



Office of the Inspector General
U.S. Department of Justice



**Audit of the Office of Justice Programs
Victim Assistance Formula Grants
Awarded to the California Governor's
Office of Emergency Services
Mather, California**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIM ASSISTANCE FORMULA GRANTS AWARDED TO THE
CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES
MATHER, CALIFORNIA**

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of 10 Crime Victim Assistance Formula Grant Program grants, totaling more than \$382 million that the Office of Justice Programs (OJP), Office for Victims of Crime awarded to the California Governor's Office for Emergency Services (Cal OES) located in Mather, California.¹ As of June 2015, the Cal OES had expended 99.6 percent of the total amount awarded. The purpose of these grants that were funded under the Victims of Crime Act (VOCA) was to provide funds from the Crime Victims Fund to the State of California in order to enhance crime victim services. Specifically, the Crime Victim Assistance Formula Grant Program tasked the State with awarding funds to local community-based organizations that provided direct services to victims of crime.

The purpose of our audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. The objective of our audit was to review performance in the following areas: (1) financial management; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income, matching, and budget management were not applicable to the awards reviewed.

We found that the Cal OES did not comply with essential award requirements in several areas we tested. Specifically, we found that the Cal OES did not comply with additional award requirements; as a result, we questioned \$445,186 as an indication of supplanting. Additionally, the Cal OES was reimbursed for more indirect cost than was allowed and reported indirect cost expenditures inaccurately

¹ Specifically, we audited grants 2002-VA-GX-4006, 2004-VA-GX-0009, 2005-VA-GX-0052, 2006-VA-GX-0049, 2007-VA-GX-0049, 2008-VA-GX-0055, 2009-VA-GX-0050, 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038. Based on an analysis of DOJ awards to Cal OES that we performed during the audit selection process (and other factors), we excluded awards 2002-VA-GX-0006 and 2003-VA-GX-4025 from our scope. However, we chose to include supplemental award 2002-VA-GX-4006.

During this audit, we identified certain issues for further investigation. As a result, we put our audit on hold to ensure that proceeding would not adversely affect any investigation. Subsequently, we were able to complete our audit and issue this report.

on its Federal Financial Reports; therefore, we questioned \$41,606. We questioned \$5,636 in payroll expenditures as the Cal OES did not comply with its internal payroll policies and procedures and the *OJP Financial Guide* for certification of timesheets and were unable to retrieve archived pay stub documents necessary to support some of the payroll transactions reviewed. Also, the Cal OES did not retain documentation supporting its funding allocation process for its sub-grantees and therefore, we were unable to determine that the sub-granting of OJP funds was performed in a manner that was fair, transparent, and free of undue influence. Finally, we found that the Cal OES did not comply with its internal policies and procedures for monitoring of sub-recipients and contractors.

As a result of our audit, we questioned a total of \$492,428 and made 11 recommendations to OJP. Our findings are discussed in detail in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in Appendix 1. Our Schedule of Dollar-Related Findings is located in Appendix 2. In addition, we requested from the Cal OES and OJP written responses to the draft copy of our audit report. We received those responses and they are found in Appendices 3 and 4, respectively. Our analysis of those responses and the summary of actions necessary to close the recommendations are found in Appendix 5.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIM ASSISTANCE FORMULA GRANTS AWARDED TO THE
CALIFORNIA GOVERNOR’S OFFICE OF EMERGENCY SERVICES
MATHER, CALIFORNIA**

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INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of 10 Crime Victim Assistance Formula Grant Program grants totaling more than \$382 million that the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) awarded to the California Governor's Office for Emergency Services (Cal OES) located in Mather, California.¹ As of June 2015 the Cal OES had expended 99.6 percent of the total amount awarded. The purpose of these grants that were funded under the Victims of Crime Act (VOCA) was to provide funds from the Crime Victims Fund to the State of California in order to enhance crime victim services. Specifically, the Crime Victim Assistance Formula Grant Program tasked the State with awarding funds to local community-based organizations that provide direct services to victims of crime.

¹ Specifically, we audited grants 2002-VA-GX-4006, 2004-VA-GX-0009, 2005-VA-GX-0052, 2006-VA-GX-0049, 2007-VA-GX-0049, 2008-VA-GX-0055, 2009-VA-GX-0050, 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038. Based on an analysis of DOJ awards to Cal OES that we performed during the audit selection process (and other factors), we excluded awards 2002-VA-GX-0006 and 2003-VA-GX-4025 from our scope. However, we chose to include supplemental award 2002-VA-GX-4006.

During this audit, we identified certain issues for further investigation. As a result, we put our audit on hold to ensure that proceeding would not adversely affect any investigation. Subsequently, we were able to complete our audit and issue this report.

Table 1
Victim Assistance Formula Grants Awarded to the Cal OES

Award Number	Award Date	Project Start Date	Project End Date^a	Award Amount^b
2002-VA-GX-4006	05/13/05	10/01/01	09/30/06	\$ 1,887,836
2004-VA-GX-0009	05/12/04	10/01/03	09/30/07	39,969,000
2005-VA-GX-0052	06/08/05	10/01/04	09/30/08	42,073,000
2006-VA-GX-0049	05/09/06	10/01/05	09/30/09	44,933,000
2007-VA-GX-0049	07/11/07	10/01/06	09/30/10	41,785,000
2008-VA-GX-0055	08/15/08	10/01/07	09/30/11	34,342,000
2009-VA-GX-0050	09/04/09	10/01/08	09/30/12	40,622,608
2010-VA-GX-0087	07/13/10	10/01/09	09/30/13	46,204,706
2011-VA-GX-0028	07/20/11	10/01/10	09/30/14	48,244,446
2012-VA-GX-0038	06/19/12	10/01/11	09/30/15	42,593,117
Total				\$ 382,654,713

^a The Project End Date includes all time extensions that were approved by OJP.

^b Except for the 2002 grant, the Award Amount includes supplemental award amounts and any cash and in-kind match amounts required. See footnote 1 for inclusion of the 2002 award.

Source: OJP

Background

OJP's mission is to increase public safety and improve the fair administration of justice through innovative leadership and programs. Specifically, OJP provides leadership to federal, state, local, and tribal justice systems, by disseminating state of the art knowledge and practices, and providing awards for the implementation of these crime fighting strategies. OJP works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice system and provides information, training, coordination, and new strategies and approaches for addressing these challenges.

OVC is charged by Congress with administering the Crime Victims Fund, a major source of funding for victim services throughout the Nation. Established in 1988 through an amendment to the Victims of Crime Act of 1984, the Crime Victims Fund supports thousands of programs annually that represent millions of dollars invested in victim compensation and assistance in every U.S. state and territory, as well as training and demonstration projects designed to enhance the skills of those who provide services to victims. The cap for congressional annual funding varies: from 2000 to 2012, the amount of the annual cap varied from \$500 million to \$705 million. In fiscal year (FY) 2013, the cap was set at \$730 million, in FY 2014 it was \$745 million, and in FY 2015 it was \$2.3 billion. Altogether, VOCA funds support a broad array of programs and services that focus on helping victims in the immediate aftermath of crime and supporting them as they rebuild their lives. Although the specific type of outreach provided varies by need and location,

the common goal of the OVC and VOCA is to reach out with a compassionate, skilled, and effective response to victims who have suffered physical, sexual, emotional, and financial harm as a result of crime.

The California Governor's Office of Emergency Services

Cal OES is located in Mather, California, which is approximately 13 miles east of Sacramento, California. The principal objective of Cal OES is to reduce vulnerability to hazards and crimes through emergency management and criminal justice to ensure a safe and resilient California. The Cal OES Special Programs and Grants Management branches serve as the State Administering Agents for federal homeland security, emergency management, and criminal justice grants. The criminal justice grant funds, including VOCA funds, are administered by the Cal OES Grants Management branch. On average, Cal OES receives approximately \$42 million in VOCA funds annually. Cal OES may retain up to 5 percent of the funds to support administration of the award; the remaining funds are passed through to sub-recipients located throughout California who are tasked with providing assistance to victims in the communities they serve.

