



Audit of the Office of Justice Programs Victim
Compensation Grants Awarded to the Kentucky
Office of Claims and Appeals,
Frankfort, Kentucky



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EXECUTIVE SUMMARY

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Objectives

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

Results in Brief

As a result of our audit, we concluded that the Kentucky OCA utilized the audited Victims of Crime Act (VOCA) funding to enhance its victim compensation program. However, at the start of our audit, the Kentucky OCA did not have adequate policies and procedures for its grant management activities. In the latter part of our audit fieldwork, the Kentucky OCA provided us a new policy document addressing some of our policy-related concerns. In addition, although we determined that grant expenditures were generally allowable and supported by adequate documentation, we identified \$13,003 in unsupported costs related to two approved claims lacking sufficient supporting documentation. We also identified errors in the Kentucky OCA's submitted state certification forms as well as its financial and performance reports.

Recommendations

Our report contains six recommendations to the Office of Justice Programs to assist the Kentucky OCA in improving its grant management and administration and to remedy questioned costs. We requested a response to our draft audit report from OJP and the Kentucky OCA, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is included in Appendix 5.

Audit Results

The U.S. Department of Justice Office of the Inspector General completed an audit of three VOCA victim compensation formula grants awarded by the Office of Justice Programs' Office for Victims of Crime (OVC) to the Kentucky OCA in Frankfort, Kentucky. The OVC awarded these formula grants, totaling \$473,000 from fiscal years 2016 to 2018 from the Crime Victims Fund, to provide financial support through the payment of compensation benefits to crime victims in Kentucky. As of April 2021, the Kentucky OCA had drawn down a cumulative amount of \$471,139 for the grants we reviewed.

Planning and Execution

Kentucky OCA implemented its victim compensation program to enhance state victim compensation payments to eligible crime victims. However, we identified errors in its submitted state certification forms and, although the Kentucky OCA enhanced its policies and procedures during the audit, improvement is still needed related to the completion of state certifications.

Program Requirements and Performance Reporting

We identified errors in information the Kentucky OCA provided in its performance reports. We also found that Kentucky OCA did not comply with one of two tested special conditions governing the audited awards.

Grant Financial Management

We determined that grant expenditures were generally allowable and supported by adequate documentation. However, we identified two victim compensation claims totaling \$13,003 that were not supported. We also identified issues with financial reports that the Kentucky OCA submitted, as well as the procedures the Kentucky OCA used for compiling the reports.

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Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three victim compensation formula grants awarded by the Office of Justice Programs' (OJP), Office for Victims of Crime (OVC) to the Kentucky Office of Claims and Appeals (Kentucky OCA) in Frankfort, Kentucky. The OVC awards victim compensation grants annually from the Crime Victims Fund (CVF) to state administering agencies. As shown in Table 1, from fiscal years (FY) 2016 to 2018, these OVC grants totaled \$473,000.¹

Table 1

**Audited Grants
Fiscal Years 2016 – 2018**

Award Number	Award Date	Award Period Start Date	Award Period End Date	Award Amount
2016-VC-GX-0024	9/19/2016	10/1/2015	9/30/2019	\$ 160,000
2017-VC-GX-0028	9/28/2017	10/1/2016	9/30/2020	174,000
2018-V1-GX-0068	8/9/2018	10/1/2017	9/30/2021	139,000
Total:				\$ 473,000

Note: Under the audited awards, grant funds are available for the fiscal year of the award plus 3 additional fiscal years.

Source: OJP

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

The primary purpose of the victim compensation grant program is to compensate victims and survivors of criminal violence for: (1) medical expenses attributable to a physical injury resulting from a compensable crime, including expenses for mental health counseling and care; (2) loss of wages attributable to a physical injury resulting from a compensable crime; and (3) funeral expenses attributable to a death resulting from a compensable crime.³

¹ At the start of our audit, the Kentucky OCA had not yet used funds from its FY 2019 and FY 2020 grants; therefore, we did not audit the Kentucky OCA's administration of these awards.

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

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

The Grantee

The Kentucky OCA is an agency within the Kentucky Public Protection Cabinet (PPC). As the Kentucky state administering agency, the Kentucky OCA is responsible for administering the Commonwealth's VOCA victim compensation program. The Crime Victim Compensation Board, which is a component of the Kentucky OCA, decides compensation claims from victims of violent crime who have no other resources to pay for the medical, funeral, mental health counseling, and dental or corrective lens expenses resulting from the crime. Assistance can also include lost wages of the victim or loss of support for someone dependent on the victim. The Crime Victim Compensation Board consists of three members, all of whom are appointed by the Governor with the consent of the Kentucky Senate. According to the Board, its goal is to provide not only the above-mentioned assistance, but also to show empathy to crime victims during a particularly traumatic time. In addition to its responsibility to adjudicate crime victims' compensation claims, the Kentucky OCA hears and decides appeals on tax assessments and hears and decides negligence claims held against any Kentucky state agency.

OIG Audit Approach

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

We tested compliance with what we considered the most important conditions of the grants. Unless otherwise stated in our report, we applied the authorizing VOCA legislation, the VOCA compensation program guidelines (VOCA Guidelines), and the DOJ Grants Financial Guide as our primary criteria. We also reviewed the Kentucky Revised Statute, which is the legal statute pertaining to the Commonwealth of Kentucky's compensation program, as well as Kentucky OCA-specific policies and procedures. Finally, we interviewed Kentucky OCA personnel to determine how they administered the VOCA funds, and we obtained and reviewed Kentucky OCA records reflecting grant activity.⁴

⁴ Appendix 1 contains additional information on the audit's objective, scope, and methodology, as well as further detail on the criteria we applied for our audit. Appendix 2 presents a schedule of our dollar-related findings.

Audit Results

Grant Program Planning and Execution

The main purpose of the VOCA victim compensation grants is to enhance state victim compensation payments to eligible crime victims. As part of our audit, we assessed the Kentucky OCA's overall process for making victim compensation payments. We assessed the Kentucky OCA's policies and procedures for providing compensation payments to victims, as well as the accuracy of the state certification forms.

