



Office of the Inspector General
United States Department of Justice

Statement of Cynthia A. Schnedar
Acting Inspector General, U.S. Department of Justice

before the

House Committee on Oversight and Government Reform
Subcommittee on Technology, Information Policy,
Intergovernmental Relations and Procurement Reform

concerning

Improving Oversight and Accountability in Federal Grant Programs

June 23, 2011

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Mr. Chairman, Congressman Connolly, and Members of the Subcommittee:

Thank you for inviting me to testify about improving oversight and accountability in federal grant programs.

Grants management has long been a challenge for the Department of Justice (Department or DOJ). The Department has three major grant-awarding agencies, the Office of Justice Programs (OJP), Office on Violence Against Women (OVW), and the Office of Community Oriented Policing Services (COPS). These agencies provide grants to state, local, tribal, and private organizations to conduct research, support law enforcement activities, provide training and technical assistance, and implement criminal justice-related programs.

Beginning in 2009, the Department faced heightened challenges in grant management because it had to award \$4 billion in grants under the *American Recovery and Reinvestment Act of 2009* (Recovery Act) Act at the same time that it had to award the \$3 billion in grant funding contained in the Department’s annual FY 2009 appropriations. In addition, the Department received over \$4 billion in FY 2010 grant funds to award, and another \$4 billion in 2011. Through May 2011, the Department has obligated more than 99 percent of its Recovery Act funds and the grantees have received approximately 67 percent of the Recovery Act funds that have been obligated.

Given the large volume of grant funding traditionally awarded by the Department, the Department of Justice Office of the Inspector General (DOJ-OIG) has long focused its attention on overseeing the Department’s efforts at grants management. We have conducted numerous audits and investigated a variety of fraud allegations involving Department grant funds. In FY 2010 we issued more than 60 audit reports of the Department’s management of various

grant programs and of the grant recipients and other agencies that conduct business with the Department. In addition, since 2009, we have initiated 63 grant fraud investigations, 16 of which relate to Recovery Act cases.

In my remarks this morning, I will first discuss some of the significant improvements that the Department has made in recent years in improving its grants management process. I will then discuss the challenges that we have identified that the Department faces in awarding grants and in providing adequate oversight after grant funds are awarded. I will then review the DOJ-OIG's efforts to provide training and other assistance to the government and Department in an effort to enhance the government's grants management capabilities.

The Department's Recent Improvements to Its Grants Management Practices

We have found that the Department has made a concerted effort in recent years to improve its regular grant management practices. In 2009, shortly after the passage of the Recovery Act, the OIG developed a document, entitled *Improving the Grants Management Process* (<http://www.justice.gov/oig/special/s0903/final.pdf>), which contains a series of recommendations and best practices in grant management that federal agencies should consider implementing. The Department responded positively to the recommendations in this document and has implemented changes in its grant management practices, including expanding the use of online training opportunities among grant recipients and assisting grantees in determining the appropriate performance information to collect.

In March 2011, we released a report examining the Department's efforts for monitoring and overseeing Recovery Act and non-Recovery Act grants awarded through its OJP. Our report found that OJP had made significant improvements in its monitoring and oversight of grants, primarily due to the establishment of its Office of Audit, Assessment and Management (OAAM).

OAAM was created in January 2006 to conduct and coordinate program assessments of grants awarded by OJP and COPS. Our audit found that initially after OAAM's creation, OJP made slow progress in staffing OAAM and in ensuring that OAAM's monitoring efforts were effective. In an assessment we made in 2008, two years after the passage of the statute creating OAAM, we found that OJP had not devoted sufficient effort to ensuring that OAAM was adequately staffed to oversee and monitor OJP grants, despite the congressional directive and the importance of OAAM's mission.

However, our March 2011 audit found that since January 2008, OAAM has made significant progress. Although OJP did not hire a permanent OAAM director until January 2009, OAAM had filled its allotted positions as of May

2009 with 49 federal and contractor positions. We found that OJP and OAAM have developed a reasonable process for providing monitoring to a high volume of grants, which have allowed them to monitor grants totaling almost four times the award amount required to be monitored by law. Other improvements included the establishment of a working group to review existing monitoring practices and develop standard monitoring approaches and procedures; the use of grant tools such as the Grants Management System, Grant Monitoring Tool, and the Grant Assessment Tool; updates to the Grant Manager's Manual; and revisions to site visit documentation and the quality of site visit reports.

