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_before the_  

U.S. House of Representatives  
Committee on the Judiciary  
Subcommittee on Crime, Terrorism,  
Homeland Security, and Investigations  

_concerning_  

The Department of Justice's Management of Grant Programs  

January 28, 2014
Mr. Chairman, Congressman Scott, and Members of the Subcommittee:

Thank you for inviting me to testify at today’s hearing. The Office of the Inspector General (OIG) has long considered grant management to be one of the top management challenges facing the Department of Justice (DOJ or Department) in light of the amount of taxpayer funds that it distributes to third parties. For example, over the prior 5 fiscal years, the Department has awarded approximately $17 billion in grants to thousands of governmental and non-governmental recipients. During this same time period, the OIG issued more than 200 grant-related audit reports containing about 1,000 recommendations and nearly $100 million of “dollar-related” findings, which have included both questioned costs and funds that we found could have been put to better use. In addition, from Fiscal Year (FY) 2009 through FY 2013, the OIG opened 109 grant-related investigations that resulted in 12 convictions, and $1,620,608.84 in recoveries. The Department and its grant-making components generally have been supportive of and responsive to the recommendations we have made, although corrective actions are not yet complete with respect to about 360 of these recommendations. We will continue to monitor the Department’s progress toward implementing these recommendations.

As noted in our most recent Top Management Challenges report, which was released in December, the Department has reported taking important steps toward improving management of its grant making effort. For example, the Associate Attorney General’s Office established a Grants Management Challenges Workgroup responsible for developing consistent practices and procedures in a wide variety of grant administration and management areas. In 2012, the Department issued policy and procedures developed by the workgroup to implement the Department-wide high-risk grantee designation program, which allows the Department to place additional restrictions on the use of funds it provides to grantees who are deemed financially unstable or have failed to conform to the terms and conditions of previous awards.

In assessing the top management and performance challenges, we also reported that the Department should continue aggressively identifying high-risk grantees and placing appropriate restrictions on their funds, or halting their funding altogether. Other tools available to mitigate risk include robust subrecipient monitoring systems for pass-through grant recipients; adequate accounting procedures in place for grantees to track use of Department funds; case-specific special conditions for grantees that have difficulty complying with Department grant requirements; suspension or debarment of grantees in appropriate cases to prevent them from receiving additional federal grant funds; and using laws designed to deter smaller-dollar fraud, such as the Program Fraud Civil Remedies Act, which can be used for false claims where the alleged liability is less than $150,000. In light of the significant dollar amounts distributed through grants each year and the large number of grant recipients,
we believe the Department should actively employ each of these strategies to ensure that its grant-making efforts are as efficient and effective as possible.

The Department’s grant-making components also must ensure their own operations are streamlined to ensure maximum value for the taxpayer. Recent reports by both the OIG and the Government Accountability Office (GAO) have found that improvements could be realized by reducing duplication and improving coordination among the Department’s three grant-making components, the Office of Community Oriented Policing Services (COPS), the Office on Violence Against Women (OVW), and the Office of Justice Programs (OJP). The Department should continue its efforts to consolidate the common function of these three grant-making components. For example, both the OIG and the GAO have noted that COPS continues to maintain a grants management system that OJP and OVW cannot access directly. We agree with the GAO’s conclusion that each of the grant-making components needs direct access to a common grant management system so that they can fully and immediately share information regarding grant recipients. We note that the Department recently completed an internal assessment regarding the extent of overlap in grant programs, which we are closely reviewing.

Further, the Department should ensure that entities awarded grants have the capability to use the funds in an effective manner, seek to improve the accuracy and sufficiency of data reported by grant recipients to enable the Department to evaluate the effectiveness of a grant, and enhance coordination between its grant-making components, grant award recipients, and DOJ components whose operations could be affected by a grant. A report we recently issued on the Department’s use and support of unmanned aircraft systems (UAS), commonly known as “drones,” demonstrates the need for these efforts. Specifically, neither OJP nor COPS required that UAS award recipients demonstrate that they could receive Federal Aviation Administration (FAA) approval to operate UAS or that UAS use was legal in their jurisdiction. In addition, they did not require award recipients to report specific data necessary to measure the success of UAS testing, or to use or share the results of their programs with DOJ. We noted in that report examples of grants to two local law enforcement agencies in 2007, one for $150,000 was for the sole purpose of purchasing a UAS to test how local law enforcement agencies could use UAS to address high-risk situations in heavily populated areas, and the other award for anti-methamphetamine initiatives spent $150,000 on UAS-related costs. Although the first grant recipient received approval from the FAA to operate within a testing environment, the other grant recipient never received any type of FAA approval. As of 2013, neither law enforcement agency had used their UAS successfully in operations. Moreover, although UAS supported by DOJ award funds have the potential to be deployed in ways that may overlap or interfere with ongoing DOJ law enforcement operations, we found no evidence that either OJP or COPS coordinated with or notified DOJ law enforcement
components about their UAS awards, either before or after the awards were made.