Overall, we determined that the Kentucky OCA implemented its victim compensation program to enhance state victim compensation payments to eligible crime victims. However, we identified issues with the Kentucky OCA's program implementation relating to its policies and procedures for processing compensation claims and completing state certifications.

Program Implementation

State administering agencies receive VOCA victim compensation grants to compensate victims directly for expenses incurred from criminal victimization. As the state administering agency for Kentucky, the Kentucky OCA is responsible for the victim compensation program, including meeting all financial and programmatic requirements. In assessing the Kentucky OCA's implementation of its victim compensation program, we analyzed policies and procedures governing the intake and review process for individual compensation claims, as well as what efforts the Kentucky OCA had made to bring awareness to victims eligible for compensation program benefits.

During our audit fieldwork, we found that the Kentucky OCA did not have documented policies and procedures governing its intake and review process for individual compensation claims. We reviewed the Kentucky PPC's Crime Victim Compensation Fund Management Procedures, which were developed to provide guidance to Kentucky PPC staff on victim compensation financial and programmatic matters, but we found that these procedures did not address the processes carried out by the programmatic staff. Rather, these procedures described financial elements of Kentucky's victim compensation program, such as processing claim payments through the financial system and the submission of state certifications. While the Kentucky OCA staff was able to describe in interviews the procedures for the intake and review of claims, this process was undocumented. When we met with Kentucky OCA officials during the audit, we told them that we considered this lack of policies and procedures governing the processing of individual victim compensation claims to be an audit finding.

In the latter part of our audit fieldwork, the Kentucky OCA provided us its new Crime Victims Compensation Board Policies and Procedures Manual, which consisted of policies and procedures the Kentucky OCA developed for its victim compensation program. We reviewed the manual and determined that the new policies and procedures were adequate to help ensure proper intake and review of individual victim compensation claims. Therefore, we do not make a recommendation related to this matter.

We also assessed efforts the Kentucky OCA had made to bring awareness to victims eligible for compensation program benefits, and we found that in order to enhance its state program and bring public awareness of available victim compensation benefits, the Kentucky OCA has instituted outreach efforts.

This included training for victim advocates, law enforcement, and medical service providers. The Kentucky OCA has a dedicated staff member that oversees outreach efforts to allied professionals, such as law enforcement, prosecutors, and victim advocates, as well as a brochure on its website that identifies allowable expenses and claimant eligibility.

Annual State Certification

State administering agencies must submit an annual Crime Victim Compensation State Certification Form, which provides the OVC the necessary information to determine grant award amounts. The certification form must include all sources of revenue to the crime victim compensation program during the federal fiscal year, as well as the total of all compensation claims paid out to, or on behalf of, victims from all funding sources. For most of our audit scope, the OVC allocated VOCA victim compensation formula grant funds to each state by calculating 60 percent of the eligible compensation claims paid out to victims during the fiscal year 2 years prior.⁵ The accuracy of the information provided in the certification form is critical to OJP's correct calculation of the victim compensation award amounts granted to each state.

We assessed the Kentucky OCA's controls for preparing the annual certification forms submitted to the OVC for FYs 2017 through 2019, which were used to calculate the award amounts granted in FYs 2019 through 2021.⁶ We examined the annual certification forms, including the financial support for the payouts, refunds, and restitution recoveries and recovery costs. Specifically, we compared the payment information in the state's certification forms for FYs 2017 through 2019 with the underlying accounting records to determine if any discrepancies existed.

We determined that the Kentucky OCA's controls did not ensure that it correctly calculated the amounts reported on its annual certification forms. We found errors in the reported amounts for refunds and recovery costs, which resulted in the Kentucky OCA being awarded \$10,265 less than it should have been awarded in its FY 2019 award and \$1,435 less than it should have been awarded in its FY 2020 award.

We communicated with the Kentucky OCA staff currently involved with compiling and submitting state certifications, and we determined that the errors in the reported refund amounts were the result of using accounting data that included deposits into the Kentucky State Treasury not associated with refunds. The inclusion of these deposits not associated with refunds impacted the FY 2017 and FY 2018 certifications. The Kentucky OCA staff member with whom we communicated was uncertain why the accounting records did not match the recovery cost amount submitted on the 2018 certification. Current Kentucky OCA personnel with whom we spoke said that they were not involved in compiling the FY 2017 state certification, but they were involved in compiling the FY 2018 certification. They also explained that while they completed

⁵ For the awards we audited, the eligible payout amount for award consideration was determined after deducting payments made with VOCA funds, subrogation and restitution recoveries, refunds, amounts awarded for property loss, and other reimbursements. In July 2021, certain program-wide changes were implemented, and the allocation increased from 60 percent to 75 percent in July 2021. Additionally, for the purposes of calculating amounts awarded, eligible crime victim compensation programs are no longer required to deduct recovery costs or collections from restitution or from subrogation for payment under a civil lawsuit.

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

the FY 2018 certification using informal procedures, as well as a template created by a prior Kentucky OCA employee, they are currently updating their procedures for compiling the state certifications. We recommend OJP require the Kentucky OCA to finalize its development and implementation of procedures for accurately completing its Crime Victim Compensation State Certification Forms.

Program Requirements and Performance Reporting

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

Based on our overall assessment in the areas of program requirements and performance reporting, we believe that the Kentucky OCA: (1) did not implement adequate procedures to compile annual performance reports, and (2) did not comply with one of the two special conditions we tested.

Annual Performance Reports

Each state administering agency must annually report to the OVC on activity funded by any VOCA awards active during the federal fiscal year. The reports are submitted through OJP's grant management system, JustGrants.⁷ The OVC also requires states to submit quarterly performance data through the web-based Performance Measurement Tool (PMT). After the end of the fiscal year, the state administering agency is required to produce the Annual State Performance Report and submit the report to OJP.

For the victim compensation grants, the states must report the number of victims for whom an application was made; the number of victims whose victimization is the basis for the application; victim demographics; the number of applications that were received, approved, denied, and closed; and total compensation paid by service type.

