

## **Transcript: "Podcast: Audit of the Department of Justice Grant Award Closeout Process," March 2018**

Stephanie Logan (SL): Welcome to the latest podcast from the Department of Justice Office of the Inspector General. My name is Stephanie Logan and I'm a Public Affairs Specialist in our office.

Today, we released a report on the Department of Justice's grant closeout process. This audit was conducted as a follow up to a 2006 audit, which found that over 80% of grants were closed late, and identified over \$700 million in total dollar-related findings.

Overall, today's report identifies significant progress by Department components in managing funds and closing grants in a timely manner. However, we did identify over \$28 million that was obligated to expired grants. We also found that data reported by grantees during the closeout process was not always accurate. In fact, we identified over \$760 thousand in reimbursements for expenditures that were not allowable under the terms of the grants.

To discuss these findings, I'll be speaking with Stacy Pilgram, a Program Analyst in our Audit Division. Stacy, thanks for joining me.

Stacy Pilgram (SP): Thanks for having me, Stephanie.

SL: Stacy, the Department awards billions of dollars in grants each year. What entities award these grants, and who receives them?

SP: Well, Stephanie, three Department components award the majority of grants: The Office of Justice Programs, the Office of Community Oriented Policing Services, and the Office on Violence Against Women. Each component makes awards to various grantees — so, non-profits, tribal organizations, police departments, universities — it's an extensive list.

SL: When a grant is awarded, I understand that money is "obligated" for that grant. Can you elaborate on what it means to obligate funds?

SP: Sure. When a grant is awarded, the funds are made available to the recipient — this is referred to as an obligation — the funds are put in an account that the recipient can access over the course of the grant period. When the grant ends, if the funds were not used by the recipient, the awarding agency can recover those funds through what is called a deobligation. And that's why the closeout process is so crucial. Even if the grant period has ended, until the Department has closed out a grant, any money that was obligated but not used can't be used for any other purpose.

SL: And how exactly does the closeout process work?

SP: After the grant period ends, the grantee reports total expenditures as well as its progress made towards achieving the grant's goals. The component that

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awarded the grant reviews those reports, reconciles funds, completes other administrative matters, and closes the awards.

SL: In our 2006 audit, we found that over 80% of awards were closed late. What does today's report show?

SP: We identified significant improvement in closeout timeliness across the board. Specifically, we found that most grants were closed within the allowable 180 days. Those that weren't made up only 13% of Office of Justice Programs grants, 19% of COPS grants, and 42% of grants made by the Office on Violence Against Women. Even though there is still room for improvement, I want to emphasize that this is significant progress, particularly when compared to our 2006 results.

SL: That's right — and also in 2006, we identified \$164 million in funding that was obligated to expired grants. The \$28 million identified in today's report is quite an improvement. But it's still a significant amount. So, what has the Department done to address these outstanding obligations?

SP: The granting components have already remedied \$18 million of the \$28 million we identified. In some cases, funds were deobligated. In other cases, the components determined that funds were due to the grantees, and final payments were made. Either way, those remedied funds are no longer attached to dormant accounts — they've been put to better use.

SL: Today's report also identified over \$760 thousand in expenditures made by grantees that were actually unallowable. What's the significance of this?

SP: Well, we reviewed accounting records from 118 grantees, and compared those records to the approved grant budgets. We found unallowable spending made in 34 of the 118 grants we looked at. And let me give you some examples. Collectively among the grantees, \$8,000 was used to pay for the travel of dependent children; \$3,000 was used to pay rent at a facility owned by the grantee; and over \$61,000 was spent either before or after the actual grant period, which is impermissible.

We also found that one grantee spent over \$19,000 on a trip to Hawaii. That certainly caught our eye, and we asked the recipient for additional details. The approved budget did include funds for eight youths and two chaperones for two separate trips. But the money was actually used to bring only six youths and five adult chaperones on the trip to Hawaii, which we thought was a rather high youth to chaperone ratio.

SL: All of the findings and questioned costs in this report were shared with the Department of Justice. So what steps can the Department take in order to address these issues?

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SP: Well, we'd like to see two things from the Department: first, deter unallowable spending, and second, enhance the current closeout review process.

To the first point, we recommended that the granting components include a notification in future grants disclosing that, going forward, grant accounting records are subject to review during and after the closeout period. We believe that if grantees *know* that actual expenditures may be scrutinized, it will serve as a deterrent against unallowable spending.

SL: And what did you recommend to enhance the current closeout review process?

SP: We recognize that the Department can't audit every grant — thousands end every year. So, we recommended that the granting agencies develop a risk-based approach in order to conduct enhanced reviews for a portion of grants that are closed each year. This type of review can identify and lead to the recovery of funds that have been used inappropriately.

SL: That sounds like an innovative step for the Department.

SP: Absolutely. Accountability is important, especially when dealing with taxpayer funds.

SL: That's certainly true. Providing effective fiscal stewardship is a challenge throughout the government, and there is always room for improvement. But it sounds like the Department has agreed to take some important steps here. Stacy, thanks so much for speaking with me today.

SP: Thanks for having me.

SL: That's it for today. To read the report, please visit our website, [oig.justice.gov](http://oig.justice.gov), or you can read it on [oversight.gov](http://oversight.gov). Also, you can follow us on Twitter @JusticeOIG. Thanks for joining us.