



**AUDIT OF MANAGEMENT OF DOJ GRANTS
AWARDED TO THE U.S. VIRGIN ISLANDS
LAW ENFORCEMENT PLANNING COMMISSION
BY THE OFFICE OF JUSTICE PROGRAMS AND
THE OFFICE ON VIOLENCE AGAINST WOMEN**

U.S. Department of Justice
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Audit Division

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EXECUTIVE SUMMARY

The Office of the Inspector General Audit Division has completed an audit of the management of Department of Justice (DOJ) grants, including American Recovery and Reinvestment Act (Recovery Act) grants, awarded by the Office of Justice Programs (OJP) and the Office on Violence Against Women (OVW) to the U.S. Virgin Islands Law Enforcement Planning Commission (LEPC).¹ The purpose of these grants was to support a broad range of activities to control and prevent crime based on local needs and conditions; provide services to victims of crime, control and prevent violence against women; and improve the juvenile justice system. From October 2005 through September 2010, the LEPC was awarded 40 grants by the DOJ.

Exhibit I: Grants Awarded to the Law Enforcement Planning Commission from October 2005 through September 2010

GRANTING AGENCY	BUREAU/OFFICE	NUMBER OF GRANTS	TOTAL FUNDS AWARDED
OJP	Bureau of Justice Assistance	8	\$3,676,352
	Bureau of Justice Assistance – Recovery Act	1	\$4,972,500
	Office for Victims of Crime	5	\$3,115,088
	Office for Victims of Crime – Recovery Act	1	\$507,000
	Juvenile Justice and Delinquency Prevention	18	\$1,962,314
	Bureau of Justice Statistics	1	\$150,000
	Total OJP Grants	34	\$14,383,254
OVW	STOP Violence Against Women ²	5	\$3,158,043
	STOP Violence Against Women – Recovery	1	\$638,390
	Total OVW Grants	6	\$3,796,433
Total		40	\$18,179,687

Source: Office of Justice Programs and the Office on Violence Against Women

¹ The U.S. Virgin Islands was also awarded grants by the DOJ Office of Community Oriented Policing Services but those grants were not administered by the LEPC.

² STOP is an acronym for Services, Training, Officers, Prosecutors.

As shown in Exhibit I, from October 2005 through September 2010 the LEPC received 34 grants from OJP totaling \$14,383,254. One of these grants for \$4,972,500 was a Recovery Act award under the Edward Byrne Memorial Justice Assistance Formula Grant Program (Byrne JAG).³ The other Recovery Act grant for \$507,000 was awarded under the Victims of Crimes Act Formula Grant Program (VOCA).

During the same period the LEPC received 6 grants from OVW totaling \$3,796,433. One of these was a Recovery Act grant for \$638,390, awarded under the STOP Violence Against Women Act Formula Grant Program (STOP).

The U.S. Virgin Islands consists primarily of the islands of St. Thomas, St. Croix, and St. John, and is located about 1,100 miles southeast of Miami, Florida. According to the 2010 census, the U.S. Virgin Islands has a population of about 109,000. The LEPC, located on St. Thomas and St. Croix, has been designated by the Governor of the U.S. Virgin Islands as the State Administering Agency for DOJ grants. The LEPC oversees the implementation of the grant programs in an effort to address criminal justice issues in the U.S. Virgin Islands. The Director of the LEPC is also the Drug Policy Advisor to the Governor.

In its role as the State Administering Agency, the LEPC is responsible for: (1) applying to the DOJ for grants, (2) soliciting and evaluating subrecipients' applications for funding, (3) making allocations and subawards, (4) drawing down grant funds from OJP, (5) reviewing and approving grant fund disbursements, (6) monitoring subrecipients to ensure they meet the fiscal and programmatic requirements of the grants, (7) submitting the required financial and programmatic reports to OJP, and (8) submitting Recovery Act expenses and job data to FederalReporting.gov.

³ The LEPC received the \$4,972,500 Byrne JAG Recovery Act award in May 2009. In September 2010, the LEPC received a \$50,000 supplement to the award, but the supplemental award was not part of our audit.

Recovery Act

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). The purposes of the Recovery Act are to: (1) preserve and create jobs and promote economic recovery; (2) assist those most impacted by the recession; (3) provide investments needed to increase economic efficiency by spurring technological advances in science and health; (4) invest in transportation, environmental protection, and other infrastructure that will provide long term economic benefits; and (5) stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

Office of Justice Programs Grants

The Byrne JAG program supports all components of the criminal justice system, including multi-jurisdictional drug and gang task forces, crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives. Recovery Act Byrne JAG funded projects could address crime by providing services directly to individuals and communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

VOCA grants support community-based organizations that serve crime victims. Nationwide, recipients of VOCA funds make about 5,600 subawards annually to domestic violence shelters, rape crisis centers, child abuse programs, and victim service units in law enforcement agencies, prosecutors' offices, hospitals, and social service agencies. These organizations provide crisis intervention, counseling, emergency shelter, criminal justice advocacy, and transportation services.

Office on Violence Against Women Grants

STOP grants support communities' efforts to develop and strengthen effective law enforcement and prosecution strategies to combat crimes against women and provide victim services. The grants provide funding for many of these services.

Exhibit II shows the status of Recovery Act grants awarded by OJP and OVW to the LEPC as of June 30, 2011.

**Exhibit II: Reported Recovery Act Grant Funds Expended
and Jobs Created or Saved as of June 30, 2011**

GRANTING AGENCY	GRANT NUMBER	PROGRAM	AWARD AMOUNT	EXPENDED	JOBS CREATED ⁴
OJP	2009-SU-B9-0059	Byrne JAG	\$4,972,500	\$2,429,842	8.07
	2009-SG-B9-0119	VOCA	\$507,000	\$435,221	1.16
	Subtotal		\$5,479,500	\$2,865,063	9.23
OVW	2009-EF-S6-0056	STOP	\$638,390	\$303,145	4.89
Total			\$6,117,890	\$3,168,208	14.12

Source: The Law Enforcement Planning Commission

Audit Purpose

The purpose of this audit was to assess the LEPC's administration of DOJ grants. Our audit covered grants awarded by OJP and the OVW. Our review of OJP grants included grant programs administered by the Bureau of Justice Assistance and the Office for Victims of Crime. In addition, we performed limited testing of OJP grants administered by the Office of Juvenile Justice and Delinquency Prevention and the Bureau of Justice Statistics. Our review of OVW grants included STOP Program grants.

We assessed the LEPC's process for soliciting and making subawards, and whether the LEPC and its subrecipients used grant funds for costs that were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants. We also assessed whether the LEPC and its subrecipients met or were meeting the goals and objectives of the grants as outlined in the grant programs and applications.

We tested compliance with essential grant conditions pertaining to: (1) internal controls; (2) grant fund drawdowns; (3) income generated from grant funds and programs; (4) grant expenditures; (5) management of property items bought with grant funds; (6) management of subrecipients; (7) financial, program, and Recovery Act reports; and (8) grant goals and accomplishments.

We found weaknesses in the administration of OJP and OVW grants. Specifically, we found the following.

⁴ As discussed later in the report, we tested the accuracy of nine Recovery Act reports submitted to Federal Reporting.gov. We found all nine reports incorrectly reported the amount of grant funds drawn down or expended. For seven of those reports, the number of jobs created or saved was also incorrect.

- The LEPC did not have adequate controls in place to account for, manage, and report the use of DOJ grant funds. These weaknesses have existed for several years and led to a former U.S. Virgin Islands government official being convicted of embezzling \$1.25 million.⁵ This is discussed in detail later in this report.
- The LEPC did not have sufficient staff with the training and experience to properly manage the grants and oversee subrecipients.
- The LEPC did not ensure that federal cash-on-hand was the minimum needed for disbursements to be made immediately or within 10 days. At the time of our audit the LEPC had \$216,980 excess cash-on-hand from grant funds. Of this amount, \$152,241 was from grants awarded by OJP and \$64,739 was from grants awarded by the OVW. None of this excess cash was from Recovery Act grants or Byrne JAG grants, which the LEPC was permitted to draw down in advance of grant costs.
- The LEPC could not provide accounting records showing how it spent \$972,976 in grant funds of which \$600,542 was from OJP grants and \$372,434 was from OVW grants. These funds are unaccounted for.
- The LEPC commingled DOJ funds with funds from other sources.
- The LEPC did not draw down and expend \$606,317 in grant funds before the grants expired. Of this amount, \$134,261 was from grants awarded by OJP and \$472,056 was from grants awarded by the OVW.
- The LEPC earned \$43,503 in interest on Byrne JAG Recovery Act grant funds drawn down in advance, but it did not report the income to OJP and did not allocate the additional income to the grant as required.
- The LEPC did not have adequate controls in place to track the use of prepaid airline tickets for inter-island travel. We identified

⁵ In January 2011 the Governor appointed a new LEPC Director. We discussed the lack of adequate controls with the new Director and he agreed with our assessment of the need to establish controls to improve the oversight and transparency in the administration of DOJ grant funds.

\$3,063 in OVW grant funds spent on airline tickets bought in advance, but the tickets were not used and had expired.

- The LEPC and a third-party fiduciary used by the LEPC to administer grant funds charged \$160,546 in excess administrative costs to five grants awarded by OJP.
- The LEPC did not adequately monitor subrecipients' use of grant funds. Consequently, \$293,322 in grant expenditures from grants awarded by OJP was either unsupported or unallowable.
- The LEPC did not have an adequate system in place for soliciting and making subawards and did not maintain documentation supporting the award decisions it made. It appeared that the LEPC did not maintain fair and open competition for subawards for grant funds received from both OJP and OVW grants.
- The LEPC did not allocate 2007, 2008, and 2009 Violence Against Women Act grant funds in accordance with grant requirements.
- The LEPC used a third-party fiduciary, the St. Croix Foundation for Community Development, Inc. (the St. Croix Foundation) to administer the finances for some grant funded projects. In 2007, OJP told the former LEPC Director to stop using a third-party fiduciary to administer grants, but the LEPC continued disbursing funds to the fiduciary to administer. At the time of our audit, the fiduciary was administering 18 grant projects funded through the LEPC. We found that \$93,432 in OJP grant funds disbursed by the third-party fiduciary was for either unsupported or unallowable costs. Independent financial auditors also found serious weaknesses in the fiduciary's ability to administer federal funds. In January 2011 the Governor appointed a new LEPC Director. The new Director worked as the Fiscal Officer for the St. Croix Foundation until December 2006.
- The LEPC did not monitor and did not have adequate procedures for monitoring subrecipients to ensure they met the fiscal and programmatic requirements of the grants.
- The LEPC frequently did not submit quarterly federal financial reports to OJP by the required due dates. We tested 8 grants and found that OJP withheld funding from the LEPC 45 times because of late financial reporting. In June 2010, OJP designated the LEPC as a "high-risk" grant recipient because the

LEPC did not take corrective action on some of the findings OJP staff identified during site visits to the LEPC. A summary of OJP's site visit reports is presented in Appendix 4.

- The LEPC submitted incorrect Recovery Act reports to FederalReporting.gov.
- We could not evaluate whether grant goals and accomplishments were being met because neither the LEPC nor its subrecipients had adequate systems for identifying, tracking, and reporting on the achievement of grant goals.

Because of these weaknesses, we question \$2,173,159 in grant funds. Of this amount, \$1,325,606 was from grants awarded by OJP and \$847,553 was from grants awarded by the OVW. We make 25 recommendations – 8 to remedy these questioned costs, 3 to put funds to better use, and 14 to improve the LEPC's administration of grants.

These items are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix 1.

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INTRODUCTION

The Office of the Inspector General Audit Division has completed an audit of the management of Department of Justice (DOJ) grants, including American Recovery and Reinvestment Act (Recovery Act) grants, awarded by the Office of Justice Programs (OJP) and the Office on Violence Against Women (OVW) to the U.S. Virgin Islands Law Enforcement Planning Commission (LEPC).⁶ The purpose of these grants was to support a broad range of activities to control and prevent crime based on local needs and conditions; provide services to victims of crime, control and prevent violence against women; and improve the juvenile justice system. From October 2005 through September 2010, the LEPC was awarded 40 grants by the DOJ.

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GRANTING AGENCY	BUREAU/OFFICE	NUMBER OF GRANTS	TOTAL FUNDS AWARDED
OJP	Bureau of Justice Assistance	8	\$3,676,352
	Bureau of Justice Assistance – Recovery Act ⁷	1	\$4,972,500
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	Juvenile Justice and Delinquency Prevention	18	\$1,962,314
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	Total OJP Grants	34	\$14,383,254
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	Total OVW Grants	6	\$3,796,433
Total		40	\$18,179,687

Source: Office of Justice Programs and the Office on Violence Against Women

As shown in Exhibit 1, from October 2005 through September 2010, OJP awarded the LEPC 34 grants totaling \$14,383,254, including \$5,479,500 in Recovery Act grants awarded under the Edward Byrne Memorial Justice Assistance Grant (Byrne JAG) program and the

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⁷ The LEPC received the \$4,972,500 Recovery Act award in May 2009. In September 2010, the LEPC received a \$50,000 supplement to the award.

⁸ STOP is an acronym for Services, Training, Officers, Prosecutors.

Victims of Crimes Act (VOCA) grant program. During the same period, the LEPC received 6 grants from the OVW totaling \$3,796,433. One of these was a \$638,390 Recovery Act grant awarded under the STOP Violence Against Women Act grant program.

Background

The U.S. Virgin Islands is located about 1,100 miles southeast of Miami, Florida, and includes the islands of St. Thomas, St. Croix, and St. John. According to the 2010 census, the U.S. Virgin Islands has a population of about 109,000. The Governor of the U.S. Virgin Islands designated the LEPC as the State Administering Agency for DOJ grants. The Director of the LEPC is also the Drug Policy Advisor to the Governor.⁹

As the State Administering Agency, the LEPC is responsible for: (1) applying to the DOJ for grants, (2) soliciting and evaluating subrecipients' applications for funding, (3) making allocations and subawards, (4) drawing down grant funds from OJP, (5) reviewing and approving grant fund disbursements, (6) monitoring subrecipients to ensure they meet the fiscal and programmatic requirements of the grants, (7) submitting the required financial and programmatic reports to OJP, and (8) submitting Recovery Act expenses and job data to FederalReporting.gov.

The LEPC received funding through grant programs administered by these OJP bureaus and offices.

- Bureau of Justice Assistance
- Office for Victims of Crime
- Office of Juvenile Justice and Delinquency Prevention
- Bureau of Justice Statistics

Below is a brief description of the grant programs administered by OJP and OVW that we reviewed during this audit.

⁹ In January 2011, the Governor appointed a new LEPC Director.

Office of Justice Programs Grants

Edward Byrne Memorial Justice Assistance Grants

OJP's Bureau of Justice Assistance administers the Byrne JAG grants that allow states, tribes, and local governments to support a broad range of activities to prevent and control crime based on their own local needs and conditions. Byrne JAG funds may be used for seven general purpose areas – law enforcement, prosecutions, courts, prevention and education, corrections, drug treatment, and technology improvements. The Byrne JAG program is the LEPC's largest source of DOJ grant funding.

Victims of Crime Act Grants

OJP's Office for Victims of Crime administers VOCA grants, which support community-based organizations that provide services to victims of crime. Nationwide each year, VOCA fund recipients make about 5,600 subawards to domestic violence shelters, rape crisis centers, child abuse programs, victim service units in law enforcement agencies, prosecutors' offices, hospitals, and social service agencies. In turn, these subrecipients provide a variety of services to crime victims including crisis intervention, counseling, emergency shelter, criminal justice advocacy, and transportation.

Office of Juvenile Justice and Delinquency Prevention Grants

OJP's Office of Juvenile Justice and Delinquency Prevention administers grants to help state-level and community organizations develop and implement effective and coordinated programs to prevent juvenile delinquency, improve the juvenile justice system, enhance public safety, hold offenders accountable, and provide treatment and rehabilitative services to juveniles and their families.

Bureau of Justice Statistics Grants

OJP's Bureau of Justice Statistics administers the National Crime History Improvement Program to provide financial and technical support to states in improving the accuracy, utility, and interstate accessibility of criminal history records and enhancing records of protective orders involving domestic violence and stalking, sex offender records, automated identification systems, and other state systems supporting national records systems and their use for background checks.

Office on Violence Against Women Grants

STOP Violence Against Women Act Grants

The STOP Violence Against Women program grants support the DOJ's efforts to combat violence against women and provide services to victims of violence by providing the protection and services women and children need to pursue safe and healthy lives and enable communities to hold offenders accountable.

Recovery Act

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 to help preserve and create jobs, stimulate the economy and investment in long-term growth, and foster accountability and transparency in government spending. The Recovery Act provided \$787 billion for tax cuts, education, health care, entitlement programs, contracts, grants, and loans. Recipients of Recovery Act funds are required to report quarterly to FederalReporting.gov on how they spent Recovery Act funds and the number of jobs created or saved. The LEPC received two Recovery Act grants from OJP totaling \$5,479,500 and one Recovery Act grant from the OVW for \$638,390.

Office of Justice Programs Recovery Act Grants

Nationwide, Recovery Act grants awarded under OJP's Byrne JAG grant program support all components of the criminal justice system including multi-jurisdictional drug and gang task forces, crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives. Recovery Act funded projects could address crime by providing services directly to individuals and communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

Recovery Act grants awarded under the Victims of Crime Act were awarded to provide services to victims of crime. Services under this grant program are defined as those that: (1) respond to crime victims' emotional and physical needs; (2) assist primary and secondary victims of crime to stabilize their lives after being victimized; (3) assist victims to understand and participate in the criminal justice system; and (4) provide victims of crime with a measure of safety and security, such as boarding-up broken windows and replacing and repairing locks.

Office on Violence Against Women Recovery Act Grants

Recovery Act funds awarded by the OVW under the STOP program support communities' efforts to hire and retain personnel to respond to violence against women and strengthen law enforcement, prosecution strategies, and victim services. The OVW encourages recipients to use Recovery Act funds to hire and retain criminal justice and victim services personnel, support efforts that create and preserve jobs, promote economic growth, and improve responses to domestic violence, dating violence, sexual assault, and stalking.

Exhibit 2 shows the status of Recovery Act grants awarded by OJP and OVW to the LEPC as of June 30, 2011, according to LEPC Recovery Act reports.

Exhibit 2: Reported Recovery Act Grants Funds Expended and Jobs Created or Saved as of June 30, 2011

GRANTING AGENCY	GRANT	PROGRAM	AWARD AMOUNT	EXPENDED	JOBS CREATED ¹⁰
OJP	2009-SU-B9-0059	Byrne JAG	\$4,972,500	\$2,429,842	8.07
	2009-SG-B9-0119	VOCA	\$507,000	\$435,221	1.16
	Sub-Total		\$5,479,500	\$2,865,063	9.23
OVW	2009-EF-S6-0056	STOP	\$638,390	\$303,145	4.89
Total			\$6,117,890	\$3,168,208	14.12

Source: The Law Enforcement Planning Commission

Audit Approach

The purpose of this audit was to determine whether the LEPC's managerial processes ensure that costs claimed under the grant were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants. The objectives of the audit was to review management in the following areas: (1) internal controls; (2) grant fund drawdowns; (3) income generated from grant funds and programs; (4) grant expenditures; (5) management of property items bought with grant funds; (6) management of subrecipients including the process for soliciting applications for funding, making subawards, and monitoring of subrecipients; (7) financial, program, and Recovery Act reports; and (8) grant goals and accomplishments.

¹⁰ As discussed later in the report, we tested the accuracy of nine Recovery Act reports submitted to Federal Reporting.gov. We found all nine reports incorrectly reported the amount of grant funds drawn down or expended. For seven of those reports, the number of jobs created or saved was also incorrect.

We tested compliance with what we consider to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audited against are contained in the OJP Financial Guide, grant award documents, Code of Federal Regulations, VOCA Program Guidelines, Office of Management and Budget Circulars, and the Recovery Act. We tested the LEPC's:

- **internal controls** including plans, policies, procedures, and staff training and experience that help the LEPC meet its mission, goals, and objectives;
- **grant drawdowns** to determine whether grant drawdowns were adequately supported and if the LEPC was managing grant receipts in accordance with federal requirements;
- **program income** to determine whether grant funds or programs generated revenues and whether this income was reported and used for grant purposes;
- **grant expenditures** to determine whether costs were allowable, supported, reasonable, and properly charged to the grants;
- **property management** to determine whether the LEPC could account for property bought with grant funds and whether the property was being used for grant purposes;
- **management of subrecipients** including its process for soliciting and making subawards and monitoring subrecipients to ensure they meet the fiscal and programmatic requirements of the grants;
- **financial and progress reports** to determine whether those reports were submitted timely and accurately reflected grant activity; and
- **grant goals and accomplishments** to determine whether the LEPC and subrecipients met, or were meeting, the goals and objectives of the grants.

In conducting our audit, we performed sample testing in the areas of grant expenditures; property management; financial,

progress, and Recovery Act reports; management of subrecipients, and grant goals and accomplishments.

FINDINGS AND RECOMMENDATIONS

We found that the LEPC: (1) did not have adequate controls to account for, manage, and report the use of DOJ grant funds; (2) did not have adequate policies, procedures, and staff with the training and experience to administer the grants; (3) drew down excess grant funds; (4) could not account for \$972,976 in grant funds drawn down; (5) commingled DOJ funds with funds from other sources; (6) did not use \$606,317 in grant funds from some grants before those grants expired; (7) did not identify and report interest income earned on grant funds and ensure the additional funds were used for grant purposes; (8) did not have adequate controls to track the use of prepaid airline tickets for intra-island flights, which resulted some tickets having expired before they were used; (9) charged \$160,546 in excess administrative costs to some grants; (10) spent grant funds for unallowable purposes; (11) did not have an adequate system for soliciting and making subawards; (12) did not allocate grant funds in accordance with grant requirements for the 2007, 2008, and 2009 OVW grants; (13) used a third-party fiduciary to administer grant funds for some subrecipients after OJP told the LEPC to stop doing so and failed to identify unsupported and unallowable costs administered by the third-party fiduciary; (14) did not adequately monitor subrecipients to ensure they met the fiscal and programmatic requirements of the grants; (15) submitted financial reports late to OJP; (16) submitted incorrect Recovery Act reports to FederalReporting.gov; and (17) did not assess, and had not procedures to assess, whether subrecipients were meeting the goals and objectives of the grants. As result of these weaknesses, we question \$2,173,159 in grants funds. Of this amount \$1,325,606 is from grants awarded by OJP and \$847,553 is from grants awarded by the OVW. We make 25 recommendations, of which 14 are designed to improve the management of grants.

Internal Control Environment

We reviewed the financial management system, LEPC staff training and experience, policies and procedures for administering grants, and financial audit reports conducted in accordance with the Single Audit Act to assess the risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grants. We also interviewed personnel from the LEPC and the U.S. Virgin Islands

Department of Finance, both of which play key roles in administering DOJ grants.

Financial Management System

The U.S. Virgin Islands' accounting system, used by the LEPC and other government agencies, is managed by the Department of Finance and has applications for general ledger, purchasing, accounts payable and receivable, payroll, fixed assets, and reporting. System controls appear to provide adequate separation of duties, and separate accounting for each grant. All grant fund receipts and disbursement are processed through this system.

The LEPC draws down grant funds, reviews and approves grant fund disbursements to subrecipients, and submits financial and grant progress reports to OJP and OVW. The Department of Finance receives grant funds drawn from the DOJ (drawdowns), which are electronically deposited into a bank account, maintains custody of the grant funds received from the federal government; reconciles the bank statements, disburses grant funds; and records grant fund receipts and disbursements in the accounting system.¹¹ However, as discussed in the Grant Drawdowns section of this report, the LEPC and the Department of Finance could not account for \$972,976 in grant funds received from OJP and OVW.

Process for Disbursing Grant Funds

After the LEPC is awarded a grant, the Department of Finance assigns accounting codes for the grant revenues and expenses and provides those to the LEPC. The LEPC solicits applications for subawards of the grant funds. After making subawards, LEPC staff enter the approved budget for each grant subrecipient and the associated accounting codes into the accounting system.

When government entity subrecipients incur grant-related costs, those entities enter their payment requests directly into the Department of Finance accounting system. Department of Finance staff review these payment requests and enter the grant expense codes associated with the payment requests into the accounting system. Government entities also send copies of invoices and other

¹¹ The Department of Finance performed bank reconciliations once per year. In our judgment, reconciling bank statements on a monthly basis would make it easier to identify and correct errors between grant fund drawdowns, bank accounts, and accounting records.

supporting documents associated with the payment requests to the LEPC, where staff then review the supporting documents and electronically approve the payment requests that the government entity subrecipients entered directly into the accounting system.

When non-profit organization subrecipients incur grant-related costs, they send paper copies of their payment requests to the LEPC along with invoices and other supporting documentation. LEPC staff review and approve the requests and the Department of Finance disburses the funds directly to the subrecipients. Some non-profit subrecipients receive grant funds in advance of grant expenditures. In those cases, the subrecipient submits a Request for Funds form with an estimate of the project costs to be incurred during a defined period. The LEPC reviews the request for availability of funds and if the request appears reasonable, the LEPC Director authorizes the advance payment and the Department of Finance disburses the funds.

The LEPC requires all subrecipients to submit monthly financial reports on their grant expenditures along with invoices or other supporting documents for each expense. These monthly reports and supporting documents are essential to the LEPC's ability to monitor the subrecipients. As discussed later, some government entities and non-profit organizations that received funding through the LEPC were often late in submitting these critical reports to the LEPC, which caused the LEPC to be late in submitting its required financial reports to OJP.

Staff Training and Experience

We found that the LEPC did not have sufficient staff with the training and experience to properly manage the grants. At the time of our audit, one LEPC employee, a Financial Specialist, was responsible for overseeing the financial activities of 75 subrecipients, including drawing down grant funds from OJP, reviewing and approving subrecipients' payment requests, reviewing monthly fiscal reports submitted by every subrecipient, following up with subrecipients on late and incorrect financial reports, and submitting required reports to OJP. LEPC staff told us that this volume of work caused the LEPC to be late in submitting reports to OJP and OVW and did not allow LEPC staff sufficient time to oversee subrecipients.

The LEPC's Director of Financial Management Services told us she had been on board for about 2 years but had not been trained on the LEPC's grant management process and had performed only limited

work on the grants. The former LEPC Director told us he had relieved the LEPC's Director of Financial Management Services of most of her duties. In our judgment, the lack of staff with the training and experience to manage the grants has had a negative effect on the LEPC's management of grants. The LEPC has a history of not submitting the required financial reports to OJP and OVW when due and not taking corrective actions on issues identified during OJP site visits. This resulted in OJP classifying the LEPC as a "high-risk" recipient. The LEPC has been on the OJP's current list of high-risk active grant recipients since June 1, 2010.

For eight grants awarded to the LEPC from FYs 2008 through 2010 the OJP withheld funds 45 times because of late financial reporting. The former LEPC Director told us financial reports were frequently submitted late because of the lack of staff and because subrecipients were late in providing their financial reports to the LEPC, which the LEPC needs to prepare and submit its financial reports to OJP. Details of late financial reporting are discussed in the Reporting section of this report.