OIG Audit Approach

The purpose of our audit was to determine whether costs claimed under awards 2002-VA-GX-4006, 2004-VA-GX-0009, 2005-VA-GX-0052, 2006-VA-GX-0049, 2007-VA-GX-0049, 2008-VA-GX-0055, 2009-VA-GX-0050, 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038 were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. The objective of our audit was to review performance in the following areas: (1) financial management ; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income, matching, and budget management were not applicable to the awards reviewed. In our testing and analysis, OIG focused on grants that were still open and not administratively closed. These grants were 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038.

We tested the Cal OES compliance with what we consider to be the most important conditions of the award. Unless otherwise stated in our report, the criteria we audited against are contained in the *OJP Financial Guide*, award requirements, Code of Federal Regulations (C.F.R.), and Office of Management and Budget (OMB) Circulars. The results of our audit are discussed in detail in the Findings and Recommendations section of this report. The audit objective, scope, and methodology are discussed in Appendix 1. The Schedule of Dollar-Related Findings is located in Appendix 2. We discussed the results of our audit with Cal OES officials and have included their comments in the report, as applicable. In addition, we requested from the Cal OES and OJP written responses to a draft copy

of our audit report. We received those responses and they are found in Appendices 3 and 4, respectively. Our analysis of those responses and the status of the recommendations are found in Appendix 5.

FINDINGS AND RECOMMENDATIONS

The Cal OES did not comply with essential award requirements in four of the eight areas we tested. Specifically, we found that the Cal OES did not comply with its internal payroll policies and procedures and *OJP Financial Guide* for certification of timesheets and were unable to retrieve archived pay stub documents necessary to support some of the payroll transactions reviewed. Therefore, we questioned \$5,636 in payroll expenditures. We also found that Cal OES reported indirect cost expenditures inaccurately on its Federal Financial Reports (FFRs). Furthermore, we noted that federal grant funds were extinguished before state funds, indicating supplanting of federal funds. Because of this indication of supplanting, we questioned \$445,186 in grant expenditures. Additionally, the Cal OES was reimbursed \$41,606 more for indirect costs than it incurred. We also noted that Cal OES did not retain documentation of its sub-recipient funding allocation process necessary to ensure the process is fair, transparent, and free of undue influence. Finally, we found that the Cal OES did not comply with its internal policies and procedures for monitoring of sub-recipients and contractors. As a result of our audit, we made 11 recommendations and questioned \$492,428 in unallowable funding.

Grant Financial Management

The *OJP Financial Guide* requires that all fund recipients and sub-recipients “establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them.” Further, the accounting system should provide adequate maintenance of financial data to enable planning, control, measurement, and evaluating direct and indirect costs. The *OJP Financial Guide* also requires that awardees separately account for each award fund and not commingle funds.

We reviewed the Cal OES Federal Compliance Audit Reports for FYs 2012 through 2013 and its financial management system to assess the Cal OES risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the award. We also interviewed officials from the Cal OES’ Fiscal Services and Grants Management branches, regarding internal controls and processes related to payroll and accounting functions.

Single Audit

According to OMB Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted annually. We reviewed the Cal OES most recent Single Audits for FYs 2012 through 2013.² We found that in FYs 2012 and 2013 Single Audit reports identified significant deficiencies related to internal controls over federal awards administered by Cal OES.

Specifically, the FY 2012 Single Audit report states that Cal OES did not have adequate controls in place to ensure information required by the Federal Funding Accountability Transparency Act (FFATA) was properly reported. In 2013, State of California officials reported that new controls have been implemented to ensure FFATA information is properly reported, reviewed, and approved. Based on this crosscutting concern, we expanded our review of federal financial reporting to include a review of indirect costs reported in FFRs submitted by Cal OES. The FY 2013 Single Audit report states that Cal OES did not meet deadline for issuance of management decision letters on sub-recipient findings reported in OMB Circular A-133 reports within 6 months after receipt of the audit report. Specifically, independent auditors tested six audits with findings related to the Justice Assistance Grant (JAG) Program Cluster and found three in which the management decision letter was not issued within 6 months of receipt of the Single Audit. Due to the State's process for receiving, reviewing, and forwarding Single Audit reports to state agencies, Cal OES did not have sufficient time to ensure appropriate corrective action was effective, which may result in delays in recovery of questioned costs and implementation of corrective actions. In March 2014, Cal OES reported that its corrective action plan had been implemented to resolve this deficiency. Based on these findings and additional risks discussed in the sub-recipient monitoring portion of our report, we expanded our test work to include a review of sub-recipient monitoring performed by the Cal OES grants monitoring department.

Financial Management System

Cal OES utilizes the California State Accounting and Reporting System (CALSTARS) as its financial management system. CALSTARS is an automated organization and program cost accounting system and it standardized the accounting and reporting functions within and across California state agencies. Cal OES also utilizes Monarch desktop software to extract and upload data to and from CALSTARS. Both CALSTARS and the reporting tool Monarch have been used by Cal OES for the life of the awards covered by this audit.

Overall, we found that the Cal OES adequately maintained award-related financial records and data in accordance with the *OJP Financial Guide*. Based on our review of award-related transactions that were recorded in the CALSTARS accounting system, we found that the system accurately and separately accounted

² The Cal OES fiscal year is from July 1 through June 30.

for award-related receipts and expenditures. Furthermore, our audit found that the Cal OES had adequate segregation of duties and controls over the financial management system used to administer grant funds.

Drawdowns

According to the *OJP Financial Guide*, award recipients should request funds based upon immediate disbursement or reimbursement requirements. Drawdown requests should be timed to ensure that federal cash on hand is the minimum needed for disbursements to be made immediately or within 10 days. According to the Cal OES, drawdowns of VOCA funds were made on a reimbursement basis.

Table 2
Analysis of Drawdown History as of September 30, 2013

Award Number	Drawdowns	Cumulative Expenditures	Cumulative Differences
2010-VA-GX-0087	\$46,198,459	\$46,198,459	\$0
2011-VA-GX-0028	47,218,945	47,632,807	(413,862)
2012-VA-GX-0038	34,484,141	40,879,431	(6,395,290)

Source: Analysis of Cal OES and OJP records.

We reviewed the drawdowns for each award by comparing the total actual costs recorded in the general ledgers against cumulative drawdowns as of September 30, 2013. As illustrated in Table 2, for award 2010-VA-GX-0087 total drawdowns agreed to the cumulative expenditures identified in the award general ledger. For awards 2011-VA-GX-0028 and 2012-VA-GX-0038, our analysis indicated that expenditures exceeded drawdowns. Given that funds were drawn on a reimbursement basis, we took no exception to the administration of drawdowns.

Expenditures

We reviewed expenditures for the most recent three awards to determine if expenditures were supported, allowable, and in accordance with the terms and conditions of the awards. As of April 2014, the Cal OES had expended \$46,198,459 of award 2010-VA-GX-0087, \$47,632,807 of award 2011-VA-GX-0028, and \$40,879,431 of award 2012-VA-GX-0038. VOCA guidelines allow state recipients to retain five percent of award funds for grant administration with the remainder being allocated to direct services for victims of crime and training direct service providers. We reviewed award expenditures and found that the Cal OES utilized no more than 5 percent of the award funds for grant administration in accordance with VOCA guidelines. The remaining award funds were distributed to sub-recipients with the purpose of providing direct services for victims of crime or training direct service providers.

We selected a judgmental sample of 119 transactions to determine if costs charged to the awards were allowable, properly authorized, adequately supported, and in compliance with award terms and conditions. From the funds used for grant administration, we selected 72 non-payroll related expenditures, totaling \$94,813 across the 3 awards. From the funds used for provision of direct services, we selected a total of 47 transactions across the 3 awards totaling \$742,184. See Table 3 below for a detailed breakdown of total transactions reviewed for each award.