The Kentucky OCA made victim compensation claim payments with FY 2016 and FY 2017 grant funds in FY 2019; these payments would have been reported on the FY 2019 annual performance report. We therefore initially sought to review the Kentucky OCA's FY 2019 annual performance report, submitted to the OVC, to determine if it fairly reflected the performance figures of the victim compensation program. However, the Kentucky OCA said that with regard to the information used to compile the FY 2019 annual performance report, the Commonwealth government administration changed in December 2019 and thus some of the staff involved in compiling the report were no longer with the Kentucky OCA. Kentucky OCA officials also told us that they do not have access to all of the data used by these former employees to complete the FY 2019 report. Thus, because the Kentucky OCA did not have access to its FY 2019 performance data, we could not assess whether the performance metrics from the FY 2019 annual performance reports reflected the performance figures of its program. The DOJ Grants Financial Guide states that all financial records, supporting documents, statistical records, and all other records pertinent to

⁷ Prior to October 2020, OJP used Grants Management System (GMS) as its grant management system.

the award be retained for a period of 3 years from the date of submission of the final expenditure report.⁸ The final expenditure report for the FY 2016 grant was submitted in October 2019, and the final expenditure report for the FY 2017 grant was submitted in December 2020. The Kentucky OCA failed to retain statistical records relating to these grants for the required 3 years after the final expenditure reports were submitted.

We reviewed the new Crime Victims Compensation Board Policies and Procedures Manual, which was provided to us during latter part of our audit, to determine if it contained guidance for record retention. We found that while the manual identifies a records custodian, the policies and procedures lack specificity to ensure performance data records are kept in accordance with the DOJ Grants Financial Guide. We therefore recommend that OJP require the Kentucky OCA to develop and implement policies and procedures that ensure it retains grant-related records in accordance with the DOJ Grants Financial Guide.

Due to the lack of access to the data used to compile the FY 2019 annual performance report, we requested and received the data used to compile the FY 2020 annual performance report. We selected a sample of performance metrics from the FY 2020 annual performance report that included the number of victims for whom an application was made; the number of victims whose victimization is the basis for the application; various victim demographics; the number of applications that were received, approved, denied, and closed; and the total compensation paid by service type. For all performance metrics tested, we found differences between the 2020 annual performance report submitted to the OVC and the data that the Kentucky OCA provided to us, as shown in Table 2.

Table 2

**Summary from the Kentucky OCA
Victim Compensation Program Annual Performance Report
FY 2020**

Performance Categories	Reported	Supporting Documentation	Difference
Number of people for whom an application was made for victim compensation benefits during the reporting period.	1,043	1,083	40
Number of applications approved during the reporting period.	360	926	566
Number of new applications received during the reporting period.	738	215	523
Number of applications denied/closed. (i.e., applications that were not approved) during the reporting period.	377	343	34
Total Compensation Paid by Service Type	\$841,186	\$902,261	\$61,075

Source: OIG analysis of OJP and Kentucky OCA programmatic records.

⁸ Recipients must report on each financial report the actual expenditures and unliquidated obligations incurred for the reporting period, as well as cumulative expenditures. We further discuss these reports later in the report.

Kentucky OCA officials acknowledged that there would be discrepancies between the data they provided to us and what they submitted to OVC. They noted that these differences are the result of the time difference between when the information is submitted to OVC and when the information is entered in their database. They also noted that discrepancies could be partially due to data compatibility issues between the Kentucky OCA's current database and its legacy data management system.⁹

As shown in Table 2, we identified notable differences between the supporting documentation and what was submitted to OVC for the number of applications approved during the reporting period and the number of new applications received during the reporting period. We found that the written policies and procedures that were in place during the scope of our audit did not address performance reporting. However, when we reviewed the new Crime Victims Compensation Board Policies and Procedures Manual that was developed and implemented during our audit, we found that it contained procedures that describe the process for generating reports used for compiling performance reports. The procedures also assign a staff member the duty of maintaining the database and state that the staff member will ensure any discrepancies in the data are corrected prior to the submission of performance reports. Therefore, we do not make a recommendation related to this matter.

Compliance with Special Conditions

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

We judgmentally selected two special conditions to review in greater detail. We reviewed the requirement that at least one key grantee official attend the annual VOCA National Training Conference, and we reviewed the requirement that the awards' points of contact complete the OJP Financial and Grant Administration Training. We reviewed the Kentucky OCA's actions related to these two special conditions and found that the Kentucky OCA complied with the requirement that at least one key grantee official attend the annual VOCA National Training Conference. However, we found that the Kentucky OCA did not comply with the requirement that the awards' points of contact complete OJP's Financial and Grant Administration Training.

When we asked the Kentucky OCA's points of contact about this, they told us that upon taking on their roles as points of contact, they were not aware of the requirement to take OJP's Financial and Grant Administration Training. We found that the Crime Victim Compensation Fund Management Procedures that were in place prior to our audit did not address award special conditions. Moreover, when we reviewed the new Crime Victims Compensation Board Policies and Procedures Manual, we found that it also did not address award special conditions. We therefore recommend that OJP require the Kentucky OCA to develop and implement policies and procedures to monitor compliance with award conditions.¹⁰ It should be noted

⁹ The current database was implemented in November 2019.

¹⁰ Following the migration from Grants Management System (GMS) to JustGrants as OJP's grant management system, "special conditions" are now referred to as "award conditions."

that the Kentucky OCA points of contact completed the required training during our audit and were then in compliance with the special condition.

Grant Financial Management

Award recipients must establish an adequate accounting system and maintain financial records that accurately account for awarded funds. To assess the adequacy of the Kentucky OCA's financial management of the VOCA victim compensation grants, we reviewed the process the Kentucky OCA used to administer these funds by examining expenditures charged to the grants, subsequent drawdown requests, and resulting financial reports. To further evaluate the Kentucky OCA's financial management of the VOCA victim compensation grants, we reviewed the most recently submitted single audit report for the Commonwealth of Kentucky, which was the 2019 Single Audit Report; this report did not include any significant deficiencies or material weaknesses specifically related to the Kentucky OCA. We also interviewed the Kentucky OCA personnel who were responsible for financial aspects of the grants, reviewed the Kentucky OCA written policies and procedures, inspected award documents, and reviewed financial records.

