discuss miscellaneous transfers in the Additional Personal and Unidentified Activity section in this report.

We asked LIFT3’s Executive Director why LIFT3 had so many bank accounts. The Executive Director stated that the bank was opening up bank accounts without her approval. Once the bank had opened these accounts, the Executive Director stated she felt that LIFT3 might as well use them. She admitted that it was bad business practices to attempt to use all the accounts when LIFT3 was experiencing cash flow problems. Contrary to her statements, we verified that all the bank

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7 According to the Niece, she had no prior bookkeeping experience and had never used bookkeeping software.
accounts were opened by LIFT3’s Executive Director or her sister. In addition, we found LIFT3’s Executive Director’s reason for the use of all 14 bank accounts and the numerous transfers amongst those accounts to be illogical. Her statements were another example of a lack of candor.

Without an accurate and traceable grant general ledger and due to the volume of transfers amongst accounts, we viewed LIFT3’s records as being completely commingled. Therefore, our review of banking activity included funding LIFT3 received to include funds from DOJ, U.S. Social Security Administration, U.S. Department of Housing and Urban Development (passed through the Cities of Fairfield and Vallejo), Cal OES, and other non-federal and non-state funds. In our review of the bank statements, we were unable to delineate expenditures funded by DOJ funds from other entity funded transactions.

Checking Activity

LIFT3 wrote checks to family members that: were probably not reported to the Internal Revenue Service (IRS) according to LIFT3’s Executive Director, increased the compensation of employed family members, and were loans to family members. We found that LIFT3 did not maintain records to support any of its statements related to payments or loans made to family members. In our analysis of the bank statements, we found that 43 checks for $56,569 were handwritten to LIFT3’s Executive Director and her family members between October 2011 and December 2013. See Table 3 for a breakdown of the payments to family members. We asked LIFT3’s Executive Director why there were so many handwritten checks. On January 14, 2015, LIFT3’s Executive Director stated that, at times, she did not get paid by LIFT3 because the organization was struggling financially. Thus, she would sometimes issue handwritten checks to herself for back pay. We asked for documentation of this back pay. LIFT3’s Executive Director admitted that she did not have documentation for when she did and did not get paid. We asked whether these payments for back pay are recorded with the IRS and included on her W-4. LIFT3’s Executive Director admitted that these payments are probably not report to the IRS.

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8 LIFT3 received additional funding from the Cal OES to provide assistance and support to domestic violence victims and their children; the U.S. Social Security Administration to assist individuals on Social Security Disability Insurance to seek employment; U.S. Department of Housing and Urban Development Community Development Block Grants funds through the Cities of Vallejo and Fairfield to improve social services; and other small grants from non-government entities.

9 It is important to note that the bank statements for many months had not been properly reconciled at the time of the OVW site visit, and some of the bank statements were still not reconciled at the beginning of our audit in November 2014.
Table 3
Number of Handwritten Checks Issued to LIFT3’s Executive Director and Her Family Members Between October 1, 2011, and December 31, 2013

<table>
<thead>
<tr>
<th>FAMILY MEMBER</th>
<th>HANDWRITTEN CHECK AMOUNT</th>
<th>NUMBER OF HANDWRITTEN CHECKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td>$35,695</td>
<td>19</td>
</tr>
<tr>
<td>Son</td>
<td>4,650</td>
<td>2</td>
</tr>
<tr>
<td>Sister #1</td>
<td>5,424</td>
<td>6</td>
</tr>
<tr>
<td>Sister #2</td>
<td>2,437</td>
<td>3</td>
</tr>
<tr>
<td>Sister #3</td>
<td>3,535</td>
<td>5</td>
</tr>
<tr>
<td>Niece</td>
<td>3,503</td>
<td>4</td>
</tr>
<tr>
<td>Nephew #1</td>
<td>225</td>
<td>2</td>
</tr>
<tr>
<td>Mother</td>
<td>1,100</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$56,569</td>
<td>43</td>
</tr>
</tbody>
</table>

Source: LIFT3 Support Group

Payments to Sister #2

We asked about other payments to Sister #2 through transfers or computer generated checks. On January 14, 2015, LIFT3’s Executive Director stated that the checks to Sister #2 were sometimes returned. We asked when and why these checks were returned. LIFT3’s Executive Director stated that her sister would sometimes get paid, cash the check, and then return the funds to the organization in order to keep LIFT3 funded. We pointed out that if this were true, the sister would be paying taxes on income that she did not receive. We asked why she would do that. LIFT3’s Executive Director stated that her sister wanted to help the company out. We asked if LIFT3 has any documentation related to the returning of funds. LIFT3’s Executive Director admitted that she did not have such documentation.