Policies and Procedures for Administering Grants

We examined the U.S. Virgin Islands' policies and procedures pertaining to recordkeeping, procurement, property management, payment of invoices, and payroll. According to LEPC staff, the LEPC has a manual binder of written policies and procedures for financial management and reporting of DOJ grants. However, at the time of our audit, LEPC staff could not find the manual.

We tested whether the LEPC's procedures for administering grants ensured that DOJ funds were accurately accounted for and reported. We found that the LEPC and the Department of Finance did not reconcile grant funds drawn down to the revenues and expenditures recorded in the accounting records. We compared the grant funds the LEPC drew down to the government's bank accounts and accounting records. As discussed earlier there is a \$972,976 difference between grant funds drawn down and grant expenditures recorded in the accounting records. We consider these funds to be unaccounted for. Details of our testing are provided in the Drawdown section of this report.

Planning for Recovery Act Grants

We interviewed LEPC officials about their plans for administering Recovery Act funds. LEPC officials told us those grants are being administered under the LEPC's existing policies and procedures, but the LEPC took additional steps to prepare for the receipt of Recovery Act grants by hiring two additional program managers – one to administer the Byrne JAG Recovery Act grant and one to administer the VOCA and OVW Recovery Act grants. LEPC officials told us that both of the new program managers had administrative experience. Both of these new program managers attended training and received e-mail bulletins, Office of Management and Budget (OMB) guidance, and information on the special conditions associated with grant awards.

In January 2011 the Governor appointed a new LEPC Director.¹² Although the LEPC has made an effort to improve its procedures to ensure efficient management of Recovery Act funds, there appears to be a lack of coordination between the LEPC and the Department of Finance. Reconciliations are not performed on a frequent and regular basis and reports are not completed and submitted to OJP when they are due. These concerns are discussed in the Drawdowns section of the report. Based on our findings, we recommend that the LEPC improve its procedures to ensure Recovery Act funds are properly expended and activities accurately reported.

Audit History

Single Audits of the U.S. Virgin Islands Government

According to Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profits*, the government of the U.S. Virgin Islands is required to have a Single Audit performed annually with the report due no later than 9 months after the end of its fiscal year. The U.S. Virgin Islands' fiscal year runs from October 1 through September 30, with the Single Audit report being due the following June 30. The FY 2007 Single Audit report was issued in November 2009, which was more than 16 months late. The FY 2008 Single Audit was issued in October 2010, which was more than 15 months late. According to the external auditors the audits were late because management failed to ensure the timely closing of books and

¹² The new LEPC Director had worked as the Fiscal Officer for the St. Croix Foundation for Community Development, Inc., until December 2006.

the availability of adequate accounting records. The FY 2009 Single Audit report was submitted in September 2011, which is over 14 months late. As of November 2011, the Virgin Islands was not in compliance with the Single Audit requirement because its FY 2010 Single Audit report had not been submitted and was over 4 months late.

We reviewed the FYs 2007 and 2008 Single Audit Reports and identified the following findings pertaining to the U.S. Virgin Islands government's internal controls and its ability to adequately manage federally-funded programs.

- **Finding 2007-01 and 2008-01 – Internal Controls**

Auditors found that the U.S. Virgin Islands government: (1) did not have a sufficient level of "control consciousness" throughout all of the government's administrative operations; (2) lacked controls to ensure compliance with federal laws, regulations, and program requirements; and (3) did not exercise appropriate management, review, and approval of transactions, accounting entries, and financial and other reporting.

In its response to the FY 2007 and FY 2008 audit reports, the U.S. Virgin Islands government stated that it had implemented a new financial management system, which it believed would correct these deficiencies within 3 to 5 years.

- **Finding 2007-02 and 2008-02 – Compliance with Single Audit Requirements**

Auditors found that the U.S. Virgin Islands government did not comply with the due date for submitting the Single Audit reports. This occurred because management failed to ensure that adequate accounting records exist and that the timely closing of books occurs.

In its response to the FY 2007 audit, the government stated that it could not effect the timely issuance of Single Audit reports until the FY 2008 audit is completed.

In its response to the FY 2008 audit, the government stated that it could not effect the timely issuance of Single Audit reports until the FY 2009 audit is completed.

- **Finding 2007-04 and 2008-04 – Reporting Grant Revenues and Expenditures**

Auditors found that some federal revenues and expenditures made by a third-party fiduciary on behalf of the government were not reported or were incorrectly reported in the financial statements.¹³

In its response to the 2007 and 2008 audits, the government stated that it had implemented new accounting policies and was developing an interface with the third-party fiduciary, which would mitigate these deficiencies.

In response to the 2007 audit, the government stated that the interface would be fully operational by FY 2010.

In response to the 2008 audit, the government stated that the interface would be fully operational by FY 2011. The deficiencies highlighted in these reports still existed at the time of our audit.

Single Audits of the St. Croix Foundation

We found that the LEPC used a third-party fiduciary, the St. Croix Foundation, to manage the grant funds it awarded to some subrecipients. At the time of our audit, the St. Croix Foundation was administering 16 grant projects funded through the LEPC. However, the St. Croix Foundation's FY's 2007, 2008, and 2009 Single Audit Reports identified serious deficiencies in the St. Croix Foundation's ability to adequately manage federal programs. Some of these were repeat deficiencies from prior years. Findings from the St. Croix Foundation's Single Audits and the relationship of those findings to our results are discussed in Appendix 3.

U.S. Virgin Islands Office of the Inspector General Report

The U.S. Virgin Islands Office of the Inspector General has issued two reports containing findings relevant to the internal control structure of the LEPC and one of its subrecipients. The findings of those reports are summarized below.

¹³ The report did not name the third-party fiduciary; however, the St. Croix Foundation for Community Development, Inc. was the third-party fiduciary the LEPC used to administer subrecipients' finances and keep their accounting records.

Audit of the Funding for the Abandoned Vehicle Program¹⁴

In March 2010, the U.S. Virgin Islands Office of the Inspector General completed an audit of the St. Thomas abandoned vehicle program after a former Deputy Chief of Staff to the then-Governor was convicted of embezzling \$1.25 million. The embezzled accounts included \$700,000 in DOJ Byrne JAG funds subawarded to the St. Thomas Task Force (the task force) from FY 2004 through FY 2006. The task force received DOJ funds through the LEPC and funds from other federal and local sources to remove abandoned vehicles and demolish abandoned buildings used for illegal activities. Auditors found the following weaknesses in the LEPC's administration of federal funds.

- The LEPC allowed the task force to manage federal funds outside the Department of Finance accounting system, did not ensure that federal grant funds were properly managed, and did not ensure the task force followed federal guidelines on submitting grant reports.
- The task force did not establish controls for managing federal funds and did not comply with reporting requirements.
- The Department of Finance did not ensure that funds provided to the task force were properly accounted for.
- The former Deputy Chief of Staff to the Governor exercised undue influence over the LEPC to circumvent controls established by the LEPC and Finance.

Consequently, DOJ Byrne JAG and other funds were improperly distributed, not properly managed, commingled, and unaccounted for. The total cost to the government was \$1.9 million. Because funds from 10 sources were commingled and embezzled from a single checking account set up by the former government official, auditors could not determine the amount of DOJ Byrne JAG funds that were embezzled. The report recommended that the former LEPC Director:

- ensure all government agencies receiving federal funds maintain and account for those funds through the government accounting system maintained by the Department of Finance, and

¹⁴ U.S. Virgin Islands, Office of the Inspector General, *Audit of the Funding for the Abandoned Vehicle Program, Audit Report AR-01-11-10 (March 2010)*.

- enforce all federal grant award guidelines as established by the federal government.

We obtained documentation showing the LEPC implemented the first recommendation, but we could not determine whether the LEPC implemented the second recommendation.

*Audit of LEPC Victims of Crime Act Grants Awarded to the Safety Zone*¹⁵

In April 2005, the U.S. Virgin Islands Office of the Inspector General issued a report on grant funds subawarded by the LEPC to the Safety Zone, a non-profit organization that provides services to victims of crime. The Safety Zone received an advance payment of grant funds to begin providing services to crime victims. All grant fund payments for the provision of goods and services had to be fully supported by invoices, bills, receipts, timesheets, paid checks, and contracts. The Safety Zone also had to submit periodic financial and grant progress reports to the LEPC.

Auditors found that the Safety Zone did not provide adequate supporting documentation for some grant costs, did not always submit financial and grant progress reports to the LEPC when they were due, and did not respond timely to the LEPC's requests for information and documents.

Auditors found that the LEPC frequently asked for documentation that the Safety Zone had already provided and, in one instance, reimbursed the Safety Zone \$755 more than it had claimed. Neither the LEPC nor the subrecipient could provide documentation showing that the Safety Zone repaid the \$755. An LEPC employee also alleged that two Safety Zone employees paid with funds from another source also tried to claim reimbursement for their salaries from the LEPC for the same time period. However, the LEPC employee could not provide documentation to support the allegation.

The audit report recommended that the LEPC ensure claims for reimbursement are adequately supported and that the Safety Zone make certain management improvements.

¹⁵ U.S. Virgin Islands, Office of the Inspector General, *Audit of Law Enforcement Planning Commission VOCA Grants Awarded to the Safety Zone*, Audit Report AR-04-50-05 (April 2005).

At the time of our audit, the Safety Zone was continuing to receive grant funds from the LEPC. The former LEPC Director told us that on two occasions funding had been withheld from the Safety Zone because it had not submitted the required financial reports. The former LEPC Director also told us that he had received several complaints from an attorney representing the owner of the property where the Safety Zone offices were located, that the Safety Zone was not making its rent payments. The most recent subaward to the Safety Zone included funds for rent. We tested \$5,904 in rent payments the Safety Zone made in FY 2009, but the LEPC could not provide cancelled checks or other supporting records for those expenses. The former LEPC Director also told us that the LEPC has continued to provide funding to the Safety Zone because it had been pressured to do so by local political leaders.

OJP Site Visit Reports

From May 2007 through February 2010, OJP staff made four site visits to the U.S. Virgin Islands to review various aspects of the LEPC's grant management. OJP staff identified numerous concerns and made recommendations for improvement as discussed in detail in Appendix 4 of this report.

Conclusion on Control Environment

We found a lack of adequate controls in key areas that increased the risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grants. As discussed throughout this report, we found deficiencies in the LEPC's policies and procedures pertaining to accounting for, managing, and reporting the use of grant funds. Although the financial management system appears adequate to administer the grants, the LEPC did not have procedures to account for all grant funds drawn down, identify and report interest earned on grant funds, ensure grant expenditures were allowable and supported, ensure fair and open competition for grant funds, manage and monitor subrecipients, and ensure subrecipients achieve grant goals and objectives. We also noted that the LEPC did not have an adequate number of trained staff to properly manage and monitor the grants. Prior audits and reviews have disclosed a pattern of difficulties in achieving proper management of grants.

Drawdowns

The OJP Financial Guide, Part III, Chapter 1, generally requires that grant recipients time their drawdown requests to ensure that federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days. Recipients of Byrne JAG awards may draw down any amount of the grant funds in advance, but must establish a trust fund in which to deposit the funds. Recipients of VOCA and VAWA grants awarded under the Recovery Act must not commingle those funds with funds from other sources. These requirements also apply to subrecipients that receive funds from these grants.

We interviewed LEPC officials responsible for drawing down grant funds and reviewed drawdown procedures and accounting records. LEPC officials told us that drawdown amounts were based on funding requests from subrecipients and the LEPC's estimated administrative expenditures.

We tested whether the LEPC complied with OJP's requirements pertaining to grant fund drawdowns. We found serious internal control weaknesses including excess federal cash-on-hand, unaccounted for grant funds, grant funds that were commingled with funds from other sources, and grant funds that were not used before the grants expired.

Excess Federal Cash-on-Hand

We tested whether the LEPC had excess federal cash-on-hand by comparing grant funds drawn down to the grant expenditures recorded in the accounting records. We tested eight active grants that permit drawdown of funds in advance for immediate needs or to be disbursed within 10 days. We found the LEPC had drawn down \$216,980 more grant funds than it had in grant expenditures for these grants. Exhibit 3 shows excess cash-on-hand for the grants we tested.

Exhibit 3: Excess Federal Cash-on-Hand for Active Grants

GRANTING AGENCY	GRANT NUMBER	GRANT AMOUNT	GRANT FUNDS DRAWN DOWN FROM OJP	GRANT EXPENDITURES ACCORDING TO THE ACCOUNTING RECORDS	EXCESS FEDERAL CASH-ON-HAND
OJP	2009-JP-FX-0033	\$8,372	\$8,372	\$0	\$8,372
	2009-SG-B9-0119	\$507,000	\$441,711	\$359,683	\$82,028
	2009-VA-GX-0044	\$619,898	\$351,700	\$289,859	\$61,841
Subtotal		\$1,325,270	\$801,783	\$649,542	\$152,241
OVW	2009-WF-AX-0050	\$632,395	\$259,606	\$249,224	\$10,382
	2009-EF-S6-0056	\$638,390	\$192,349	\$137,992	\$54,357
Subtotal		\$1,270,785	\$451,955	\$387,216	\$64,739
Total		\$2,406,055	\$1,253,738	\$1,036,758	\$216,980

Source: Office of Justice Programs and the Law Enforcement Planning Commission

In May 2010, OJP's Office of the Chief Financial Officer notified the LEPC that it had drawn down \$357,798 in excess grant funds and advised the LEPC to return the excess funds or submit a revised financial report. LEPC officials told us the excess drawdown was a mistake by the LEPC's Director of Financial Management Services. The LEPC requested that the U.S. Virgin Islands Department of Finance issue a check to OJP, but no check was issued. Because the funds were eventually used to reimburse subrecipients for their grant costs we make no recommendation about the excess funds drawn down.

The LEPC should implement procedures to ensure that federal cash-on-hand is the minimum needed for disbursement immediately or within 10 days. The LEPC should also implement procedures to periodically reconcile grant funds drawn down from OJP to the grant expenditures recorded in the U.S. Virgin Islands accounting system and follow up on any differences.

Unaccounted for Grant Funds

We also tested whether the LEPC could account for the grant funds received for grants that had expired. We identified 13 grants awarded since 2006 that had expired and compared grant fund drawdowns to expenditures recorded in the accounting records. For 10 of those grants, the LEPC had drawn down \$2,793,625 in grant funds, but the expenditures according to the accounting records were \$1,820,649. The remaining \$972,976 in grant funds drawn down are unaccounted for. We recommend that OJP remedy these unsupported costs. Exhibit 4 shows the details of the unaccounted for grant funds.

Exhibit 4: Unaccounted for Funds From Expired Grants

GRANTING AGENCY	GRANT NUMBER	AWARD AMOUNT	GRANT FUNDS DRAWN DOWN FROM OJP	EXPENDITURES ACCORDING TO THE ACCOUNTING RECORDS	UNACCOUNTED FOR GRANT FUNDS
OJP	2006-DJ-BX-0093 (BJA)	\$730,000	\$729,843	\$688,924	\$40,919
	2006-VA-GX-0051 (OVC)	\$634,387	\$632,865	\$350,746	\$282,119
	2006-JB-FX-0041 (OJJDP)	\$103,185	\$98,025	\$30,080	\$67,945
	2006-JP-FX-0043 (OJJDP)	\$18,750	\$14,998	\$0 ¹⁶	\$14,998
	2006-JF-FX-0060 (OJJDP)	\$60,000	\$56,879	\$56,376	\$503
	2007-JB-FX-0076 (OJJDP)	\$102,488	\$74,052	\$70,241	\$3,811
	2007-VA-GX-0031 (OVC)	\$624,000	\$620,017	\$490,316	\$129,701
	2007-JP-FX-0023 (OJJDP)	\$25,075	\$25,075	\$0	\$25,075
	2007-RU-BX-K012 (BJS)	\$150,000	\$99,368	\$63,897	\$35,471
	Total OJP	\$2,447,885	\$2,351,122	\$1,750,580	\$600,542
OVW	2006-WF-AX-0019	\$632,934	\$442,503	\$70,069	\$372,434
Totals		\$3,080,819	\$2,793,625	\$1,820,649	\$972,976

Source: Office of Justice Programs, Office on Violence Against Women, and the LEPC

We asked LEPC officials about the unaccounted for funds and we were told that some of the accounting records for these grants were processed under the old accounting system and may not have been imported into the new accounting system. We requested reports from the old accounting system from the Department of Finance, but we were told that all accounting activity for these grants was processed in the new system, which the LEPC had already provided. Officials from the LEPC and the Department of Finance could not provide any other explanation for the \$972,976 in unaccounted for funds.

We also noted that neither the LEPC nor the Department of Finance reconciled the grant funds drawn down to the grant expenditures recorded in the accounting records. The LEPC and the Department of Finance should immediately reconcile all grants to determine the status of DOJ grant funds that are unaccounted for. We discussed this issue with the current LEPC Director and he concurred with our assessment on the lack of adequate controls to account for DOJ grant funds. He also told us that he is developing new procedures to address those deficiencies and said he is establishing controls to improve the oversight and transparency in the administration of DOJ grants. The LEPC and the Department of Finance also should periodically reconcile grant funds drawn down to the expenditures

¹⁶ The LEPC did not provide accounting records to support expenditures charged to Grant Numbers 2006-JP-FX-0043 and 2007-JP-FX-0023.

recorded in the accounting records and follow up on any differences. We recommend that these reconciliations be performed monthly.

Separate Bank Accounts

We also tested whether the LEPC established a trust fund account for the Byrne JAG Recovery Act grant and whether Recovery Act grant funds awarded under the Victims of Crime Act (VOCA) and Violence Against Women Act (VAWA) were commingled with funds from other sources. We found that the Department of Finance established a separate bank account for the Byrne JAG Recovery Act grant.

The LEPC drew down the entire \$4,972,500 Byrne JAG Recovery Act award amount in advance and deposited the funds into a separate account. However, the Department of Finance did not establish separate bank accounts for Recovery Act grants awarded under the VOCA and VAWA programs or for non-Recovery Act grants awarded under the Byrne JAG program.¹⁷ As previously discussed, expenditures were allocated to each grant within the accounting system, but the funds from these grants were commingled with funds from other sources and the grant fund balances were not tracked and reconciled to ensure they were properly accounted for. Exhibit 5 shows the funds that were commingled with funds from other sources.

Exhibit 5: Grant Funds Commingled with Other Funds

GRANTING AGENCY	GRANT NUMBER	AWARD AMOUNT	DRAWDOWN
OJP	2006-DJ-BX-0093 (Byrne JAG)	\$730,000	\$729,843
	2008-DJ-BX-0055 (Byrne JAG)	\$373,273	\$357,754
	2008-DJ-BX-0726 (Byrne JAG)	\$25,179	\$20,000
	2009-DJ-BX-1097 (Byrne JAG)	\$1,209,694	\$1,003,080
	2009-SG-B9-0119 (VOCA-Recovery Act)	\$507,000	\$485,289
OVW	2009-EF-S6-0056 (STOP-Recovery Act)	\$638,390	\$326,848
Totals		\$3,483,536	\$2,922,814

Source: Office of Justice Programs and the Law Enforcement Planning Commission

As explained earlier, because the LEPC commingled these funds, we could not reconcile grant funds drawn down to the bank accounts

¹⁷ The LEPC was not required to establish separate bank accounts for the VOCA and VAWA Recovery Act grants, but funds from those grants were not to be commingled with funds from other sources.

and accounting records. Consequently, \$972,976 in grant funds are unaccounted for.

The LEPC should implement procedures to ensure it establishes a bank account for Byrne JAG grants and does not commingle grant funds from VOCA and VAWA grants with funds from other sources. The LEPC should also determine what happened to the \$972,976 in grant funds drawn down that are unaccounted for. We recommend that OJP remedy the \$972,976 in unaccounted for funds and ensure that LEPC: (1) establishes a bank account for DOJ grant funds, (2) implements appropriate accounting procedures to separately track grant fund balances, and (3) periodically reconciles the fund balance for each grant to the bank account.¹⁸

Grant Funds Not Drawn Down (Funds not Used)

During our testing of grant drawdowns we identified 13 expired grants with \$606,317 in grant funds that were not used. These grants are shown in Exhibit 6.

¹⁸ The OJP Financial Guide does not require the grantee to establish a separate bank account for every grant; however, doing so would help improve the accountability of DOJ grants.

Exhibit 6: Expired Grants with Funds Not Drawn Down

GRANTING AGENCY	GRANT NUMBER	GRANT END DATE	GRANT AMOUNT	FUNDS DRAWN DOWN ¹⁹	AMOUNT DEOBLIGATED	FUNDS NOT DRAWN DOWN TO DEOBLIGATE
OJP	2006-JB-FX-0093 (OJJDP)	09/30/2009	\$730,000	\$729,843	\$157	\$0
	2006-JP-FX-0043 (OJJDP)	09/30/2008	\$18,750	\$14,998	\$3,752	\$0
	2006-VA-GX-0051 (OVC)	09/30/2009	\$634,387	\$632,865	\$1,522	\$0
	2007-JB-FX-0076 (OJJDP)	11/26/2010	\$102,488	\$74,052		\$28,436
	2007-JF-FX-0063 (OJJDP)	09/30/2010	\$80,000			\$80,000
	2008-AH-FX-0065 (OJJDP)	05/31/2011	\$350,000	\$344,555		\$5,445
	2008-JP-FX-0061 (OJJDP)	09/30/2010	\$12,099	\$0		\$12,099
	2006-JB-FX-0041 (OJJDP)	11/26/2009	\$103,185	\$98,025		\$5,160
	2006-JF-FX-0060 (OJJDP)	09/30/2009	\$60,000	\$56,879		\$3,121
	2007-RU-BX-K012 (BJS)	09/02/2007	\$150,000	\$99,368	\$50,632	\$0
	2007-VA-GX-0031 (OVC)	09/30/2010	\$624,000	\$622,816	\$1,184	\$0
	Subtotal			\$2,864,909	\$2,673,401	\$57,247
OVW	2006-WF-AX-0019	06/30/2009	\$632,934	\$442,503		\$190,431
	2007-WF-AX-0053	11/30/2009	\$627,524	\$345,899		\$281,625
Subtotal			\$1,260,458	\$788,402		\$472,056
Total			\$4,125,367	\$3,461,803	\$57,247	\$606,317

Source: OJP Grant Payment History

We discussed the unspent grant funds with LEPC staff. The new LEPC Director appeared to be surprised at the amount of OVW funds that were not used. The new LEPC Director also told us that local government regulations make it difficult to conduct monitoring of juvenile correctional facilities. Those activities are typically associated with OJJDP grants. Another LEPC official told us that grant funds were not used because the LEPC did not have enough staff to administer the grants. Consequently, funds intended to improve the U.S. Virgin Islands criminal justice system were not used.

As of November 2011, the unspent funds shown in Exhibit 6 had not been deobligated. We recommend that OJP and OVW deobligate the \$134,261 and \$472,056, respectively, in unspent grant funds.

Program Income

According to the OJP Financial Guide, Part III, Chapter 4, all income generated as a direct result of a federally-funded project must be used to further program objectives, reported as program income on

¹⁹ As shown earlier in Exhibit 4, funds drawn down from some of these grants are unaccounted for.

financial reports submitted to OJP, and may only be used for allowable program purposes. Any unexpended program income must be returned to OJP.

We interviewed LEPC and Department of Finance staff and reviewed accounting records and bank statements to determine whether the grant funds or grant funded programs generated income. We found no evidence of income generated from grant program activities; however, the bank statement for the 2009 Recovery Act grant from OJP showed \$43,503 in interest earned on those grant funds. The former LEPC Director told us he was not aware the LEPC had an additional \$43,503 that could be used for grant purposes. We also found that the LEPC had no procedures to determine whether DOJ funds or programs generated additional revenues.

We recommend OJP ensure that the LEPC allocates the \$43,503 in program income to grant purposes or returns the funds to the DOJ. The LEPC should also implement procedures to: (1) identify income generated from grant funds and programs, (2) report such income in the financial reports submitted to OJP, and (3) ensure the funds are spent for allowable DOJ grant purposes.

Grant Expenditures

According to the OJP Financial Guide, Part III, Chapter 7, allowable costs are those identified in Office of Management and Budget circulars and the grant program's authorizing legislation. In addition, costs must be reasonable and permissible under the specific guidance of the grants. To ensure compliance with grant conditions, the LEPC reviews the supporting documentation associated with Subrecipients' grant expenditures.

We reviewed a judgmental sample of administrative costs, other direct costs, and property items charged to grant funds and found that the LEPC and subrecipients charged unallowable and unsupported costs to grant funds. Details of the questioned costs are discussed below. Details of the other direct costs we questioned are presented in Appendix 5.

The LEPC's Administrative Expenditures

Administrative costs include salaries and fringe benefits for LEPC staff, office supplies, utilities, equipment, and other grant-related items. We judgmentally selected nine OJP grants and three OVW

grants for testing. The LEPC charged \$222,754 in personnel costs and \$67,109 in other administrative costs to these grants.

We tested \$20,930 in personnel costs for five of the six LEPC employees paid with grant funds. We tested these costs for two non-consecutive pay periods and found that the charges were properly authorized, supported, allowable, and properly allocated to the grants.

For other administrative costs, we tested 10 transactions totaling \$28,937. We found the LEPC charged \$3,063 to OVW Grant Number 2007-WF-AX-0053 for 35 airline tickets purchased in advance for inter-island travel, but those tickets were not used and had expired.

According to LEPC officials, the advance purchase of airline tickets for intra-island travel is necessary because LEPC staff frequently travel to St. Croix and St. John to perform site visits to subrecipients. As discussed later in this report, we found only seven site visit reports in the LEPC's grant files that we reviewed. LEPC officials also told us they provide funds to other state agencies to purchase tickets. We found that the LEPC did not have controls in place to track the use of prepaid intra-island travel. We reviewed the airline ticket usage logs maintained by the LEPC but those logs were not consistently updated with the name of the traveler and the date and purpose of the travel. As a result, \$3,063 the LEPC spent on prepaid airline tickets was wasted. Those funds could have been put to use on grant related activities. We discussed the expired tickets with LEPC officials and we were told that the airline should have given the LEPC credit for future travel, but the LEPC provided no supporting documentation showing credit for the tickets.

Excess Administrative Costs

The LEPC did not have controls in place to ensure it complied with the maximum allowable administrative costs for the grants. We selected a judgmental sample of 12 of the 40 grants administered by the LEPC and compared the personnel and other administrative costs to the amounts permitted by the grants. We found that for 5 of 12 grants we tested, the LEPC exceeded the maximum allowable administrative costs. For one of those five grants, the LEPC disbursed a portion of the grant funds to a third-party fiduciary, the St. Croix Foundation to administer. The fiduciary retained 7.5 percent of those funds as administrative fees. Exhibit 7 shows excess administrative costs charged to the grants by the LEPC and the third-party fiduciary.