Despite OJP's improvements in monitoring and oversight of grants, we found that the OVW and COPS perform certain monitoring and oversight services that are duplicative of the services available through OJP. To eliminate such duplication and provide uniformity in oversight among Department granting agencies, we recommended that the Department should standardize the oversight services provided to the OVW and COPS.

Challenges Facing the Department in Grants Management

While we believe the Department has taken positive steps toward improving its grants management practices, these changes will take time to fully implement and to incorporate into the Department's regular practices. As a result, the DOJ-OIG has continued to include grants management in its annual list of Top Management and Performance Challenges for the Department of Justice. Our work has continued to identify areas where the Department could further improve its management of grants, particularly in terms of the Department's processes for awarding grants and its oversight of grantees' internal controls.

Department's Process of Awarding Grants

Overall, the DOJ-OIG has found that the Department has strived to conduct the grant awarding process in a timely and fair manner, and in recent years, it has implemented policies to enhance transparency. However, our audits found that the Department's program offices and bureaus did not always assess the programmatic, financial, and administrative areas of the grants before making awards, and they also did not retain adequate documentation to support their review work. Therefore, we believe that the Department still needs to make improvements in the following areas: (i) ranking of grant applications; (ii) consistent treatment of applicants; (iii) documentation and justification of award decisions; and (iv) procedures to reduce the risk of conflicts of interest in the awarding process.

Ranking Applications. Some of our reviews have found that the Department should implement better controls to ensure that it correctly scores grant applications. For example, in May 2010, we issued an audit report on

the selection process for the \$1 billion COPS Hiring Recovery Program, which awards grants to state and local entities for the hiring, rehiring, and retention of career law enforcement officers. Our audit determined that COPS used inaccurate formulas in developing the scores and ranks of applicants, which resulted in the allocation of grants to 45 entities that should not have received grants, while another 34 entities that should have received grants did not. In response to our audit, COPS informed us that it has corrected the formulas for future use and modified its FY 2010 hiring grant allocation process.

We found a similar calculation error in our July 2010 audit of the OVW administration of \$225 million in grant funding, where we found several instances where OVW internal peer reviewers incorrectly tabulated individual application scores and thus incorrectly ranked some applications higher than others. The OVW concurred with our recommendation to implement better internal controls that will check for scoring errors and verify the accuracy of future final peer review scores.

Consistent Treatment of Applicants. Our reviews have found instances where the Department was not treating grant applications in a consistent manner. For example, we found instances where the Department allowed some grant applications to continue through the competitive process for a grant award even though they were missing key documentation, while denying other applicants further consideration for the same deficiencies. We also found differences in the processes OJP's Bureau of Justice Assistance (BJA) and its Office of Juvenile Justice and Delinquency Prevention (OJJDP) used for computing final scores for applications. Having OJP bureaus and program offices use different methodologies for calculating peer review scores for similar Recovery Act programs may raise an appearance of inequitable treatment of applicants. As a result of the audit, OJP issued guidance to its bureaus and program offices implementing a standard approach with respect to normalization of peer review scoring.

Documentation of Award Decisions. Our recent audits also found some Department agencies do not consistently document the rationale for discretionary awards, and in some instances, do not explain why some applications ranked lower by peer reviewers received grants over higher-ranked applications. Although the Department is not required to award grants based solely on peer reviewer rankings, we believe that it should document the rationale for award decisions that deviate from peer review results.

Conflicts of Interest. Our recent audits reported concerns regarding procedures used to mitigate the risk of conflicts of interest in the award selection process. For example, our July 2010 audit of the OVW revealed in at least 23 instances, peer reviewers signed forms indicating they had no conflict of interest with the grant applicants before the peer reviewers knew who the grant applicants were that they would be reviewing.

In addition, our February 2011 audit of the BJA's Recovery Act Correctional Facilities on Tribal Lands Grant Program revealed that an internal BJA peer reviewer had significant involvement with an applicant that received an award. Specifically, the peer reviewer had participated in the applicant's Advisory Committee, but still certified that he had no conflicts of interest while reviewing program applications. As a result of these issues, the OJP and OVW agreed to implement corrections to strengthen conflict of interest procedures.