Loans to Family Members

On January 12, 2015, LIFT3’s Executive Director stated that LIFT3 made a $5,000 loan to Sister #2. We asked whether LIFT3 had loan documents, payment plans, or any kind of documentation related to this loan. LIFT3’s Executive Director stated that LIFT3 did not have documentation. Two days later, on January 14, 2015, LIFT3’s Executive Director wanted to correct her statement to say that what was previously characterized as a loan was actually “back pay” to her sister. Again, she admitted that LIFT3 had no documentation of this “back pay” in its records. In August 2015, we asked again about this payment. LIFT3’s Executive Director contradicted her statement again by admitting that the payment was a loan to Sister #2 to pay her rent. She stated that her sister was living in a hotel, “basically homeless” and she wanted to help her out. Again, LIFT3 had no documentation of the loan or “back pay” to support the statements made to us. We find these statements to be another example of a lack of candor.
On March 24, 2015, we identified a $300 payment made to the Executive Director’s niece. We were told that this was a $300 loan to the Executive Director’s niece to help her purchase a car. The niece stated that she did not remember whether the loan had been paid back before she left LIFT3.

We also noticed that 10 handwritten checks totaling $18,008 were written to cash. For LIFT3’s reasoning behind its cash activity and our concerns about such activity, please see below the Cash Activity section of this report.

**Nonsufficient Funds (NSF) Fees**

In our review of Lift3’s banking activity, we found an inefficient use or waste of government resources. Specifically, we found that between October 1, 2011, and December 31, 2013, LIFT3 incurred 324 NSF fees and overdraft charges and thus was charged a net $11,258 in NSF fees. We asked why LIFT3 had bounced so many checks. On March 19, 2015, LIFT3’s Executive Director stated that LIFT3 paid bills with money orders or cashier’s checks because she did not know of another way to pay the bills. See the Cash Activity section of this report noting that we did not understand the logic of her answer. Later in the same interview, she admitted that she did not know how much money was in the bank and thus LIFT3 bounced checks from time to time. She also added that Pacific, Gas, and Electric would no longer take LIFT3’s checks. In August 2015, LIFT3’s Executive Director admitted to “poor cash management with bad accounting records,” and explained that she “was trying to do too much with too little.” These statements and the number of checks returned for insufficient funds indicate a gross mismanagement of money. The number of dishonored checks and overdraft charges demonstrates a lack of accounting controls and an inefficient use or waste of government resources.

During OVW’s August 2013 site visit, OVW personnel asked for copies of cancelled checks. A LIFT3 official stated that no one could produce copies of the cancelled checks and they had never heard of a bank providing cancelled checks. We find that statement odd, but consistent with the lack of candor we received throughout our audit work. Contrary to LIFT3’s statements to OVW, we received hundreds of cancelled checks from LIFT3 during our fieldwork.

**Cash Activity**

In our analysis of LIFT3’s bank accounts, we found that between October 1, 2011, and December 31, 2013, LIFT3’s Executive Director and Sister #2 made 318 cash withdrawals totaling $255,998. This activity was in addition to the 10 handwritten checks totaling $18,008 written to cash. We found the number of cash transactions to be anomalous. We asked why LIFT3 withdrew so much cash from its bank accounts. LIFT3’s Executive Director stated that LIFT3 had to pay bills and this was the only way she knew how to pay bills. On more than one occasion, she claimed that she did not realize LIFT3 could have written a check to pay bills. Given her business background and education, we found her answer to not be truthful. Once we questioned the validity of her answer, the Executive Director claimed she had never made those statements and admitted she
understood how to write checks to pay bills. Further, she admitted that LIFT3 paid bills in cash in an attempt to avoid NSF fees and to pay vendors who would no longer accept its checks.

Regardless of LIFT3’s odd answers, we found the amount of cash being withdrawn to be alarming. It is important to note that LIFT3 paid some of its bills with money orders or cashier’s checks. In our interview with LIFT3’s Executive Director, we pointed out that to pay the rent for the transitional housing, LIFT3 was withdrawing several thousand dollars in cash from LIFT3’s bank to purchase a money order at another location (not always the bank from which the cash was withdrawn), and then depositing the money order into another bank (the bank account of the transitional house’s landlord). When we asked why she did not write a check and mail it to the landlord, LIFT3’s Executive Director initially responded that she did not think about that.

Because of this cash activity, we were unable to trace the account activity reflected on the bank statements to the grant ledgers created by LIFT3. We believe this was because LIFT3 withdrew thousands of dollars in cash and reportedly purchased multiple money orders with the funds. However, LIFT3 provided us no documentation to trace each cash withdrawal to the number of money orders or cashier’s checks purchased or to the specific bills that these money orders paid. Based on the lack of adequate and sufficient supporting documentation, we did not have any assurance that the $255,998 in cash withdrawals was used for grant-related activities.