Exhibit 7: Excess Administrative Costs

GRANT/PROGRAM	AWARD AMOUNT	PERCENT OF GRANT ALLOWED FOR ADMIN COSTS	MAXIMUM ALLOWABLE ADMIN COSTS	LEPC ADMIN COSTS (ACTUAL)	ST. CROIX FOUNDATION ADMIN COSTS	TOTAL EXCESS ADMIN COSTS
2008-DJ-BX-0055 (BJA Byrne JAG)	\$373,273	10%	\$37,327	\$61,131		\$23,804
2006-DJ-BX-0093 (BJA Byrne JAG)	\$730,000	10%	\$73,000	\$127,307		\$54,307
2008-VA-GX-0030 (OVC VOCA)	\$601,000	5%	\$30,050	\$78,089		\$48,039
2007-VA-GX-0031 (OVC VOCA)	\$624,000	5%	\$31,200	\$33,367		\$2,167
2008-AH-FX-0065 (OJJDP)	\$350,000	5%	\$17,500	\$25,354	\$24,375	\$32,229
Total			\$189,077	\$325,248	\$24,375	\$160,546

Source: Office of Justice Programs and Law Enforcement Planning Commission records

Consequently, the LEPC and the St. Croix Foundation charged \$160,546 more in administrative costs to these grants than was permitted. We recommend that OJP remedy the \$160,546.

Subrecipients' Expenditures

We also tested subrecipients' grant fund expenditures. As noted in the Management of Subrecipients section in this report, we found that the LEPC did not properly monitor subrecipients to ensure that they complied with the grant conditions. Along with their requests for reimbursement of grant expenses, subrecipients must submit to the LEPC, time and attendance records for personnel costs, receipts, invoices, copies of checks, or other documentation needed to substantiate the expenses.

We selected a judgmental sample of 7 of the 40 OJP and OVV grants awarded to the LEPC between FY 2006 and FY 2010. For these seven grants, the LEPC awarded funds to 84 subrecipients. We tested \$782,160 in grant expenditures reimbursed to 20 of those 84 subrecipients. The \$782,160 we tested is 55 percent of the grant funds to those 20 subrecipients. The results of our testing are shown in Exhibit 8.

Exhibit 8: LEPC Subrecipients' Unsupported and Unallowable Costs

SUBRECIPIENT	GRANT	EXPENDITURES REPORTED	AMOUNT UNSUPPORTED	AMOUNT UNALLOWABLE
University of the Virgin Islands	2006-DJ-BX-0093	\$39,906	\$39,906	
Boys and Girls Club	2008-DJ-BX-0055	\$13,988		\$4,200
Our Town Frederiksted	2008-DJ-BX-0055	\$29,831	\$29,831	
Basketball Federation	2008-DJ-BX-0055	\$28,395	\$20,553	\$2,589
Family Resource Center	2008-VA-GX-0030	\$84,914	\$84,914	
Legal Services	2008-VA-GX-0030	\$72,500	\$72,500	
The Safety Zone	2008-VA-GX-0030	\$5,472	\$4,920	
Volunteer Advocates for Children	2008-VA-GX-0030	\$4,770	\$4,650	
Women's Coalition	2008-VA-GX-0030	\$20,981	\$13,342	
Council on Alcoholism	2009-SG-B9-0119	\$15,384	\$14,523	
Kidscope, Inc.	2009-SG-B9-0119	\$6,414	\$1,394	
Total		\$322,555	\$286,533	\$6,789

Source: The Law Enforcement Planning Commission

We found that 38 percent of the subrecipients' expenditures we tested were either unsupported (\$286,533) or unallowable (\$6,789). The unsupported costs included transactions missing supporting documentation such as timesheets, invoices, proof of payment documents, or other types of support required by the LEPC. Additional details of the unsupported costs are presented in Appendix 5.

According to the LEPC's special conditions for subrecipients, subrecipients may not expend Byrne JAG funds for independent (individual) contractors. However, we identified \$4,200 in 2008 Byrne JAG grant funds that a subrecipient, the Boys and Girls Club, spent on an independent contractor for consulting services.

We also identified \$2,589 in unallowable expenditures charged by the U.S. Virgin Islands Basketball Federation. The funds were spent on travel costs for a U.S. Virgin Islands Science and Math Club to travel to Florida to visit a space center and an amusement park. These costs are unallowable because the funds were not expended for grant purposes. The funds awarded to the Basketball Federation were intended for a program designed to take 2,000 youths off the streets when they are most vulnerable to delinquent activities and gang violence. Consequently, the subrecipient had \$2,589 less funds to address these problems.

LEPC staff told us they do not have sufficient trained staff to adequately monitor all subrecipients' expenditures. As discussed in

the Staff Training and Experience section of this report, one LEPC employee was responsible for monitoring the financial activities of 75 subrecipients. The new LEPC Director told us that he believes the LEPC needs to hire another person to help administer the grants.

Property Management

According to the OJP Financial Guide, Part III, Chapter 6, grant recipients must be prudent in the acquisition and management of property bought with federal funds. Property acquired with federal funds should be used for the purposes stated in the grant programs and applications, adequately protected from loss, and the property records should indicate that the property was purchased with federal funds. The OJP Financial Guide also states that grant recipients and subrecipients must maintain property records that include a description of the property, serial number or other identification number, location of the property, and records that indicate the use and condition of the property.

We performed limited testing of property items bought with 2009 Byrne JAG Recovery Act funds to determine whether the items: (1) were recorded in the property records, (2) could be accounted for, and (3) were being used for the purposes described in the grant programs and applications. We performed these tests at the LEPC and the U.S. Virgin Islands Police Department for property items bought with 2009 Byrne JAG Recovery Act funds. We included the Police Department in our testing because it received \$2.5 million of the \$4.9 million in Byrne JAG Recovery Act funds awarded to the LEPC in 2009.

Property Items at the LEPC

At the LEPC we tested three laptop computers valued at \$3,152. These were the only property items the LEPC bought with 2009 Byrne JAG Recovery Act funds. We physically verified the LEPC had all three computers and that the computers were being used for grant purposes.

At the time we tested these items, the LEPC did not maintain a system of property records for items bought with grant funds. Subsequent to our testing, the LEPC established a log of property items bought with grant funds that includes a description of the item, the date the item was acquired, and the source of the funds used to purchase the items.

Property Items at the U.S. Virgin Islands Police Department

At the time of our site work, the Police Department had spent \$485,653 (about 19 percent) of its \$2.5 million share of the 2009 Byrne JAG Recovery Act grant on equipment items. The equipment included 68 computers valued at \$52,824, which is 11 percent of the total value of equipment the Police Department purchased with its share of the Recovery Act funds. We selected 19 property items, including 14 computers, and physically verified that the Police Department had all 19 items. We also verified that the items were properly tagged and were recorded in the Police Department's property records.

During our testing of property items we identified an issue pertaining to Recovery Act funds that were to be used to purchase equipment. In July 2010 the Department of Finance issued to the Police Department a \$69,120 check drawn on Byrne JAG Recovery Act funds and made out to a supplier of police officer body armor. The equipment was to be delivered to the Police Department from 2 to 6 months after the supplier received the payment.

We made multiple requests that the Police Department provide us with documentation showing it had received and deployed the body armor. In December 2010 we were told by Police Department staff that they had temporarily misplaced the check, but the check had been found and would be mailed to the supplier the following day.

In June 2011 the LEPC told us that the Police Department had lost the check again and the supplier had still not been paid. Consequently, equipment that could save police officers' lives had not been delivered. The LEPC also reported the \$69,120 check as an expenditure of Recovery Act funds. However, the LEPC's Recovery Act reports are incorrect because the funds have not been spent and the check is apparently lost. We recommend that OJP monitor this transaction to ensure the expenditure is supported and allowable.

Management of Subrecipients

Solicitation Process

Federal regulations 28 CFR §66.36, § 70.43, and Virgin Islands law, Title 31, Section 236 requires that procurement transactions be conducted in a manner to provide open competition. Federal regulations require states to follow the same policies and procedures

for procurement from non-federal funds and the Virgin Islands is considered to be a state.²⁰

We interviewed LEPC staff and reviewed the LEPC's policies and procedures for soliciting applications and making subawards. We found that the LEPC did not provide, or could not show that it provided, free and open competition for grant funds. An LEPC program manager told us that grants were awarded on a competitive basis with priority given to applicants that had demonstrated a history of successful grant projects. Another LEPC program manager told us the LEPC used a scoring form to assess grant applications against specific requirements and key criteria highlighted for each grant program. Program managers then provided the highest ranked applications to the former LEPC Director for consideration, but the final funding decisions rested solely with the former LEPC Director.

Before 2006, an advisory board made up of representatives from government and non-government organizations reviewed the applications for funding. However, the Governor and the LEPC disbanded the advisory board because some of the members were not independent because they had received or applied for grant funds, which posed conflicts of interest. Exhibit 9 shows the LEPC's process for soliciting and making subawards.

²⁰ The OJP Financial guide defines subaward as an award to an eligible subrecipient or a procurement contract made under an award by a recipient. We consider the LEPC's subgrants to provide services needed to meet grant objectives to be procurement transactions.

Exhibit 9: The LEPC's Process for Soliciting and Making Subawards

1. The LEPC Director (Drug Policy Advisor to the Governor) accepts and signs the OJP and OVW award document and the document is returned to OJP. By signing the document the LEPC accepts the federal award.
2. Within 5 days, the LEPC forwards a Request for Proposal to the media outlets soliciting applications for funding from prospective subrecipients. ²¹
3. Government agencies and non-profits submit their applications and proposals for subawards to the LEPC electronically via the LEPC's website. ²²
4. The LEPC notifies the Governor to set his priorities for funding, including the amounts to be allocated to governmental agencies. ²³
5. The date of receipt of an application via the internet is recorded on the application and the application is forwarded to the appropriate LEPC grant manager for review.
6. After receiving an application for funding, the LEPC: <ul style="list-style-type: none"> o reviews each application for completeness, accuracy, and conformity with the applicant's comprehensive plan and DOJ requirements; o evaluates each applicant's ability to meet the goals, objectives, and performance measures outlined in its application; and o notifies each successful applicant via a letter that its application has been approved and the amount of the allocation or award. If the application was not approved, the LEPC sends a letter citing the reasons for non-acceptance and suggestions for improving the application if the applicant desires to reapply.
7. The LEPC prepares award documents including a description of each applicant's proposed accomplishments, a time-line for outcomes, grant performance measurements, a line-item budget, and any special conditions applicable to the award.
8. The applicant receive the funds reads and signs the award documents.
9. The LEPC fiscal officer retains the award documents and budget as the source documents used to appropriate the funds to each recipient in the accounting system.

Source: Law Enforcement Planning Commission Standard Operating Procedures Manual

According to its written policies, the LEPC publishes a Request for Proposals (RFP) in the newspaper within 5 days after it has accepted a grant from OJP or OVW. However, we saw no documentation showing whether the RFPs were published according to those policies.

During our site visit to the Virgin Islands, two government law enforcement agency officials told us they had concerns about the

²¹ LEPC staff told us the solicitation is published in the newspaper once a week for 4 weeks.

²² At the start of our audit, the LEPC's website was operational, but shortly thereafter, we could not access the website. In July 2011, LEPC officials told us that the website was no longer in operation due to lack of funds to maintain it and that applicants now submit their applications by e-mail.

²³ According to LEPC officials, the former LEPC Director made the final decision on how funds were allocated. We found no evidence that funds were allocated according to the governor's priorities until the 2009 Recovery Act Byrne JAG grant funds were allocated.

LEPC's process for soliciting grants and a lack of transparency in the awards process. Both officials told us they were not always notified when the LEPC was accepting applications for funding and at other times they submitted applications, but received the funds late or not at all. One official told us that long delays in receiving funds from the LEPC had an impact on his department's operations and planning. Below are three examples of the LEPC taking 21 months or longer to subaward grant funds after it received the initial award.

- The LEPC received a FY 2008 OVW grant in August 2008. In July 2009 the LEPC published an RFP seeking applications for funding.²⁴ In August 2009 a U.S. Virgin Islands government official applied for grant funds in response to the RFP. The funds were awarded 9 months later, in May 2010. In this example, it took the LEPC 21 months from the time it received the 2008 grant until it made the subaward.
- In March 2011 the LEPC made a subaward from the FY 2008 OVW grant it received in August 2008. In this example it took over 30 months from the time the LEPC received the grant until it made the subaward.
- In April 2009 the LEPC made a subaward from the FY 2007 OVW grant it received in July 2007. In this example, it took the LEPC 21 months to subaward the funds.

The government officials we spoke to told us that because they play key roles in the government's law enforcement strategy, the LEPC should notify them directly when grant funds become available. We agree with those officials and believe that, in addition to publishing an RFP in the media, the LEPC should also directly notify government agencies by e-mail or telephone when they can apply for funding.

As shown earlier in Exhibit 6, for the FYs 2006 and 2007 OVW grants, \$472,056 in grant funds were not used. In addition, for the FY 2008 OVW grant (Grant Number 2008-WF-AX-0044), the LEPC requested and OVW approved an extension of the project until November 2011. However, as of November 2011, \$218,488 of those funds had not been drawn down. We discussed this with the LEPC's OVW grant Program Manager and we were told that: (1) the LEPC

²⁴ The LEPC's VAWA program manager told us that the RFP did not specify a grant year since the RFP covered funding available from previous years.

does not receive enough applications for the amount of OVW grant funds it was awarded, and (2) the LEPC does not make additional subawards until previous subawards have been expended, which is why the LEPC takes a long time to draw down the funds.

The LEPC needs to re-evaluate its practices for subawarding funds and ensure that grant funds are allocated timely in accordance with grant requirements.

Making Subawards

We evaluated the LEPC's process for making subawards for the FYs 2008 and 2009 OJP and OVW grants to determine whether the award process was fair and the awards were made on a competitive basis. At the time of our audit, the LEPC had not allocated FYs 2010 and 2011 grant funds.²⁵ Depending of the type of grant, grant funds are available for 2 to 4 years. OJP and OVW may give the recipient additional time to spend the funds.

We requested copies of the scoring forms that the LEPC program managers told us they used to evaluate applicants' requests for funding, but those documents were not provided.²⁶ One LEPC program manager told us that after the decision was made about which applicants were to receive funding, the scoring forms used in the selection process were discarded. As a result, we could not determine if the LEPC awarded funds to those subrecipients with the highest peer review scores. We reviewed documentation showing rejected applicants were invited to apply for future funding, but we saw no documentation showing that rejected applicants are given an opportunity to appeal the decision.

We also examined how the LEPC distributed grant funds between non-profit organizations and U.S. Virgin Islands government organizations in accordance with the goals of the grant program and the Governor's priorities.²⁷ We performed this review after two U.S. Virgin Islands government officials expressed concern with the

²⁵ The LEPC subsequently provided documentation for its allocation of FY 2010 grants.

²⁶ The LEPC only used the scoring forms for the VOCA and VAWA grants.

²⁷ We made multiple requests that the LEPC and the Governor's office provide us with a copy of its strategic plan for addressing crime in the Virgin Islands and how federal funds should be allocated, but none was ever provided.

lack of transparency in the LEPC's award process. According to these officials, the funding needs of some government justice agencies had been ignored and that most of the funds were awarded to non-profit organizations.

We reviewed the LEPC's allocation of FYs 2006, 2008, and 2009 Byrne JAG grants (excluding the Recovery Act grant) and found that the LEPC appeared to favor non-profit organizations over government law enforcement organizations when deciding which applicants would receive funding.

Using non-profit organizations to implement crime prevention programs is within grant guidelines. However, as discussed later we found no evidence that the LEPC or non-profit subrecipients measured the effectiveness of their programs or the impact they had on crime in the U.S. Virgin Islands. Below we discuss the various OJP and OVW grant programs and how the LEPC allocated those funds.

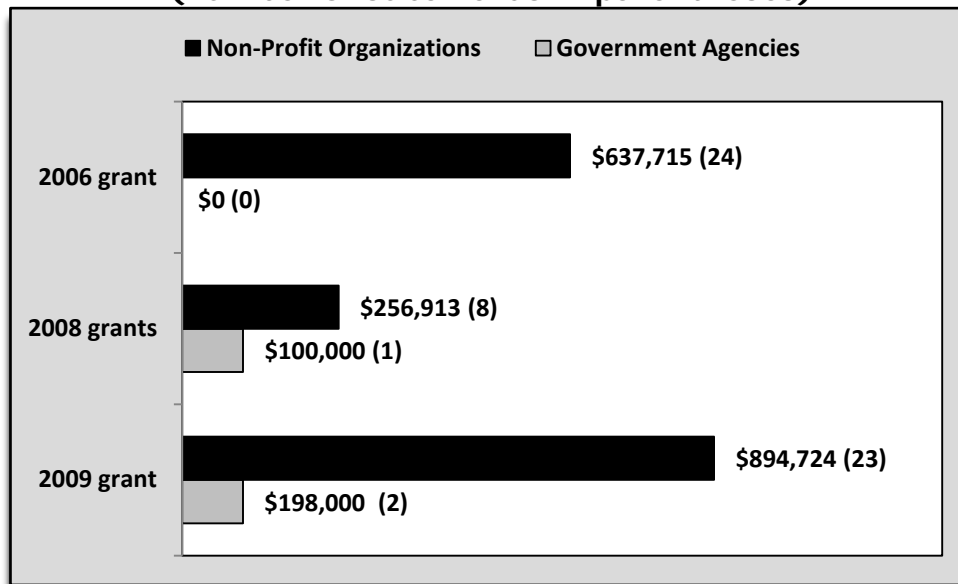
Edward Byrne Memorial Justice Assistance Grants (Byrne JAG)

The Byrne JAG program is the primary provider of federal criminal justice funding to state and local jurisdictions. Byrne JAG funds may be used to support the criminal justice system in law enforcement, prosecution, courts, corrections, prevention, drug treatment, and technology improvements. Grant recipients may use the funds based on their own local needs and conditions.

Exhibit 10 shows how the LEPC distributed funds from the FYs 2006, 2008, and 2009 OJP Byrne JAG grants to non-profit organizations and U.S. Virgin Islands government law enforcement entities.²⁸

²⁸ The BJA did not award Byrne JAG grants to the LEPC in FY 2007 because the LEPC did not apply for FY 2007 Byrne JAG funding. The 2009 Byrne JAG grant is discussed separately. Subsequent to our audit, the LEPC received FY 2011 Byrne JAG grant funds.

**Exhibit 10: Byrne JAG Funds Awarded to Non-Profit Organizations and Government Agencies²⁹
(number of subawards in parentheses)**



Source: The Law Enforcement Planning Commission

As shown Exhibit 10, the LEPC awarded \$298,000 (14 percent) to government entities in three subawards and \$1,789,352 (86 percent) to non-profit organizations in 55 subawards.³⁰

As shown in Appendix 7 at the end of this report, funds were subawarded to non-profit organizations for summer camps and after-school activities.³¹ We discussed this with the former LEPC Director and he told us that he believed in crime prevention programs and favored awarding funds to non-profit organizations to administer those programs. He told us that the Governor preferred that more of the funds be allocated to government entities such as the U.S. Virgin Islands Police Department, Department of Justice, and Bureau of Corrections for enforcement, prosecutions, and corrections.

Crime prevention programs are an allowable use of Byrne JAG funds and are recognized in the law enforcement community as an

²⁹ The amounts shown in the chart do not include the LEPC's administrative costs. FY 2011 grant funds were not yet subawarded. Byrne JAG grant funds are available for 3 years unless OJP gives the grant recipient additional time to expend the funds.

³⁰ The amounts discussed in the Exhibit do not include \$250,793 in grant funds for the LEPC's administrative costs or funds not distributed.

³¹ Appendix 7 is a partial list of subrecipients.

acceptable approach to address crime problems. Yet, neither the LEPC nor the non-profit organizations that implemented these crime prevention projects evaluated whether the programs had any effect on crime. Further, limiting government agencies access to grant funds limits their ability to address crime problems.

Crime continues to be a problem in the U.S. Virgin Islands. According to U.S. Virgin Islands government sources, the homicide rate in the U.S. Virgin Islands has increased steadily for several years. In 2009 and 2010, the rate was 56 and 60 homicides per 100,000 residents, respectively. On the U.S. mainland, the rate was 5 and 4.8 homicides per 100,000 residents, respectively.

In August 2010 the U.S. Virgin Islands Legislature questioned how the LEPC used grant funds. In a Virgin Islands Senate Appropriations Budget Committee hearing, a Senator questioned the then LEPC Director (Drug Policy Advisor to the Governor) about the effectiveness of grant funds spent on crime given the rate of crime in the territory. The Senator wanted to know “why more is not being done to put the money to good use.”

We met with a representative from the Governor’s office who told us that communication and coordination among government organizations had been a problem, but recently the Governor’s office became more involved in the allocation and oversight of DOJ funds.

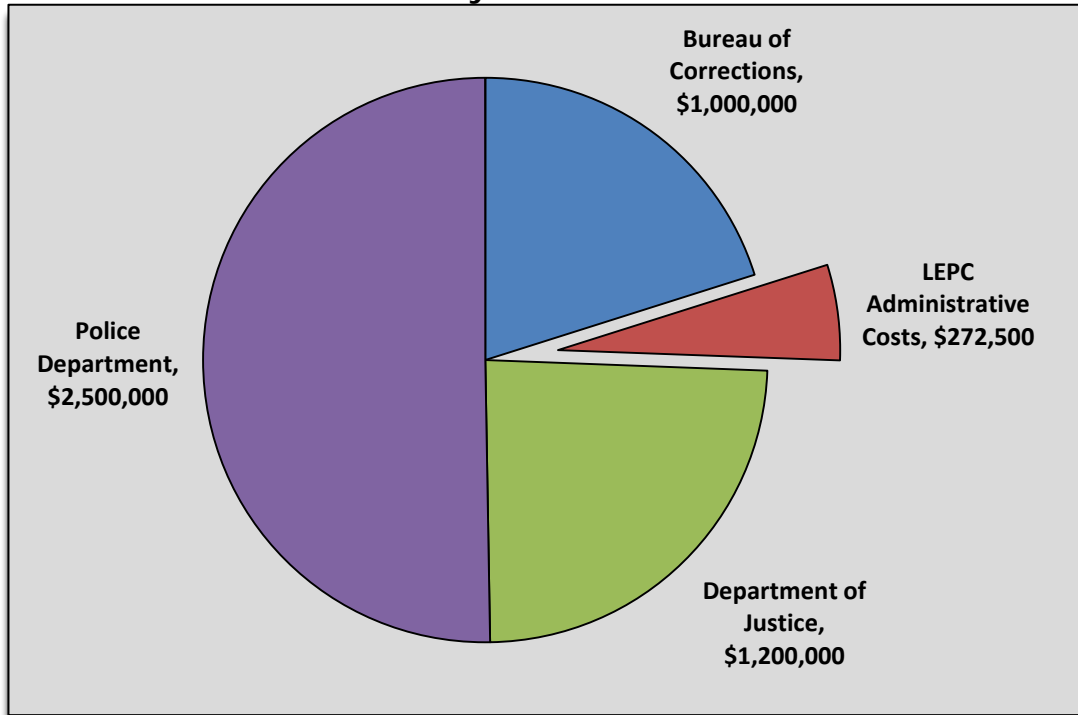
As discussed in the following section, subsequent to the Governor’s Office involvement and beginning with the 2009 Byrne JAG Recovery Act grant, funds were distributed differently.

Allocation of the 2009 Byrne JAG Recovery Act Grant Funds

For the Recovery Act grant (2009 Byrne JAG), the former LEPC Director planned to subaward 60 percent of the funds to non-profit organizations and 40 percent to U.S. Virgin Islands government law enforcement entities.³² However, the Governor allocated 95 percent of the funds to the Police Department, Department of Justice, and Bureau of Corrections. The remaining 5 percent (\$272,500) was for the LEPC’s administrative costs. Exhibit 11 shows how the 2009 Recovery Act Byrne JAG grant funds were allocated.

³² Subsequent to our work in the U.S. Virgin Islands, the LEPC received a \$50,000 supplement to its 2009 Byrne JAG Recovery Act grant award. We did not audit those grant funds.

Exhibit 11: Allocation of the 2009 Byrne JAG Recovery Act Grant Funds



Source: The Law Enforcement Planning Commission

The Police Department planned to use its \$2.5 million share of the 2009 Byrne JAG Recovery Act grant for the following programs and projects.

- \$250,000 – police cadets program
- \$350,000 – crime prevention unit
- \$500,000 – forensics unit
- \$100,000 – island investigations
- \$100,000 – investigations bureau
- \$650,000 – media and information systems
- \$250,000 – school security program
- \$300,000 – special operations bureau

The Bureau of Corrections planned to use its \$1 million share of the grant to: (1) hire two case workers, two vocational trade specialists, and a volunteer coordinator; and (2) construct a solar powered building to be used as a training facility, a warehouse for supplies and equipment, an armory, and administrative offices. The Bureau of Corrections also used some of the funds to develop a tilapia fish farm. The fish will be used to feed the inmates and eventually be used as a consumer product. The former LEPC Director told us that

the decision to build a fish farm was based on a survey of inmates' vocational interests.

The U.S. Virgin Islands Department of Justice planned to use its \$1.2 million share of the grant to hire two attorneys to prosecute homicides and two paralegals to assist them.

Allocation of 2010 Byrne JAG Grant Funds

In July 2011, the LEPC provided documentation detailing its allocation of the 2010 Byrne JAG grant funds. The allocation illustrates a marked change in comparison to previous years. The LEPC allocated \$457,120 (55 percent) of the grant to 20 non-profit organizations, and \$375,940 (45 percent) to 3 U.S. Virgin Islands government law enforcement agencies – \$150,000 to the Bureau of Corrections, \$200,000 to the Department of Justice, and \$25,940 to the Police Department.

Allocation of OJP's Victims of Crime Act Grants

Victims of Crime Act grants help victims of crime respond to their emotional and physical needs, stabilize their lives after they have been victimized, help them understand and participate in the criminal justice system, and help them feel safe by providing funds to board-up broken windows and replace or repair locks. We reviewed documentation showing that these types of services are usually provided by non-profit organizations. We examined four Victims of Crime Act grants totaling \$3,115,088 awarded to the LEPC in FY's 2006 through 2010. Of this amount, the LEPC subawarded \$2,806,753 to non-profit organizations to provide services to victims of crime.³³

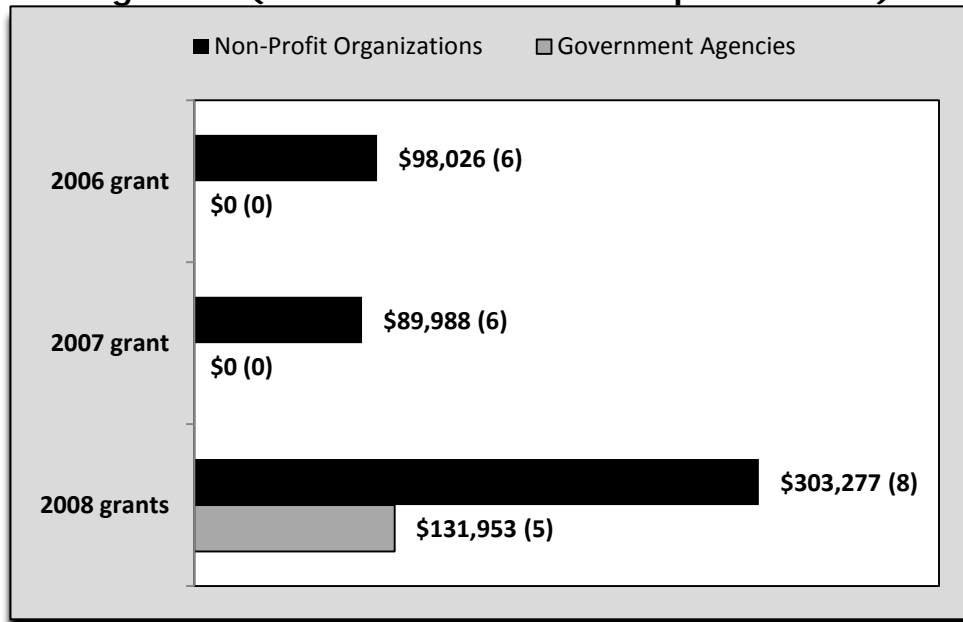
Allocation of OJP's Office of Juvenile Justice and Delinquency Prevention Grants

These grants help state-level and community organizations develop and implement effective and coordinated programs to prevent juvenile delinquency, improve the juvenile justice system, enhance public safety, hold juvenile offenders accountable, and provide treatment and rehabilitative services to juveniles and their families.