As discussed below, in our overall assessment of grant financial management, we determined that grant expenditures were generally allowable, supported by adequate documentation, and approved in accordance with Commonwealth policies and VOCA Guidelines. However, we found two victim compensation claims to be unsupported. We also identified issues with financial reports that the Kentucky OCA submitted, as well as the procedures the Kentucky OCA used for compiling the reports.

Grant Expenditures

State administering agency VOCA compensation expenses fall into two overarching categories: (1) compensation claim payments – which constitute the vast majority of total expenses, and (2) administrative expenses—which are allowed to total up to 5 percent of each award. However, the Kentucky OCA did not charge any administrative expenses to the grant during our review period. To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of compensation payment transactions by reviewing accounting records and verifying support for select transactions.

Victim Compensation Claim Expenditures

Victims of crime in the Commonwealth of Kentucky submit claims for reimbursement of expenses incurred as a result of victimization, such as medical and funeral costs or loss of wages. The Kentucky OCA adjudicates these claims for eligibility and to make payments from the VOCA victim compensation grants and Commonwealth funding.

To evaluate the Kentucky OCA's financial controls over VOCA victim compensation grant expenditures, we reviewed victim compensation claims to determine whether the payments were accurate, allowable, timely, and in accordance with the policies of the VOCA Guidelines and the Kentucky Administrative Regulations and the Kentucky Revised Statute. We judgmentally selected 45 approved claims totaling \$233,912, which amounted to 58 percent of the total amount paid to victims during our review period. The transactions we reviewed included costs in the following categories: medical, mental health, funeral, and economic support.

We also selected 10 denied claims, 7 administrative appeals, and 3 judicial appeals, which we found to be supported and processed in accordance with the policies of the VOCA Guidelines, the Kentucky Administrative Regulations, and the Kentucky Revised Statute. We found that that the expenditures were generally allowable, supported by adequate documentation, and approved in accordance with Commonwealth policies and VOCA Guidelines. However, we found two claims to be unsupported.

The first approved claim we found to be unsupported was for ongoing medical treatment paid in 2018 in the amount of \$9,503; this claim was paid with FY 2016 grant funds. Although we could not determine from the documentation provided when the actual crime that precipitated this claim occurred, according to internal correspondence we were provided, the original claim file had likely been archived in 2003. We reviewed the claim file and found that it had been approved without the information needed to independently verify the victimization. Specifically, the file lacked documentation, such as police reports or other forms of evidence that the Kentucky OCA normally uses to confirm the details of the crime, any indication of cooperation with authorities, and any information regarding the prompt reporting of the alleged crime. The correspondence also showed that in 2017 when the claim was being reviewed, the claim investigator made efforts to locate the original claim file but was unable to locate it. However, the claim was ultimately processed and paid.

The second claim in question was an award for funeral expenses amounting to \$3,500. Documentation for this claim could not be found in the Kentucky OCA's archives. Instead, the Kentucky OCA reconstructed a file with available documentation. The documents the Kentucky OCA was able to provide to us provided adequate information to determine proof of victimization. However, we were unable to verify the expenses relating to the claim because the file lacked adequate supporting documentation, such as invoices. As a result, we could not verify the expenses incurred. This claim was paid with 2016 award funds, and the final expenditure report for the 2016 grant was submitted in October 2019. The DOJ Grants Financial Guide states all financial records, supporting documents, statistical records, and all other records pertinent to the award be retained for a period of 3 years from the date of submission of the final expenditure report. Thus, similar to what we found when we reviewed the auditee's performance reports, the Kentucky OCA failed to retain for the required timeframe documents supporting this claim.

Overall, based on our review of the claims in our sample, we recommend that OJP remedy the \$13,003 in unsupported costs related to two approved claims lacking sufficient supporting documentation. As mentioned earlier in this report, we reviewed the Crime Victims Compensation Board Policies and Procedures Manual. We found that while these policies and procedures identify a records custodian, the policies and procedures lack details to help ensure victim compensation payment records are kept in accordance with the DOJ Grants Financial Guide. Previously in this report, we recommended that OJP require the Kentucky OCA to develop and implement policies and procedures that ensure it retains records grant-related documents and information in accordance with the DOJ Grants Financial Guide.

We also reviewed the amount of time it takes for the Kentucky OCA to process a claim by comparing the dates the applications were filed to the dates on the checks. We found that of the 15 claims paid with the 2016 award funds, 13 took more than a year to be processed. According to Kentucky OCA officials, in late 2016 the agency instituted an initiative to address a growing backlog of claims dating from 2013 through 2016. Kentucky OCA officials attributed this backlog to declining available funds, which prevented them from being able to pay claims in full. The Kentucky OCA's backlog reduction project included negotiating with service providers in an effort to reduce the amount owed by victims. The Kentucky OCA also began exercising an existing Kentucky Revised Statute that gave the Kentucky OCA the authority to pay 70 percent

of the eligible award amount, rather than the entire claim amount, when insufficient funds are available. According to the Kentucky OCA, through those efforts, it was able to eliminate the backlog in approximately March 2018.

We also reviewed the claim processing time for 30 claims paid with the 2017 and 2018 award funds. We found that while the Kentucky OCA generally was able to reduce the average amount of time it took to process claims, we still identified 8 claims among the 30 reviewed that took more than a year to process.

As mentioned earlier in the report, we found that the Kentucky OCA did not have documented policies and procedures governing the intake and review process for individual compensation claims, and this included appropriate policies to encourage timely claims processing. As previously noted, in the latter part of our audit, the Kentucky OCA provided us its new Crime Victims Compensation Board Policies and Procedures Manual, which contains new policies and procedures for its victim compensation program. We found that the manual provides guidance for the clerk to perform an initial review of a claim and to determine what additional information is needed from the claimant. It then stipulates that the clerk will instruct the claimant to submit the additional information within 30 days. We also found that the manual addresses the tracking of processing time statistics and provides guidance for the submission of monthly reports to the Executive Director and Staff Attorney that identify the number of claims completed each month. We believe this guidance for obtaining information from claimants in a timely manner, as well as the new monthly reporting of performance measures, will encourage more timely claims processing. Therefore, we make no recommendation in this area.