Debit Card Activity

We performed an analysis of vendors paid with LIFT3’s debit cards. LIFT3’s debit cards were only issued to the Executive Director and Sister #2. We were concerned by the volume of transactions and types of vendors being paid. For example, one transaction was made at a women’s clothing store. See Table 4 for a breakdown of the types of vendors paid with LIFT3’s debit cards.
Table 4
Analysis of Vendors Paid With LIFT3’s Debit Cards
October 1, 2011, to December 31, 2013

<table>
<thead>
<tr>
<th>TYPE OF TRANSACTION</th>
<th>TOTAL NUMBER OF TRANSACTIONS</th>
<th>NET TOTAL AMOUNT SPENT</th>
<th>AVERAGE AMOUNT SPENT PER MONTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Care</td>
<td>152</td>
<td>$8,955</td>
<td>$332</td>
</tr>
<tr>
<td>Retail Shopping</td>
<td>297</td>
<td>37,916</td>
<td>1,404</td>
</tr>
<tr>
<td>Restaurant</td>
<td>192</td>
<td>5,487</td>
<td>203</td>
</tr>
<tr>
<td>Travel</td>
<td>191</td>
<td>29,048</td>
<td>1,076</td>
</tr>
<tr>
<td>Grocery</td>
<td>142</td>
<td>13,845</td>
<td>513</td>
</tr>
<tr>
<td>Phone, Internet &amp; Cable</td>
<td>338</td>
<td>43,068</td>
<td>1,595</td>
</tr>
<tr>
<td>Office Supply Stores</td>
<td>302</td>
<td>25,935</td>
<td>961</td>
</tr>
<tr>
<td>Personal Care</td>
<td>41</td>
<td>3,352</td>
<td>124</td>
</tr>
<tr>
<td>Other</td>
<td>386</td>
<td>124,103</td>
<td>4,596</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,041</strong></td>
<td><strong>$291,709</strong></td>
<td><strong>$10,804</strong></td>
</tr>
</tbody>
</table>

Source: LIFT3 banking records

We asked LIFT3’s Executive Director why there were so many transactions at hair salons, nail salons, grocery stores, and other vendors that did not appear to be consistent with LIFT3’s purpose. On March 19, 2015, LIFT3’s Executive Director stated that the organization would sometimes help the victim get their hair or nails done to make them feel good about themselves. Contrary to her statement, we interviewed former employees who stated to their knowledge LIFT3 never took clients to, or paid for services at, hair and nail salons. The former employees stated that sometimes those vendors would donate their services to the clients, but LIFT3 never directly paid for the services.

We pointed out to LIFT3’s Executive Director that the grocery trips, restaurant meals, gasoline purchases, and especially the transaction at the women’s clothing store seemed to be personal in nature. On March 19, 2015, LIFT3’s Executive Director admitted that many of the transactions were personal. When we inquired as to which transactions were personal, LIFT3’s Executive Director could not tell us which transactions on LIFT3’s bank statements were personal and which ones were for business purposes. She did admit that the women’s clothing store transaction was personal. In August 2015, we asked LIFT3’s Executive Director about the debit card activity. She stated that “some” of the transactions were personal. We asked again about the women’s clothing store purchase. She stated it was a reward for a client. We asked about the other categories. She claimed that many of them were for clients and only some were personal.

Number of Not-for-Profits

LIFT3’s Executive Director also started at least five other potential not-for-profit organizations and was the founding pastor of a church. These organizations are:

- LIFT3 Business Solutions, Inc. – LIFT3’s Executive Director started this company to provide website design services to
companies. She stated that this business venture had been closed. As of August 2015, we found this entity was suspended by the State of California for failure to meet tax requirements. Also, the IRS did not identify this organization as being tax exempt.

- **LIFT3 Ministries International, Inc.** – According to LIFT3’s Executive Director, this was started as a faith-based not-for-profit organization. As of August 2015, we found this entity was suspended by the State of California for failure to meet tax requirements and failure to file a Statement of Information form with the California Secretary of State office as required. Also, the IRS did not identify this organization as being tax exempt.

- **Journey to Hope Program** – LIFT3’s Executive Director started this organization to help pregnant teenagers find housing. As of June 2019, the California Secretary of State office identified this organization as being suspended. Also, the IRS did not identify this organization as being tax exempt.

- **Nonprofit Clinic, LLC** – LIFT3’s Executive Director started this company to help individuals start not-for-profit organizations. According to the California Secretary of State office and the IRS, this organization was not identified as being a not-for-profit organization or tax exempt, respectively.