³³ At the time of our audit, the LEPC had not subawarded any of its FY 2011 Victims of Crime Act grant funds. Grant recipients have 3 years to expend those funds.

Non-profit organizations provide many of these types of services. Exhibit 12 shows the distribution of FYs 2006 through 2008 OJJDP grant funds to non-profit organizations and U.S. Virgin Islands government agencies.³⁴

Exhibit 12: OJJDP Grant Funds Awarded to Non-Profit Organizations and U.S. Virgin Islands Government Agencies (number of subawards in parentheses)



Source: Law Enforcement Planning Commission grant records

As shown in the exhibit, 20 subawards totaling \$491,291 (79 percent) went to non-profit organizations and 5 subawards totaling \$131,953 (21 percent) went to government law enforcement entities. The LEPC's allocation of these grants appears reasonable.

At the time of our audit, the LEPC had not allocated the FYs 2009 and 2010 OJJDP grants. In July 2011, the LEPC provided its allocation for one FY 2009 OJJDP grant – a \$360,000 grant to enforce underage drinking laws.³⁵ We have not received the LEPC's allocation for the FY 2010 OJJDP grant.

³⁴ OJJDP grant funds are available in the federal fiscal year of the appropriation plus two additional federal fiscal years. For FY 2009, the LEPC was awarded four OJJDP grants totaling \$541,785. Those funds are available until September 30, 2011. As discussed earlier in the Grant Funds Not Drawn Down section of this report, some OJJDP grants expired before all the funds were used.

³⁵ The LEPC allocated \$95,000 to two government organizations and \$187,000 to six non-profit organizations. The remaining \$78,000 had not been allocated.

Allocation of Office on Violence Against Women Grants

Violence Against Women Act grants provide protection and services that women and children need to pursue safe and healthy lives and enable communities to hold offenders accountable. One of the sources of OVW funds is the STOP Violence Against Women grant program (STOP grant). Recipients of STOP grants must submit an implementation plan to the OVW showing how the funds will be allocated among the various components of the STOP program. The implementation plan must state that the total award amount will be allocated as follows: (1) at least 5 percent will be allocated for state and local courts, including juvenile courts; (2) at least 25 percent will be allocated to law enforcement; (3) at least 25 percent will be allocated to prosecutors; (4) at least 30 percent will be allocated to non-profit non-governmental victim services, of which at least 10 percent is to be distributed to culturally specific community-based organizations; and (5) the remaining 15 percent may be spent at the discretion of the recipient to address these statutory requirements.

The allocation plan must also describe how the grant funds for administrative costs will be allocated. States and territories have 24 months to meet these statutory requirements, which is the duration of the OVW's STOP grants. In 2008, the LEPC submitted its OVW grants implementation plan covering a 3-year period.

Exhibit 13 shows the required and the LEPC's actual allocation of grant funds for the OVW's FYs 2007, 2008 and 2009 STOP grants.³⁶

³⁶ In July 2011, the LEPC provided documentation showing it had allocated \$217,682 of the \$636,252 FY 2010 award, but it did not explain why the remaining funds were not allocated.

Exhibit 13: Allocation of STOP Grant Funds

CATEGORY	MINIMUM REQUIRED		ACTUAL ALLOCATION ³⁷	
	DOLLARS	PERCENT	DOLLARS	PERCENT
Grant Number 2007-WF-AX-0053 – \$627,524				
Law Enforcement	\$145,899	25%	\$145,910	25%
Prosecution	\$145,899	25%	\$145,911	25%
Courts	\$29,180	5%	\$0	0%
Non-Profit Organizations	\$222,619	30%	\$222,640	38%
Discretionary	\$40,000	15%	\$40,000	7%
Administrative	\$43,927	N/A	\$43,930	N/A
Total	\$627,524		\$598,391	
Grant Number 2008-WF-AX-0044 – \$628,938				
Law Enforcement	\$141,511	25%	\$0	0%
Prosecution	\$141,511	25%	\$141,511	25%
Courts	\$28,302	5%	\$0	0%
Non-Profit Organizations	\$169,814	30%	\$146,410	26%
Discretionary	\$84,907	15%	\$159,874	28%
Administrative	\$62,893	N/A	\$62,893	N/A
Total	\$628,938		\$510,688	
Grant Number 2009-WF-AX-0050 – \$632,395				
Law Enforcement	\$142,288	25%	\$0	0%
Prosecution	\$142,289	25%	\$0	0%
Courts	\$28,458	5%	\$0	0%
Non-Profit Organizations	\$170,747	30%	\$205,971	35%
Discretionary	\$85,373	15%	\$88,092	15%
Administrative	\$63,240	N/A	\$44,268	N/A
Total	\$632,395		\$338,331	

Source: The Law Enforcement Planning Commission

For the 2007 grant, the LEPC did not allocate the required 5 percent to the courts. For the 2008 grant, as of July 2011 the LEPC had not allocated the minimum 25 percent of the grant to law enforcement and the minimum 5 percent of the grant to the courts. LEPC officials told us that some of the funds from these two grants were not used because there were not enough grant applications for some categories of activities. For the 2009 grant, as of July 2011 the LEPC had allocated only \$338,331 of the \$632,395 award, but none of the allocated funds were for law enforcement, prosecution, or the courts.

³⁷ The LEPC did not allocate \$29,133 of FY 2007 grant. The LEPC has until November 30, 2011, to allocate the FY 2008 grant and until May 31, 2012, to allocate the FY 2009 grant.

Also, in July 2011, the LEPC provided documentation showing that it had recently allocated \$217,682 of the \$636,252 FY 2010 grant to non-profit organizations. At that time, there were no funds allocated to the government agencies.

We discussed the lack of funding to the courts with the LEPC's OVW grants manager. She told us there were no awards to the courts because the courts did not apply for funding. The LEPC reported this in its FYs 2008 and 2009 annual grant program reports submitted to the OVW. These reports discussed problem areas in the U.S. Virgin Islands that needed to be addressed, such as sensitivity training for judicial and court system personnel, probation officials, and law enforcement personnel. The report states that at times these personnel "minimized the seriousness and fatality of domestic violence." The report also states that judges lack an understanding of the dynamics surrounding victims of domestic violence and training for the court system.

We asked a U.S. Virgin Islands court official why her office had not applied for STOP grant funding. She could not answer our question, but she promised to "get back to us." We made several attempts to reach her again and left messages, but she never returned our calls. The new LEPC Director told us that he became aware of this situation and that he had contacted the courts to discuss why they had not applied for funding. As of August 2011, court officials had not responded to his request for a meeting.

We discussed LEPC's allocation of STOP funds with an OVW official. The official told us OVW had performed site visits to the U.S. Virgin Islands and had concerns with how the STOP Program had been implemented by the LEPC, including the lack of implementation plans, lack of outreach to potential grant applicants, and failure to comply with the required allocation of funds. An OVW official had also reached out to the court, but a judge told her that he was not interested in grants because the grants have an end date. The OVW official explained to the judge that this is a formula grant program with awards going to the Virgin Islands every year. However, U.S. Virgin Islands court officials still have not applied for grant funds. The OVW official also told us that OVW had deobligated funding from previous years because those funds were not used and expects to deobligate funds from current awards.

In summary, the LEPC has no procedures in place to ensure that it complies with the STOP program statutory requirement for allocating

grant funds and has been slow in allocating grant funds and making subawards. As discussed earlier in this report, we identified \$606,317 in grant funds (13 grants) that were not used before the grants expired. The LEPC also has not complied with statutory requirements for allocating OVW grant funds to the courts. It appears that local courts have not applied to the LEPC for funds aimed specifically at addressing violence against women. However, a U.S. Virgin Islands court official would not discuss this matter with us and would not respond to the new LEPC Director's request for a meeting to discuss the issue. We recommend that the LEPC implements procedures to ensure it meets the statutory requirements for allocating OVW grant funds.

In its role of advisor to the Governor, the LEPC should ensure the Governor is aware that the Virgin Islands court system has not made an attempt to seek grant funding aimed at reducing domestic violence and holding offenders accountable. Improved communication and coordination between government judicial system agencies would enable the LEPC to maximize the use of DOJ funds to reduce domestic violence.

Unauthorized Use of a Third-Party Fiduciary to Administer Subawards

As discussed earlier, the LEPC used a third-party fiduciary, the St. Croix Foundation to manage the finances for various LEPC-funded projects. The St. Croix Foundation is a private non-profit organization that acts as a fiscal agent for public and private non-profit entities awarded funds from the LEPC and other government entities.³⁸ With LEPC approval, the U.S. Virgin Islands Department of Finance disburses subawarded funds directly to the St. Croix Foundation. In turn, the St. Croix Foundation reimburses the subrecipients for their program expenditures and submits subrecipients' financial reports to the LEPC. The St. Croix Foundation retains 7.5 percent of each LEPC subaward as an administrative fee for providing these services. According to its FY 2007 and 2009 Single Audit reports, the St. Croix Foundation has the authority to redirect or deny the use of federal funds. Giving such authority to the St. Croix Foundation increases the risk that grant funds may be used for unallowable purposes. This language does not appear in the written agreements between the St. Croix Foundation and the subrecipients.

³⁸ The St. Croix Foundation administers funds from the U.S. Department of Justice, U.S. Department of Housing and Urban Development, U.S. Department of Agriculture, the VI Department of Health, and the VI Police Department.

In May 2007 OJP conducted a monitoring site visit to the LEPC and told the former LEPC Director to stop using a fiduciary to administer grant funds and that the former LEPC Director needed to consult with the Bureau of Justice Assistance. At the time of our audit, the St. Croix Foundation was administering \$690,353 in DOJ funds for 18 LEPC-funded projects. We discussed this with the former LEPC Director who told us that OJP had not formally requested that he stop using a fiduciary to administer grant funds. However, we obtained documentation showing that in June 2007 OJP notified the former LEPC Director in writing to stop using a third-party fiduciary. The letter from OJP to the former LEPC Director is presented in Appendix 8.

The former LEPC Director also told us that the St. Croix Foundation was doing a "great job" helping subrecipients administer their grant funds and was providing accurate and timely reports to the LEPC. However, the St. Croix Foundation's FY's 2007, 2008, and 2009 Single Audit reports appear to contradict what the former LEPC Director told us. In those audits, auditors identified serious deficiencies in the St. Croix Foundation's ability to adequately manage federal programs. Some of the auditors' findings were repeat deficiencies from prior years. The St. Croix Foundation refers to subrecipient projects funded through the LEPC as "fiscal sponsorship" accounts. The auditor's findings from those audits are explained in Appendix 3.

We selected a judgmental sample of seven LEPC-funded projects administered by the St. Croix Foundation and tested whether the St. Croix Foundation submitted subrecipients' financial reports to the LEPC when they were due and whether the expenditures the St. Croix Foundation reimbursed for these projects were allowable, supported by invoices or other documentation, and included in the grant budget approved by the LEPC. We tested a total of \$195,999 in grant funds administered by the St. Croix Foundation.

As shown in Exhibit 14, we found that \$93,432 (48 percent of the amount tested) in funds disbursed by the St. Croix Foundation was either for unallowable costs (\$7,305) or was not supported by adequate documentation (\$86,127).

**Exhibit 14: Unallowable and Unsupported Costs for
Projects Administered by the St. Croix Foundation**

PROJECT	GRANT NUMBER	AMOUNT UNALLOWABLE	AMOUNT UNSUPPORTED
Dembaya Arts Conservatory	2008-DJ-BX-0055		\$3,848
Conflict Resolution Organization for Peace	2009-DJ-BX-1097	\$2,455	\$1,020
Cruzan Dance Company	2009-DJ-BX-1097		\$20,908
Music in Motion	2009-DJ-BX-1097	\$2,850	\$41,712
Stop the Bleeding Summit	2009-DJ-BX-1097	\$2,000	
Per Ankh, Inc.	2009-SG-B9-0119		\$18,639
Totals		\$7,305	\$86,127

Source: Law Enforcement Planning Commission and St. Croix Foundation records

The \$7,305 in unallowable costs include \$2,455 for art work, \$2,000 for a music video, and \$2,850 for consultant services, which are unallowable costs according to the special conditions of the grant. Details of the unsupported expenditures are presented in Appendix 6.

We also found the following.

- 23 of 24 financial reports we reviewed were not submitted to the LEPC by the due dates.
- A St. Croix Foundation employee prepared and approved five check requests. Not separating the duties of preparing and approving expenditures increases the risk that funds may be misused.
- The St. Croix Foundation made disbursements without the written authorization of the St. Croix Foundation’s fiscal officer, which is contrary to its internal policies.

In summary, the St. Croix Foundation’s FYs 2007, 2008, and 2009 financial audit reports identified serious weaknesses in its ability to administer federal funds. Using the St. Croix Foundation to administer grant funds increases the risk that those funds could be misspent. The LEPC manager for OJP’s Byrne JAG grant program told us that subrecipients were not required to use the St. Croix Foundation and that there were other third-party fiduciaries that could be used. However, we noted that the LEPC encourages subrecipients to use the St. Croix Foundation to administer their grant funds. The former LEPC Director told us the LEPC encourages subrecipients to use the St. Croix Foundation to administer their grant funds and he provided a copy of the St. Croix Foundation “fiscal sponsorship” agreement form provided to subrecipients. As discussed earlier, using a third-party fiduciary has

resulted in excess administrative costs being charged to DOJ grant funds and financial auditors found significant weaknesses in the St. Croix Foundation's ability to administer federal funds. We recommend that OJP require the LEPC to stop using a third-party fiduciary to administer DOJ grant funds.

Monitoring Subrecipients

The OJP Financial Guide, Part III, Chapter 9, states that the primary recipient of a grant is responsible for monitoring subrecipients to ensure they fulfill all fiscal and programmatic responsibilities. The primary recipient is responsible for all aspects of the program including proper accounting and financial recordkeeping by the subrecipient including accounting for receipts and expenditures, cash management, maintaining adequate financial records, and the refunding of expenditures disallowed by audits (OJP Guide, Part II, Chapter 3). The primary recipient is also responsible for oversight of subrecipient spending and monitoring outcomes and benefits attributable to the use of Recovery Act funds by its subrecipients (Part III, Chapter 20).

Monitoring helps ensure that grant programs are implemented, objectives are achieved, and grant funds are properly expended. OJP requires that primary recipients monitor subawards throughout the life of the grant to ensure that subrecipients: (1) comply with the programmatic, administrative, and fiscal requirements of the relevant statutes, regulations, policies, and guidelines; (2) carry out grant-funded programs in a manner consistent with the relevant statutes, regulations, policies, and guidelines of the program; (3) receive guidance on policies and procedures, grant program requirements, general federal regulations, and basic programmatic, administrative, and financial reporting requirements; and (4) identify and resolve any problems that may impede the effective implementation of grant programs.

LEPC program managers told us they review subrecipients' monthly fiscal reports to ensure expenditures are allowable and supported and conduct annual site visits to every subrecipient to monitor the programmatic and fiscal aspects of the projects. However, as discussed later, we found little evidence that the LEPC conducted site visits and also found that the LEPC had reimbursed subrecipients for unsupported and unallowable costs.

Monitoring Fiscal Requirements

Each subrecipient receives a list of grant conditions and a description of documentation that must be submitted to the LEPC to support their grant expenditures and requests for reimbursements. Required supporting documents include timesheets for personnel costs, invoices, purchase orders, contracts, and copies of cancelled checks. Subrecipients must submit these documents along with each monthly fiscal report submitted to the LEPC. We performed testing of expenditures incurred by subrecipients. The results of our testing are discussed in the Grant Expenditures section of this report.

We also reviewed the LEPC's files for 14 subrecipients that received funding from the FYs 2006 through 2009 OJP and OVV grants, including Recovery Act grants. We determined the following.

- 35 of 40 subrecipients' financial reports were submitted to the LEPC from 1 to 199 days late.
- 10 of 26 subrecipients did not comply with the sub-grant budgets approved by the LEPC.

We discussed these issues with LEPC personnel and we were told that the LEPC was understaffed. Only one person, the Fiscal Officer, was responsible for drawing down grant funds from OJP, submitting the required financial reports for each grant to OJP, and overseeing 75 subrecipients, including reviewing subrecipients' monthly financial reports and funding requests, tracking subrecipients' fund balances, and processing subrecipients' payments. The LEPC needs to improve its monitoring of subrecipients by ensuring all LEPC staff are adequately trained and being used to administer DOJ grants.

Technical Assistance

We also reviewed the LEPC's grant monitoring files to determine whether LEPC staff conducted annual site visits to assess subrecipients' progress toward meeting goals and objectives and to provide any needed technical assistance. Only 7 of 18 subrecipient files we examined included documentation showing LEPC staff conducted these site visits and only one of those 18 subrecipients received technical assistance from the LEPC. Officials from two of the LEPC's subrecipients told us they requested, but did not receive, technical assistance from the LEPC. We conclude that the LEPC did not adequately monitor and provide technical assistance to subrecipients

to ensure they met grant program requirements and achieved grant goals. LEPC officials told us they did not have sufficient staff to properly manage the grants.

In August 2011 we discussed the staff level and training with the new LEPC Director. He told us that the LEPC does have a sufficient number of staff and existing staff are not properly trained to administer the DOJ grants. He also told us that the LEPC needs to hire at least one more person and that the Director of Financial Management Services will receive training at the beginning of FY 2012.

Reporting

According to the OJP Financial Guide, Part III, Chapter 11, grant recipients are required to submit timely and accurate financial and grant progress reports to OJP. Before October 2009, the LEPC was required to submit quarterly Financial Status Reports to OJP within 45 days after the end of each quarter. Beginning October 1, 2009, the Federal Financial Report (FFR) replaced the Financial Status Report. FFRs are due 30 days after the end of each calendar quarter. A final financial report is due 90 days after the end of the grant period.

Grant recipients are also required to submit grant performance (progress) reports annually unless the awarding agency requires quarterly or semi-annual reports. These reports present information relevant to the performance of the grant program or projects. Grant programs have different due dates for periodic and final grant progress reports.

For Recovery Act grants, grant recipients are also required to report quarterly to FederalReporting.gov their grant expenditures and the number of jobs created or saved. These reports are due within 10 days after the end of each calendar quarter.

Financial Reports

Timeliness

We selected six grants awarded by OJP and two grants awarded by the OVW and tested whether the financial reports for the two most recent reporting periods, 16 reports in all, were submitted by the dates they were due. We found that 8 of the 16 financial reports we tested were submitted from 13 to 28 days late. Our test results are shown in Exhibit 15.

Exhibit 15: Financial Reports the LEPC Submitted Late

GRANTING AGENCY	GRANT NUMBER	QUARTER ENDING	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE
OJP	2008-DJ-BX-0055 (BJA)	06/30/10	07/30/10	08/27/10	28
	2009-DJ-BX-1097 (BJA)	06/30/10	07/30/10	08/12/10	13
	2008-VA-GX-0030 (OVC)	06/30/10	07/30/10	08/20/10	21
	2009-VA-GX-0044 (OVC)	06/30/10	07/30/10	08/12/10	13
	2008-AH-FX-0065 (OJJDP)	06/30/10	07/30/10	08/25/10	26
	2009-AH-FX-0092 (OJJDP)	06/30/10	07/30/10	08/25/10	26
OVW	2008-WF-AX-0044	06/30/10	07/30/10	08/25/10	26
	2009-WF-AX-0050	06/30/10	07/30/10	08/12/10	13

Source: Office of Justice Programs records

We examined the Office of Justice Programs' records to determine the extent of the LEPC's late FFRs and the effect that late reporting had on the administration of funds. According to those records, OJP froze the LEPC's grant funds 45 times between August 2008 and April 2011 because of delinquent financial reporting.

LEPC staff told us reports were submitted late because the LEPC's Director of Financial Management Services did not submit the reports when they were due. When reports are not submitted on time, OJP and OVW cannot assess the progress of the grants.

Accuracy

The LEPC also did not have controls in place to ensure that FFRs submitted to OJP and OVW were accurate. For the same 8 grants tested for timeliness of reports, we tested whether the 16 FFRs were accurate. We compared the expenditures recorded in the U.S. Virgin Islands accounting records to the expenditures reported in the FFRs submitted to OJP.

As shown in Exhibit 16, 14 of 16 FFRs we tested did not agree with the expenditures recorded in the U.S. Virgin Islands accounting records.

Exhibit 16: Accuracy of Federal Financial Reports (FFRs)

GRANTING AGENCY	GRANT NUMBER (PROGRAM)	QUARTER ENDED	EXPENSES ACCORDING TO THE ACCOUNTING RECORDS	EXPENSES REPORTED IN FFRs	DIFFERENCE
OJP	2009-DJ-BX-1097 (BJA)	03/31/10	\$352,147	\$0	\$352,147
		06/30/10	\$220,521	\$727,800	(\$507,279)
	2008-DJ-BX-0055 (BJA)	03/31/10	\$0	\$0	\$0
		06/30/10	\$0	\$144,775	(\$144,775)
	2009-VA-GX-0044 (OVC)	03/31/10	\$58,326	\$0	\$58,326
		06/30/10	\$76,608	\$202,936	(\$126,328)
	2008-VA-GX-0030 (OVC)	03/31/10	\$115,481	\$0	\$115,481
		06/30/10	\$24,586	\$201,868	(\$177,282)
	2009-AH-FX-0092 (OJJDP)	03/31/10	\$0	\$0	\$0
		06/30/10	\$1,876	\$0	\$1,876
2008-AH-FX-0065 (OJJDP)	03/31/10	\$8,102	\$0	\$8,102	
	06/30/10	\$10,268	\$15,458	(\$5,190)	
OVW	2009-WF-AX-0050	03/31/10	\$115,062	\$0	\$115,062
		06/30/10	\$18,222	\$167,611	(\$149,389)
	2008-WF-AX-0044	03/31/10	\$11,124	\$0	\$11,124
		06/30/10	\$20,287	\$284,414	(264,127)

Source: The Law Enforcement Planning Commission

According to LEPC officials, subrecipients often receive grant funds in advance of grant costs. The Department of Finance records the advance payments to subrecipients as grant expenditures, but those expenditures are not reported by the LEPC in the FFRs. Consequently, there is a difference between grant expenditures recorded in the U.S. Virgin Islands accounting records and those reported to OJP. The expenditures incurred by the subrecipients are eventually reported to LEPC through monthly financial reports that they submit to the LEPC, which the LEPC then reports to OJP.

We found that the LEPC and the Department of Finance did not reconcile and had no procedures for reconciling the differences between the U.S. Virgin Islands accounting records and subrecipients' monthly financial reports. The LEPC used subrecipients' financial reports to prepare FFRs submitted to OJP. LEPC officials told us that they did not have sufficient staff to ensure that FFRs accurately reflected the financial status of each grant. Consequently, OJP and OVW were provided incorrect financial information on these grants.

In August 2011, the new LEPC Director told us that he was in the process of developing new policies for administering DOJ grants. The policies include implementation of reconciliations to ensure that accurate financial information is reported to OJP and OVW.

We recommend that OJP and OVW ensure the LEPC implements procedures to reconcile grant expenditures reported in the accounting records to those reported in subrecipients' monthly financial reports and in FFRs the LEPC submits to OJP.

Grant Progress Reports

We also tested whether Categorical Assistance Progress Reports (grant progress reports) were submitted when due. The due dates for grant progress reports vary depending on the type of grant and the year the grant was awarded. Most grants require an annual progress report. Progress Reports for some grants must be submitted twice a year. Grant reporting requirements are outlined in the OJP Financial Guide.

We tested eight grants to determine whether the progress reports were submitted by the due dates. The results of our testing are shown in Exhibit 17.

Exhibit 17: Timeliness of Grant Progress Reports

GRANTING AGENCY	GRANT NUMBER	PERIOD ENDING	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE
OJP	2008-DJ-BX-0055 (BJA)	12/31/09	03/31/10	02/17/10	0
	2009-DJ-BX-1097 (BJA)	09/30/10	11/29/10	11/24/10	0
	2008-VA-GX-0030 (OVC)	09/30/08	12/30/08	01/14/09	15
	2009-VA-GX-0044 (OVC)	09/30/09	12/30/09	12/30/09	0
	2009-AH-FX-0092 (OJJD)	12/31/09	01/30/10	01/28/10	0
		06/30/10	07/30/10	07/21/10	0
	2008-AH-FX-0065 (OJJD)	12/31/08	01/30/09	02/24/09	25
06/30/10		07/30/10	07/21/10	0	
OVW	2008-WF-AX-0044 (OVW)	12/31/08	03/30/09	07/20/09	112
	2009-WF-AX-0050 (OVW)	12/31/09	03/30/10	03/26/10	0

Source: The Law Enforcement Planning Commission and the Office of Justice Programs

As shown above, 3 of the 10 reports we reviewed were submitted from 15 to 112 days late. We asked LEPC officials why these reports were submitted late and we were told that the LEPC has been understaffed for many years. As discussed earlier in the Financial Reports section, OJP froze the LEPC's grant funds 45 times because of late reporting and failure to take corrective action on deficiencies OJP staff identified during site visits to the LEPC.

Quarterly Recovery Act Reports

The Recovery Act, Section 1512, requires recipients of Recovery Act funds to report quarterly to FederalReporting.gov on how they spent the grant funds and the number of jobs created or saved. The initial report was due October 10, 2009, with quarterly reports due 10 days after the close of each calendar quarter thereafter.³⁹

The LEPC received two Recovery Act grants from OJP and one Recovery Act grant from the OVW. We reviewed the Recovery Act reports for these three grants for the quarters ended December 2009, March 2010, and June 2010, and found that these reports were generally submitted by the dates they were due. We also tested whether the grant drawdowns, expenditures, and job data in the Recovery Act reports agreed with the LEPC's accounting and other records. The results of our testing of Recovery Act reports are presented in Exhibits 18 and 19.