Table 3
Transactions Reviewed

Award Number	Count of Transactions Reviewed	Dollar Amount of Transactions Reviewed
2010-VA-GX-0087	39	\$ 288,940
2011-VA-GX-0028	39	261,991
2012-VA-GX-0038	41	286,066
Total	119	\$836,997

Source: Cal OES general ledger and OIG analysis

The grant administration expenditures we selected included travel, training, supplies, equipment, rent, utilities, and consulting expenses. The direct services expenditures included disbursements to sub-recipients tasked with providing direct services for victims of crime and training direct service providers. We found the direct grant administration and sub-recipient reimbursement expenditures to be allowable, adequately supported, and in accordance with the terms and conditions of the grants. However, we found issues with personnel and indirect expenditures. We discuss the results of our testing for personnel and indirect expenditures below.

Personnel

According to the *OJP Financial Guide*, charges made to federal awards for salaries, wages, and fringe benefits should be based on payroll records approved by responsible officials and the charges must be in accordance with the generally accepted practices of the organization. In particular, when an award recipient's employees work on multiple programs or cost activities, the award recipient must reasonably allocate costs to each activity and base that allocation on time and effort reports, such as timesheets.

We judgmentally selected a sample of payroll expenditures to determine if these expenditures were allowable, reasonable, and adequately supported. Specifically, we selected 27 personnel transactions totaling \$89,262 from 6 pay periods, which consisted of 2 non-consecutive pay periods for each award 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038. Cal OES employees sign and certify two timesheets: Absence and Additional Time Worked Report (timesheet), and Monthly Project Report (project report). The Cal OES timesheet is used to certify paid time off and any additional time worked by the individual.

This timesheet does not indicate what specific grant the individual has worked on. The project report is a detailed timesheet with allocation of time and effort for each specific grant or project the individual has worked on and is used by Cal OES to allocate payroll expenditures to the grant general ledger. Both the timesheet and project report require the employee and supervisor to certify and review hours reported. Cal OES retains a pay stub as evidence that wages were disbursed to the individual.

Timesheets

The *OJP Financial Guide* requires Cal OES to prepare after-the-fact certifications monthly which must be signed by the employee and supervisory official. Of the 27 expenditures we reviewed, Cal OES did not provide signed and certified documentation supporting hours charged to VOCA awards for 2 expenditures. Specifically, Cal OES was unable to provide two project reports and one timesheet for this same period was not signed and approved by the employee and supervisor. As a result, the total of \$5,636 in payroll expenditures, including fringe benefits, is questioned due to lack of support of after-the-fact certification. We also recommend that OJP ensure that Cal OES strengthens its policies and procedures to ensure adequate review and certification of timesheets and to ensure it complies with its internal policies and procedures with respect to timeliness of certification of timesheets.

Pay Stubs

Of the 27 selected payroll expenditures, Cal OES officials were able to provide supporting pay stub documentation for 12 expenditures. For the remaining 15 payroll expenditures, Cal OES did not retain the pay stub as evidence that the grant funds were disbursed to the appropriate individual. Cal OES informed us that due to the age of the requested material, it had submitted these documents to California State Controller's Office (SCO) for archive. Cal OES personnel attempted to retrieve these documents from the SCO but failed to receive a response back from the SCO. The *OJP Financial Guide* states records must be retained such that they may be readily located for 3 years from award closure or until the completion of any litigation, claim, negotiation, audit, or other actions initiated during the retention period. Since Cal OES was unable to provide the pay stubs for 15 expenditures, we were unable to review whether funds were disbursed to the appropriate individual. As Cal OES was able to provide timesheets and project reports for these payroll transactions, we did not question these expenditures based solely on the missing pay stubs. However, we do believe the control in this area should be strengthened. Therefore, we recommend Cal OES strengthens its policies and procedures to ensure that Cal OES can readily retrieve archived documents from the SCO as necessary and in accordance with *OJP Financial Guide* requirements.

Fringe Benefits

We also reviewed the fringe benefits associated with the 27 personnel transactions selected. Except for the fringe benefits questioned as part of the above payroll transaction findings, we found the remaining fringe benefits transactions in our sample to be reasonable to the grant.

Indirect Expenditures

Indirect costs are those costs which are not readily assignable to a particular task or project. According to the *OJP Financial Guide* grant recipients must use an approved indirect cost rate or allocation plan when charging such costs to the federal government. We reviewed the approved Indirect Cost Rate Plan covering costs incurred under award 2010-VA-GX-0087, 2011-VA-GX-0028 and 2012-VA-GX-0038 and found that the indirect cost rate ranges from 61.3 percent to 67.4 percent of direct salaries and wages, excluding fringe benefits.

Recorded Indirect Costs

We compared the cumulative indirect costs allowed to the indirect costs recorded in the Cal OES general ledger, to the indirect costs reimbursed by OJP. We found that Cal OES requested reimbursement for indirect costs which differed from the amount incurred. We calculated the indirect costs allowable by using Cal OES' approved rate and the direct salaries and wages recorded in the grants' general ledgers. As shown in Table 4, we found that the amounts Cal OES was reimbursed for indirect costs were below the allowable amounts for the 2010-VA-GX-0087 and 2011-VA-GX-0028 grants. As entities are allowed to request less reimbursement than actual expenses incurred, we did not take exception to these differences. However, Cal OES was reimbursed significantly more in the 2012-VA-GX-0038 grant, \$483,508, than the \$441,902 allowed. Therefore, we question this \$41,606 unsupported reimbursement.

Table 4
Analysis of Indirect Cost History as of March 2015

Award Number	Cumulative Indirect Costs Allowed	Indirect Costs Recorded in the General Ledger	Cumulative Indirect Costs Reimbursed
2010-VA-GX-0087	\$473,938	\$466,800	\$466,800
2011-VA-GX-0028	531,682	499,216	499,217
2012-VA-GX-0038	441,902	413,783	483,508

Source: Cal OES grant general ledger

Reported Cumulative Indirect Costs

To determine Cal OES' compliance with indirect cost reporting requirements, we compared the cumulative indirect costs reported in the FFR to the total indirect costs recorded in the grants' general ledgers. As shown in Table 4, we found that

the reporting of cumulative indirect costs for two of the three awards contained discrepancies. Specifically, we found that total indirect costs recorded in the general ledger for the 2010-VA-GX-0087 and 2011-VA-GX-0028 awards generally agreed to the amount recorded cumulatively in the FFR because the amount differed by only \$1 for the 2011-VA-GX-0028 award. However, for award 2012-VA-GX-0038, the amount cumulatively reported did not agree to the indirect costs allowed for the award by a more significant amount based on the salaries and wages recorded in the grant's general ledgers.

Cal OES officials stated that the \$69,725 discrepancy between the amount reported on the FFR and the amount that should have been reported on the FFR was primarily attributable to the methodology used by Cal OES to report indirect costs. Specifically, in July 2012, Cal OES changed its reporting methodology to be cumulative by Cal OES fiscal year running from July 1 through June 30 annually rather than cumulative for the life of each award spanning approximately 3 years. However, the methodology for reporting used by Cal OES does not agree with the requirement stated in the instructions for the FFR. Specifically, the instructions require that indirect costs be reported on a cumulative basis for the life of the award. Cal OES officials advised that the change in reporting method was made in response to suggestions made by Federal Emergency Management Agency (FEMA) auditors that Cal OES adjust reporting to ensure that indirect costs totals reported accurately reflect the indirect cost rate effective for the period reported. We agree that indirect costs totals reported should accurately reflect the indirect cost rate effective for the period reported. Based on Cal OES officials' statements, we do not believe the FFR requirement contradicts what FEMA recommended. Additionally, Cal OES officials expressed concerns that the FFR layout does not allow for accurate reporting of costs accumulated under separate cost rates applicable to different time periods. We disagree. The FFR section reserved for reporting of indirect costs does provide for cumulative reporting costs accumulated under multiple unique indirect rates.