Drawdowns

Award recipients should request funds based upon immediate disbursement or reimbursement needs, and the grantee should time drawdown requests to ensure that the federal cash on hand is the minimum needed for reimbursements or disbursements made immediately or within 10 days. To assess whether the Kentucky OCA managed grant receipts in accordance with these federal requirements, we compared the total amount reimbursed to the total expenditures in the Kentucky OCA's accounting system and accompanying financial records.

For the VOCA victim compensation awards we reviewed, we found that the Kentucky OCA accurately calculated its drawdown funding requests, based on the expenditures recorded in the Kentucky OCA's accounting system, to reimburse the Commonwealth for compensation claims paid on behalf of the victim. We also found that the Kentucky OCA does have controls in place for conducting drawdowns, such as documented procedures and verifications of drawdown amounts using accounting reports. Table 3 shows the total amount drawn down for each grant as of April 2021.

Table 3

Amount Drawn Down for Each Grant as of 4/1/2021

Award Number	Total Award	Award Period End Date	Amount Drawn Down	Amount Remaining
2016-VC-GX-0024	\$160,000	9/30/2019	\$158,139	\$0 ^a
2017-VC-GX-0028	\$174,000	9/30/2020	\$174,000	\$0
2018-V1-GX-0068	\$139,000	9/30/2021	\$94,052	\$44,948
Total:	\$473,000		\$426,191	\$44,948

^a This reflects OJP's de-obligation of \$1,861 in unused funds from the 2016-VC-GX-0024 award.

Source: OJP

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

Financial Reporting

According to the DOJ Grants Financial Guide, recipients shall include on each financial report the actual expenditures and unliquidated obligations incurred for the reporting period, as well as cumulative expenditures. To determine whether the Kentucky OCA submitted accurate financial reports, we compared a sample of reports to the Kentucky OCA's accounting records for the 2016, 2017, and 2018 grants.

We determined that cumulative expenditures reported for the 2016 and 2017 grants matched the accounting records at the end of the award. However, we were unable to reconcile reported expenditures to the accounting records for certain quarterly periods for all the grants reviewed. This occurred because the Kentucky OCA reported its cumulative drawdown amounts rather than its actual expenditures, as required. We reviewed the Kentucky OCA's procedures for gathering the information used to compile the reports and found that the procedures stipulate the use of drawdown figures rather than actual expenditure amounts during a given period. We recommend that OJP work with the Kentucky OCA to assess the accuracy of the financial reports related for the 2016, 2017, and 2018 grants, and, if appropriate, require the Kentucky OCA to submit corrected financial reports for those that were previously misstated. We further recommend that OJP require the Kentucky OCA to develop and implement procedures for financial reporting that ensure the Kentucky OCA reports actual expenditures rather than drawdowns.

Conclusion and Recommendations

Overall, we determined that the Kentucky OCA implemented its victim compensation program to enhance state victim compensation payments to eligible crime victims. However, the Kentucky OCA did not comply with one of two tested special conditions. We also identified errors in the Kentucky OCA's state certification forms submitted for FY 2017 and 2018, its FY 2020 annual performance reports, and the federal financial reports we reviewed for all of the audited grants. Moreover, at the start of our audit, the Kentucky OCA did not have adequate policies and procedures for its grant management activities. After being briefed on our preliminary findings, the Kentucky OCA provided us a new policy document. While these new policies and procedures addressed the majority of our policy-related concerns, the Kentucky OCA's policies and procedures still need improvement for the completion of state certifications, record retention, compliance with special conditions, and financial reporting. Additionally, in our overall assessment of grant financial management, we determined that grant expenditures were generally allowable, supported by adequate documentation, and approved in accordance with Commonwealth policies and VOCA Guidelines. However, we found two victim compensation claims totaling \$13,003 to be unsupported. We provide 6 recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Require the Kentucky OCA to develop and implement procedures for accurately completing its Crime Victim Compensation State Certification Forms.
2. Require the Kentucky OCA to develop and implement policies and procedures that ensure it retains grant-related records in accordance with the DOJ Grants Financial Guide.
3. Require the Kentucky OCA to develop and implement policies and procedures to monitor compliance with award conditions.
4. Remedy the \$13,003 in unsupported costs related to two approved claims paid with FY 2016 grant funds that lacked sufficient supporting documentation.
5. Work with the Kentucky OCA to assess the accuracy of the financial reports related to the 2016, 2017, and 2018 grants, and, if appropriate, require the Kentucky OCA to submit corrected financial reports for those that were previously misstated.
6. Require the Kentucky OCA to develop and implement policies and procedures for financial reporting that ensure the Kentucky OCA reports actual expenditures rather than drawdowns.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

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

Scope and Methodology

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

This was an audit of Victims of Crime Act (VOCA) victim compensation formula grants 2016-VC-GX-0024, 2017-VC-GX-0028, and 2018-V1-GX-0068 from the Crime Victims Fund (CVF) awarded to the Kentucky OCA. The Office of Justice Programs' (OJP), Office for Victims of Crime awarded these grants totaling \$473,000 to the Kentucky OCA, which serves as the state administering agency. Our audit concentrated on, but was not limited to, the period of October 1, 2015, the project start date for VOCA compensation grant number 2016-VC-GX-0024, through September 2021. As of April 1, 2021, the Kentucky OCA had drawn down a total of \$471,139 from the three audited grants. As a result of the COVID-19 pandemic, we performed our audit fieldwork exclusively in a remote manner.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of the Kentucky OCA's activities related to the audited grants, which included conducting interviews with Commonwealth of Kentucky financial staff, examining policies and procedures, and reviewing grant documentation and financial records. We performed sample-based audit testing for grant expenditures including victim compensation payments, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The authorizing VOCA legislation, the VOCA compensation program guidelines, the DOJ Grants Financial Guide, Commonwealth compensation criteria, and the award documents contain the primary criteria we applied during the audit.