Exhibit 18: Accuracy of Quarterly Recovery Act Financial Reporting

GRANTING AGENCY	AREA REPORTED	QUARTER ENDED	REPORTED (CUMULATIVE)	ACTUAL (CUMULATIVE)	ACCURATE (YES/NO)
OJP	Byrne JAG Program Recovery Act Grant 2009-SU-B9-0059				
	Drawdowns	12/31/09	\$24,597	\$4,972,500	No
		03/31/10	\$4,972,500	\$4,972,500	Yes
		06/30/10	\$4,972,500	\$4,972,500	Yes
	Disbursements	12/31/09	\$24,597	\$4,136	No
		03/31/10	\$48,756	\$62,263	No
		06/30/10	\$719,291	\$787,429	No
	VOCA Program Recovery Act Grant 2009-SG-B9-0119				
	Drawdowns	12/31/09	\$0	\$345,350	No
		03/31/10	\$411,500	\$411,500	Yes
		06/30/10	\$411,500	\$411,500	Yes
	Disbursements	12/31/09	\$0	\$0	Yes
		03/31/10	\$53,702	\$134,304	No
		06/30/10	\$53,702	\$194,315	No
	OVW	STOP Program Recovery Act Grant 2009-EF-S6-0056			
Drawdowns		12/31/09	\$0	\$44,687	No
		03/31/10	\$147,662	\$192,349	No
		06/30/10	\$638,390	\$192,349	No
Disbursements		12/31/09	\$0	\$0	Yes
		03/31/10	\$0	\$0	Yes
		06/30/10	\$0	\$80,296	No

Source: The Law Enforcement Planning Commission

³⁹ The due date for the quarter ended December 31, 2009, was extended from January 10, 2010, to January 15, 2010. The due date for the quarter ended June 30, 2010, was extended from July 10, 2010, to July 14, 2010.

As shown above, all nine Recovery Act reports we reviewed contained an error in either the drawdowns or the disbursements reported to FederalReporting.gov. LEPC staff told us the discrepancies were the result of a lack of coordination within the agency. As a result, OJP was provided incorrect information about the status of these grants.

According to OMB Memorandum 10-08, December 18, 2009, recipients of Recovery Act grants should use the following formula to calculate the number of full-time equivalent (FTE) jobs created or saved as a result of Recovery Act funding.

Total Number of Hours Worked and Funded with Recovery Act funds During the Reporting Quarter	÷	Quarterly Hours in a Full-time Schedule	= FTEs
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We also reviewed Recovery Act reports to determine if the LEPC accurately reported the number of jobs created or saved. To accomplish this we compared data in the reports to supporting documentation provided by the LEPC. Exhibit 19 shows the results of our testing.

Exhibit 19: Jobs Created with Recovery Act Funds (Reported versus Actual)

GRANTING AGENCY	GRANT NUMBER	QUARTER ENDED	REPORTED NUMBER OF JOBS	ACTUAL NUMBER OF JOBS	VARIANCE
OJP	2009-SU-B9-0059 (BJA)	12/31/09	.62	1.65	(1.03)
		03/31/10	3.02	3.57	(.55)
		06/30/10	6.22	8.41	(2.19)
	2009-SG-B9-0119 (VOCA)	12/31/09	0	1.98	(1.98)
		03/31/10	3.35	2.35	1.00
		06/30/10	6.54	2.86	3.68
OVW	2009-EF-S6-0056 (VAWA)	12/31/09	0	0	0
		03/31/10	0	0	0
		06/30/10	2.15	1.44	.71

Source: The Law Enforcement Planning Commission and FederalReporting.gov

As shown above, for 7 of 9 Recovery Act reports we reviewed, the job data the LEPC reported to FederalReporting.gov was incorrect. LEPC officials told us that the discrepancies resulted from the subrecipients' use of improper methodology that led to inaccurate reporting. Overall, the LEPC slightly underreported to the federal government, the number of jobs created with Recovery Act funds. Subsequent to our audit site work, an LEPC program manager told us that the LEPC had taken steps to improve the accuracy of Recovery Act

reporting by reconciling the information provided by subrecipients to supporting records. We did not assess these steps.

Grant Goals and Accomplishments

Grant goals and accomplishments should be based on measureable outcomes rather than on counting activities. The Government Performance and Results Act provides a framework for setting goals, measuring progress, and using data to improve performance. To measure performance, grant fund recipients must establish measureable goals, a performance baseline, and a system for collecting and analyzing data needed to measure progress. For example, a goal to reduce juvenile crime by 10 percent each year would require the grant recipient to establish the current rate of juvenile crime, which is the baseline, review records pertaining to juvenile crimes, and assess whether the 10 percent reduction has been achieved.

LEPC officials told us they use the programmatic reports submitted to them by subrecipients to evaluate grant program performance and accomplishments. The LEPC reports this information to OJP.

We sought to evaluate grant goals and accomplishments for OJP's Byrne JAG grants awarded to the LEPC for FYs 2006, 2008, and 2009.⁴⁰ We selected these grants for testing because the Byrne JAG program is the primary source of funds for law enforcement purposes. The Byrne JAG program permits state administering agencies, tribes, and local units of government to support a broad range of activities based on their own local needs and conditions.

We reviewed the grant progress reports the LEPC submitted to OJP for these grants, but those reports provided little information about the status of completion of grant projects or whether the grants achieved, or were making progress at achieving, grant goals and objectives. Consequently, we could not determine the outcomes of the projects funded by the Byrne JAG grants we tested. We observed that on at least three different occasions (July 2008, May 2009, and April 2011) OJP requested that the LEPC provide more details about the goals and objectives of its various grant-funded projects. However, we found no evidence that the LEPC provided these additional details.

⁴⁰ The BJA did not award a Byrne JAG grant in FY 2007 because the LEPC did not apply for the grant.

In August 2010, the U.S. Virgin Islands Legislature also questioned how the LEPC had used grant funds. In a Virgin Islands Senate Appropriations Budget Committee hearing, a Senator questioned the former LEPC Director, who was also the Drug Policy Advisor, about the effectiveness of funds spent on crime given the rate of crime in the territory, and “why more is not being done to put the money to good use.”

The crime rate in the U.S. Virgin Islands has been highlighted in the local media. According to U.S. Virgin Islands government sources, the homicide rate in the U.S. Virgin Islands has increased steadily for several years. In 2009, the U.S. Virgin Islands had 56 homicides per 100,000 people compared to the U.S. mainland rate of 5 homicides per 100,000 people. Although the former LEPC director allocated 86 percent of the FYs 2006, 2008, and 2009 Byrne JAG grant funds to non-profit organizations for “crime prevention” programs, it is not clear whether these programs helped prevent crime in the U.S. Virgin Islands.

When the LEPC received the 2009 Byrne JAG Recovery Act grant, the Governor directed that those funds be allocated to three U.S. Virgin Islands government organizations – the Police Department, the Bureau of Corrections, and the Department of Justice. These organizations planned to use the funds to improve prison programs, increase crime investigations and prosecution success rates, upgrade crime technology systems, and train crime prevention and prosecution personnel.

In summary, the LEPC did not assess and did not have procedures to assess whether subrecipients were meeting the goals and objectives of the grants. The LEPC needs to implement a process for identifying measurable grant goals and objectives, determine the outcomes of subrecipients’ projects, and ensure that subrecipients’ funds are used to prevent and control crime, improve the criminal and juvenile justice system, increase knowledge about crime and related issues, and assist crime victims.

We discussed this with the new LEPC Director and he concurred that there was not an adequate process in place to determine the accomplishment of goals and outcomes of programs. He told us that he plans to establish procedures to evaluate program accomplishments and outcomes.

Conclusion

The control environment resulted in LEPC's non-compliance with laws, regulations, guidelines, and terms and conditions of the grants. The LEPC did not have adequate policies, procedures, and staff with the training and experience to ensure it complied with the requirements of the grants and achieved grant goals and objectives. We found weaknesses in the areas of cash management, grant expenditures, property management, management of subrecipients, and financial and programmatic reporting. Specifically, we found that the LEPC:

- could not account for \$972,976 in grant funds drawn down;
- did not establish a separate bank account for the non-Recovery Act Byrne JAG grants and commingled other DOJ funds with funds from other sources;
- charged \$160,546 in excess administrative costs to some grants;
- did not use \$606,317 in grant funds from some grants before those grants expired;
- did not identify and report interest income earned on Byrne JAG Recovery Act grant funds and ensure the additional funds were used for grant purposes;
- spent grant funds for unallowable purposes;
- did not have adequate controls to track the use of prepaid airline tickets for intra-island flights, which resulted in some tickets having expired before they were used;
- did not have an adequate system for soliciting and making subawards;
- did not adequately monitor subrecipients to ensure they met the fiscal and programmatic requirements of the grants;
- used a third-party fiduciary to administer the finances for some subrecipients after OJP told the LEPC to stop doing so and failed to identify unsupported and unallowable costs administered by the third-party fiduciary;

- submitted financial reports late to OJP;
- submitted inaccurate Recovery Act reports to FederalReporting.gov;
- did not allocate grant funds in accordance with grant requirements for the 2007, 2008, and 2009 OVW grants; and
- did not assess and had not procedures to assess whether subrecipients were meeting the goals and objectives of the grants.

As result of these weaknesses, we question \$2,173,159 in grant funds the LEPC received as either unallowable or unsupported. Of these funds, \$1,325,606 is from grants awarded by OJP and \$847,553 is from grants awarded by the OVW. To address these weaknesses we make 25 recommendations, of which 14 recommendations are designed to improve the management of grants.

Recommendations⁴¹

We recommend that OJP and OVW:

1. Ensure the LEPC has adequate staff with the training and experience to administer the grants. [MI]
2. Ensure the LEPC implements procedures to time its drawdown requests to ensure that, when required, federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days. [MI]
3. Ensure the LEPC implements procedures to reconcile grant funds drawn down to the expenditures recorded in the U.S. Virgin Islands accounting records and the expenditures reported by subrecipients and follow up on any differences. [MI]
4. Ensure the LEPC implements a system for tracking the use of any prepaid goods and services. [MI]
5. Ensure the LEPC implements a grant solicitation and awards process that ensures fair and open competition for grant funds. [MI]
6. Ensure the LEPC implements procedures to ensure financial and grant progress reports are accurate and submitted when due. [MI]
7. Ensure the LEPC implements procedures to ensure it submits accurate Recovery Act reports. [MI]
8. Ensure the LEPC implements procedures requiring subrecipients to identify, track, and report on the progress towards achieving measureable grant goals and objectives. [MI]

We also recommend that OJP:

9. Ensure that DOJ grant funds are not commingled with funds from other sources. [MI]

⁴¹ Recommendations are classified as management improvement recommendations [MI], recommendations to remedy questioned costs that were not supported by adequate documentation [QC-Unsupported], recommendations to remedy questioned costs that are unallowable [QC-Unallowable], and recommendations related to funds that could be put to better use [FBU].

10. Remedy the \$600,542 in grant fund drawdowns that are unaccounted for. [QC-Unsupported]
11. Ensure that the LEPC: (a) establishes a bank account to deposit all funds drawn down from DOJ grants only; (b) implements appropriate accounting procedures to separately track grant fund balances; and (c) periodically reconciles each grant balance to the bank account. [MI]
12. Deobligate and put to better use \$134,261 in grant funds for OJP grants that have expired. [FBU]
13. Ensure the LEPC establishes procedures to identify income from grant funds and programs and ensure the funds are used for grant purposes. [MI]
14. Ensure the LEPC allocates the \$43,503 in interest earned on the FY 2009 Byrne JAG Recovery Act funds and uses the funds for grant purposes or returns the funds to the DOJ. [FBU]
15. Remedy the \$160,546 in excess administrative costs charged to the grants. [QC-Unallowable]
16. Remedy \$286,533 in unsupported costs associated with subawards administered by the LEPC. [QC-Unsupported]
17. Remedy \$6,789 in unallowable costs associated with subawards administered by the LEPC. [QC-Unallowable]
18. Ensure the LEPC implements procedures to ensure it only reimburses subrecipients for costs that are allowable and supported by adequate documentation such as timesheets for personnel costs, invoices, purchase orders, contracts, and receipts. [MI]
19. Remedy \$86,127 in unsupported costs associated with subawards administered by the St. Croix Foundation, a third-party fiduciary. [QC-Unsupported]
20. Remedy \$7,305 in unallowable costs associated with subawards administered by the St. Croix Foundation, a third-party fiduciary. [QC-Unallowable]

21. Require the LEPC to stop using the St. Croix Foundation or any other third-party fiduciary, to administer DOJ grant funds. [MI]

We also recommend that OVW:

22. Remedy the \$372,434 in OVW grant fund drawdowns that are unaccounted for. [QC-Unsupported]
23. Deobligate \$472,056 in OVW grant funds that have expired. [FBU]
24. Remedy \$3,063 in OVW grant funds spent on airline tickets for inter-island travel, which expired without being used. [QC-Unallowable]
25. Ensure the LEPC implements procedures to ensure it complies with STOP grant fund allocation requirements. [MI]

Objectives, Scope, and Methodology

The purpose of this audit was to assess the Law Enforcement Planning Commission's (LEPC) administration of Department of Justice (DOJ) grants including its process for soliciting and making subawards and whether the LEPC and subrecipients' reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal controls; (2) grant fund drawdowns; (3) income generated from grant funds and programs; (4) grant expenditures; (5) management of property items bought with grant funds; (6) management of subrecipients, including the process for soliciting applications for funding and making subawards and monitoring of subrecipients; (7) financial, grant progress, and Recovery Act reports; and (8) grant goals and accomplishments.

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

Our audit scope covered grant awards made to the LEPC under the Edward Byrne Memorial Justice Assistance Program (Byrne JAG), STOP Violence Against Women (STOP), Victims of Crime Act (VOCA), and Juvenile Justice and Delinquency Prevention programs (OJJDP). The grants were awarded from FY 2006 through FY 2010, including three Recovery Act grants awarded under the Byrne JAG, STOP, and VOCA programs. We also performed limited testing of FY 2007 grant awarded by the Bureau of Justice Statistics' National Criminal History Improvement Program. We tested compliance with what we consider to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audit against are contained in the Office of Justice Programs Financial Guide, Office of Management and Budget Circulars, the Recovery Act, and grant award documents.

In conducting our audit, we performed sample testing in drawdowns; grant expenditures, including personnel and other expenditures; financial reports; property management; management of subrecipients; grant

progress reports; and program performance and accomplishments. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts, grant program, or expenditure category. We used judgmental sampling for the grants we tested. This non-statistical sample design does not allow us to project the results of our testing to the universe from which the samples were selected.

In addition, we reviewed the timeliness and accuracy of FFRs, grant Progress Reports, and Recovery Act reports; evaluated the LEPC's management and monitoring of subrecipients; and evaluated the LEPC's program accomplishments. However, we did not assess the reliability of the financial management system as a whole.

APPENDIX 2

Schedule of Dollar-Related Findings

Description	Amount	Page
Unallowable Costs		
<i>OJP Grants</i>		
2008-DJ-BX-0055 (BJA) - Excess Administrative Costs	\$23,804	26
2006-DJ-BX-0093 (BJA) - Excess Administrative Costs	\$54,307	26
2008-VA-GX-0030 (OVC) - Excess Administrative Costs	\$48,039	26
2007-VA-GX-0031 (OVC) - Excess Administrative Costs	\$2,167	26
2008-AH-FX-0065 (OJJDP) - Excess Administrative Costs	\$32,229	26
Subtotal	\$160,546	
2008-DJ-BX-0055 (BJA) - Subrecipient Expenditures	\$6,789	27
2009-DJ-BX-1097 (BJA) - Subrecipient Expenditures	\$7,305	46
Subtotal	\$14,094	
<i>OVW Grants</i>		
2007-WF-AX-0053 – Expired Airline Tickets	\$3,063	25
Subtotal	\$3,063	
Total Unallowable Costs	\$177,703	
Unsupported Costs		
<i>OJP Grants</i>		
2006-DJ-BX-0093 (BJA) - Unaccounted for Funds	\$40,919	20
2006-VA-GX-0051 (OVC) - Unaccounted for Funds	\$282,119	20
2006-JB-FX-0041 (OJJDP) - Unaccounted for Funds	\$67,945	20
2006-JP-FX-0043 (OJJDP) - Unaccounted for Funds	\$14,998	20
2006-JF-FX-0060 (OJJDP) - Unaccounted for Funds	\$503	20
2007-JB-FX-0076 (OJJDP) - Unaccounted for Funds	\$3,811	20
2007-VA-GX-0031 (OVC) - Unaccounted for Funds	\$129,701	20
2007-JP-FX-0023 (OJJDP) - Unaccounted for Funds	\$25,075	20
2007-RU-BX-K012 (BJS) - Unaccounted for Funds	\$35,471	20
Subtotal	\$600,542	
2008-DJ-BX-0055 (BJA) - Subrecipient Expenditures	\$50,384	46
2008-DJ-BX-0055 (BJA) - Subrecipient Expenditures	\$3,848	46
2008-VA-GX-0030 (OVC) - Subrecipient Expenditures	\$180,326	26
2006-DJ-BX-0093 (BJA) - Subrecipient Expenditures	\$39,906	26
2009-DJ-BX-1097 (BJA) - Subrecipient Expenditures	\$63,640	45
2009-SG-B9-0119 (OVC) - Subrecipient Expenditures	\$18,639	45
2009-SG-B9-0119 (OVC) - Subrecipient Expenditures	\$15,917	26
Subtotal	\$372,660	
<i>OVW Grants</i>		
2006-WF-AX-0019 - Unaccounted for Funds	\$372,434	20
Subtotal	\$372,434	
Total Unsupported Costs	\$1,345,636	

Funds to Better Use		
<i>OJP Grants</i>		
2007-JB-FX-0076 (OJJDP) - Funds Not Drawn Down	\$28,436	23
2007-JF-FX-0063 (OJJDP) - Funds Not Drawn Down	\$80,000	23
2008-AH-FX-0065 (OJJDP) - Funds Not Drawn Down	\$5,445	23
2008-JP-FX-0061 (OJJDP) - Funds Not Drawn Down	\$12,099	23
2006-JB-FX-0041 (OJJDP) – Funds Not Drawn Down	\$5,160	23
2006-JF-FX-0076 (OJJDP) – Funds Not Drawn Down	\$3,121	23
Subtotal	\$134,261	
2009-SU-B9-0059 (BJA) - Unreported Interest on Grant funds	\$43,503	23
Subtotal	\$43,503	
<i>OVW Grants</i>		
2006-WF-AX-0019 - Funds Not Drawn Down	\$190,431	23
2007-WF-AX-0053 - Funds Not Drawn Down	\$281,625	23
Subtotal	\$472,056	
Total Funds to Put to Better Use	\$649,820	
OJP Dollar-Related Findings	\$1,325,606	
OVW Dollar-Related Findings	\$847,553	
Total Dollar-Related Findings	\$2,173,159	

Single Audits of the St. Croix Foundation

- Auditors found that total funds in the fiscal sponsorship cash account exceeded the balances of the individual fiscal sponsorship accounts. This finding was in the 2007, 2008, and 2009 audit reports. In its response to the 2007 audit report, the St. Croix Foundation stated that it would ensure individual funds are reconciled to the cash account. One of the primary causes for discrepancies between the cash accounts and the accounting records is that the St. Croix Foundation earned interest on cash balances that was not allocated to the individual fiscal sponsorship accounts. Interest earned on federal funds must be accounted for, reported on financial reports submitted to OJP, and may only be spent for allowable program purposes.
- Auditors found that 2 (5 percent) of 40 financial reports the St. Croix Foundation submitted to the LEPC did not agree with the St. Croix Foundation's accounting records. This finding was in the 2007 audit report. In its response to the 2007 audit report, the St. Croix Foundation stated that it would ensure that monthly reports match the general ledger.
- Auditors found that 17 (22.9 percent) of 74 cash disbursements tested were incorrectly recorded in the St. Croix Foundation's accounting records. Consequently, the St. Croix Foundation prepared and submitted incorrect financial reports to the LEPC. This finding was in the 2007 audit report. In its response to the 2007 audit report, the St. Croix Foundation stated that it would ensure all transactions are reviewed by the fiscal officer and correctly posted to the general ledger to the best of their judgment.
- Auditors found that 29 (72.5 percent) of 40 subrecipient financial reports submitted to the LEPC were submitted from 1 to 5 days late. This finding was reported in the 2007 audit. In its response to the 2007 audit, the St. Croix Foundation stated that sending reports to the LEPC by the 5th day of each month is unrealistic and it has taken steps to ask the LEPC to extend the due date for these reports to the tenth day of each month. At the time of our audit, the LEPC had not changed its reporting requirements.
- Auditors found that the St. Croix Foundation reimbursed subrecipients for expenses that were not in the grant budget approved by the LEPC. After the St. Croix Foundation disbursed the funds, it sought the

LEPC's approval for a budget adjustment. This finding was reported in the 2007 audit. In its response to the 2007 audit, the St. Croix Foundation stated that it would take the necessary steps to correct this deficiency.

- Auditors found that 10 (13.5 percent) of 74 cash disbursements tested pertaining to programs funded through the LEPC did not have proper documentation. This finding was reported in the 2007 audit. In its response to the 2007 audit, the St. Croix Foundation stated that it would ensure that all check requests are supported with valid and appropriate documentation before being approved. However, in the 2008 and 2009 audit reports, auditors reported similar findings for other programs.

As discussed earlier in the Management of Subrecipients section of this report, we selected a judgmental sample of seven LEPC-funded projects administered by the St. Croix Foundation and tested whether the St. Croix Foundation submitted the required financial reports to the LEPC when due. We also tested whether expenditures the St. Croix Foundation reimbursed to subrecipients for their project costs were allowable and supported by timesheets, invoices, or other documentation. We identified serious deficiencies with the St. Croix Foundation's ability to administer funds. As discussed previously in this report, we tested \$195,999 in grant funds administered by the St. Croix Foundation and found that \$93,432 (48 percent) was spent for unallowable costs (\$7,305) or was not supported by adequate documentation (\$86,127).

OJP Site Visit Reports

OJP Site Visit, May 2007

In May 2007, OJP conducted a site visit to the LEPC and found that the LEPC needed to improve its management of grants. OJP's findings, recommendations, and the status of the LEPC's corrective actions are discussed below.

- OJP found that the LEPC kept a file for each subrecipient but the files lacked documentation such as site visit monitoring reports. OJP recommended that the LEPC ensure that grant monitoring files include these documents.

We reviewed the files for 18 subrecipients and found that 11 subrecipients' files did not contain site visit reports indicating that the LEPC monitored the subrecipients. We also reviewed 26 financial reports subrecipients submitted to the LEPC and found 22 files where the LEPC failed to identify subrecipients' lack of compliance with grant conditions.

- OJP found that the LEPC charged \$53,698 to Byrne JAG funds for airline ticket vouchers to be used as needed, but the LEPC did not keep a ledger showing the dates the tickets were used, who traveled, and the purpose of the trip. The LEPC could not provide documentation showing how the tickets were used. OJP requested that the LEPC return the \$53,698 to the DOJ. The LEPC returned \$6,100, but the remaining balance of \$47,598 was referred to the U.S Department of the Treasury for collection.
- The LEPC spent Byrne JAG funds to purchase two vehicles for official use, but appeared to be using the vehicles for purposes not related to the grants and did not keep a vehicle usage log. One vehicle was driven home every night because of "vandalism at the LEPC parking area." OJP recommended that the LEPC maintain a log for vehicle usage and gas and ensure that vehicles bought with grant funds are only used for grant related purposes.
- OJP officials told the former LEPC Director to ensure that grant funds are not used for food, which was a line item in the budget for one subrecipient (Solutions Improvisation – The Village).

- OJP officials told the former LEPC Director to ensure that its employees complete time and attendance records.

The status of these findings and recommendations as of August 2011 are shown below.

- The LEPC made additional advance purchases of airline tickets in 2009 and 2010. Some of those tickets expired without being used.
- As of August 2011 there had not been any collection by the U.S. Department of the Treasury.
- The LEPC implemented a log to track the use of prepaid airline tickets, but the log was not maintained.
- The LEPC maintained a vehicle usage log.
- LEPC employees generally completed time and attendance records.
- In September 2009 a subrecipient (Solutions Improvisation – The Village), spent \$633 at a resort hotel beach bar. The former LEPC Director approved the reimbursement of these costs.

OJP Correspondence Pertaining to the Virgin Islands' Administration of Block and Formula Grants (not dated)

In 2008 an OJP program manager sent a letter to senior OJP officials about ongoing problems with the LEPC's administration of Office of Juvenile Justice and Delinquency Prevention (OJJDP) grants.⁴² The letter stated that the LEPC's OJJDP program manager was relatively new to the duties and seemed overwhelmed by her responsibilities. The letter also stated that the previous LEPC program manager for OJJDP grants now works exclusively on a different grant program and has not provided adequate training to his replacement. The report also cited examples of the LEPC's lack of responsiveness to phone calls, e-mails, and other requests for information.

During the current audit, the OJJDP program manager told us that after the OJP site visit she attended two training events. We also discussed the LEPC's lack of responsiveness with the former LEPC Director and he told us that his office would not respond to inquiries that "lacked substance." During our audit, we also experienced a lack of responsiveness from the

⁴² The memorandum is not dated, but it includes discussions about events that occurred during and before April 2008.

former LEPC Director to some of our requests for documents and other information. On another occasion, we had to contact the LEPC and the Department of Finance several times to obtain accounting reports. After the Governor appointed a new LEPC Director in January 2011, we noticed an improvement in the LEPC's response to our inquiries.

OJP Site Visit – March 2009

In March 2009, OJP conducted a site review of the LEPC's management of all active Byrne JAG and Residential Substance Abuse Treatment (RSAT) grants. At the time of the review, the LEPC had one active Byrne JAG grant (FY 2006) and planned to implement the FY 2008 Byrne JAG and RSAT grant programs by June 2009. OJP found that the LEPC kept a complete file system, but the LEPC was not aware that \$67,332 of the FY 2006 Byrne JAG grant had not been drawn down and expended. The LEPC submitted the final progress report, but did not submit the final financial report for the FY 2006 Byrne JAG grant. OJP instructed the LEPC to resubmit the progress report as a regular report instead of a final report.

According to OJP, the LEPC did not receive FY 2007 Byrne JAG funds because the LEPC did not apply for those funds.

OJP Site Visit – November 2009

In November 2009 OJP conducted a site visit to review the LEPC's management of Office of Juvenile Justice and Delinquency Prevention (OJJDP) grants and visit several detention facilities to assess compliance with laws pertaining to the handling of juveniles.

OJP's site visit report stated that at least two of the facilities scheduled for the OJP visit were not aware of and not prepared for the visit, which resulted in long waits for OJP staff, and the purpose of OJP's visits had not been communicated to the facilities. The report also stated that the LEPC has a history of being late in registering and applying for grants, submitting required reports, and responding to e-mail and telephone messages. OJP's site visit report also stated that the LEPC's newly named compliance monitor for OJJDP grants does not appear to be receiving proper direction and training on her duties and responsibilities.