We expanded our testing to review quarterly reporting of indirect costs for the 2010, 2011 and 2012 awards. As shown in Table 5 below, we found that the indirect costs for each quarter did not agree to the amount recorded in the grants' general ledger for each period reported.

Table 5
Cal OES Most Recent 2 Years'
of Reported Indirect Costs

Award 2010-VA-GX-0087				
No.	Reporting Period	Grant Ledger – Indirect Expenditures	FFR –Indirect Expenditures Reported	Difference
9	10/01/11 - 12/31/11	\$345,371	\$70,609	\$(274,761)
10	01/01/12 - 03/31/12	395,963	46,165	(349,798)
11	04/01/12 - 06/30/12	399,364	0	(399,364)
12	07/01/12 - 09/30/12	466,800	(4,139)	(470,939)
13	10/01/12 - 12/31/12	466,800	0	(466,800)
14	01/01/13 - 03/31/13	466,800	0	(466,800)
15	04/01/13 - 06/30/13	466,800	0	(466,800)
16	07/01/13 - 09/30/13	466,800	0	(466,800)
Award 2011-VA-GX-0028				
No.	Reporting Period	Grant Ledger – Indirect Expenditures	FFR –Indirect Expenditures Reported	Difference
9	10/01/12 - 12/31/12	\$379,475	\$105,177	\$(274,298)
10	01/01/13 - 03/31/13	379,452	204,815	(174,638)
11	04/01/13 - 06/30/13	380,105	204,815	(175,291)
12	07/01/13 - 09/30/13	485,169	6,706	(478,463)
13	10/01/13 - 12/31/13	503,333	23,580	(479,753)
14	01/01/14 - 03/31/14	502,014	19,479	(482,535)
15	04/01/14 - 06/30/14	502,014	19,479	(482,535)
16	07/01/14 - 09/30/14	499,216	0	(499,216)
Award 2012-VA-GX-0038				
No.	Reporting Period	Grant Ledger – Indirect Expenditures	FFR –Indirect Expenditures Reported	Difference
7	04/01/13 - 06/30/13	\$255,854	\$250,134	\$(5,720)
8	07/01/13 - 09/30/13	258,200	88,414	(169,786)
9	10/01/13 - 12/31/13	345,966	184,223	(161,743)
10	01/01/14 - 03/31/14	395,862	224,694	(171,168)
11	04/01/14 - 06/30/14	404,181	224,694	(179,487)
12	07/01/14 - 09/30/14	405,102	0	(405,102)
13	10/01/14 - 12/31/14	405,102	0	(405,102)
14	01/01/15 - 03/31/15	413,783	8,681	(405,102)

Source: Cal OES grant general ledger and OJP

Cal OES officials also advised that while the quarterly amounts reported disagree with its records, the cumulative indirect cost is listed in the remarks section of the final FFR. We reviewed the final FFR submitted for the 2010-VA-GX-0087 and 2011-VA-GX-0028 awards and found that the amount stated in the remarks section does agree to cumulative amount recorded in the grant's general ledger. As a result, we do not question the dollar amount associated with

the discrepancies in quarterly reporting for these awards. However, we recommend that OJP require Cal OES to strengthen its procedures to ensure that the indirect costs for federal awards are reported as required under FFR guidelines and supported by the indirect cost basis recorded in the general ledger.

Monitoring Sub-Recipients

The *OJP Financial Guide* states that the purpose of sub-recipient monitoring is to ensure that grant funds are spent in accordance with the federal program and grant requirements, laws, and regulations, and the sub-award performance goals are achieved. Further, Cal OES, as the primary recipient, should develop systems, policies, and procedures to ensure that all fiscal and programmatic sub-recipient activities are conducted in accordance with these requirements. Additionally, the primary recipient should ensure that sub-recipients complete required audits and verify that findings identified in sub-recipients audit reports are timely and effectively resolved and corrected.

During our audit work, we identified issues related to several Cal OES sub-recipients that raise concerns about the population of sub-recipients funded and monitored by Cal OES. We found the following risk indicators with several Cal OES sub-recipients:

- In late 2012, a sub-recipient fired an employee who allegedly embezzled \$15,000. In a letter to Cal OES, the sub-recipient alerted Cal OES to the issue and informed them that no federal funds were involved in this embezzlement.
- A sub-recipient's executive director was arrested on charges relating to embezzlement of more than \$700,000. In 2014, she pled guilty to nine counts: four counts of grand theft by embezzlement; two counts each of embezzlement by a public or private officer and misappropriation of public funds; and one count of embezzlement by a trustee, executor, or administrator. Along with the executive director, two employees pled guilty to felony grand theft.
- In 2015, DOJ Justice Management Division initiated suspension proceedings for a sub-recipient.
- Another sub-recipient was purportedly receiving reimbursement for payroll taxes but it allegedly did not pay payroll taxes associated with the reimbursement.
- In addition to the Cal OES OVC sub-recipients, Cal OES had an Office on Violence Against Women (OVW) sub-recipient for which we received a complaint. Although the above entity is not within this audit's scope, it is yet another example of risk indicators associated with Cal OES sub-recipients.

Furthermore, upon our request the Recovery Accountability and Transparency Board (RATB) Recovery Operations Center (ROC) helped us identify

more than 20 additional Cal OES sub-recipients with civil cases, bankruptcy, history of delinquent federal debt, and material findings on A-133 audits.³ These factors led us to determine that the population of Cal OES sub-recipients funded under VOCA awards may exhibit increased risk for mismanagement or misappropriation of federal funds.

Given the number of sub-recipients with risk indicators, we expanded our testing of Cal OES oversight of sub-recipients. To determine if Cal OES provided adequate oversight and monitoring of its sub-recipients, we reviewed the systems as well as policies and procedures in place for sub-recipient monitoring. We reviewed Cal OES Grants Monitoring Guide and Risk Assessment Process to obtain an understanding of their sub-recipient monitoring process. We also interviewed officials from the Cal OES Grants Monitoring Branch regarding internal controls and processes related to sub-recipient monitoring.

We found that the monitoring program provided for reviews of sub-recipients in two areas: fiscal and programmatic activities. These reviews are performed by two separate departments within Cal OES. The Grant Management Branch performs reviews focused primarily on program performance and providing technical assistance to the sub-recipient. The Grants Monitoring Branch completes reviews of fiscal and regulatory compliance. We focused our evaluation of grants monitoring on reviews performed by the Grants Monitoring Branch. According to its Grants Monitoring Guide and interviews with responsible officials, Cal OES Grants Monitoring Branch used the following methods for monitoring sub-recipients:

- Site visit - reviews the sub-recipient's overall implementation of the program and adherence to program guidelines and achievement of grant goals and objectives.
- Limited scope desk and field compliance reviews – The sub-recipients make certain assertions regarding various aspects of their operations, or provide monitors an opportunity to test the validity of expenditures claimed under the grant. A Cal OES official stated that if the limited scope review identifies corrective actions that are necessary, the review is converted to an extended review.
- Extended field and desk compliance reviews – Reviews a sub-recipient's fiscal and administrative compliance with laws, regulations and

³ The Recovery Accountability and Transparency Board (RATB) is a non-partisan, non-political agency originally created under the American Recovery and Reinvestment Act of 2009 (ARRA) with two goals: to provide transparency of ARRA-related funds and to detect and prevent fraud, waste, and mismanagement of those funds. The RATB launched the Recovery Operations Center (ROC) in November 2009. The ROC primarily serves to enhance the capabilities of the IG community to provide oversight of individual IGs' respective departments or agencies, as well as other federal law enforcement entities, in their oversight of Recovery funds and federal funds that are within the scope of the Board's authority. Under the Consolidated Appropriations Act of 2012, RATB's authority was expanded to include oversight of all federal funding. However, in September 2015 Congress did not authorize continued funding for the RATB, as a result the RATB sunset as of September 30, 2015.

program guidelines. In addition to testing performed during desk compliance reviews, an extended review involves tests of internal controls to ensure proper management of the grant, including accounting, procurement, contracting, and equipment management practices and procedures. An extended review also involves testing to verify that grant funds expended are allowable and allocable to the grant, have been allocated properly and to the appropriate cost category during the performance period, and that expenditures are supported by appropriate documentation.