- **Life Impact Center, LLC** – LIFT3’s Executive Director started this organization to provide religious-based marriage counseling to families. As of June 2019, the California Secretary of State office identified this organization as being suspended. Also, the IRS did not identify this organization as being tax exempt.

- **Impact Worship and Prayer Center** – LIFT3’s Executive Director was the founding pastor for this church.

The California Secretary of State office identified LIFT3 Support Group, Inc. as suspended for failure to meet tax requirements as of June 2019. Before her conviction, in addition to running LIFT3, the Executive Director was also attempting to operate three organizations listed above (Journey to Hope, Nonprofit Clinic, and Life Impact Center) as well as her church. However, the Executive Director’s involvement with LIFT3 ultimately precluded her from also being able to fully operate her other organizations. See the Unidentified Transfers section of this report for information on LIFT3’s transfers to these organizations.

**Additional Personal and Unidentified Activity**

We found that LIFT3 had made 395 transfers totaling $33,709 to bank accounts for which we were unable to identify the account holder; 17 transfers totaling $6,485 to bank accounts that were LIFT3’s Executive Director’s personal bank account, 2 cancelled checks for $9,500 each issued to her church, and 59 payments totaling $29,475 to a religious radio station.
Unidentified Transfers

We asked LIFT3’s Executive Director about the transfers to unidentified bank accounts. When we made this inquiry, LIFT3’s Executive Director stated that she would attempt to find out why these other bank accounts were established with the bank. As of August 13, 2015, she had not provided us with an answer on all of the accounts. However, she admitted that she made payments to her son who was not an employee of LIFT3. The Executive Director explained to us that her son had given her money in the past to help keep LIFT3 funded and that the transfers from LIFT3’s account to him were LIFT3’s re-payments of the loan he made to LIFT3. She admitted that she had no documentation of the loan or the repayments.

In August 2015, LIFT3’s Executive Director admitted that some of the transfers to the unidentified bank accounts were to her other companies (Life Impact Center and Nonprofit Clinic). She did not know how many transfers were made to these organizations and did not have any supporting documentation. She stated the purpose of the transfers was to provide funds for those organizations to buy office supplies, print brochures, create business cards, and other routine business transactions.

For the rest of the transfers, LIFT3: did not provide support for the unidentified bank accounts, was unable to identify how many of the transfers were personal- or business-related, and did have sufficient documentation to support the Executive Director’s statements about the transfers.

Transfers to Herself

LIFT3’s Executive Director stated that the transfers to her personal bank accounts were for back pay. She stated that at times she did not take pay at LIFT3 and these transfers are repayment for those weeks worked. Again, she could not provide support for these payments of back pay and she stated these payments were not reported to the IRS. These transfers increased her compensation. We found 17 electronic transfers to her personal accounts for a total of $6,485 at an average of $381 per transfer and one electronic transfer back to LIFT3’s bank account for $10.

Checks to Her Church

We found LIFT3’s Executive Director wrote 2 checks to Impact Worship and Prayer Center, the church she founded, for less than $10,000 each within the same week. Also, by writing checks for less than $10,000, the payments fell below the threshold for the organization’s internal control policy of requiring 2 signatures for all checks above $10,000. When we asked about the checks to her church, the Executive Director stated that these checks were for a contract that LIFT3 had with her church. We noted that if a contract existed between her not-for-profit (LIFT3) and her church, it would be a less than arm’s length transaction. We asked for a copy of this contract. She stated that she would provide the contract. In August 2015, we asked again about these checks and the contract. She stated that her church had previously funded LIFT3 during some slow times and the checks were a
repayment of that loan. We asked for documentation. LIFT3 did not have any documentation (loan payments, contracts, or accounting records) to support her previous statements. LIFT3’s Executive Director’s shifting answers were another example of a lack of candor.

**Payments to Radio Station**

We asked a former radio station employee about the payments to the religious radio station. The former radio station employee was also a LIFT3 board member and explained to us that LIFT3’s Executive Director contacted the radio station to advertise her ministry. We were also told by the former radio station employee that there were never any advertisements for LIFT3 purposes. We asked LIFT3’s Executive Director about the 59 payments to the religious radio station. In August 2015, she stated that the payments were for a radio show LIFT3 held on domestic violence. LIFT3 did not have documentation to support its Executive Director’s statement, which conflicted with the former radio station employee’s explanation.

In conclusion, we found LIFT3’s banking activity to be suspicious and LIFT3’s reasoning for this activity to be extremely inadequate since almost no documentation existed to support LIFT3’s statements. Given these issues, we considered LIFT3 to be a high risk audit and expanded our testing where necessary.