OJP recommended that the LEPC: (1) respond timely to inquiries from OJJDP staff, (2) improve its intra-office communication and training, (3) improve its inter-agency communication with detention facilities, and (4) ensure the compliance monitor conducts semi-annual site visits to all

facilities that hold juveniles and provide ongoing training to law enforcement staff on the core requirements of the OJJDP act.

During the current audit, the LEPC's compliance monitor for OJJDP grants told us that after about seven months of employment without adequate guidance she started performing site visits to facilities that hold juveniles. However, she had recently attended training in Austin, Texas, and Washington, DC.

OJP Site Visit – February 2010

In February 2010, OJP staff conducted an on-site review of the LEPC's administration of eight OJP grants and found the LEPC:

- did not submit financial and grant progress reports by their due dates;
- did not have policies and procedures for monitoring subrecipients;
- did not ensure grant funds were deposited into a separate interest bearing trust fund account for one grant, which is a violation of one of the special conditions of the grant;
- did not provide a listing of equipment purchased with grant funds for two grants; and
- charged \$250,550 in unallowable and unsupported costs to grant funds.

OJP made 12 recommendations to improve the LEPC's management of grants and to remedy the questioned costs.

As discussed through this report, we found the LEPC: (1) frequently did not submit financial and grant progress reports to OJP by their due dates; (2) did not adequately monitor subrecipients; (3) did not ensure that Byrne JAG grant funds were deposited into a trust fund account, which is a violation of one of the special conditions of the grant; (4) did not maintain a list of equipment bought with federal funds; (5) drew down \$972,976 in grant funds that are unaccounted; and (6) charged unsupported and unallowable costs to grant funds.

APPENDIX 5

**Unsupported Costs
(Funds Managed by the LEPC)**

SUBRECIPIENT	REPORTING PERIOD	CATEGORY	AMOUNT REPORTED	AMOUNT UNSUPPORTED	NOTES
<i>Grant Number 2006-DJ-BX-0093 (Byrne JAG)</i>					
University of the Virgin Islands	June 2009	Salaries	\$6,300.00	\$6,300.00	A, B
University of the Virgin Islands	June 2009	Other Category	17,550.00	17,550.00	C,B
University of the Virgin Islands	July 2009	Professional Services	10,080.00	10,080.00	A, B
University of the Virgin Islands	July 2009	Other	5,976.05	5,976.05	C,B
Sub-Total			\$39,906.05	\$39,906.05	
<i>Grant Number 2008-DJ-BX-0055 (Byrne JAG)</i>					
Our Town Frederiksted	March 2009	Professional Services	\$14,830.77	\$14,830.77	A, B
Our Town Frederiksted	November 2009	Salaries	5,000.00	5,000.00	A, B
Our Town Frederiksted	November 2009	Professional Services	10,000.00	10,000.00	A, B
VI Basketball Federation	March 2009	Professional Services	4,415.00	4,415.00	A, B
VI Basketball Federation	March 2009	Supplies	890.25	890.25	C,B
VI Basketball Federation	March 2009	Travel	8,984.80	8,984.80	C,B
VI Basketball Federation	June 2009	Professional Services	3,467.33	3,467.33	A, B
VI Basketball Federation	June 2009	Travel	10,637.48	2,795.38	C,B
Sub-Total			\$58,225.63	\$50,383.53	
<i>Grant Number 2008-VA-GX-0030 (VOCA)</i>					
Family Resource Center	October 2009	Salaries	\$4,940.93	\$4,940.93	A, B
Family Resource Center	October 2009	Fringe Benefits	378.49	378.49	D
Family Resource Center	October 2009	Other Category	5,707.88	5,707.88	C,B
Family Resource Center	December 2009	Salaries	8,633.61	8,633.61	A, B
Family Resource Center	December 2009	Fringe Benefits	855.47	855.47	D
Family Resource Center	January 2010	Salaries	7,639.66	7,639.66	A, B
Family Resource Center	January 2010	Fringe Benefits	779.45	779.45	D
Family Resource Center	February 2010	Salaries	7,876.56	7,876.56	A, B
Family Resource Center	February 2010	Fringe Benefits	797.54	797.54	D
Family Resource Center	March 2010	Salaries	7,756.18	7,756.18	A, B
Family Resource Center	March 2010	Fringe Benefits	593.39	593.39	D
Family Resource Center	May 2010	Salaries	7,178.05	7,178.05	A, B
Family Resource Center	May 2010	Fringe Benefits	549.14	549.14	D
Family Resource Center	June 2010	Salaries	7,676.43	7,676.43	A, B
Family Resource Center	June 2010	Fringe Benefits	587.26	587.26	D
Family Resource Center	July 2010	Salaries	10,658.95	10,658.95	A, B
Family Resource Center	July 2010	Fringe Benefits	815.41	815.41	D

SUBRECIPIENT	REPORTING PERIOD	CATEGORY	AMOUNT REPORTED	AMOUNT UNSUPPORTED	NOTES
Family Resource Center	August 2010	Salaries	10,673.45	10,673.45	A, B
Family Resource Center	August 2010	Fringe Benefits	816.51	816.51	D
Legal Services	October 2008	Salaries	4,958.33	4,958.33	A, B
Legal Services	October 2008	Fringe Benefits	1,425.32	1,425.32	D
Legal Services	November 2008	Salaries	4,958.33	4,958.33	A, B
Legal Services	November 2008	Fringe Benefits	1,425.32	1,425.32	D
Legal Services	December 2008	Salaries	4,958.33	4,958.33	A, B
Legal Services	December 2008	Fringe Benefits	1,425.32	1,425.32	D
Legal Services	January 2009	Salaries	4,958.33	4,958.33	A, B
Legal Services	January 2009	Fringe Benefits	1,425.32	1,425.32	D
Legal Services	February 2009	Salaries	4,958.33	4,958.33	A, B
Legal Services	February 2009	Fringe Benefits	1,425.32	1,425.32	D
Legal Services	March 2009	Salaries	4,958.33	4,958.33	A, B
Legal Services	March 2009	Fringe Benefits	1,425.32	1,425.32	D
Legal Services	April 2009	Salaries	4,958.33	4,958.33	A, B
Legal Services	April 2009	Fringe Benefits	1,425.32	1,425.32	D
Legal Services	May 2009	Salaries	4,958.33	4,958.33	A, B
Legal Services	May 2009	Fringe Benefits	1,425.32	1,425.32	D
Legal Services	June 2009	Salaries	4,958.33	4,958.33	A, B
Legal Services	June 2009	Fringe Benefits	1,425.32	1,425.32	D
Legal Services	July 2009	Salaries	4,958.37	4,958.37	A, B
Legal Services	July 2009	Fringe Benefits	172.12	172.12	D
Legal Services	August 2009	Salaries	4,958.37	4,958.37	A, B
Legal Services	September 2009	Salaries	4,958.25	4,958.25	A, B
The Safety Zone	October 2008	Other	1,136.62	984.00	B
The Safety Zone	November 2008	Other	1,136.62	984.00	B
The Safety Zone	December 2008	Other	1,112.81	984.00	B
The Safety Zone	January 2009	Other	1,068.61	984.00	B
The Safety Zone	February 2009	Other	1,017.42	984.00	B
VI Volunteer Advocates for Children	November 2009	Other	2,325.00	2,325.00	B
VI Volunteer Advocates for Children	July 2010	Other	2,444.56	2,325.00	B
Women's Coalition	April 2009	Salaries	7,714.36	7,714.36	C,B
Women's Coalition	April 2009	Supplies	\$40.17	40.17	A,B
Women's Coalition	April 2009	Professional Services	\$25.00	25.00	C,B
Women's Coalition	April 2009	Other	1,330.53	301.43	A,B
Women's Coalition	January 2009	Professional Services	447.00	447.00	C,B
Women's Coalition	January 2009	Other	847.08	360.50	C,B

SUBRECIPIENT	REPORTING PERIOD	CATEGORY	AMOUNT REPORTED	AMOUNT UNSUPPORTED	NOTES
Women's Coalition	May 2009	Supplies	427.00	427.00	C,B
Women's Coalition	May 2009	Salaries	8,197.48	2,650.33	A,B
Women's Coalition	May 2009	Other	1,952.58	1,376.59	C,B
Sub-Total			\$188,637.16	\$180,326.70	
Grant Number 2009-SG-B9-0119 (VOCA)					
Council on Alcoholism	January 2010	Fringe Benefits	\$501.88	\$501.88	D
Council on Alcoholism	February 2010	Fringe Benefits	501.88	501.88	D
Council on Alcoholism	June 2010	Salaries	3,811.50	3,811.50	B
Council on Alcoholism	December 2009	Salaries	1,897.68	1,897.68	A, B
Council on Alcoholism	December 2009	Fringe Benefits	409.52	230.15	D
Council on Alcoholism	January 2010	Salaries	2,731.72	2,731.72	A, B
Council on Alcoholism	February 2010	Salaries	2,731.72	2,731.72	A, B
Council on Alcoholism	February 2010	Other Category	847.87	167.50	B
Council on Alcoholism	June 2010	Other	1,949.88	1,948.66	B
Kidscope, Inc.	April 2009	Salaries	2,832.00	322.00	A
Kidscope, Inc.	April 2009	Travel	750.00	750.00	C, D
Kidscope, Inc.	January 2010	Salaries	2,832.00	322.00	A
Sub-Total			\$21,797.65	\$15,916.69	
Total			\$308,566.49	\$286,532.97	

Notes:

- A – No timesheets
- B – No proof of payment such as a cancelled check
- C – No invoice
- D – No other supporting documents

APPENDIX 6

**Unsupported Costs
(Funds Managed by the St. Croix Foundation)**

PROJECT	REPORTING PERIOD	CATEGORY	AMOUNT REPORTED	AMOUNT UNSUPPORTED	NOTES
Grant Number 2008-DJ-BX-0055					
Dembaya Arts Conservatory	April 2009	Professional Services	\$4,450.00	\$ 2,190.00	A, B
Dembaya Arts Conservatory	May 2009	Supplies	495.48	495.48	C,B
Dembaya Arts Conservatory	May 2009	Professional Services	1,162.53	1,162.53	A, B
Sub-Total			\$6,108.01	\$3,848.01	
Grant Number 2009-DJ-BX-1097					
Conflict Resolution Org. for Peace	May 2010	Professional Services	\$8,130.00	\$1,020.00	A
Cruzan Dance Company	March 2010	Professional Services	10,250.00	10,250.00	A, B
Cruzan Dance Company	April 2010	Professional Services	5,690.00	5,690.00	A, B
Cruzan Dance Company	April 2010	Supplies	1,608.37	1,608.37	C,B
Cruzan Dance Company	May 2010	Professional services	3,360.00	3,360.00	A, B
Music in Motion	June 2009	Salaries	5,000.00	5,000.00	A, B
Music in Motion	June 2009	Professional Services	1,500.00	1,500.00	A, B
Music in Motion	June 2009	Other	1,172.04	1,172.04	C,B
Music in Motion	March 2010	Salaries	8,000.00	8,000.00	A
Music in Motion	March 2010	Professional Services	7,911.00	861.00	A, B, D
Music in Motion	May 2010	Salaries	10,400.00	10,400.00	A, B
Music in Motion	May 2010	Equipment	3,700.00	3,700.00	C,B
Music in Motion	May 2010	Supplies	1,000.00	1,000.00	C,B
Music in Motion	May 2010	Other	1,706.01	1,706.01	C,B
Music in Motion	August 2010	Salaries	5,372.70	5,372.70	A
Music in Motion	August 2010	Other	3,000.00	3,000.00	C
Sub-Total			\$77,800.12	\$63,640.12	
Grant Number 2009-SG-B9-0119					
Per Ankh	April 2010	Professional Services	18,638.75	18,638.75	A, B
Total			\$102,546.88	\$86,126.88	

Notes:

- A – No timesheets
- B – No proof of payment such as a cancelled check
- C – No invoice
- D – No other supporting documentation

**Crime Prevention Projects Funded With
Byrne Justice Assistance Grants**

Boys and Girls Club - \$109,999

The Boys and Girls Club was awarded \$60,000 and \$49,999 from the FYs 2008 and 2009 Byrne JAG grants. According to an August 2009 report from the LEPC Byrne JAG grant program manager, the recipient used the funds for sailing, arts, recreation, field trips, and to purchase gym and playground equipment. The report states that 45 to 50 students participated in the summer program.

Brighter Writers Club – \$55,000

The Brighter Writers Club was awarded \$30,000 and \$25,000 from the FYs 2006 and 2009 Byrne JAG grants. Brighter Writers is a 6-week summer day camp program offering skills enrichment for children between the ages of 5 to 14.

Cruzan Dance Company - \$32,000

The Cruzan Dance Company was awarded \$32,000 from the FY 2009 Byrne JAG grant. According to the program description, this is an after-school program designed to enhance crime prevention awareness by providing bi-weekly dance classes, training to become a model, and consulting advice to children who wish to participate in pageant competitions. The grant application states that the purpose of the grant is to use performing arts to instill positive reinforcement and educate individuals about crime and violence awareness. The recipient's finances are administered by a third-party fiduciary, The St. Croix Foundation, for Community Development, Inc.

Dembaya Arts Conservatory - \$8,260

The Dembaya Arts Conservatory was awarded \$8,260 from the FY 2008 Byrne JAG grant. According to a February 2009 memorandum from the LEPC Byrne JAG grants manager, this program includes dance and music instruction, singing, and arts and crafts. The recipient planned to measure grant performance by the percentage of children that completed the program. The budget for the grant funds included \$2,550 for craft supplies, costumes, drums, and bells.

St. Patrick's School – \$82,699

The St. Patrick's School was awarded \$20,000, \$18,653, and \$44,046, respectively, from the FYs 2006, 2008, and 2009 Byrne JAG grants. The funds were to be used for an afterschool project and a summer camp. The final report for the grant stated that 91 high-risk children participated in this annual camp.

Savan Boys Club – \$15,000

The Savan Boys Club was awarded \$15,000 from the FY 2009 Byrne JAG grant. According to a July 2010 report from the LEPC Byrne JAG program manager; this is an afterschool and summer program for youth between the ages of 7 to 17 who are at risk of becoming juvenile delinquents. The report stated that 33 youth participated in gardening, cooking classes, fishing, swimming, baseball, and caring for fruit trees.

Learning Networks – \$58,768

Learning Networks was awarded \$19,832 and \$38,936 under the FYs 2006 and 2009 Byrne JAG grants. The purpose of the funding is to teach at-risk youth how to care for animals, recognize and prevent animal illnesses, adopt animals, and investigate animal cruelty. The final project report stated that 13 students completed the course and three students were offered positions as youth aides to the program.

Pistarckle Theatre – \$38,000

Pistarckle Theatre was awarded \$38,000 from a FY 2009 Byrne JAG grant. This program had been awarded \$10,000 from a School Safety Enhancement grant awarded by OJJDP in FY 2007. Pistarckle Theatre is a year-round after-school theater education program that allows children to act out everyday social ills and develop ways in which they can avoid negative behavior and peer pressure that may lead to substance abuse, criminal behavior, and other forms of juvenile delinquency.

St. Croix Foundation, Board-up & Clean-up - \$40,000

The St. Croix Foundation Board-up & Clean-up program was awarded \$40,000 from the FY 2009 Byrne JAG grant. The St. Croix Foundation will review all areas of downtown Christiansted and designated properties that need to be boarded and/or cleaned in partnership with the Office of the Lt. Governor. Some of the activities within the program include removal of

fire hazards and boarding up of abandoned properties that harbor illegal activities.

Women's Coalition-Children - \$50,000

The Women's Coalition-Children was awarded \$50,000 from the FY 2009 Byrne JAG grant. The program proposes to use its new Children's Center to offer a high risk youth and after-school program where they will be shown videos and hear guest speakers on the subjects of date rape, drug abuse, gang violence, anger management, animal abuse and other crimes. An educational component will also be conducted using volunteers to provide one-on-one tutoring, homework assistance, use of computers and internet, and a library to stress education as a way of preventing criminal behavior.

Enterprise Zone - \$40,000

The Enterprise Zone program was awarded \$ 40,000 from the 2009 Byrne JAG Grant. This project will entail the board-up of abandoned buildings so that vagrants will not occupy and use these buildings for living quarters, using and selling drug paraphernalia and other illegal activities in the Savanne Community.

Garden School - \$11,120

The Garden School was awarded \$11,120 from the 2006 Byrne JAG grant. The program empowers students or clients to succeed in solving problems by giving them a picture of themselves in at least 40 related tutorials per clients which total to 14 hours of interactive sessions in a 5 to 6 week period. The tutorial help clients assess and react to situations and evaluate their attitudes about topics such as sexual abuse, drugs, and violence and how to take control in overcoming misconstrued feelings and actions.

Virgin Islands (VI) Night Out - \$30,000

The VI Night Out program was awarded \$30,000 from the 2006 Byrne JAG grant. The program consists of prevention activities that will target youth ages 4 to 17 and adults ranging from age 18 to senior citizens. The territorial programs will foster partnerships between law enforcement and the community to educate the populace about the dangers of drugs and criminal activities.

Methodist Outreach Service - \$80,000

This is a comprehensive training, outreach, and support program designed to address the individual needs of target groups from the church community as well as the surrounding communities of the Savan area and the Rothschild Francis Market Square area.

VI Basketball Federation - \$190,000

The VI Basketball Federation was awarded \$100,000, \$40,000 and \$50,000 under the FYs 2006, 2008, and 2009 Byrne JAG grants. This program would have the responsibility of taking at least 2,000 youths off the streets during a time when they are most likely to be vulnerable to delinquent activities and gang violence. The program would also provide the youths with the opportunity to participate in sports, recreational and educational activities that will allow them to channel their energy into a positive direction.

Letter from OJP to the LEPC



U.S. Department of Justice

Office of Justice Programs

Office of the Assistant Attorney General

June 5, 2007

Washington, D.C. 20531

Mr. Meridith Nielson
 Drug Policy Advisor
 Virgin Islands Law Enforcement Planning Commission (LEPC)
 8172 Subbase, Suite 3
 St. Thomas, Virgin Islands 00802

Re: Grant Numbers 2000-DB-BX-2078, 2001-DB-BX-0178, 2002-DB-BX-0178,
 2003-DB-BX-0011, 2004-DB-BX-0015, 2005-DJ-BX-1589, 2006-DJ-BX-0093,
 2005-RT-BX-0015

Dear Mr. Nielson:

Thank you for the time and assistance you and your staff provided during the Bureau of Justice Assistance's (BJA) and the Office of the Comptrollers' (OC) monitoring visit on May 22 - 24, 2007. I appreciated having the opportunity to discuss the status of the grant program and related issues. The visits to the sub-grantees in St. Croix, The Village and the RSAT programs were very informative.

This letter provides a summary of the issues discussed during our exit interview and a section with recommendations for program enhancement. Each issue is stated separately below, along with the corrective actions we discussed and you agreed to undertake. I have also included target dates for the completion of these corrective actions.

- JAG, 2005-DJ-BX-1589, GMS change request must be completed by 6/1/07.
- RSAT, 2005-RT-BX-0015, GMS change request must be completed by 6/15/07.
- LEPC will provide a copy of an FBI audit report by 6/7/07.
- LEPC will provide a list of the LEPC Advisory Board.
- LEPC must stop awarding sub-grantees using a fiduciary, you must consult BJA.
- LEPC will provide an update on Jacob Wetterling by June 22, 2007.
- Grant funds must not be used for food and as an incentive as described in the sub-grantees budget (The Village).
- Time and attendance sheets must be completed by each employee at LEPC.
- Vehicles obtained for LEPC with Byrne and JAG funds must contain a log for usage and gas. The vehicles must be used only for grant related purposes.
- LEPC's Criminal Justice Records Improvement (CJRI) assessment by BJA technical assistance provider must be completed by July 31, 2007.
- LEPC grant files must include supporting documentation such as monitoring site visit reports.
- LEPC must acknowledge BJA when advertising for BJA grant related purposes.

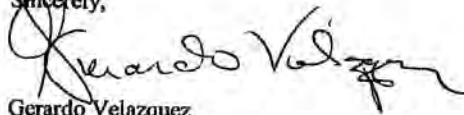
Mr. Meridith Nielson
Page 2
June 5, 2007

- LEPC must keep a ledger for all Seaplane tickets purchased with BJA grant funds.

Please provide an official response within 60 days of receipt of this letter. If my office can provide any assistance to you in addressing these issues, please do not hesitate to contact us. We will work with you to identify any technical assistance needs. Feel free to contact me at (202) 353-8645 or email at Gerardo.velazquez@usdoj.gov.

I look forward to working with you as the grant progresses. Thank you again for your cooperation during my recent visit.

Sincerely,



Gerardo Velazquez
State Policy Advisor

cc: Mr. Flemon Lewis
Ms. Jill Young
GMS Monitoring Module (uploaded file)
BJA working file

**GOVERNMENT OF THE U.S. VIRGIN ISLANDS
RESPONSE TO THE DRAFT REPORT**



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

**Charlotte Amalie, V.I. 00802
340-774-0001**

February 3, 2012

Mr. Ferris B. Polk
Regional Audit Manager
US Department of Justice
Office of the Inspector General
75 Spring Street, Suite 1130
Atlanta, GA 30303

Dear Mr. Polk:

I am in receipt of the Draft Evaluation Report— Audit of Management of Department of Justice (DOJ) Grants Awarded to the U.S. Virgin Islands Law Enforcement Planning Commission (LEPC) by the Office of Justice Programs (OJP) and the Office on Violence Against Women (OVW). Thank you for providing the Government of the Virgin Islands with an opportunity to comment on the draft audit report. Our responses to the recommendations are attached.

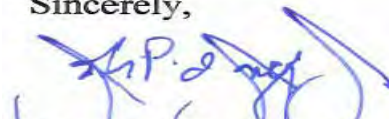
Your draft report offers twenty-five (25) recommendations for our concurrence or non-concurrence. We have addressed each of these in the attached LEPC Response to the report (Exhibit I). Through this experience, LEPC has strengthened the lines of communication with key central service departments and agencies in its efforts to meet the financial standards required by the Office of the Chief Financial Officer (OCFO). This positive interaction has already increased the knowledge and competency level of its staff and will provide future training opportunities. As a result, compliance

with grant guidelines, achievement of grant goals and objectives, and accountability will be greatly enhanced.

With respect to the recommendations which require the institution of written policies and procedures, LEPC will have these drafted and implemented within thirty (30) days of the submission of this response to the draft audit report. Additionally, LEPC will provide documentation that will further support and clarify expenditures referenced in the recommendations requiring remediation. This documentation will be forwarded to OJP under separate cover by the end of June, 2012.

We greatly appreciate the time and effort that went into the development of this report. The issues presented are indeed of a critical nature, and I acknowledge the many contributions that have been made in our community as a result of DOJ grant funding. Accordingly, my office and LEPC are committed to working collaboratively with USDOJ so that our grant funding is properly administered, and so that the residents and visitors to the U.S. Virgin Islands can benefit from a safer environment.

Sincerely,



John P. de Jongh, Jr.
Governor

Cc: Director Debra Gottlieb, Office of Management & Budget
Commissioner Angel Dawson, Department of Finance
Director Victor Brown, Law Enforcement Planning Commission

**Government of the Virgin Islands' Response
to the
U.S. Department of Justice (DOJ), Office of the Inspector General
Draft Audit Report
*Audit of Management of DOJ Grants awarded to the U.S. Virgin Islands Law Enforcement
Planning Commission by the Office of Justice Programs and the Office on Violence Against
Women***

FINDING No. 1

The Law Enforcement Planning Commission (LEPC) did not have adequate controls to account for, manage, and report the use of Department of Justice (DOJ) grant funds.

RECOMMENDATION Nos. 1 thru 8

- No. 1. Ensure LEPC has adequate staff with the training and experience to administer the grants. (Refer to Corrective Action for Finding No. 2)
- No. 2. Ensure LEPC implements procedures to time its drawdown requests to ensure that, when required, federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days. (Refer to Corrective Action for Finding No. 3)
- No. 3. Ensure LEPC implements procedures to reconcile grant funds drawn down to the expenditures recorded in the U.S. Virgin Islands accounting records and the expenditures reported by subrecipients and follow up on any differences. (Refer to Corrective Action for Finding No. 3)
- No. 4. Ensure LEPC implements a system for tracking the use of any prepaid goods and services. (Refer to Corrective Action for Finding No. 10)
- No. 5. Ensure LEPC implements a grant solicitation and awards process that ensures fair and open competition for grant funds. (Refer to Corrective Action for Finding No. 11)
- No. 6. Ensure LEPC implements procedures to ensure financial and grant process reports are accurate and submitted when due. (Refer to Corrective Action for Finding No. 15)
- No. 7. Ensure LEPC implements procedures to ensure it submits accurate Recovery Act reports. (Refer to Corrective Action for Finding No. 16)
- No. 8. Ensure LEPC implements procedures requiring subrecipients to identify, track, and report on the progress toward achieving measurable grant goals and objectives. (Refer to Corrective Action for Finding No. 17)

Government's Response

LEPC concurs with Recommendations Nos. 1 thru 4 and 6 thru 7, but does not concur with Recommendation Nos. 5 and 8. As it pertains to Recommendation No. 5 LEPC is required to adhere to Title 31, Section 231 to 239 of the Virgin Islands Code and LEPC has been following a process that is outlined in the recently implemented LEPC Grant Management & Accounting/Fiscal Policy and Procedure Manual (GMPPM) (Attachment 1). As it pertains to Recommendation No. 8 LEPC has a progress report requirement but will enhance it where possible.

Corrective Action:

In October of 2011 the Law Enforcement Planning Commission (LEPC) formally instituted policies and procedures, which can be seen in the attached Grant Management Policy and Procedure Manual (GMPPM), (Attachment I) to address the management and administration of its grants, and to strengthen internal controls. This manual was prepared with input from the staff and the Grant Administrator reviewed the finished product with the staff. Each member of staff was given a copy of the product and the importance of adhering to these policies and procedures was emphasized. The GMPPM will be utilized by LEPC in conjunction with existing and future standard operating procedures (SOPs) released by the V.I. Department of Finance, the V.I. Office of Management and Budget and other Central Service Agencies, coupled with operation manuals/procedures for the Government of the Virgin Islands Enterprise Resource Planning (ERP) System modules.

Implementation Date(s): October 2011; (GMPPM) and on-going

Due Date(s): March 31, 2012 (amendment to GMPPM)

May 31, 2012 (on-line financial training)

Responsible Party(ies): **Grant Administrator, Law Enforcement Planning Commission (LEPC)**

FINDING No. 2

LEPC did not have adequate policies, procedures, and staff with the training and experience to administer the grants.

RECOMMENDATION No. 1

No. 1. Ensure LEPC has adequate staff with the training and experience to administer the grants.

Government's Response

LEPC concurs with Recommendation No. 1.