Additionally, Cal OES said it tracked and reviewed external independent audit reports, as required by the Single Audit Act (OMB Circular A-133). Finally, Cal OES provided technical assistance services to educate sub-recipients regarding grant requirements.

According to the Cal OES Grants Monitoring Guide, the planning cycle for their Annual Monitoring Plan starts in July, with the collection of preliminary data and the performance of a risk assessment. The initial monitoring plan is finalized by mid-August and can be adjusted frequently with professional judgment by Cal OES officials. Implementation of the monitoring plan begins in September and runs through August of the following year. During our review, we found that Cal OES had calculated risk scores for sub-recipients, but it was using it as a check point at the end of the process rather than as a tool for selection of sub-recipients that need to be reviewed. For instance, in the 2012-2013 Annual Monitoring Plan, Cal OES monitoring staff used RAT-STATS to randomly select 195 sub-recipients to monitor.⁴ Cal OES judgmentally selected an additional 15 sub-recipients to monitor. This list of 210 sub-recipients was judgmentally truncated to 126 by Cal OES monitoring supervisor because of staff shortage and schedule constraints. Only after the selection of sub-recipients did Cal OES use the risk scores to determine if it should include any additional sub-recipients. Cal OES could benefit from utilizing risk scores earlier in their selection process. We discussed using risk scores to help Cal OES select sub-recipients not just in terms of financial impact and probability, but also for vulnerability and irregularities. In response, a Cal OES official stated that it was already in the process of revising their monitoring plan to include risk scores before audit selections are made. Additionally, of the 126 selected sub-recipients to monitor, Cal OES only reviewed 109 sub-recipients once again due to staffing and scheduling limitations. Cal OES advised that the monitoring department encountered reduced staffing levels, staff turnover, and scheduling limitations in recent years. Since resources were limited, we believe Cal OES could have focused on the top 109 sub-recipients with higher risks out of the 126 with the use of risk scores.

⁴ RAT-STATS is a free statistical software package that providers can download to assist in a claims review. The package, created by HHS-OIG in the late 1970s, is also the primary statistical tool for HHS-OIG's Office of Audit Services. Among other tasks, the software assists the user in selecting random samples and estimating improper payments.

Table 6

Cal OES Awards to Sub-recipients Reviewed

Award Number	Count of Cal OES Awards to Sub-Recipients	Count of Awards Reviewed
2010-VA-GX-0087	646	6
2011-VA-GX-0028	470	6
2012-VA-GX-0038	453	3
Total	1,569	15

Source: Cal OES Grants Processing Unit

We determined that Cal OES distributed 1,569 awards to sub-recipients under awards 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038. In order to determine whether Cal OES provided adequate monitoring, we requested documentation for all awards to sub-recipients that it monitored for VOCA award numbers 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038. Initially, Cal OES provided a list of 122 awards, totaling \$12,014,060. Out of the 122 awards, we selected 15 to review, 6 from 2010-VA-GX-0087, 6 from 2011-VA-GX-0028, and 3 from 2012-VA-GX-0038. Since Cal OES did not monitor any sub-recipients with RATB findings that received funds under the 2012-VA-GX-0038 award, we increased our selection in 2010-VA-GX-0087 and 2011-VA-GX-0028 in order to determine whether Cal OES detected concerns regarding their sub-recipients as those identified by the ROC's analysis. The 15 reviews selected were comprised of 9 site visit field reviews, 3 desk compliance reviews, 2 limited scope desk and field compliance reviews, and 1 extended field and desk compliance review.

During our review, we found that the information in the files did not always support Cal OES monitoring of the specific VOCA grants that it had originally selected. The list included errors in award number, awards different from the one originally selected, and duplicative information. Cal OES officials stated that by the time it has staff available to conduct the review, it is their practice to replace the initial award selected for review with a more recent award for the same sub-recipient. This practice ensured review of the sub-recipients' current policies and procedures. Cal OES felt this process provided more relevant feedback than what might otherwise have been obtained through review of a closed or nearly completed award. Although we agree with this reasoning, we noted that Cal OES grants monitoring did not update its database to identify the reselections. As a result, grants monitoring records erroneously identified some VOCA funded awards as monitored, when a more recent award not funded through VOCA was monitored in its place.

Cal OES was unable to provide documentation accurately reflecting awards to sub-recipients monitoring for the grants within our audit scope. As previously mentioned, their files included awards outside of our scope period, errors in award number, and duplications. We removed awards outside of our scope from their list and selected 15 awards totaling \$2,367,495 to review. At least five of the

sub-recipients we selected were identified in the ROC's analysis as having risk indicators. Cal OES identified similar concerns as the ROC for three of these sub-recipients. ROC analysis and Cal OES identified these three sub-recipients to be on the IRS' Auto-revocation list, or contained material findings or questioned costs on its recent A-133 review. However, based on the documentation in the monitoring file, Cal OES did not uncover the risk indicators identified by the ROC for two of the sub-recipients. Of the two sub-recipients, one had delinquent federal debt, and the other had material finding or questioned cost on its recent A-133 review.

During our review of sub-recipient monitoring, we noted that Cal OES documented review of sub-recipient's internal controls and verification of sub-recipient's A-133, if applicable.⁵ Cal OES monitoring officials completed worksheets that ensured sub-recipient separately identify VOCA grant award expenditures, and determined whether any funds were used to meet match requirements for other federal grants. Overall, Cal OES did review Single Audit Reports, and it was taking into account the findings within Single Audits when it conducted its reviews. We felt this review of the Single Audit Reports was very valuable to the Cal OES' process.

However, we noted that none of the 15 reviews examined complied with Cal OES internal requirements for timeliness. Specifically, three reviews were closed prior to issuance of a final monitoring report, four reviews were issued beyond the 30 days of completion of the compliance review, and eight reviews only contained draft letters with no issued report. As required under Cal OES policy, monitoring reports shall be issued within 30 days of the completion of a compliance review. We discussed these instances of non-compliance with Cal OES. Cal OES officials stated that delays in reports being issued in final were attributable to California's three-year furlough program, subsequent staffing reductions, training deficiencies, and prolonged vacancies in the Grants Monitoring Branch which contributed to a backlog of monitoring files requiring completion.

Overall, given the number of issues found in the sub-recipient population, Cal OES' failure to issue sub-recipient monitoring reports in a timely manner is a significant concern. Without issuing reports in a timely manner, Cal OES may delay recovery of questioned costs and corrective actions which puts OJP funds at risk for fraud, waste, and abuse. Based on our review of documentation and interviews with Cal OES officials, we determined that Cal OES failed to provide adequate oversight and monitoring of its sub-recipients. This included failure to readily provide an accurate list of monitored sub-recipients receiving funds under VOCA award numbers 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038 and failure to ensure monitoring reports are issued timely. As a result, Cal OES was unable to demonstrate that its sub-recipients used grant funding as intended.

⁵ Not all Cal OES sub-recipients meet the threshold requiring an Office of Management and Budget (OMB) A-133 Audit. At the time of our fieldwork, state, local, and tribal governments and not-for-profit entities were required to undergo a Single Audit only if they spent \$500,000 or more in federal awards in a fiscal year. That threshold has since been increased to \$750,000.