**Drawdowns**

As of August 9, 2013, LIFT3 drew down a total of $194,926 under the Transitional Housing grant, $114,939 under the CLSSP grant and $20,000 from the Cal OES sub-grants.\(^{10}\) It is important to note that LIFT3 attempted to drawdown $11,817 twice. However, the Treasury Offset Program applied these drawdowns to offset federal debts.\(^{11}\) We asked LIFT3’s Executive Director if LIFT3 was delinquent on its taxes. On August 13, 2015, LIFT3’s Executive Director stated that LIFT3 was over $285,000 behind in payroll taxes to the IRS and more than $46,000 delinquent in tax payments to the State of California. In August 2015, she admitted LIFT3 has not paid its payroll taxes (both employer and employee portions even though the funds were being withheld from the employees’ paychecks) for 5 years. Given the lack of auditable records, we concluded that all of LIFT3’s drawdowns were unsupported.

\(^{10}\) Based on concerns that it had with LIFT3’s financial and programmatic management of the grants, OVW in August 2013 placed the remaining awarded funds to LIFT3 on hold, pending the completion of the OIG’s audit. OVW defined “on hold” as the freezing of available funds, precluding LIFT3 from making any further drawdowns. As of June 2018, OVW had deobligated the remaining $237,135 in funds not drawn down by LIFT3.

\(^{11}\) The Treasury Offset Program’s (TOP) purpose is to collect delinquent debts owed to federal agencies and states.
Budget Management and Expenditures

Since LIFT3’s accounting records were unauditable and whatever accounting records did exist indicated commingling of grant funds with the rest of LIFT3’s operations, we were unable to test LIFT3’s budget management and expenditures.

Reports

According to the OVW Financial Grants Management Guide, award recipients are required to submit quarterly Federal Financial Reports (FFR) and semi-annual Progress Reports. These reports describe the status of the funds, compare actual accomplishments to the objectives of the grant, and report other pertinent information. We reviewed the FFRs and Progress Reports submitted by LIFT3 to determine whether each report was accurate.

Federal Financial Reports

Since LIFT3’s accounting records were unauditable and whatever accounting records did exist indicated commingling of grant funds with the rest of LIFT3’s operations, we concluded that LIFT3’s Federal Financial Reports were unsupported.

Progress Reports

For our Progress Report testing, we applied the criteria in the 2011 OJP Financial Guide, and the 2011 and 2012 Cal OES Recipient Handbooks, which require accurate reporting on Progress Reports based on adequate supporting documentation. LIFT3 provided us with a list of forms that should be included in each case file for the Transitional Housing grant. We tested a judgmental sample of 8 of these forms for each case file to determine if all forms were included, and we found 30 percent of the required forms were missing.

Given the inaccuracies found, we limited our testing to the number of victims served reported for the Transitional Housing and Cal OES grants. As shown in Table 5, we found that LIFT3’s Progress Reports for these grants for the periods indicated, did not accurately reflect the number of victims served submitted by LIFT3 to OVW and Cal OES.
Table 5  
Accuracy of LIFT3’s Progress Reports  
OVW Transitional Housing and Cal OES Grants

<table>
<thead>
<tr>
<th>Report Period</th>
<th>Number of Victims Served</th>
<th>Over or &lt;Under&gt; Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported on Progress Report&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Actual</td>
</tr>
<tr>
<td>Transitional Housing Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/01/11 – 12/31/11</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>01/01/12 – 06/30/12</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>07/01/12 – 12/31/12</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>01/01/13 – 06/30/13</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Cal OES Grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/01/11 – 06/30/12</td>
<td>132</td>
<td>4</td>
</tr>
<tr>
<td>07/01/12 – 06/30/13</td>
<td>84</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: OIG analysis of OVW, Cal OES, and LIFT3 information  
<sup>a</sup> Victims served for the Transitional Housing grant included any individual seeking or having received services according to OVW instructions. Victims served for the Cal OES grant includes only individuals who received counseling services.

The Progress Reports were prepared by LIFT3’s Executive Director. We asked why the Progress Report information was inaccurate and why the forms filed in the case files were incomplete. LIFT3’s Executive Director stated that she only went out to observe the process and check what the transitional housing managers were doing every 4 to 6 months. We found the reports that LIFT3 provided OVW and Cal OES were inaccurate.

Additional Award Requirements

We reviewed LIFT3’s compliance with specific program requirements outlined in the grants’ Special Conditions found in the award documents. We tested two Special Conditions for the Transitional Housing grant, and two Special Conditions for the CLSSP grant. Given the scope and low dollar amount of the Cal OES sub-grants, we did not test any Special Conditions for those grants. We found that LIFT3 did not comply with all four grant requirements we tested. Specifically, we found noncompliance in the following areas.