While our grant-related audits and investigations that uncover waste, fraud, and misconduct are vital to our oversight of grant management, the OIG also has made substantial efforts to help prevent and deter such conduct. For example, during the past 5 years, we have conducted 76 training sessions for about 6,000 grant managers and recipients regarding the prevention and deterrence of fraud. In 2009, we published a report titled Improving the Grant Management Process summarizing ideas and best practices derived from the OIG’s experience in grant oversight. In 2011, we issued a report examining the Department’s efforts for monitoring and overseeing grants through OJP. We found that OJP had made significant improvements in its monitoring and oversight of grants.

Additionally, the OIG participates actively in broader efforts to improve grant management and reduce fraud across the federal government. I chair the Grant Fraud Committee of the Financial Fraud Enforcement Task Force, which consists of a diverse coalition from across the OIG community that works to improve investigation and prosecution of grant-fraud matters. The Committee has played a key role in developing grant-fraud training for special agents and auditors, and in 2012 we released a framework for grant-fraud training that included suggested information sources, training content, and test questions for grant managers. The framework has broad application to a variety of grant programs and can be tailored to the particular needs of each agency’s grant-making processes.

During the past 2 years, Grant Fraud Committee members also worked closely with members of a Council of Inspectors General on Integrity and Efficiency (CIGIE) working group to review and comment on new grant guidance from the Office of Management and Budget (OMB). This guidance, issued in December 2013, significantly reforms federal grant management and consolidates eight regulations into a single policy guide. While we are concerned that the new guidance raises the expenditure threshold triggering an audit under the Single Audit Act, one important and positive change in the view of the Grant Fraud Committee is a new requirement mandating that grant recipients disclose to the awarding agency or pass-through entity any violations of federal criminal law involving fraud, bribery, or gratuity prohibitions. This rule, modeled on the successful 2008 mandatory disclosure rule in the Federal Acquisition Regulation, strengthens oversight by requiring both grantees and grant-making entities to be more aggressive regarding the prevention of fraud and misuse.

In considering the new guidance from OMB overhauling the grants process, one recurring theme has been a topic of discussion within the oversight community: by default, there is virtually no visibility on how grant
funds are actually used by recipients. Unless there is an OIG audit or investigation, or the granting agency dedicates resources to collect and analyze accounting information from a recipient, the government and taxpayers are virtually in the dark regarding how grant funds were actually used. Existing grant management processes involve detailed pre-award review by grant-making agencies of budget line items provided by grant applicants. However, after the grant is awarded, recipients typically draw down grant funds as needed and file financial reports on aggregate expenditures. Although grantees are required to maintain and keep in their possession detailed accounting records regarding the use of all grant funds, the financial reports they file with the grant-making agencies do not include details on individual transactions. Consequently, the government cannot evaluate based on these reports how a recipient actually used the grant funds.

Two recently issued audit reports illustrate the government’s lack of real-time knowledge regarding recipients’ use of grant funds. Earlier this month my office issued an audit report on $800,000 in grants awarded to the Philadelphia Safety Net to support a gun exchange program. We questioned nearly $500,000 of the awarded funds as being unallowable, unsupported, or unreasonably spent. This included about $276,000 in grant funds related to the Executive Director’s salary. We also issued an audit report last year that questioned more than $19 million in grant funds that the Department awarded to Big Brothers Big Sisters of America from FY 2009 through FY 2011 to fund mentoring services. That recipient was in material non-compliance with the majority of grant requirements and its management practices were inadequate to safeguard grant funds. However, had my office not conducted audits of these two organizations, the misuse of grant funds likely would never have come to light because the reports that were submitted to the Department’s grant-making agency, on their face, did not reveal any of the improper uses of the grant funds that we uncovered.

The OIG intends to continue its efforts to deter and identify misuse of Department grant funds through our audits, investigations, and other preventative methods. This concludes my prepared statement, and I would be pleased to answer any questions that you may have.