Department's Oversight of Grantees to Ensure Proper Internal Controls

In addition, our audits of individual grantees have found deficiencies in the grantees' use of grant awards. For example, in August 2010, we reported on our individual audits of 12 Byrne Justice Assistance Grant (JAG) grantees. In that report, we identified the following deficiencies among some of the grantees: (1) not segregating duties over payroll functions; (2) not employing sufficient staff with the training and experience to properly manage the grants; (3) not placing equipment items purchased with grant funds into operation until years after purchase; (4) not maintaining property disposal records; (5) not having sufficient staff to adequately manage and oversee subrecipients of Byrne JAG funds; and (6) not submitting timely and accurate financial, progress, and Recovery Act reports. Based on these grantee audit results, we recommended that the Office of Justice Programs provide additional training and oversight. As of June 2011, corrective action was still in progress.

Outstanding Recommendations to the Department

We also believe that the Department can take further action to address outstanding recommendations to resolve questioned costs from our audits of grantees. Every year we issue hundreds of audit recommendations to the Department's grant-awarding components to help enhance grants management and ensure the remedy of mismanaged and unsupported grant funds. For example, in FY 2010, we issued over 300 internal and external audit recommendations to OJP, COPS, and the OVW. Frequently, the agencies are able to implement the recommendations within a year or two. However, in some instances the Department takes several years to implement an audit recommendation. For example, grant audit recommendations we issued in 1999 for OJP to remedy over \$160,000 in questioned costs remain open. In addition, grant audit recommendations we made in 2003 will remain open until COPS remedies almost \$1 million in questioned costs and provides documentation that a key grant requirement was fulfilled.

In addition, we released an audit report in 2006 on the Department's grant closeout process in which we recommended that OVW resolve \$37 million in questioned costs related to grant drawdowns occurring more than 90 days

past the grant end date and de-obligate and put to better use over \$14 million obligated to expired grants that were already 90 days past the grant end date in 2006. We have had multiple communications with OVW about these issues since we issued our report in 2006, but OVW has yet to fully resolve these recommendations.

DOJ-OIG Initiatives to Enhance Grants Management Capabilities

We recognize that Inspectors General also play an important role in improving oversight and accountability in federal grant programs. In light of this, the DOJ OIG has a multidisciplinary effort to provide advice to the DOJ grant-awarding components, train grant managers on fraud risks, proactively reach out to state and local agencies receiving funding from DOJ, perform audits and evaluations of the DOJ's use of funding, and perform any necessary investigative activity.

We also have been an active participant in the grant fraud efforts of the inter-agency National Procurement Fraud Task Force (NPFTF) since its inception, and it has now been consolidated into the Recovery Act, Procurement and Grant Fraud Working Group of the President's Financial Fraud Enforcement Task Force (FFETF). In 2009, as the Chair of the Grant Fraud Committee of the NPFTF, the DOJ-OIG published a document entitled, "*A Guide to Grant Oversight and Best Practices for Combating Grant Fraud*" (which can be found at: <http://www.justice.gov/oig/special/s0902a/index.htm>). This document was developed with several other Departments' input and presents broad recommendations for enhancing grant oversight.

Currently, the Grant Fraud Committee, which I chair, is working on several training and outreach initiatives, including developing an interactive online grant fraud training program for grantees regarding grant management and a video training program for federal attorneys regarding both criminal and civil enforcement tools that can be used to combat grant fraud. The Grant Fraud Committee also played a key role in developing the grant fraud training course for agents and auditors that has been offered for the past three years at the Federal Law Enforcement Training Center (FLETC).

In addition, the DOJ-OIG has provided extensive training on prevention and deterrence of grant fraud to DOJ grant recipients. Since the enactment of the Recovery Act in February 2009, the DOJ-OIG has trained more than 5,800 federal, state, and local program managers and participants on Recovery Act fraud awareness and conducted 105 outreach sessions with state and local agencies. We also are continuing with our extensive auditing of DOJ grants and with our vigorous investigations of any allegations of fraud in DOJ grant programs.

Conclusion

We will continue to work with Department components and external agencies to help reduce risks associated with federal grants. We believe the Department is demonstrating a commitment to improving its grants management process, and we have seen significant signs of improvement in this area. However, further improvements are needed, and considerable work remains before managing the billions of dollars the Department awards annually in grants is no longer a top challenge for the Department.

This concludes my prepared statement, and I would be pleased to answer any questions.