Special Condition 1 within the Transitional Housing grant states that the recipient agrees to comply with the financial and administrative requirements set forth in the current edition of the OVW Grant Financial Grants Management Guide. LIFT3 did not abide by the OJP Financial Guide or the OVW Financial Grants Management Guide. Specifically, LIFT3’s Executive Director was involved in the decision to hire a member of her family to fill a case manager position that was funded by the OVW grant. LIFT3 did not notify OVW in writing of its decision to hire a family member to fill a grant-funded position. Therefore, LIFT3 did not abide by the Code of Conduct and the prior approval requirements set forth in the OVW Financial Grants Management Guide.

Special Condition 27 within the Transitional Housing grant states:
The grantee agrees to provide services only to victims of domestic violence, dating violence, sexual assault, or stalking. Services may only be provided to victims: (1) who are homeless, or in need of transitional housing or other housing assistance, as a result of fleeing a situation of domestic violence, dating violence, sexual assault or stalking, and (2) for whom emergency shelter services or other crisis intervention services are unavailable or insufficient.

While reviewing bank statements, we found purchases at hair salon establishments, nail salons, and cosmetic stores. As mentioned previously, LIFT3’s Executive Director admitted that some of the purchases were for personal purposes. LIFT3 was unable to support or determine how many of the transactions were personal and how many were grant-related. The use of funds for personal expenditures was unauthorized, a gross misuse of grant funds, and did not assist victims of domestic violence, dating violence, sexual assault, or stalking. Thus, LIFT3 did not comply with this Special Condition.

Special Condition 19 within the CLSSP grant states:

Under the Government Performance and Results Act (GPRA) and VAWA 2000, grantees are required to collect and maintain data that measure the effectiveness of their grant-funded activities. Accordingly, the grantee agrees to submit an annual electronic progress report on program activities and program effectiveness measures. Information that grantees must collect under GPRA and VAWA 2000 includes, but is not limited to: (1) the number of persons served; (2) the number of persons seeking services who could not be served; (3) the number of people trained; and (4) the number of grant funded multi-disciplinary training events that have occurred.

During our sample testing of LIFT3’s Progress Reports, we found reporting inaccuracies. Please refer to the Reports section of this report for further details. We determined that LIFT3 did not comply with this Special Condition.

Special Condition 39 within the CLSSP grant states:

Within 60 days of the new grantee orientation, the grantee agrees to submit the formal policies, procedures, and rules governing the provision of the transitional housing and related supportive services to OVW for review and approval. These documents should also include a description of the intended use of financial assistance provided to transitional housing clients, if applicable. The grantee further agrees to work with the OVW-sponsored technical assistance provider(s) to develop or enhance rules, policies, and procedures, as needed.

In January 2013, two members of LIFT3 attended the new grantee orientation. After the orientation, LIFT3 submitted formal policies, procedures, and rules governing the provisions of the transitional housing and related supportive services to OVW for review and approval. However, this document was submitted
to the Grant Management Services website in February 2015, almost 2 years after the 60 day requirement (i.e., March 2013) established by OVW. Thus, LIFT3 did not comply with this Special Condition.

Program Performance and Accomplishments

According to the grant solicitation approved by OVW, the primary purpose of the Transitional Housing grant was to provide assistance to victims of domestic violence, dating violence, sexual assault, stalking, who are homeless, or in need of transitional housing, or other housing assistance, including short-term housing assistance and supportive services; and for whom emergency shelter services or other crisis intervention services are unavailable or insufficient.

The specific goals for this grant listed by LIFT3 within their grant proposal abstract were: (1) hire a part-time case manager to provide victims with a specialized safety plan, linkages to permanent housing, tools and skills to regain self-confidence and control over their lives, and development of a transitional plan to include securing permanent housing; (2) contract with the Vallejo Housing Authority to obtain resource referrals for affordable housing complexes with rent subsidies or low rent and affordable apartments; (3) assist transitional shelter clients in identifying and overcoming barriers to obtaining affordable permanent housing; and (4) partner with the Solano Family Justice Center to ensure all LIFT3 clients are referred to the full range of social services available to help them utilize and fully benefit from the transitional housing services offered by LIFT3.

We reviewed relevant grantee documentation, as well as information submitted to OJP’s grant management system. We found that as of December 2011, LIFT3 hired a part-time case manager. LIFT3 provided assistance to victims of domestic violence by way of utilizing their transitional house. LIFT3 did contract with the Vallejo Housing Authority and it did partner with the Solano Family Justice Center. However, a Memorandum of Understanding (MOU) between these agencies had already been executed prior to the grant award. Therefore, these goals had been achieved prior to the OVW Transitional Housing award. Additionally, LIFT3 was not able to produce tangible support for the goal of helping victims overcome barriers to obtaining affordable permanent housing after their stay at the LIFT3 house. In LIFT3’s case files, we were unable to determine if LIFT3 attempted to follow-up with those who left the transitional house or whether they established permanent housing.