We recommend OJP ensure that Cal OES updates its policies and procedures to: (1) address the selection process by including risk scores, (2) provide for adequate and accurate record of awards monitored, and (3) comply with its internal policies and procedures with respect to timeliness and reduce the necessity of closing out reviews prior to issuance of report.

Monitoring Sub-Contractors

According to the California State Contracting Manual (SCM), as part of a standard contract, each contractor providing consultant services of \$5,000 or more is to be notified that their performance will be evaluated. A Contract/Contractor Evaluation, Form STD 4, is required to be prepared within 60 days of the completion of the contract. Under SCM 3.02.5, if services a contractor provided were unsatisfactory, Cal OES would maintain a copy of the evaluation in their file for 3 years and also send a copy to California Department of General Services, Office of Legal Services within 5 working days of completion of the evaluation. Cal OES personnel stated it had prepared this evaluation form, but only maintained the form for 3 years, at which time it was discarded since there were no issues with the evaluation form. This practice is in agreement with the 36-month retention requirements set forth in the SCM for satisfactorily performed work or service specified in a contract. We noted that Cal OES did retain other supporting documents that provide evidence of contractor oversight and evaluation. Cal OES personnel provided documents including a Statement of Services, Performance Report that certifies and evaluates deliveries and services which were provided as per the terms of contractual agreement. These Performance Reports are signed and reviewed throughout the contract period.

However, while Cal OES complied with its own retention requirements in the SCM, it did not comply with *OJP Financial Guide* requirements. The *OJP Financial Guide* states records must be retained for 3 years from whichever is later, award closure or until the completion of any litigation, claim, negotiation, audit, or other actions initiated during the retention period. Since Cal OES did not maintain the form until the completion of our audit, it was unable to provide the Contract/Contractor Evaluation, Form STD 4. Therefore, we were unable to review Cal OES compliance with California State Contract Manual contractor evaluation requirements. We recommend that OJP ensure that Cal OES updates its policies and procedures to retain records in accordance with *OJP Financial Guide* requirements.

Reporting

According to the *OJP Financial Guide*, award recipients are required to submit both the Federal Financial Reports (FFR) and Performance Reports. These reports describe the status of funds, compare actual accomplishments to the objectives of the award, and report other pertinent information. We reviewed the FFRs and Performance Reports submitted by the Cal OES to determine whether each report was submitted in a timely manner and was accurate.

Federal Financial Reports

According to the *OJP Financial Guide*, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report. Recipients must file the FFR no later than 30 days after the end of the quarter, with the final FFR due within 90 days after the end date of the award. We reviewed the last four FFRs, submitted for each of the awards, to determine if Cal OES submitted these reports on time. We found that the Cal OES submitted all 12 reports in a timely manner.

We also reviewed the FFRs to determine whether they contained accurate financial information related to actual expenditures for the awards. For each award, we compared the four most recently submitted FFRs, as of December 2013, to the Cal OES' accounting records. As indicated in Table 7 below, we identified discrepancies between the expenditures on the FFRs and the award general ledgers for 8 of the 12 FFRs we reviewed. However, we found that for awards 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038, the cumulative differences were extinguished in the following reporting period and were the result of adjusting journal entries posted subsequent to submission of the FFR. As a result, we took no exception to the temporary differences.

Table 7
Accuracy of Federal Financial Reports

AWARD 2010-VA-GX-0087					
No.	Reporting Period	FFR Expenditures	Accounting Records – Expenditures	Difference	Cumulative Difference
13	10/01/12 - 12/31/12	\$556,030	\$556,030	\$0	(\$5,856)
14	01/01/13 - 03/31/13	340,073	345,928	5,855	0
15	04/01/13 - 06/30/13	250,724	250,724	0	0
16	07/01/13 - 09/30/13	177,076	177,076	0	0
Award 2011-VA-GX-0028					
No.	Reporting Period	FFR Expenditures	Accounting Records - Expenditures	Difference	Cumulative Difference
10	01/01/13 - 03/31/13	\$1,831,285	\$1,839,014	\$7,728	\$0
11	04/01/13 - 06/30/13	880,857	882,581	1,724	1,724
12	07/01/13 - 09/30/13	292,253	290,529	(1,724)	0
13	10/01/13 - 12/31/13	249,810	249,810	0	0
Award 2012-VA-GX-0038					
No.	Reporting Period	FFR Expenditures	Accounting Records - Expenditures	Difference	Cumulative Difference
6	01/01/13 - 03/31/13	\$10,427,072	\$10,427,866	\$794	\$0
7	04/01/13 - 06/30/13	11,005,433	11,023,740	18,307	18,307
8	07/01/13 - 09/30/13	7,743,851	7,725,545	(18,307) ⁶	0
9	10/01/13 - 12/31/13	4,879,139	4,879,139	0	0

Source: OIG analysis of FFRs

Performance Reports

According to the *VOCA Program Guidelines*, state grantees are required to submit a report containing grant performance data, on an annual basis. State grantee performance reports are due at the close of each reporting period, which ends on December 31. We evaluated the timeliness of the Performance Reports that Cal OES submitted to OJP as of December 31, 2012. We determined that Cal OES submitted its most recent Performance Reports in a timely manner. In addition to reviewing the timeliness of Performance Reports, we assessed overall program performance. Evaluation of Cal OES program performance is discussed below, in the Program Performance and Accomplishments section of this report.

⁶ Differences due to rounding.

Additional Award Requirements

We reviewed Cal OES' compliance with Special Conditions included in awards 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038. We found that Cal OES complied with all but one of the awards' Special Conditions. Specifically, we found an indication that Cal OES was not in compliance with non-supplanting requirements. According to the *OJP Financial Guide*, "federal funds must be used to supplement existing state and local funds for program activities and must not replace those funds that have been appropriated for the same purpose." For each award, Cal OES agreed to adhere to the grant's non-supplanting requirement that accompanied the grant award documentation, which stated that "grant funds will be used to enhance or expand services and will not be used to supplant state and local funds that would otherwise be available for crime victim services."

In our review of grant expenditures, we noted indications of supplanting related to funding of sub-recipient awards. We compared the budget and actual funding levels from FY 2009 to FY 2012 for state and federal funding. Generally, the unobligated balance of state funds budgeted for victims' services is reverted to the state's General Fund or to the Victim's Assistance Fund. The primary mechanism that determines the allocation of the unexpended fund balance is based on the originating fund. Unexpended funds which originated from the General Fund are re-allocated at the end of the fiscal year to that specific fund and similarly unexpended funds which originated from the Victim's Assistance Fund are re-allocated at the end of the fiscal year to that specific fund.

In our review of these re-allocations, we determined that state funds for victim's services were not fully expended prior to the use of federal funds. Between FYs 2009 and 2012, a total of \$718,365 was re-allocated to both the state's General Fund and its Victim's Assistance Fund. Although 18 percent went into the Victim's Assistance fund, 82 percent went into the General Fund, which is typically used for multiple types of expenditures and funds a myriad of projects, including parks and recreation, personnel salaries, and fringe benefits. Unexpended fund balances from the Victim's Assistance Fund are included in its budget for the next fiscal year; therefore, augmenting victim's service programs. We determined that state funds budgeted for victim's services were not fully expended prior to the use of federal funds.

As described in Table 8, in our calculation of questioned cost, we determined the amounts reverted to the General Fund for FY 2009 to 2012 was \$588,380. We reduced this amount by the reverted funds to the Victim's Assistance Fund \$129,985 because these funds are reallocated in future years for Victim Services. We further reduced the amount by \$13,209, or the amount of funding not drawn down for grants 2009-VA-GX-0050 and 2010-VA-GX-0087 and which were deobligated by OJP. As shown in Table 8, after these reductions, we question \$445,186 in unallowable costs as an indication of supplanting.