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

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of the Kentucky OCA to provide assurance on its internal control structure as a whole. The Kentucky OCA management is responsible for the establishment and maintenance of internal controls in accordance with 2 C.F.R. §200. Because we do not express an opinion on the Kentucky OCA's internal control structure as a whole, we offer this statement solely for the information and use of the Kentucky OCA and OVC.¹¹

In planning and performing our audit, we identified underlying internal control principles as significant to the audit objective. Specifically, we reviewed the Kentucky OCA's design of control activities and information systems used to achieve objectives and respond to risks. We also reviewed the Kentucky OCA's implementation of control activities through policies, as well as their use of quality information to achieve the entity's objectives.

We assessed the design, implementation, and operating effectiveness of these internal controls and identified deficiencies that we believe could affect the Kentucky OCA's ability to operate its victim compensation program effectively and efficiently, to present pertinent financial and performance information accurately, and to ensure compliance with laws and regulations. The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

¹¹ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: Schedule of Dollar-Related Findings

Description	Grant No.	Amount	Page
Questioned Costs: ¹²			
Unsupported Claims	2016-VC-GX-0024	<u>\$13,003</u>	9
Unsupported Costs		\$13,003	
TOTAL DOLLAR-RELATED FINDINGS		<u>\$13,003</u>	

¹² **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, where appropriate.

APPENDIX 3: The Kentucky Office of Claims and Appeals Response to the Draft Audit Report¹³



Andy Beshear
Governor

**PUBLIC PROTECTION CABINET
OFFICE OF CLAIMS AND APPEALS**
500 Mero Street, 2SC1
Frankfort, KY 40601
Phone: (502) 782-8255
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<http://kycc.ky.gov/>

Ray Perry
Secretary

John Hardesty
Executive Director

October 28, 2021

VIA ELECTRONIC MAIL

Carol S. Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
500 W. Madison Street, Suite 1121
Chicago, Illinois 60661
Carol.S.Taraszka@usdoj.gov

RE: Kentucky Office of Claims and Appeals' Response to Draft Audit Report for Audit of Grant Nos. 2016-VC-GX-0024, 2017-VC-GX-0028, and 2018-V1-GX-0068

Dear Ms. Taraszka:

Please accept this letter as the Kentucky Office of Claims and Appeals' response to the Draft Audit Report received from the U.S. Department of Justice ("DOJ"), Office of the Inspector General ("OIG"), Chicago Regional Audit Office regarding OIG's audit of the Office of Justice Programs ("OJP") Victim Compensation Grants Awarded to the Kentucky Office of Claims and Appeals ("OCA") within the Kentucky Public Protection Cabinet ("PPC") in Frankfort, Kentucky. Specifically, the OIG audited Grant Numbers 2016-VC-GX-0024, 2017-VC-GX-0028, and 2018-V1-GX-0068. It issued six (6) recommendations to OJP to address deficiencies found during the audit regarding OCA's administration of the grants. The following are OCA's responses to each recommendation.

1. Require the Kentucky OCA to develop and implement procedures for accurately completing its Crime Victim Compensation State Certification Forms.

OCA Response: OCA concurs with Recommendation No. 1 to develop and implement procedures for completing the required annual Crime Victim Compensation State Certification Form. PPC/OCA has revised the *PPC Crime Victim Compensation Fund Management Procedures* manual (attached hereto as Attachment 1, Appendix A, pp. 234-241), whereby including the current specific instructions for completion of Parts I and II of the required



¹³ Attachments referenced in this response were not included in this final report.

certification form. Please note, however, the manual will be updated to include, when available, new instructions to reflect the changes brought about as a result of the “VOCA Fix to Sustain the Crime Victims Fund Act of 2021.” (See Attachment 1, Appendix A.)

2. Require the Kentucky OCA to develop and implement policies and procedures that ensure it retains grant-related records in accordance with the DOJ Grants Financial Guide.

OCA Response: OCA concurs with Recommendation No. 2 to develop and implement policies and procedures that ensure it retains grant-related records in accordance with the DOJ Grants Financial Guide. OCA currently is working with the Kentucky Department of Libraries and Archives (“KDLA”) to revise its records retention schedule. The amendments will ensure OCA retains all financial records, supporting documents, statistical records, and all other records pertinent to an award for a period of at least three (3) years from the date of submission of the final expenditure reports, in accordance with the retention requirements under the DOJ Grants Financial Guide. OCA and KDLA are in the process of finalizing the retention schedule language. We anticipate OCA’s records retention schedule will be on the agenda for approval at the December 2021 meeting of the State Libraries, Archives, and Records Commission. OCA included in its *Crime Victims Compensation Board Policies and Procedures Manual* a copy of OCA’s proposed records retention schedule for the Crime Victims Compensation Board and the relevant series from the General Schedule for State Agencies (Series F0111, Agency Grant Project File – Federal and State) that addresses retention of agency grant project files related to federal grants. (See *Crime Victims Compensation Board Policies and Procedures Manual*, attached hereto as Attachment 1, p. 165.) Further, OCA revised its *Crime Victims Compensation Board Policies and Procedures Manual* to specifically require the agency to retain records in accordance with OCA’s retention schedule, the General Schedule for State Agencies, and the record retention requirements from the DOJ Grants Financial Guide. (See Attachment 1, pp. 165-171.)

3. Require the Kentucky OCA to develop and implement policies and procedures to monitor compliance with award conditions.

OCA Response: OCA concurs with Recommendation No. 3 to develop and implement policies and procedures to monitor compliance with award conditions. OCA has updated the *Crime Victims Compensation Board Policies and Procedures Manual* to specifically identify all special award conditions and require compliance with them. (See Attachment 1, pp. 172-185.) Appropriate OCA and PPC personnel will institute internal controls and periodic monitoring to ensure timely compliance with the award conditions.

4. Remedy the \$13,003 in unsupported costs related to two approved claims paid with FY 2016 grant funds that lacked sufficient supporting documentation.