The primary purpose of the CLSSP grants were to accomplish the following: (1) hire a part-time Case Manager to provide victims with a specialized safety plan and culturally specific services tailored for African American women who are survivors, (2) partner with Black Infant Health who will hire a part-time Case Manager to assist project staff providing culturally specific services to African American survivors, (3) partner with the Solano Family Justice Center to ensure all LIFT3 clients are referred to the full range of social services available to help them utilize and fully benefit from the culturally specific services offered by LIFT3, and (4) hire a part-time Program Coordinator to be the front line contact person for project.
On October 1, 2012, LIFT3 hired a part-time case manager and a part-time program coordinator. Although LIFT3 hired a case manager and program coordinator, LIFT3 Executive Director instructed them to delay cashing their paychecks until LIFT3 had sufficient funds. In addition, both employees were not offered health and dental benefits throughout their employment with LIFT3 even though OVW funded and LIFT3 budgeted for these benefits. Furthermore, the case manager and program coordinator discovered their social security withholdings were not reported. We found that LIFT3’s Executive Director signed a MOU with the Solano County Black Infant Health and the Solano County Office of Family Violence Prevention which was the lead agency for strategic planning for the Solano Family Justice Center. However, we found LIFT3 had already contracted with these agencies prior to the CLSSP award. Therefore, these goals were achieved prior to the awarding of the CLSSP grant.

There were 13 goals for the 2 Cal OES sub-grants provided to OVW by LIFT3 within their grant proposal abstract. However, for our report, the only applicable goal for testing was number 4:

*The project must provide staffed confidential emergency shelter services for domestic violence victims and their children/dependents.*

*Per Penal Code §13823.15(f)(15)(B) emergency shelter services for domestic violence victims and their children/dependents are defined as, “...safe and confidential emergency housing on a 24-hour basis for victims of domestic violence and their children, including but not limited to, hotel or motel arrangements, havens, and safe houses.”*

We confirmed that LIFT3 hired two employees: a Shelter Manager and a Shelter Advocate for the emergency shelter. Upon reviewing all relevant documentation provided by LIFT3 and after conducting our testing, we determined that LIFT3 was meeting its goal of providing an emergency shelter for victims and their children.

Overall, given LIFT3's gross mismanagement of federal funds, potential misappropriation of those funds, and the deficiencies mentioned above, we do not believe that LIFT3 overall furthered the goals and objectives of the grant programs that we audited.
CONCLUSION

We found LIFT3 to be in material noncompliance in all the areas we tested. Specifically, we found LIFT3’s accounting records were commingled. LIFT3’s Executive Director repeatedly lacked candor when answering the audit team’s questions. Its controls were lacking or nonexistent. Its accounting records were unauditble as they could not be traced to bank statements or sufficient supporting documentation. LIFT3’s Executive Director and family members used LIFT3’s bank accounts to fund the Executive Director’s personal bank account, family, and other businesses. Additionally, we found LIFT3’s programmatic reports to be inaccurate. Finally, LIFT3 did not use grant funds to further the established goals and objectives of the grants.

As a result of this OIG audit, an OIG investigation, and prosecution, LIFT3’s Executive Director was sentenced on April 11, 2019, to 6 months in prison and ordered to pay $71,423 in restitution for theft of public money and falsifying records in a federal investigation. Besides the grants we audited, LIFT3 received no other grants from the Department of Justice. As of July 2019, LIFT3 and its Executive Director remain suspended from contracting with any agency of the executive branch of the federal government and from directly or indirectly receiving the benefits of federal assistance programs, including receiving any grants; and they have been proposed for debarment. OVW has deobligated the remaining $237,135 in funds not drawn down by LIFT3. Given the conviction of LIFT3’s Executive Director, LIFT3’s current suspension and pending debarment, OVW’s deobligation of remaining award funds, and the fact that LIFT3 had ceased its operations, we did not make any recommendations or question any costs.
APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether costs claimed under grants 2011-WH-AX-0023, 2012-UW-AX-0005, DV11018661, and DV12028661 were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.

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

Unless otherwise specified, our audit covered, but was not limited to, activities that occurred between the start of grant DV11018661 on July 1, 2011, through the date of our fieldwork on November 18, 2014. This was an audit of OVW grant number 2011-WH-AX-0023 and 2012-UW-AX-0005, and the Cal OES sub-grants numbers DV11018661, and DV12028661. LIFT3 had drawn down a total of $329,865 in grant funds as of August 9, 2013. We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against are contained in the OVW Financial Grants Management Guide, award documents, Code of Federal Regulations, Office of Management and Budget Circulars, the Cal OES Recipient Guide, and the OJP Financial Guide.