Corrective Action:

Two (2) members (Financial Specialist and Grant Manager for VOCA/VAWA) of LEPC's staff that work with grants completed the U.S. Department of Justice's (USDOJ) Grants Financial Management training in December of 2011. One (1) individual (Grant Manager) completed training for the Enforcing Underage Drinking Laws (EUDL) Grant and Office of Juvenile and Justice Delinquency Program (OJJDP) training and two (2) other members (Grant Manager VOCA/VAWA and Director of Victim Witness Services) participated in the mandated training for the VOCA/VAWA grants. LEPC will work to have the additional six (6) employees, who are working with grants in various capacities, also complete the grant financial management training, with fraud detection, which is being offered by USDOJ within the next ninety (90) days. LEPC will take advantage of all Training and Technical Assistance (TTA) available through the

Office of Justice Programs (OJP), to ensure that all grants are fiscally and programmatically administered in an efficient manner.

LEPC staff has also participated in December 2011 in the V.I. Department of Finance's (VIDOF) Center of Excellence training session that included presentations by VIDOF, the Government of the Virgin Islands' Division of Personnel (VIDOP), and the V.I. Office of Management and Budget (VIOMB). Topics included Policies, Procedures and Processes regarding Human Resources/Payroll, Reports, Procurement/Central Stores, Tracking Assets, Drawdowns, Grants and Budgeting. Also, between November of 2011 and January of 2012, LEPC staff attended budget workshops hosted by VIOMB in both island districts. LEPC will also avail itself of any and all future training offered by the VIDOF, VIOMB and other Central Service Agencies such as VIDOP and the V.I. Department of Property and Procurement (VIP&P). Also refer to Correction Action for Finding No. 1.

Implementation Date(s): November 2011 – January 2012 and on-going (training)

Due Date(s): May 31, 2012 (on-line training)

Responsible Party(ies): Director, LEPC

FINDING No. 3

LEPC did not ensure that federal cash-on-hand was the minimum needed for disbursements to be made immediately or within 10 days and drew down excess grant funds.

RECOMMENDATION Nos. 2 and 3

No. 2. Ensure LEPC implements procedures to time its drawdown requests to ensure that, when required, federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days.

No. 3. Ensure LEPC implements procedures to reconcile grant funds drawn down to the expenditures recorded in the U.S. Virgin Islands accounting records and the expenditures reported by subrecipients and follow up on any differences.

Government's Response

LEPC concurs with Recommendation Nos. 2 and 3.

Corrective Action:

Refer to Corrective Action for Finding No.1.

Also, page 27 of the GMPPM addresses minimizing cash on hand, and disbursing funds within the ten (10) day guideline. Further, page 27 of the LEPC GMPPM, which deals with other sub grantees, will be amended to include procedures which will give LEPC through the expenditure approval process in the ERP, some control of the expenditures entered into the VI accounting

records by governmental agencies. This, will be done within thirty (30) days, to ensure pre-approval of expenditures by government sub-grantees, and ensure the availability of supporting documents (scanned into the ERP) for authorized expenditures to be drawn down.

Additionally, LEPC will also design, develop and implement a spreadsheet that tracks all drawdowns and allocates the drawdowns by grant/project code. Specifically containing date of drawdown, total amount of drawdown, amount of drawdown allocated by grant, interest earned and amount of interest allocated to each grant. This spreadsheet will be forwarded to the Department of Finance, Treasury Division after each drawdown.

Implementation Date(s): October, 2011 and on-going (GMPPM)

Due Date(s): March 5, 2012 (Amendment to GMPPM)

Responsible Party(ies): Director, LEPC; Director of Financial Services, LEPC
Financial Specialist, LEPC

FINDING No. 4

LEPC could not provide accounting records showing how it spent \$972,976 in grant funds drawn down.

RECOMMENDATION Nos. 10 and 22

No. 10. Remedy the \$600,542 in grant fund drawdowns that are unaccounted for.

No. 22. Remedy the \$372,434 in OVW grant fund drawdowns that are unaccounted for.

Government's Response

LEPC concurs with Recommendation Nos. 10 and 22.

Corrective Action:

While at the time of the audit the documents that would have clarified these outstanding amounts were not readily available, LEPC will work with the VIDOF to retrieve accounting records that will show the expenditure of said funds. LEPC will also make contact with subrecipients to acquire any outstanding supporting documents and provide such documentation to OJP.

However, to strengthen controls related to subgrantee expenditures, LEPC has formally requested that VIDOF insert its applicable staff (the Director or his Designee) into the approval queue for expenditures for LEPC government subgrantees. LEPC will notify the affected subgrantees of this change regarding the VIERP in writing; and page 27 of the LEPC GMPPM, which deals with other subgrantees, will be amended to include the procedures that will give LEPC through the expenditure approval process in the ERP, some control of the expenditures entered into the VI accounting records by governmental agencies. This will be done within thirty (30) days to ensure pre-approval of expenditures by government subgrantees, and timely

availability and access to supporting documents that will be scanned into the ERP for authorized expenditures to be subsequently drawn down.

The GMPPM will be updated to reflect the new policy and procedures which will be in effect for the Non-Governmental Organizations (NGOs). This policy and procedure will be in line with the requirement that funds will be paid on a reimbursement basis. The NGOs will be required to submit, along with their request for funds, documents evidencing their expenditures. The NGOs will be advised of this change.

Due Date(s): March 5, 2012 (approval queue); June 30, 2012 (supporting document)

Responsible Party(ies): Director, LEPC; **Grant Managers, Financial Staff, LEPC**
Director of Treasury, VIDOF

FINDING No. 5

LEPC did not establish separate bank accounts as required for the non-Recovery Act Byrne JAG grants as was required by special conditions of the grants and commingled funds from other DOJ grants with funds from other sources.

RECOMMENDATION Nos. 9 and 11

No. 9. Ensure that DOJ grant funds are not commingled with funds from other sources.
No. 11. Ensure that the LEPC: (a) establishes a bank account to deposit all funds drawn down from DOJ grants only; (b) implements appropriate accounting procedures to separately track grant fund balances; and (c) periodically reconciles each grant balance to the bank account.

Government's Response

LEPC concurs with Recommendations Nos. 9 and 11.

Corrective Action:

In October 2010 and November 2011, as requested, LEPC obtained separate accounts for all DOJ grants through the VI Department of Finance. See the GMPP Manual, page 8, Section I for the policy regarding this issue. This has caused commingling of funds from OVW and BJA. However, in communication with the Atlanta OIG Office via email on January 17, 2012 (Attachment 2), it has now been agreed that one bank account can be established by LEPC for all DOJ Non Recovery grant funds. This has been agreed, in concert with VIDOF, to implement within the next thirty (30) business days. LEPC will track all grant drawdowns in an electronic spreadsheet, whose format has been recommended by VIDOF.

Implementation Date(s): October 2010 and November 2011 (separate accounts)

Due Date(s): March 19, 2012 (one bank account)

Responsible Party(ies): Director, LEPC; **Financial Specialist, LEPC**
Director of Treasury, VIDOF

FINDING No. 6

LEPC did not draw down and expend \$606,317 in grant funds before the grants expired.

RECOMMENDATION Nos. 12 and 23

No. 12. Deobligate \$134,261 in grant funds for OJP grants that have expired.

No. 23. Deobligate \$472,056 in OVW grant funds that have expired.

Government's Response

LEPC partially concurs with Finding No. 6 and Recommendation Nos. 12 and 23.

Corrective Action:

At the time of the audit an OJP grant for \$80,000 (#2007-JF FX 0063) was on hold for compliance issues. Since then these funds have been released and expended. This grant expired in September of 2011. The documents to support the expenditure of said funds from this grant will be sent under separate cover. LEPC will revisit the files for the other grants listed in "Exhibit 4: Unaccounted for Funds From Expired Grants," on page 20 of the Audit Report. LEPC will then request permission to draw down the amounts that have been expended. The outstanding supporting documents for these transactions will be provided to OJP.

LEPC will revisit its OVW files and submit documents that will substantiate expenditures by subgrantees for the \$472,056. However, since these funds were not drawn down to cover the expenditures, LEPC will request a waiver from the Office of Chief Financial Officer (OCFO) so that LEPC can access expired grant funds and be able to drawdown amounts to cover the expenditures. Any unspent funds will be deobligated.

Due Date(s): February 29, 2012 (documentation/waiver request)

Responsible Party(ies): Director, LEPC; **Grant Administrator, Grant Managers,**
Fiscal Unit, LEPC

FINDING No. 7

LEPC did not identify and report interest income earned on grant funds and ensure the additional funds were used for grant purposes. LEPC earned \$43,503 in interest on Byrne JAG Recovery Act grant funds drawdown in advance, but it did not report the income to OJP and did not allocate the additional income to the grant as required.

RECOMMENDATION Nos. 13 and 14

No. 13. Ensure LEPC established procedures to identify income from grant funds and programs and ensure the funds are used for grant purposes.

No. 14. Ensure LEPC allocates the \$43,503 in interest earned on the FY 2009 Byrne JAG Recovery Act funds and uses the funds for grant purposes or returns the funds to DOJ.

Government's Response

LEPC concurs with Recommendation Nos. 13 and 14.

Corrective Action:

As of August 2011, LEPC has commenced working with VIDOF to track income from grant funds. LEPC will utilize a spreadsheet that tracks all drawdowns and allocates the drawdowns by grant/project code. Specifically, it will contain date of drawdown, total amount of drawdowns, amount of drawdown allocated by grant, interest earned, and amount of interest allocated to each grant. This spreadsheet will be forwarded to the Department of Finance, Treasury Division after each drawdown. Interest is being tracked by the Grant Manager and the Accounting/Fiscal Unit at LEPC in conjunction with VIDOF.

LEPC will use the \$43,503 in the interest earned from the FY 2009 Byrne JAG Recovery Act funds for grant purposes. The Grant Administrator and the ARRA JAG Grant Manager will award the interest earned to date to a subgrantee by June 29, 2012.

Implementation Date(s): August 2011 (tracking income)

Due Date(s): March 5, 2012 (earned income policy); June 29, 2012 (allocation of interest earned)

Responsible Party(ies): Director, LEPC; **Grant Administrator, Grant Manager, LEPC**
Director of Treasury, VIDOF

FINDING No. 8

LEPC did not have adequate controls to track the use of prepaid airline tickets for inter-island flights, which resulted in some tickets having expired before they were used.

RECOMMENDATION No. 24

No. 24. Remedy \$3,063 in OVW grant funds spent on airline tickets for inter-island travel, which expired without being used.

Government's Response

LEPC concurs with Recommendation No. 24.

Corrective Action:

Refer to Corrective Action for Finding No. 1.

LEPC will implement a system for tracking the use of any prepaid goods and services. LEPC will require that the subrecipients keep a receiving record for prepaid services rendered and the receipt of prepaid goods. This record will require the identification of the goods and/or service received, the signature of the subrecipients, and the signature of the goods and/or service provider and the date that the goods and/or services were received. Subrecipients will be required to notify LEPC, through the transmittal of a copy of the receiving record, within 10 days of the receipt of said goods and/or services. Goods and/or services received will be verified by the Grant Manager(s) during quarterly site visits.

LEPC will add an Addendum to its GMPPM which will specify the policies governing the purchase and use of “bulk tickets” for inter-island travel. Additionally, LEPC will centralize the distribution and logging of bulk tickets.

Due Date(s): March 30, 2012 (tracking prepaid items)

Responsible Party(ies): Director, LEPC; Grant Managers, LEPC
Office Manager/Confidential Secretary, LEPC

FINDING No. 9

LEPC charged \$160,546 in excess administrative costs to some grants.

RECOMMENDATION No. 15

No. 15. Remedy the \$160,546 in excess administrative costs charged to the grants.

Government’s Response

LEPC partially concurs with Recommendation No. 15.

Corrective Action:

Of the amount stated, \$24,375 was charged to the various subgrantees for professional services rendered by the St. Croix Foundation. (Support will be sent under a separate cover.) LEPC will work with VIDOF to make the necessary adjustments to remedy the charges to the other grants. As soon as the changes have been made in the system, copies of the documents will be sent to OJP.

Due Date(s): May 31, 2012 (adjustments)

Responsible Party(ies): Director, LEPC; **Accounting/Fiscal Unit, LEPC**
Director of Financial Reporting and Audit, VIDOF

FINDING No. 10

LEPC spent grant funds for unallowable purposes. The LEPC did not adequately monitor subrecipients' use of grant funds. Consequently, \$293,322 in grant expenditures from the grant awarded by OJP was either unsupported or unallowable.

RECOMMENDATION Nos. 4, 16, 17 and 18

No. 4. Ensure the LEPC implements a system for tracking the use of any prepaid goods and services.

No. 16. Remedy \$286,533 in unsupported costs associated with sub awards administered by the LEPC.

No. 17. Remedy \$6,789 in unallowable costs associated with sub awards administered by the LEPC.

No. 18. Ensure the LEPC implements procedures to ensure it only reimburses sub recipients for costs that are allowable and supported by adequate documentation such as timesheets for personnel costs, invoices, purchase orders, contract, and receipts.

Government's Response

LEPC concurs with Recommendation Nos. 4 and 18, and partially concurs with Recommendation Nos. 16 and 17.

Corrective Action:

At the time of audit, supporting documentation presented by LEPC was deemed insufficient. LEPC has begun the review of its files and have contacted the subrecipients to acquire the additional documents recommended. LEPC will adhere to the policy and procedures laid out in its (GMPPM) Manual, page 30-31, procedures 2 and 5, which will ensure that expenditures are fully documented.

LEPC will re-visit its files and contact the subrecipient to ascertain the actual work done for \$4,200, which was described as consultation. LEPC will also contact the other sub recipient concerning the balance and take the action that becomes necessary to clear this issue. LEPC will provide OJP with the supporting documents. In the future, LEPC will adhere to its GMPPM (Manual), page 30-31, procedures 2 and 5.

LEPC will implement policy and procedures which will ensure compliance with reimbursing subrecipients' costs that are allowable and supported by adequate documentation such as timesheets for personnel costs, invoices, purchase orders, contracts, and receipts. See GMPPM (Manual) pages 30 procedure 1 that deals with the required reporting documents.

Due Date(s): May 31, 2012 (supporting documents)

Responsible Party(ies): Director, LEPC; **Grant Manager, LEPC**

FINDING No. 11

LEPC did not have an adequate system for soliciting and making subawards.

RECOMMENDATION No. 5

No. 5. Ensure the LEPC implements a grant solicitation and awards process that ensures fair and open competition for grant funds.

Government's Response

LEPC does not concur with Recommendation No. 5.

Corrective Action:

LEPC has been following the dictates of Virgin Islands Code Title 31, Section 231-239 which demands transparency and fairness in the award of any monies flowing through the Virgin Islands Government. It is now a written policy of the LEPC, which is being followed, to advertise all grants solicitation in a form of Request for Proposal (RFP), in local newspapers, through press releases, and on the local airwaves, to ensure fair and open competition for grant funds. Evidence of these actions will be kept in the master grant file maintained by the grant manager. All applicants have access to any and all information pertaining to the specific grant solicitation through LEPC. Please see pages 9-12 of the LEPC GMPPM.

Due Date(s): May 31, 2012 (RFP document)

Responsible Party(ies): Director, LEPC; **Grant Managers, LEPC**

FINDING No. 12

LEPC did not allocate grant funds in accordance with grant requirements for the 2007, 2008, and 2009 OVW grant.

RECOMMENDATION No. 25

No. 25. Ensure the LEPC implements procedures to ensure it complies with STOP grant fund allocation requirements.

Government's Response

LEPC does not concur with Recommendation No. 25. LEPC has been in compliance with the allocation guidelines since inception of its grant application(s) for funds.

Corrective Action:

LEPC complies with STOP grant funds allocation requirements as stated in the OVW solicitation and outlined in LEPC’s GMPP Manual, page 6, Procedure 1 states that the application will be developed in accordance with the OJP grant solicitation. At the end of Procedure 3, it is reiterated that the process will follow the solicitation guidelines. LEPC allocates the funds as per the guidelines in the solicitation, which reflects the 30% for Victim Services, 5% for the Courts, 25% for Law Enforcement, 25% for Prosecution and 15% Discretionary. The grants cited in this report were allocated along the solicitation guidelines. Funding for the Victim Services have consistently been awarded on time because the organizations have always applied. The governmental agencies have not responded to the RFPs in the same way thus resulting in multiple years funds being available at the same time.

Late application on the part of the governmental agencies translates into late awards. LEPC does not have the latitude to allocate the funding in a proportion other than the percentages specified above. For example, unless there is a change in the requirements and/or unless the grantor provides written authorization to allocate the 5% for the Courts, to another entity, LEPC must continue to allocate this percentage to the Courts which may or may not apply (at all or timely) in order for the allocation to be awarded.

Implementation Date(s): Inception of grant funds

Due Date(s): N/A

Responsible Party(ies): Director, LEPC; **Grant Managers, LEPC**

FINDING No. 13

LEPC used a third-party fiduciary to administer grant funds for some sub-recipients after OJP told the LEPC to stop doing so and failed to identify unsupported and unallowable costs administered by the third-party fiduciary.

RECOMMENDATION Nos. 19, 20 and 21

No. 19. Remedy \$86,127 in unsupported costs associated with subawards administered by the St. Croix Foundation, a third-party fiduciary.

No. 20. Remedy \$7,305 in unallowable costs associated with subawards administered by the St. Croix Foundation, a third-party fiduciary.

No. 21. Require LEPC to stop using the St. Croix Foundation or any other third-party fiduciary, to administer grant funds.

Government’s Response

LEPC partially concurs with Recommendation Nos. 19, 20 and 21.

Corrective Action:

While LEPC previously provided documentation to support expenditures, the additional information requested will be provided. LEPC has requested the additional supporting documents from the St. Croix Foundation and will provide the same to OJP.

The expenditures were part of the steps taken to achieve the goal of the program. LEPC will revisit St. Croix Foundation files and contact the subrecipient to provide more details that would explain the use of the funds and make the connection to the program objectives.

The St. Croix Foundation provides accounting services to many of the fledgling community organizations which help to keep youths away from crime. Many of these small organizations do not have the human resources to effectively manage federal funds. These fiduciaries bring accounting and fiscal management experience and knowledge to many of these community-based programs. Without these third party fiduciaries many of these organizations would find it very difficult to comply with reporting requirements, and thus may not exist. As requested, LEPC will, for the upcoming grant cycle avoid the use of third party fiduciaries.

Due Date(s): May 31, 2012 (supporting document)

Responsible Party(ies): Director, LEPC; **Grant Managers, LEPC**

FINDING No. 14

LEPC did not adequately monitor subrecipients to ensure they met the fiscal and programmatic requirements of the grants.

RECOMMENDATION Nos. 2, 3, 4 and 6

No. 2. Ensure LEPC implements procedures to time its drawdown requests to ensure that, when required, federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days. (Refer to Corrective Action for Finding No. 3)

No. 3. Ensure LEPC implements procedures to reconcile grant funds drawn down to the expenditures recorded in the U.S. Virgin Islands accounting records and the expenditures reported by subrecipients and follow up on any differences. (Refer to Corrective Action for Finding No. 3)

No. 4. Ensure LEPC implements a system for tracking the use of any prepaid goods and services. (Refer to Corrective Action for Finding No. 8)

No. 6. Ensure LEPC implements procedures to ensure financial and grant process reports are accurate and submitted when due. (Refer to Corrective Action for Finding No. 15)

Government's Response

LEPC concurs with Recommendation Nos. 2, 3, 4 and 6.

Corrective Action:

Refer to Corrective Action for Finding No. 1

Additionally, LEPC will also design, develop and implement a spreadsheet that tracks all drawdowns and allocates the drawdowns by grant/project code. Specifically containing date of drawdown, total amount of drawdown, amount of drawdown allocated by grant, interest earned, and amount of interest allocated to each grant. This spreadsheet will be forwarded to the Department of Finance, Treasury Division after each drawdown.

Implementation Date(s): October 2011 and ongoing (GMPPM)

Due Date(s): March 31, 2012 (drawdown spreadsheet)

Responsible Party(ies): Director, LEPC; **Grant Administrator, Grant Managers, Financial Specialist,** Director of Financial Services, LEPC

FINDING No. 15

LEPC submitted financial reports late to OJP.

RECOMMENDATION No. 6

No. 6. Ensure the LEPC implements procedures to ensure financial and grant progress reports are accurate and submitted when due.

Government's Response

LEPC concurs with Recommendation No. 6.

Corrective Action:

LEPC will institute policies and procedures that will require all Grant Managers and the Fiscal Office to submit all progress and financial reports in an accurate and timely manner. The Grant Administrator will be tasked to supervise grant managers on submittal of all reports. This will be done in their regular meetings. Notices/reminders, when received by the Director, will be forwarded to the Grant Managers and copied to the Grant Administrator. This policy will be implemented within ninety (90) days.

Due Date(s): May 3, 2012 (grant reporting policy)

Responsible Party(ies): Director, LEPC; **Grant Administrator, Grant Managers,** Financial Staff, LEPC

FINDING No. 16

LEPC submitted incorrect Recovery Act reports to Federal Reporting.gov.

RECOMMENDATION No. 7

7. Ensure LEPC implements procedures to ensure it submits accurate Recovery Act reports.

Government's Response

LEPC concurs with Recommendation No. 7.

Corrective Action:

Policies and procedures which will ensure accurate reporting on Recovery Act grants will be written and implemented by March 31, 2012. The enforcement of these policies will be handled the same way as the policies for other LEPC grants. At this time the Office of Economic Opportunities (OEO), in the Office of the Governor, also participates in the reporting process of the Recovery Act funds. Grant Administrator will ensure that Grant Managers submit accurate and timely reports.

Additionally, LEPC will also design, develop and implement a spreadsheet that tracks all drawdowns and allocates the drawdowns by grant/project code. Specifically containing date of drawdown, total amount of drawdown, amount of drawdown allocated by grant, interest earned, and amount of interest allocated to each grant. This spreadsheet will be forwarded to the Department of Finance, Treasury Division after each drawdown.

Due date(s): March 31, 2012 (Recovery reporting policy)

Responsible Party(ies): Director, LEPC; **Grant Administrator, Grant Managers, LEPC**

FINDING No. 17

LEPC did not assess, and had no procedures to assess, whether subrecipients were meeting the goals and objectives of the grants.

RECOMMENDATION No. 8

- No. 8. Ensure LEPC implements procedures requiring subrecipients to identify, track, and report on the progress toward achieving measurable grant goals and objectives.

Government's Response

LEPC does not concur with Recommendations No. 8.

Corrective Action:

Refer to Corrective Action for Finding No. 1.

LEPC has had unwritten policies which required that subrecipients report periodically on the progress of their programs as outlined in their grant applications. LEPC now has written policies and procedures which pertain to the tracking and reporting on the progress of goals and objectives of all programs funded through LEPC. See pages 15 No. 3, 16 (e), and 22 of the GMPPM. These will be monitored by the Grant Managers through the reporting process and site visits. Grant Administrator will ensure that all Grant Managers monitor on a quarterly basis.

Implementation Date(s): Pre 2011? (informal policies) October 2011 (GMPPM)

Responsible Party(ies): Director, LEPC; **Grant Managers, LEPC**

OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice


Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

10 9 FEB 2012

MEMORANDUM TO: Ferris B. Polk
Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General

FROM: Maureen A. Henneberg
Director 

SUBJECT: Response to the Draft Audit Report, *Audit of Management of U.S. Department of Justice Grants Awarded to the U.S. Virgin Islands Law Enforcement Planning Commission by the Office of Justice Programs and the Office on Violence Against Women*

The Office of Justice Programs (OJP) appreciates the opportunity to review and comment on the Office of the Inspector General's (OIG's) draft report, entitled "*Audit of Management of U.S. Department of Justice Grants Awarded to the U.S. Virgin Islands Law Enforcement Planning Commission by the Office of Justice Programs and the Office on Violence Against Women*," dated December 14, 2011. We consider the subject report resolved and request written acceptance of this action from your office.

In fiscal year (FY) 2010, the U.S. Virgin Islands Law Enforcement Planning Commission (LEPC) was designated as a high-risk grantee by the U.S.

Department of Justice (DOJ). As a result, new awards from the DOJ to the LEPC have contained special conditions that provide additional oversight as necessary, and restrict the LEPC from obligating, expending, or drawing down under the new awards from the DOJ. The additional special award conditions will remain in effect until the LEPC has documented substantial progress toward addressing the significant unresolved findings cited in a February 2010 programmatic and financial monitoring review, completed by OJP's Office of Juvenile Justice and Delinquency Prevention and the Office of the Chief Financial Officer (OCFO).

Further, in FY 2012, OJP will be conducting on-site financial and programmatic monitoring of DOJ grants awarded to the LEPC. The report contains **25** recommendations and **\$2,173,159** in questioned costs, of which **21** recommendations and **\$1,325,606** in questioned costs are directed to OJP. The following is OJP's analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP and OVW ensure that the LEPC has adequate staff with the training and experience to administer the grants.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of implemented policies and procedures, for ensuring that adequate staff are assigned to administer Federal grants; and they are properly qualified and trained to perform the work.

- 2. We recommend that OJP and OVW ensure that the LEPC implements procedures to time its drawdown requests so that Federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that drawdown requests are timed so that Federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days.

- 3. We recommend that OJP and OVW ensure that the LEPC implements procedures to reconcile grant funds drawn down to the expenditures recorded in the U.S. Virgin Islands accounting records and the expenditures reported by subrecipients, and follow up on any differences.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that grant funds drawn down are reconciled to the expenditures recorded in the U.S. Virgin Islands accounting records, and those amounts reported by

subgrantees; and that any differences are investigated and corrected, as appropriate.

- 4. We recommend that OJP and OVW ensure that the LEPC implements a system for tracking the use of any prepaid goods and services.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that a system for tracking the use of any prepaid goods and services is created and maintained.

- 5. We recommend that OJP and OVW ensure that the LEPC implements a grant solicitation and awards process that ensures fair and open competition for grant funds.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that a grant solicitation and awards process is administered, so that there will be fair and open competition for grant funds.

- 6. We recommend that OJP and OVW ensure that the LEPC implements procedures to ensure financial and grant progress reports are accurate and submitted when due.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that financial and grant progress reports are accurate and timely submitted.

- 7. We recommend that OJP and OVW ensure that the LEPC implements procedures to ensure it submits accurate Recovery Act reports.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that Recovery Act reports are accurate.

- 8. We recommend that OJP and OVW ensure that the LEPC implements procedures requiring subrecipients to identify, track, and report on the progress towards achieving measurable grant goals and objectives.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that subrecipients identify, track, and report on their progress in achieving measurable grant goals and objectives.

- 9. We recommend that OJP ensure that DOJ grant funds are not commingled with**

funds from other sources.

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that DOJ grant funds are not commingled with funds from other sources.

- 10. We recommend that OJP remedy the \$600,542 in grant fund drawdowns that are unaccounted for.**

We agree with the recommendation. We will coordinate with the LEPC to remedy the \$600,542 in questioned costs related to unsubstantiated grant fund drawdowns.