OCA Response: OCA concurs with Recommendation No. 4 to remedy the \$13,003 in unsupported costs related to two approved claims paid with FY 2016 grant funds that lacked sufficient supporting documentation. OCA will await guidance from OJP regarding remedying the \$13,003 in unsupported costs. While OCA concurs with this recommendation, it notes that it always requires claimants to submit sufficient documentation before the Crime Victims Compensation Board issues an award. OCA admits it was unable to locate the claim file documents supporting the original award in case CV-2003-00591. However, under the retention schedule OCA believes was in place during the relevant timeframes, documents comprising the original 2003 award claim file would have been eligible for destruction prior to OIG's request for them. Documents evidencing information obtained during the claim process for the 2018 additional award request were retained and provided to OIG. For the second claim reviewed by OIG, CV-2017-00153, OCA admits it was unable to locate the full claim file but notes it provided several documents related to the claim and supporting the award, including an investigative report, Recommended Findings of Fact, Conclusions of Law, and Order, a Final Order, and copies of the award check and cover letter.

5. Work with the Kentucky OCA to assess the accuracy of the financial reports to the 2016, 2017, and 2018 grants, and, if appropriate, require the Kentucky OCA to submit corrected financial reports for those that were previously misstated.

OCA Response: OCA concurs with Recommendation No. 5 to work with OJP to assess the accuracy of the financial reports to the 2016, 2017, and 2018 grants, and, if appropriate, require the Kentucky OCA to submit corrected financial reports for those that were previously misstated. PPC/OCA's corrective action plan for the inclusion of explicit instructions for completing the quarterly Federal Financial Report (FFR) (line "10e. Federal Share of Expenditures") based upon actual cumulative expenditures rather than cumulative drawdowns for the respective reporting period will ensure future accurate quarterly financial reporting. Please refer to the corrective action response in finding 6, below.

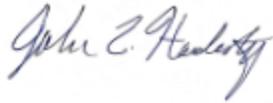
6. Require the Kentucky OCA to develop and implement policies and procedures for financial reporting that ensure the Kentucky OCA reports actual expenditures rather than drawdowns.

OCA Response: OCA concurs with Recommendation No. 6 to implement procedures to ensure the quarterly FFR reflects actual cumulative expenditures for the corresponding reporting period rather than based upon cumulative drawdowns. Accordingly, PPC/OCA has revised the *PPC Crime Victim Compensation Fund Management Procedures* manual to include explicit instructions for completing the quarterly FFR line "10e. Federal Share of Expenditures" based upon actual cumulative expenditures for the respective reporting period. (See Attachment 1, Appendix A, pp.198-213.)



If you have questions or would like to discuss OCA's response, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "John L. Hardesty". The signature is written in a cursive style with a large initial "J" and "H".

John L. Hardesty
Executive Director
Office of Claims and Appeals
Public Protection Cabinet

TEAM 
KENTUCKY

APPENDIX 4: The Office of Justice Programs Response to the Draft Audit Report



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

November 8, 2021

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

FROM: Ralph E. Martin *Ralph E. Martin*
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Victim Compensation Grants, Awarded to the Kentucky Office of Claims and Appeals, Frankfort, Kentucky*

This memorandum is in reference to your correspondence, dated October 7, 2021, transmitting the above-referenced draft audit report for the Kentucky Office of Claims and Appeals (Kentucky OCA). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains six recommendations and \$13,003 in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by OJP's response.

- 1. We recommend that OJP require the Kentucky OCA to develop and implement procedures for accurately completing its Crime Victim Compensation State Certification Forms.**

OJP agrees with the recommendation. We will coordinate with the Kentucky OCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it accurately completes the Crime Victim Compensation State Certification Forms.

- 2. We recommend that OJP require the Kentucky OCA to develop and implement policies and procedures that ensure it retains grant-related records in accordance with the DOJ Grants Financial Guide.**

OJP agrees with the recommendation. We will coordinate with the Kentucky OCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it retains grant-related records in accordance with the Department of Justice (DOJ) Grants Financial Guide.

- 3. We recommend that OJP require the Kentucky OCA to develop and implement policies and procedures to monitor compliance with award conditions.**

OJP agrees with the recommendation. We will coordinate with the Kentucky OCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it monitors compliance with award conditions.

- 4. We recommend that OJP remedy the \$13,003 in unsupported costs related to two approved claims paid with FY 2016 grant funds that lacked sufficient supporting documentation.**

OJP agrees with the recommendation. We will review the \$13,003 in unsupported questioned costs charged to Grant Number 2016-VC-GX-0024, and will work with the Kentucky OCA to remedy, as appropriate.

- 5. We recommend that OJP work with the Kentucky OCA to assess the accuracy of the financial reports related to the 2016, 2017, and 2018 grants, and, if appropriate, require the Kentucky OCA to submit corrected financial reports for those that were previously misstated.**

OJP agrees with the recommendation. We will coordinate with the Kentucky OCA to assess the accuracy of their Federal Financial Reports for Grant Numbers 2016-VC-GX-0024, 2017-VC-GX-0028, and 2018-V1-GX-0068. Additionally, we will require the Kentucky OCA to submit corrected FFRs, as necessary.

- 6. We recommend that OJP require the Kentucky OCA to develop and implement policies and procedures for financial reporting that ensure the Kentucky OCA reports actual expenditures rather than drawdowns.**

OJP agrees with this recommendation. We will coordinate with the Kentucky OCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that the amounts reported on its FFRs are based on actual expenditures.

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

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

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

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

Kristina Rose
Director
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James Simonson
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Malgorzata Bereziewicz
Grant Management Specialist
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Charlotte Grzebien
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cc: Christal McNeil-Wright
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Louise Duhamel
Acting Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20211008063141

APPENDIX 5: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report

The OIG provided a draft of this audit report to the Department of Justice Office of Justice Programs (OJP) and the Kentucky Office of Claims and Appeals (Kentucky OCA). OJP's response is incorporated in Appendix 4, and the Kentucky OCA's response is incorporated in Appendix 3 of this final report. In response to our draft audit report, OJP agreed with our recommendations, and as a result, the status of the audit report is resolved. The Kentucky OCA concurred with the recommendations. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation for OJP:

- 1. Require the Kentucky OCA to develop and implement procedures for accurately completing its Crime Victim Compensation State Certification Forms.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with the Kentucky OCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it accurately completes the Crime Victim Compensation State Certification Forms.