Table 8
Indication of Supplanting

Calculation of Questioned Cost	
Fund	Amount
General Fund	\$ 588,380
Less Victim Services	(129,985)
Less Federal Funds Reverted	(13,209)
Net Unallowable	\$ 445,186

Source: OIG Analysis of Cal OES records

According to a Cal OES official, there are several reasons for the unexpended balances; including sub-recipients indicating on their Forms 201's their intent to request funds and ultimately not requesting payments. A Cal OES official also advised that unexpended balances can arise from extended delays in passage of the California State Budget. The delay in passage of the budget shortens the time period available to Cal OES for encumbrance for the funds approved for allocation within that year's budget. As a result, funds are essentially frozen and Cal OES is required to revert the un-encumbered balance to the state General Fund. A Cal OES official stated that it encourages sub-recipients to allocate costs that would be unallowable under federal grants (such as OJP OVC VOCA) to State funds. We requested policy and procedure information regarding sub-recipient Form 201 allocations and were informed that a formalized policy or procedure does not exist and that sub-recipients are informally advised. We believe if Cal OES conducts oversight of its sub-recipients' allocations and continues to encourage the use of State funds, then possibly unexpended balances would be minimized and the risk of re-allocations to the General Fund could be decreased. We do note that sub-recipients can request assistance from Cal OES Program Specialists to review their Form 201 prior to submission; however, it is at the discretion of the sub-recipient to request guidance. We recommend that OJP ensures that Cal OES creates formalized policy and procedures to provide sub-recipients guidance for allocating costs. We also recommend that OJP ensure that Cal OES remedies \$445,186 in unallowable costs and that OJP ensure Cal OES complies with the award requirement to properly utilize grant funds to supplement, and not replace, state funds for grant-related activities.

Program Performance and Accomplishments

According to award solicitation documentation, the objective of VOCA funding is to provide direct services to crime victims through services provided by eligible crime victim assistance programs.⁷ VOCA funding provided to Cal OES varies from year to year. The amount awarded to states starts with a baseline amount of \$500,000 and any monies above that are awarded based on total VOCA funding

⁷ Five percent of VOCA formula funding awarded by OJP to state governments may be used for grant administration and training purposes.

available for that year and provided to the states based on state population and crime statistics. We reviewed Cal OES Performance Reports to OJP for FYs 2010, 2011, and 2012 to determine whether the objective of providing direct services to crime victims was met. As OJP indicated in its solicitations, the objective for the 2010, 2011, and 2012 VOCA awards to Cal OES was to provide direct services to crime victims. Cal OES submitted Performance Reports that included statistics such as the number of victims served and the type of services provided. Our review of Cal OES' Performance Reports is summarized in Table 9 below.

Table 9
Summary of Cal OES' Performance Reports to OJP
For FYs 2010, 2011 and 2012

Statistics Reported on the Performance Reports	FY 2010	FY 2011	FY 2012
Award Amount to Cal OES	\$33,804,726	\$37,034,138	\$34,349,000
Number of Victims Served by Cal OES Sub-recipients	310,922	312,884	258,944
Number of Services Provided by Cal OES Sub-recipients	1,081,582	906,771	1,123,500
Number of Agencies Funded	211	212	183

Source: Cal OES Performance Reports to the Office of Justice Programs.

As shown above, the amount of VOCA funding provided to Cal OES in FYs 2010 and 2012 were comparable, with only \$544,274 more awarded in 2012 than was awarded in 2010, a 1.6 percent increase. However, there was a 16.7 percent decrease in the number of victims served in FY 2012 as compared to FY 2010. Additionally, there were 28 fewer agencies funded in 2012, which means that \$27,487 on average more in funding was available per grantee than in 2010. While there is insufficient data to indicate any developing trends, it is of concern that services available to victims declined significantly while funding remained relatively stable. Going forward, Cal OES should consider monitoring its service levels to ensure that services do not decline significantly year over year relative to funding levels to better determine when sub-recipients may require technical assistance to increase services to victims of crime.

According to the VOCA grant program certification of state grantee eligibility requirements, Cal OES was required to award at least 10 percent of the total grant funding to programs providing services to victims in four categories of crime: sexual assault, domestic violence, child abuse, and underserved.⁸ We reviewed the amount of funding Cal OES provided to its sub-recipients. As shown in Table 10,

⁸ Underserved victims are designated by type of crime and are determined by the state grantee. For FYs 2011 and 2012, Cal OES awarded VOCA grants in the underserved category to programs focused on American Indian Child Abuse Treatment as well as a program titled Unserved and Underserved Victim Advocacy and Outreach. In 2014, Cal OES will continue funding these programs as well as an additional program titled Human Trafficking Advocate.

we found that the amount awarded to these four categories for FYs 2010, 2011, and 2012 exceeded 10 percent to each category and that the total amount of funding awarded to these four categories was 79 percent, almost double the required 40 percent. Therefore, Cal OES complied with this requirement.

Table 10
Amount Awarded by Cal OES to Sub-recipients
By Category of Crime Victim and Fiscal Year

Category of Crime Victim		2010	2011	2012
Sexual Assault	Funding Amount	\$12,646,489	\$12,830,696	\$11,237,797
	Percent of Total	25%	25%	25%
Domestic Violence	Funding Amount	\$10,466,993	\$9,727,837	\$8,590,019
	Percent of Total	21%	19%	19%
Child Abuse	Funding Amount	\$9,930,873	\$10,034,808	\$8,929,189
	Percent of Total	19%	20%	20%
Underserved	Funding Amount	\$7,180,679	\$7,354,307	\$6,397,487
	Percent of Total	14%	14%	14%

Source: Cal OES

Overall, based on our review of documentation provided by Cal OES personnel, including Cal OES Performance Reports sent to OJP, we determined that Cal OES has achieved or made progress towards the VOCA funding goal of providing funding to direct services providers who provide assistance to crime victims and to victims within the four crime victim categories.

Funding Allocation and Methodology

During the review, auditors also reviewed Cal OES's funding allocation methodology. Cal OES personnel provided documentation pertaining to the funding awards for FYs 2010, 2011, and 2012. We first reviewed the grant programs funded for these 3 fiscal years to determine how much funding was provided to competitively awarded programs versus the non-competitively awarded programs.

Table 11

Competitive Compared to Non-Competitive Funding Awarded by Cal OES

By VOCA Funding Year	Non-Competitive Grants Awarded by Statute or Committee ⁹	Percent of Total VOCA Funding	Other Non-Competitive Grants	Percent of Total VOCA Funding	Competitive Grants	Percent of Total VOCA Funding
2010	\$33,001,474	64.7%	\$1,022,028	2.0%	\$16,986,552	33.3%
2011	32,494,072	63.9%	1,102,168	2.2%	17,264,115	33.9%
2012	28,459,362	63.7%	1,036,003	2.3%	15,216,326	34.0%

Source: Cal OES

As shown in Table 11, a predominant amount of VOCA funding was awarded to programs non-competitively pursuant to California statute or based on funding allocations established by committees formed by California statute. Less than 2.5 percent of Cal OES' VOCA funding was awarded to programs non-competitively that were not awarded through a formula determined by California statute or the committees.

Potential Conflict of Interest

While OJP does not require such funding decisions to undergo a competitive process, the *OJP Financial Guide* does state that funding recipient decisions must be free of hidden personal or organizational conflicts of interest, both in advice and appearance. The *OJP Financial Guide* further states that funding decisions be free of undue influence, and be fair and transparent. One of the committees that Cal OES works with is the Domestic Violence Advisory Council (DVAC). California Statute 13823.16 states "[Cal OES] shall collaborate closely with the [Domestic Violence Advisory] council in developing funding priorities, framing the requests for proposals, and soliciting proposals." By statute, the council is made up of:

- Seven voting members appointed by the Governor, including at least one person from a federally recognized domestic violence coalition;
- Three voting members appointed by the Speaker of the Assembly;
- Three voting members appointed by the Senate Committee on Rules;

⁹ According to California Penal Code §13835.2(a), some non-competitively awarded programs were awarded funding based on California statutes such as the Victim and Witness program, for which a California state statute requires that one center be funded in every California county. Other non-competitive Cal OES VOCA-funded programs were awarded funding based on funding allocation formulas and decisions established by committees provided for by statute, such as the State Advisory Committee or the Domestic Violence Advisory Committee.