- 11. We recommend that OJP ensure that the LEPC: (a) establishes a bank account to deposit all funds drawn down from U.S. Department of Justice (DOJ) grants only; (b) implements appropriate accounting procedures to separately track grant fund balances; and (c) periodically reconciles each grant balance to the bank account.**

We agree with the recommendation. We will coordinate with the LEPC to ensure they develop and implement procedures for: (a) establishing a separate bank account exclusively for U.S. Department of Justice (DOJ) grant funds; (b) establishing appropriate accounting procedures to separately track grant fund balances; and (c) periodically reconciling each grant balance to the bank account.

- 12. We recommend that OJP de-obligate and put to better use the \$134,261 in grant funds for OJP grants that have expired.**

We agree with the recommendation. The OCFO de-obligated the remaining grant funds that had expired for the following awards: 2006-JB-FX-0041, 2006-JF-FX-0060, 2007-JB-FX-0076, 2007-JF-FX-0063, 2008-AH-FX-0065, and 2008-JP-FX-0061 (see Attachment). The Office of Justice Programs requests closure of this recommendation.

- 13. We recommend that OJP ensure that the LEPC establishes procedures to identify income from grant funds and programs, and ensure the funds are used for grant purposes.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that income earned on grant funds and programs is easily identified; used only for grant purposes; and properly reported to OJP.

- 14. We recommend that OJP ensure that the LEPC allocates the \$43,503 in interest**

earned on the FY 2009 Byrne JAG Recovery Act funds and uses the funds for grant purposes or return the funds to the DOJ.

We agree with the recommendation. We will coordinate with the LEPC to ensure that interest earned on its FY 2009 Byrne JAG Recovery Act award is properly allocated and used toward meeting the objectives of the grant; or we will request that LEPC return the funds to the DOJ.

- 15. We recommend that OJP remedy the \$160,546 in excess administrative costs charged to the grants.**

We agree with the recommendation. We will coordinate with the LEPC to remedy the \$160,546 in questioned costs related to excess administrative costs charged to grant numbers 2006-DJ-BX-0093 (\$54,307), 2007-VA-GX-0031 (\$2,167), 2008-AH-FX-0065 (\$32,229), 2008-DJ-BX-0055 (\$23,804), and 2008-VA-GX-0030 (\$48,039).

- 16. We recommend that OJP remedy the \$286,534 in unsupported costs associated with subawards administered by the LEPC.**

We agree with the recommendation. We will coordinate with the LEPC to remedy the \$286,534 in questioned costs related to subawards administered by the LEPC charged to grant numbers 2006-DJ-BX-0093 (\$39,906), 2008-DJ-BX-0055 (\$50,384), 2008-VA-GX-0030 (\$180,327), and 2009-SG-B9-0119 (\$15,917).

- 17. We recommend that OJP remedy the \$6,789 in unallowable costs associated with subawards administered by the LEPC.**

We agree with the recommendation. We will coordinate with the LEPC to remedy the \$6,789 in unallowable subgrantee costs charged to grant number 2008-DJ-BX-0055.

- 18. We recommend that OJP ensure that the LEPC implements procedures to ensure it only reimburses subrecipients for costs that are allowable and supported by adequate documentation such as timesheets for personnel costs, invoices, purchase orders, contracts, and receipts.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that subrecipients are only reimbursed for costs that are allowable, and supported by adequate documentation.

- 19. We recommend that OJP remedy the \$86,127 in unsupported costs associated with subawards administered by the St. Croix Foundation, a third-party fiduciary.**

We agree with the recommendation. We will coordinate with the LEPC to remedy the \$86,127 in unsupported costs charged to grant numbers 2008-DJ-BX-0055 (\$3,848), 2009-DJ-BX-1097 (\$63,640), and 2009-SG-B9-0119 (\$18,639), associated with subawards administered by the St. Croix Foundation.

- 20. We recommend that OJP remedy the \$7,305 in unallowable costs associated with subawards administered by the St. Croix Foundation, a third-party fiduciary.**

We agree with the recommendation. We will coordinate with the LEPC to remedy the \$7,305 in unallowable costs charged to grant number 2009-DJ-BX-1097, associated with subawards administered by the St. Croix Foundation.

- 21. We recommend that OJP require the LEPC to stop using the St. Croix Foundation or any other third-party fiduciary, to administer grant funds.**

We agree with the recommendation. We will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that LEPC discontinues using a third-party fiduciary to administer grant funds.

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

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Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number 20111980

OFFICE ON VIOLENCE AGAINST WOMEN
RESPONSE TO THE DRAFT REPORT

February 16, 2012

MEMORANDUM

TO: Ferris Polk
Regional Audit Manager
Atlanta Regional Audit Office

FROM: Susan B. Carbon
Director
Office on Violence Against Women

Rodney Samuels
Audit Liaison/Staff Accountant
Office on Violence Against Women

SUBJECT: Audit of Management of DOJ grants awarded to the U.S. Virgin Islands Law Enforcement Planning Commission (LEPC) by the Office of Justice Programs and the Office on Violence Against Women

This memorandum is in response to your correspondence dated September 2011 transmitting the above draft audit report for LEPC. We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **twenty-five** recommendations, of which recommendations 22-25 are directed to the Office on Violence Against Women (OVW). The recommendations directed to OVW include **\$375,497** in unsupported costs and **\$472,056** in funds to be de-obligated. The Office on Violence Against Women (OVW) is committed to working with the grantee to address each recommendation and bring them to a close as quickly as possible. The following is an analysis of the audit recommendations:

- 22. Remedy the \$372,434 in OVW grant fund drawdowns that are unaccounted for.**

We agree with this recommendation. We will work with the grantee to remedy the \$372,434 in OVW grant fund drawdown's that are unaccounted for.

23. De-obligate \$472,056 in OVW grant funds that have expired.

After review of the OIG Report referenced above and the LEPC response to the report, OVW does agree and believes that it is imperative that each grantee provides documentation to support any fund expenditures received from OVW. Although the grantee only partially agrees with this recommendation, we will work with the grantee to de-obligate and/or provide any documentation to remedy the entire \$472,056 in grant funds that have expired.

24. Remedy \$3,063 in OVW grant funds spent on airline tickets for inter-island travel, which expired without being used.

We agree with this recommendation. We will work with the grantee to remedy the \$3,063 in OVW grant funds spent on airline tickets for inter-island travel, which expired without being used.

25. Ensure the LEPC implements procedures to ensure it complies with STOP grant fund allocation requirements.

After review of the OIG Report referenced above and the LEPC response to the report, OVW does agree and believes that it is imperative that each grantee provides documentation to support any recommendations that relate to policy issues. Although the grantee did not concur with the recommendation, we will work with the grantee to receive documentation that ensures that they have implement procedures to ensure it complies with STOP grant fund allocation requirements.

We appreciate the opportunity to review and comment on this report. We will continue to work with LEPC to address the open recommendations. If you have any questions or require additional information, please contact Rodney Samuels of my staff at (202) 514-9820.

cc: Louise M. Duhamel, Ph.D.
Acting Assistance Director
Audit Liaison Group
Justice Management Division

Angela Wood
Budget Officer
Office on Violence Against Women

Omar Mohammed
Program Specialist
Office on Violence Against Women

OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The OIG provided a draft of this audit report to the U.S. Virgin Islands Law Enforcement Planning Commission (LEPC), the Office of Justice Programs (OJP), and the Office on Violence Against Women (OVW). The LEPC's response is incorporated in Appendix 9. OJP's response is incorporated in Appendix 10 and the OVW's response is incorporated in Appendix 11. The report contains 21 recommendations addressed to OJP and 4 recommendations addressed to OVW. Subsequent to the issuance of the draft report we made technical changes to the report that had no effect on our findings or recommendations.

Analysis of the LEPC's Response to the Draft Report

The LEPC concurred with 14 recommendations, partially concurred with 8 recommendations, and did not concur with 3 recommendations.

The LEPC stated that it did not concur with Recommendation Number 5 because it followed U.S. Virgin Islands code which demands transparency and fairness in the awarding of monies. The LEPC stated that it did not concur with Recommendation Number 8 because it now has written policies requiring subrecipients to identify, track, and report on grant goals and accomplishments. The LEPC stated that it did not concur with Recommendation Number 25 because it has been in compliance with OVW grant fund allocation requirements since the inception of its grants. We disagree with the LEPC's reasons for non-concurrence with all three of these recommendations. The reasons we disagree are explained under each recommendation. We resolved these three recommendations based on OJP's and OVW's concurrence with the recommendations.

Along with its response to the draft report, the LEPC provided an electronic copy of its Procedures Manual for the Law Enforcement Planning Commission, dated October 1, 2011. Subsequent to its response to the draft report the LEPC sent us copies of newly implemented policies and procedures, and we forwarded those materials to OJP and OVW. We considered the additional materials in analyzing the LEPC's response to recommendations, but OJP and OVW did not have the additional materials for consideration in their responses. Our analysis of the responses to each recommendation is discussed below under Summary of Actions Necessary to Close the Report.

Analysis of OJP's and OVW's Responses to the Draft Report

In its response to the draft report, OJP concurred with the 21 recommendations addressed to OJP and stated that it would work with the LEPC to close each recommendation.

In its response to the draft report, OVW concurred with the four recommendations addressed to OVW and stated that it would work with the LEPC to close the recommendations. The following provides the OIG's analysis of the responses to the draft report and summary of actions necessary to close the report.

Summary of Actions Necessary to Close the Report

Recommendation Number

- 1. Resolved.** We recommended that OJP ensure the LEPC has adequate staff with the training and experience to administer the grants. The LEPC concurred with our recommendation and stated that some LEPC staff had received DOJ grant training and additional LEPC staff will complete grant training within 90 days. OJP concurred with our recommendation and stated that it will coordinate with the LEPC to obtain a copy of its procedures for ensuring it has adequate staff with the training and experience to manage the grants. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when we review documentation showing all LEPC staff, including the LEPC's Director of Financial Management Services, received DOJ grant training.
- 2. Resolved.** We recommended that OJP ensure the LEPC implements procedures to time its drawdown requests to ensure that, when required, federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days. The LEPC concurred with our recommendation and provided a copy of procedures it has implemented. OJP concurred with our recommendation and stated that it will coordinate with the LEPC to implement these corrective actions. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when OJP agrees with the LEPC's procedures.
- 3. Resolved.** We recommended that OJP ensure the LEPC implements procedures to reconcile grant funds drawn down to the expenditures

recorded in the U.S. Virgin Islands accounting records and by subrecipients and follow up on any differences. The LEPC concurred with our recommendation and provided a copy of procedures it implemented to address this recommendation. OJP concurred with our recommendation and said it would coordinate with the LEPC to obtain a copy of procedures it has implemented. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when OJP agrees that the LEPC has implemented appropriate procedures.

4. **Resolved.** We recommended that OJP ensure the LEPC implements a system for tracking the use of any prepaid goods and services. In its initial response to the draft report, the LEPC concurred with our recommendation but did not explain its planned corrective actions. OJP concurred with our recommendation and stated that it will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that a system for tracking the use of any prepaid goods and services is created and maintained. Subsequent to its initial response to the draft report, the LEPC provided us with a copy of its policies for tracking prepaid goods and services. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when OJP agrees that the LEPC has implemented appropriate procedures.
5. **Resolved.** We recommended that OJP ensure the LEPC implements a grant solicitation and awards process that ensures fair and open competition for grant funds. The LEPC did not concur with our recommendation and stated that it follows Virgin Islands Code Title 31, Section 231-239, which demands transparency and fairness in the awarding of funds flowing through the U.S. Virgin Islands Government, and it will publicly advertise and maintain documentation on all grant solicitations.

We disagree that the LEPC has achieved transparency and fairness in making award decisions for the following reasons. For the 2006, 2008, and 2009 Byrne JAG grants, the LEPC made only 3 of 58 subawards (5.2 percent) to government agencies. LEPC staff told us they used scoring sheets to decide which applicants received subawards and after the awards were made the scoring sheets were discarded. LEPC staff also told us the former LEPC Director made all the final award decisions. The former LEPC Director told us he favored awarding the funds to non-profit organizations for crime prevention programs, which is recognized as an acceptable use of Byrne JAG funds. During our audit, two government officials told us they were concerned about the

LEPC's awards process because they were not always aware the LEPC was seeking applications for grant funding and, at other times, when they applied for funding they received the funds late or not at all. Finally, during budget hearings, a U.S. Virgin Islands Senator questioned the former LEPC Director about how grant funds were being used. Based on our audit, it appears the LEPC's awards process was not fair, competitive, and transparent. OJP concurred with our recommendation and stated that it will coordinate with the LEPC to obtain a copy of its procedures that ensure it maintains fair and open competition for grant funds.

Along with its response to the draft report, the LEPC provided a copy of its recently implemented procedures pertaining to its subgrant solicitation and awards process. However, the LEPC's procedures do not state that the LEPC must retain copies of the scoring sheet forms used to evaluate all grant funding applications or a process for grantees to appeal the LEPC's decisions when applications are denied.

This recommendation is resolved based on OJP's agreement to take appropriate corrective action. The recommendation can be closed when we review procedures that ensure fair and open competition for grant funds.

- 6. Resolved.** We recommended that OJP ensure the LEPC implements procedures to ensure financial and grant progress reports are accurate and submitted when due. The LEPC concurred with our recommendation and stated that it will institute policies and procedures to ensure accurate and timely reports. OJP concurred with the recommendation and stated that it will coordinate with the LEPC to obtain a copy of procedures implemented to ensure that financial and grant progress reports are accurate and submitted timely. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when we review the LEPC's procedures that ensure it submits accurate and timely financial and grant progress reports to OJP.
- 7. Resolved.** We recommended that OJP ensure the LEPC implements procedures to ensure it submits accurate Recovery Act reports. The LEPC concurred with this recommendation and stated that by March 31, 2012, it will implement policies and procedures to ensure accurate reporting of Recovery Act grants. OJP concurred with our recommendation and stated that it will coordinate with the LEPC to obtain a copy of its procedures implemented to ensure that Recovery

Act reports are accurate. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when we review the LEPC's procedures that ensure it submits accurate Recovery Act reports.

8. Resolved. We recommended that OJP ensure the LEPC implements procedures requiring subrecipients to identify, track, and report on the progress towards achieving measureable grant goals and objectives. The LEPC did not concur with this recommendation and stated that it had unwritten policies requiring subrecipients to periodically report on the progress of their programs. Despite the LEPC's non-concurrence with our recommendation, it provided written procedures requiring subrecipients to periodically measure and assess progress towards project goals and objectives. OJP concurred with the recommendation and stated that it will coordinate with the LEPC to obtain a copy of the procedures implemented to address this recommendation. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when OJP agrees that the LEPC has implemented appropriate procedures.

9. Resolved. We recommended that OJP ensure DOJ grant funds are not commingled with funds from other sources. We advised the LEPC to establish a bank account for DOJ non-Recovery Act grants. The LEPC concurred with this recommendation and stated that it had previously obtained separate accounts for all DOJ grants through the Department of Finance and this caused the commingling of funds, but it agreed to establish a separate bank account for all DOJ non-Recovery Act grants.

OJP concurred with our recommendation and stated that it would coordinate with the LEPC to obtain a copy of the procedures implemented to address this recommendation. This recommendation is resolved based on OJP's agreement. The recommendation can be closed when we review documentation showing that the LEPC established a separate bank account for all DOJ non-Recovery Act grants.

10. Resolved. We recommended that OJP remedy the \$600,542 in grant drawdowns that are unaccounted for. The LEPC concurred with this recommendation and stated that it will work with the Department of Finance to retrieve accounting records showing these funds were expended. OJP concurred with the recommendation and indicated that it will coordinate with the LEPC to remedy the \$600,542 in grant funds

that are unaccounted for. This recommendation is resolved based on the LEPC's and OJP's agreement to remedy the questioned costs. The recommendation can be closed when the \$600,542 in unaccounted for grant funds has been remedied.

- 11. Resolved.** We recommended that OJP ensure the LEPC:

 - (a) establishes a bank account to deposit all funds drawn down from DOJ non-Recovery Act grants;
 - (b) implements appropriate accounting procedures to separately track grant fund balances; and
 - (c) periodically reconciles each grant balance to the bank account.

The LEPC concurred with this recommendation and stated that it will establish a bank account for all DOJ non-Recovery Act grant funds and it will track grant drawdowns from each grant in an electronic spreadsheet. However, the LEPC's response did not address the portion of our recommendation that it periodically reconcile each grant balance to the bank account. OJP concurred with our recommendation and stated that it would coordinate with the LEPC to ensure they develop and implement the procedures for this recommendation. This recommendation is resolved based on OJP's agreement to take appropriate corrective action. The recommendation can be closed when we review documentation showing that the LEPC:

 - (a) established a separate bank account to deposit all DOJ non-Recovery Act grant funds,
 - (b) implemented a system to separately track grant fund balances, and
 - (c) implemented procedures to periodically reconcile grant fund drawdowns to the bank account.
- 12. Closed.** We recommended that OJP deobligate \$134,261 in grant funds for OJP grants that had expired. The LEPC partially concurred with this recommendation and stated that for some of these grants it has incurred grant expenses. The LEPC planned to request permission to draw down the funds. However, for all of these grants, the period for liquidating grant expenditures had expired. Further, for some of these grants, the LEPC had already drawn down more grant funds than it had in grant expenditures according to its accounting records. OJP concurred with our recommendation and, subsequent to the issuance of the draft report, OJP deobligated the \$134,261 in unspent funds. The recommendation is closed based on documentation showing OJP deobligated the \$134,261 in unspent grant funds.
- 13. Resolved.** We recommended that OJP ensure the LEPC establishes procedures to identify income from grant funds and programs and ensure the funds are used for grant purposes. The LEPC concurred with this recommendation and stated that it is working with the

Virgin Islands Department of Finance to track income from grant funds and will use a spreadsheet to track and allocate the income by grant project code. OJP concurred with our recommendation and stated that it will coordinate with the LEPC to obtain a copy of the procedures the LEPC implemented. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when we review the LEPC's procedures for identifying income from grant funds and programs and ensuring the funds are used for grant purposes.

14. Resolved. We recommended that OJP ensure the LEPC allocates the \$43,503 in interest earned on the FY 2009 Byrne JAG Recovery Act funds and uses the funds for grant purposes or returns the funds to the DOJ. The LEPC concurred with this recommendation and stated that it will use the \$43,503 in interest earned for grant purposes. OJP concurred with the recommendation and stated that it will coordinate with the LEPC to ensure that the interest is allocated to the grant and used for grant purposes or returned to the DOJ. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when we review documentation showing that \$43,503 in interest earned on the FY 2009 Byrne JAG grant funds is allocated to the grant and used for grant purposes or the \$43,503 is returned to the DOJ.

15. Resolved. We recommended that OJP remedy \$160,546 in excess administrative costs the LEPC charged to the grants. The LEPC partially concurred with this recommendation. In its response to the draft report, the LEPC stated that \$24,375 of \$160,546 in excess administrative costs was for professional services rendered by the St. Croix Foundation and it will provide support for those costs separately and work with the Virgin Islands Department of Finance to remedy the charges made to the other grants. However, all \$160,546 of these costs are unallowable because they exceeded the maximum amount of administrative costs allowed by these grants. OJP had notified the LEPC in June 2007 to stop using a third-party fiduciary to administer grants. The \$24,375 is from a 2008 grant. The LEPC stated that it will work with the Virgin Islands Department of Finance to make the necessary adjustments to remedy the charges and provide documentation to OJP. OJP concurred with the recommendation and stated that it will work with the LEPC to remedy the \$160,546. This recommendation is resolved based on OJP's agreement to remedy the questioned costs. The recommendation can be closed when \$160,546 in excess administrative costs has been remedied.

- 16. Resolved.** We recommended that OJP remedy \$286,533 in unsupported costs associated with grant funds administered by the LEPC. The LEPC partially concurred with this recommendation and stated that it has begun reviewing its files and has contacted subrecipients to obtain additional documents. OJP concurred with the recommendation and stated that it will coordinate with the LEPC to remedy the \$286,533. This recommendation is resolved based on OJP's agreement to remedy the questioned costs. The recommendation can be closed when the \$286,533 in unsupported subrecipient expenditures has been remedied.
- 17. Resolved.** We recommended that OJP remedy \$6,789 in unallowable costs associated with grant funds administered by the LEPC. The LEPC partially concurred with this recommendation and stated that it will review its files and contact the subrecipient for additional details about these costs. OJP concurred with the recommendation and stated that it will coordinate with the LEPC to remedy the \$6,789 in unallowable costs. This recommendation is resolved based on OJP's agreement to remedy the questioned costs. The recommendation can be closed when the \$6,789 in unallowable costs has been remedied.
- 18. Resolved.** We recommended that OJP ensure the LEPC implements procedures to reimburse subrecipients only for costs that are allowable and supported by adequate documentation such as timesheets for personnel costs, invoices, purchase orders, contracts, and receipts. The LEPC concurred with this recommendation and stated that it will implement policies and procedures to ensure subrecipients' costs are adequately supported. OJP concurred with the recommendation and stated that it will coordinate with the LEPC to obtain a copy of the LEPC's procedures. This recommendation is resolved based on the LEPC's and OJP's agreement to take appropriate corrective action. The recommendation can be closed when we review the LEPC's procedures that ensure subrecipient expenditures are supported by adequate documentation.
- 19. Resolved.** We recommended that OJP remedy \$86,127 in unsupported costs associated with grant funds administered by a third-party fiduciary, the St. Croix Foundation. The LEPC partially concurred with this recommendation and stated that it will provide additional documentation to remedy the \$86,127. OJP concurred with the recommendation and stated that it will coordinate with the LEPC to remedy these questioned costs. This recommendation is resolved based on OJP's agreement to remedy the questioned costs. The

recommendation can be closed when \$86,127 in unsupported costs administered by the St. Croix Foundation has been remedied.

- 20. Resolved.** We recommended that OJP remedy \$7,305 in unallowable costs associated with grant funds administered by a third-party fiduciary, the St. Croix Foundation. The LEPC partially concurred with this recommendation and stated that it will review the St. Croix Foundation's files and contact the subrecipient to obtain more details about the \$7,305 in unallowable costs charged to grant funds. OJP concurred with the recommendation and stated that it will coordinate with the LEPC to remedy the questioned costs. This recommendation is resolved based on OJP's agreement to remedy the questioned costs. The recommendation can be closed when \$7,305 in unallowable costs charged to grant 2009-DJ-BX-1097 has been remedied.
- 21. Resolved.** We recommended that OJP require the LEPC to stop using the St. Croix Foundation, or any other third-party fiduciary, to administer DOJ grant funds. The LEPC partially concurred with this recommendation and stated that it will avoid using third-party fiduciaries "for the upcoming grant cycle." The LEPC stated that the St. Croix Foundation provides accounting services to many fledgling community organizations that do not have the human resources to effectively manage federal funds. The LEPC also stated that without third-party fiduciaries, many of these organizations would find it difficult to comply with reporting requirements, and thus may not exist.

We disagree with the LEPC's response pertaining to when it plans to stop using third-party fiduciaries. The LEPC should not just avoid using the St. Croix Foundation for the upcoming grant cycle, but should stop using "any third-party fiduciary" to administer DOJ grants "without OJP approval." The funds were awarded to the LEPC to administer, not to a third-party fiduciary. The LEPC is also the state administering agency for DOJ grants and is responsible for overseeing subrecipients' finances, ensuring they meet program goals and objectives, and submitting any required reports. We found that 48 percent of grant funds administered by the St. Croix Foundation that we tested, were spent on unallowable costs or were not adequately supported by timesheets, invoices, receipts, or other documents. Financial auditors also found that the St. Croix Foundation did not adequately manage federal funds.

OJP concurred with the recommendation and stated that it will coordinate with the LEPC to obtain a copy of its procedures

implemented to ensure that the LEPC stops using the third-party fiduciary to administer the grant funds. This recommendation is resolved based on OJP's agreement to take appropriate corrective action. The recommendation can be closed when we review documentation showing the LEPC has stopped using a third-party fiduciary to administer DOJ grant funds without OJP approval.

- 22. Resolved.** We recommended that OVW remedy \$372,434 in OVW grant fund drawdowns that are unaccounted for. The LEPC concurred with this recommendation and stated that at the time of the audit the documents for these outstanding amounts were not readily available and that the LEPC will work with the Department of Finance to retrieve the accounting records. However, several times during the audit we asked for the accounting records to support these costs but none were ever provided to us. OVW concurred with the recommendation and stated that it will work with the LEPC to remedy the questioned costs. This recommendation is resolved based on OVW's agreement to remedy the questioned costs. The recommendation can be closed when the \$372,434 in unaccounted for grant funds has been remedied.
- 23. Resolved.** We recommended that OVW deobligate \$472,056 in grant funds that have expired. The LEPC partially concurred with this recommendation and stated that it will submit documents to support \$472,056 in expenditures by subgrantees and request a waiver from the Office of the Chief Financial Officer so that the LEPC can access the expired grant funds. However, according to the OJP Financial Guide, grant recipients have 90 days from the end date of the grant to draw down funds for any costs obligated during the grant award period. Any funds not drawn down within 90 days after the end of the award period revert to the awarding agency. For Grant Number 2006-WF-AX-0019, the LEPC had until September 28, 2009, to draw down the remaining \$190,431. For Grant Number 2007-WF-AX-0053, the LEPC had until February 28, 2010, to draw down the remaining \$281,625. OVW concurred with our recommendation and stated that it will work with the LEPC to deobligate or provide documents to remedy the \$472,056. This recommendation is resolved based on OVW's agreement to take appropriate corrective action. The recommendation can be closed when the \$472,056 has been deobligated.
- 24. Resolved.** We recommended that OVW remedy \$3,063 in grant funds spent on airline tickets for inter-island travel, which expired without being used. The LEPC concurred with the recommendation and stated

that it will implement procedures to improve the tracking of pre-paid airline tickets. OVW concurred with the recommendation and stated that it will work with the LEPC to remedy the questioned costs. This recommendation is resolved based on OVW's agreement to remedy the questioned costs. The recommendation can be closed when the \$3,063 has been remedied.

- 25. Resolved.** We recommended that OVW ensure the LEPC implements procedures complying with Services, Training, Officers, and Prosecutors (STOP) grant fund allocation requirements. The LEPC stated that it did not concur with the recommendation and has been in compliance with allocation guidelines. However, as explained on page 41, the LEPC had not allocated any grant funds for courts for the 2007, 2008, 2009, or 2010 grants; had not allocated any funds for law enforcement for the 2008, 2009, or 2010 grants; and had not allocated any funds for prosecution for the 2009 and 2010 grants. The minimum required allocation of STOP grant funds is 25 percent for law enforcement, 25 percent for prosecution, 5 percent for courts, and 30 percent for non-profit organizations. The remaining 15 percent is discretionary and can be allocated to any of these categories. We believe that in its role of advisor to the Governor, the LEPC should conduct more outreach to government entities to ensure they are aware that STOP grant fund are available. OVW concurred with the recommendation and stated that it will work with the LEPC to implement policies to ensure it complies with STOP grant fund allocation requirements. This recommendation is resolved based on OVW's agreement to take appropriate corrective action. The recommendation can be closed when we review the LEPC's policies that ensure its STOP grant funds are allocated according to the requirements.