The Kentucky OCA concurred with our recommendation and provided with its response its current procedures for completing its Crime Victim Compensation State Certification Forms.

This recommendation can be closed when we receive concurrence from OJP that it has obtained the current Kentucky OCA Crime Victim Compensation State Certification Form procedures and agrees that these procedures will ensure that the Kentucky OCA accurately completes its Crime Victim Compensation State Certification forms.

- 2. Require the Kentucky OCA to develop and implement policies and procedures that ensure it retains grant-related records in accordance with the Department of Justice (DOJ) Grants Financial Guide.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that they will coordinate with the Kentucky OCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that the Kentucky OCA retains grant-related records in accordance with the DOJ Grants Financial Guide.

The Kentucky OCA concurred with our recommendation and stated in its response that it is currently working with the Kentucky Department of Libraries and Archives (KDLA) to revise its records retention schedule. The Kentucky OCA further stated that amendments will ensure the Kentucky OCA retains all financial records, supporting documents, statistical records, and all other records pertinent to an award for a period of at least 3 years from the date of submission of the final expenditure reports, in accordance with the retention requirements under the DOJ Grants Financial Guide. The Kentucky OCA stated that it and the KDLA are in the process of finalizing the retention schedule language and that it anticipates the records retention schedule will be on the

agenda for approval at the December 2021 meeting of the State Libraries, Archives, and Records Commission. Further, the Kentucky OCA stated that it revised its Crime Victims Compensation Board Policies and Procedures Manual to specifically require the agency to retain records in accordance with the Kentucky OCA's retention schedule, the General Schedule for State Agencies, and the record retention requirements from the DOJ Grants Financial Guide.

This recommendation can be closed when OJP provides confirmation of the finalization of the revised records schedule that requires the Kentucky OCA to retain all grant financial records, supporting documents, statistical records, and all other records pertinent to an award for a period of at least 3 years from the date of submission of the final expenditure report.

3. Require the Kentucky OCA to develop and implement policies and procedures to monitor compliance with award conditions.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with the Kentucky OCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it monitors compliance with award conditions.

The Kentucky OCA concurred with our recommendation and stated in its response that it has updated the Crime Victims Compensation Board Policies and Procedures Manual to specifically identify all special award conditions and require compliance with them. According to the Kentucky OCA, appropriate personnel will institute internal controls and periodic monitoring to ensure timely compliance with the award conditions.

We reviewed the updated the Crime Victims Compensation Board Policies and Procedures Manual and confirmed the presence of updated language to identify all special award conditions and require compliance with them. However, the updated manual appeared to lack adequate monitoring procedures to ensure compliance with award special conditions. This recommendation can be closed when we receive evidence that Kentucky OCA has developed and implemented adequate policies and procedures to monitor compliance with award conditions.

4. Remedy the \$13,003 in unsupported costs related to two approved claims paid with FY 2016 grant funds that lacked sufficient supporting documentation.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$13,003 in unsupported questioned costs charged to the FY 2016 and will work with the Kentucky OCA to remedy this amount, as appropriate.

The Kentucky OCA concurred with our recommendation and stated in its response that it will await guidance from OJP regarding remedying the \$13,003 in unsupported costs. While the Kentucky OCA concurred with our recommendation, it noted that the Kentucky OCA always requires claimants to submit sufficient documentation before the Crime Victims Compensation Board issues an award. The Kentucky OCA also provided information related to the two claims associated with the questioned costs in our report. First, the Kentucky OCA acknowledged that it was unable to locate the claim file documents supporting the original award related to the \$9,503 supplemental claim

discussed in our report. However, according to the Kentucky OCA, under the retention schedule it believes was in place during the relevant timeframes, documents relating to the original award claim file from 2003 would have been eligible for destruction prior to OIG's request for them. Moreover, the Kentucky OCA noted that documents evidencing information obtained during the claim process for the 2018 additional award request were retained and provided to OIG. For the second claim questioned in our report, in the amount of \$3,500, the Kentucky OCA stated that it was unable to locate the full claim file but stated it provided us with several documents related to the claim and supporting the award, including an investigative report, Recommended Findings of Fact, Conclusions of Law, and Order, a Final Order, and copies of the award check and cover letter.

We reviewed the information the Kentucky OCA provided during our audit to support its payments related to the aforementioned claims. However, we found this information to be incomplete for the full support of the payments made to the claimants. In its response to our draft audit report, the Kentucky OCA did not provide any additional information.

This recommendation can be closed when we receive evidence that OJP has remedied the \$13,003 in unsupported costs related to two approved claims paid with FY 2016 grant funds that lacked sufficient supporting documentation.

- 5. Work with the Kentucky OCA to assess the accuracy of the financial reports related to the 2016, 2017, and 2018 grants, and, if appropriate, require the Kentucky OCA to submit corrected financial reports for those that were previously misstated.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with the Kentucky OCA to assess the accuracy of their Federal Financial Reports for the 2016, 2017, and 2018 grants. Additionally, they will require the Kentucky OCA to submit corrected FFRs, as necessary.

The Kentucky OCA concurred with our recommendation to work with OJP regarding the 2016, 2017, and 2018 grant financial reports and noted related policy improvement corrective action discussed in recommendation number 6.

This recommendation can be closed when we receive evidence that OJP worked with the Kentucky OCA to assess the accuracy of the financial reports related to the 2016, 2017, and 2018 grants, and, if appropriate, required the Kentucky OCA to submit corrected financial reports for those that were previously misstated.

- 6. Require the Kentucky OCA to develop and implement policies and procedures for financial reporting that ensure the Kentucky OCA reports actual expenditures rather than drawdowns.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with the Kentucky OCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that the amounts reported on its FFRs are based on actual expenditures.

The Kentucky OCA concurred with our recommendation and stated in its response that its manual has been revised to include explicit instructions for completing the quarterly FFR based upon actual cumulative expenditures for the respective reporting period.

This recommendation can be closed when we receive evidence that OJP has reviewed the Kentucky OCA's revised instructions and agrees that they will ensure the Kentucky OCA's quarterly FFRs are based upon actual cumulative expenditures.