In conducting our audit, we tested six Progress Reports and four award requirements. In this effort, we used judgmental sampling designed to obtain broad exposure to numerous facets of the grant we reviewed. Additionally, we evaluated the internal control environment, banking activity, and program performance and accomplishments. We did not test the reliability of the financial management system as a whole, nor did we place reliance on computerized data or systems in determining whether the transactions we tested were allowable, supported, and in accordance with applicable laws, regulations, and guidelines.

Given the seriousness of our findings and the potentially fraudulent actions we identified, we referred these matters to the OIG’s Investigations Division in March 2015, and in October 2016 we suspended our audit pending the results of the investigation and prosecutorial actions. Subsequently, the LIFT3 Executive Director was convicted, the OIG’s investigation was closed, and as of June 2019, debarment proceedings were pending; therefore, we were able to issue this report.
July 10, 2019

Michael E. Horowitz, Inspector General
Office of Inspector General
U.S. Department of Justice
950 Pennsylvania Avenue N.W. Suite 4706
Washington, D.C. 20530-0001

Dear Mr. Horowitz:

The California Governor’s Office of Emergency Services (CalOES) received the U.S. Department of Justice Office of the Inspector General (DOJ OIG) Transmittal Letter and Draft Audit Report (Report) via e-mail on June 26, 2019. The DOJ OIG conducted an audit of the Office on Violence Against Women (OVW) and CalOES’s awards to LIFT3 Support Group, Incorporated (Inc.), located in Fairfield, California. The Report comprises DOJ OIG’s audit results.

DOJ OIG’s Report did not identify any findings for CalOES. CalOES appreciates the opportunity to review the DOJ OIG’s Report of the LIFT3 Support Group, Inc. audit.

If you have additional questions or concerns, please contact Ralph Zavala, CalOES Internal Audits Office Chief, at (916) 845-8437.

Sincerely,

GINA BUCCIERI-HARRINGTON
Assistant Director, Grants Management

cc:
Mark Ghilarducci, Director
Timothy Perry, Chief of Staff
Grace Koch, Chief Deputy Director
Tabitha Stout, Assistant Deputy Director, Finance and Administration
Leigh Bills, Chief, Victim Services Branch
Ralph Zavala, Chief, Internal Audits Office
APPENDIX 3

OFFICE OF JUSTICE PROGRAMS’ RESPONSE TO THE DRAFT AUDIT REPORT

MEMORANDUM TO:    |    David J. Gaschke
                   |    Regional Audit Manager
                   |    Atlanta Regional Audit Office
                   |    Office of the Inspector General

FROM:               |    Ralph E. Martin
                   |    Director

SUBJECT:            |    Response to the Draft Audit Report, Audit of the Office on Violence Against Women and California Governor’s Office of Emergency Services Awards to the LIFT3 Support Group, Incorporated, Fairfield, California

This memorandum is in response to your correspondence, dated June 26, 2019, transmitting the subject draft audit report for the California Governor’s Office of Emergency Services. The draft audit report does not contain any recommendations directed towards the Office of Justice Programs (OJP). OJP has reviewed the draft audit report and does not have any comments.

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:    Katharine T. Sullivan
       Principal Deputy Assistant Attorney General

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

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

       Jeffery A. Haley
       Deputy Director, Audit and Review Division
       Office of Audit, Assessment and Management
cc: Darlene L. Hutchinson
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   Office for Victims of Crime

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   Principal Deputy Director
   Office for Victims of Crime

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   Deputy Director
   Office for Victims of Crime

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

Louise Duhamel
Acting Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number 120190626155635
MEMORANDUM

TO: David J. Gaschke
Regional Audit Manager

FROM: Nadine M. Neufville
Deputy Director, Grants Development and Management

Donna Simmons
Associate Director, Grants Financial Management Unit

SUBJECT: Draft Audit Report – Audit of the Office on Violence Against Women and California Governor’s Office of Emergency Services Awards to the LIFT3 Support Group, Incorporated, Fairfield, California

This memorandum is in response to your correspondence dated June 26, 2019 transmitting the above draft audit report for LIFT3 Support Group, Incorporated.

The report contains no recommendations. We confirm receipt of the draft report and have no comments.

We appreciate the opportunity to review and comment on the draft report. If you have any questions or require additional information, please contact Rodney Samuels at (202) 514-9820.

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

Rodney Samuels
OVW Audit Liaison
MEMORANDUM
SUBJECT: Draft Audit Report – Audit of the Office on Violence Against Women and California Governor’s Office of Emergency Services Awards to the LIFT3 Support Group, Incorporated, Fairfield, California

Myrta Charles
OVW Program Manager

Paule Tessier
OVW Program Manager
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