- Two non-voting ex-officio members shall be members of the legislature with one being appointed by the Speaker of the Assembly and one appointed by the Senate Committee on Rules.

In our review, we found at least four individuals on the DVAC committee or the State Advisory Committee (SAC) who are either Executive Directors or Chief Executive Officers of sub-recipient entities. Given that interested parties are currently and may be future members of committees established by the State of California and that these committees provide feedback on how allocation decisions are made for a significant portion of the funds awarded, we feel this could be seen as a conflict of interest as these funding award decisions made by Cal OES do not appear free of undue influence. As an example, Cal OES personnel advised us that in 2007 a change to funding of the Rape Crisis program was proposed by Cal OES. The funding formula for Rape Crisis programs had not been reviewed or revised since it was approved by the SAC in 1992, approximately 15 years earlier. The SAC responded negatively to this proposal and, given this negative feedback, Cal OES maintained the funding levels as it has been since 1992.

While feedback from stakeholders on these committees may be beneficial to the process, such feedback should not undermine the primary recipient's, Cal OES, ability to make impartial funding decisions. A Cal OES official stated that committee members must recuse themselves from any votes related to funding for their projects; however, no record of recusals and voting was provided to OIG auditors. OIG auditors received a list of current members but no information on past committee members' names or dates of service. A Cal OES official stated that this information is not tracked by Cal OES. We recommend that OJP ensure that Cal OES eliminates the conflict of interest in the awarding process by removing sub-recipients from the funding decisions.

Missing Supporting Documentation

Cal OES personnel provided documentation listing the VOCA funding provided to sub-recipients in FYs 2010, 2011, and 2012. OIG auditors also requested information pertaining to how funding decisions at the sub-recipient level were determined. Table 12 includes the information regarding Cal OES' funding allocation methodology for the 3 fiscal years reviewed.

Table 12
Cal OES' Funding Allocation Methodology

Program Name ^a	Amount Obligated By Fiscal Year			Competitive or Non-Competitive
	2010	2011	2012	
Domestic Violence Assistance	\$10,237,197	\$9,727,837	\$8,590,019	Non-competitive per statute; Domestic Violence Advisory Committee
Comprehensive Shelter Based Domestic Violence Services	229,796	0	0	Non-competitive per statute
Rape Crisis	12,646,489	12,830,696	11,237,797	Non-competitive per statute; State Advisory Committee
Victim/Witness Assistance	9,887,992	9,935,539	8,631,546	Non-competitive per statute
Child Abuse Treatment*	9,805,873	9,909,808	8,818,839	Competitive
Equality for Prevention & Services for Domestic Abuse Recovery Act Program*	252,750	0	0	Competitive
American Indian Child Abuse Treatment*	1,192,726	1,249,484	1,105,431	Competitive
Unserved/Underserved Victim Advocacy & Outreach*	5,735,203	6,104,823	5,292,056	Competitive
Victim Services Information	138,320	148,746	0	Non-competitive
Victim Services Enhancement	246,491	236,371	0	Non-competitive
Victim Services Information & Enhancement	0	0	292,285	Non-competitive
Victims Legal Resource Center	100,281	47,051	40,000	Non-competitive
Victim Notification	115,061	280,000	247,184	Non-competitive
Youth Emergency Telephone Referral Network	125,000	125,000	110,350	Non-competitive
California Victim/Witness Assistance Advocate Training	234,375	250,000	210,000	Non-competitive
Training and Technical Assistance	62,500	7,500	98,684	Non-competitive
California Medical Training Center	0	7,500	0	Non-competitive
State Coalition Technical Assistance & Training	0	0	37,500	Non-competitive

^a The asterisk following the Program Name indicates that, according to Cal OES personnel, the program will be competitive again in FY 2015.

Source: OIG analysis of Cal OES provided data.

Overall, the information Cal OES personnel provided was not sufficient for OIG auditors to independently verify the methodology used by Cal OES to determine sub-recipient funding allocations. Cal OES personnel verified that funding decision documentation has not been retained since the initial funding

decisions were determined. Additionally, due to sub-recipient program attrition, funds reverted by sub-recipients, and increased or decreased VOCA funding over the years, the sub-recipient award amounts have varied over the fiscal years since the initial awards and have not been documented in detail.

Of note, however, was a 2011 review of funding decisions for the Domestic Violence grant programs completed by Cal OES personnel with the assistance of the DVAC. Cal OES initially had an equal funding formula for domestic violence shelters; however, a review of the funding levels was conducted following an increase in state money and an expansion of new grantees which had been formerly funded by the Department of Public Health. This increase in funding and expansion of sub-recipients resulted in Cal OES having to fund shelters at inequitable rates in order to maintain current grant levels. The review committee consisted of two representatives from each region, Cal OES personnel and personnel from the California Partnership to End Domestic Violence, a sub-recipient. The process also provided opportunities for other sub-recipients to provide feedback. This 2011 report summarizes the committee's and Cal OES personnel efforts to revise the funding allocation decision making criteria for this one program and provides a transparent view into Cal OES' funding allocation process. We found Cal OES does not have this type of information for its other programs.

The *OJP Financial Guide* requires grantees to retain all financial records, supporting documents, statistical records, and all other records pertinent to the award for at least 3 years after receiving notification of award closure from the awarding agency. We believe that Cal OES documentation of its funding allocation methodology to sub-grantees in order to support the rationale for its non-competitive funding decisions is covered by this requirement, and must be retained. Retaining documentation of objective award criteria will provide Cal OES with information supporting an objective and unbiased funding allocation. Further, retaining this documentation of funding allocation methodology will memorialize the institutional knowledge for all Cal OES grants management personnel regardless of turnover in future funding years.

Based on the foregoing, we recommend that OJP ensure that Cal OES retain documentation of objective award criteria and of the funding allocation decision-making process to provide funding process information for future Cal OES personnel and to document that funding allocation decisions are free of undue influence and are fair and transparent.

Post End Date Activity

According to the *OJP Financial Guide*, formula award recipients have 90 days after the project end date to close out the award. In order to complete the closeout process recipients are required to perform a financial reconciliation, request any final drawdowns for reimbursement, and submit their final FFR and Performance Report. We reviewed the closeout packages for the awards that had closed as of our entrance date and fell within the document retention requirement. Specifically, we reviewed the following awards: 2006-VA-GX-0049, 2007-VA-GX-0049,

2008-VA-GX-0055, and 2009-VA-GX-0050. We confirmed that the Cal OES had drawn down and expended award funds in accordance with award requirements and had submitted its final FFR and Performance Report as required.

Conclusion

The objective of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. We examined Cal OES accounting records, financial and Performance Reports, and financial management procedures. The Cal OES did not comply with essential award requirements in four of the eight areas we tested. Specifically, our audit found that the Cal OES did not comply with its internal policies and procedures for certification of timesheets totaling \$5,636 and were unable to retrieve archived disbursement source documents. Cal OES was reimbursed \$41,606 more in indirect costs than it incurred. The Cal OES reported indirect cost expenditures inaccurately on its FFRs and did not comply with its internal policies and procedures for monitoring of sub-recipients and contractors. Our testing also identified an indication of supplanting and that Cal OES may not have complied with the requirement to supplement, and not replace, state funds for grant-related activities. Furthermore, we noted that Cal OES did not retain documentation of its sub-recipient funding allocation process necessary to ensure the process is fair, transparent, and free of undue influence. We made 11 recommendations totaling \$492,428 to improve Cal OES' management of awards.

Recommendations

We recommend that OJP:

1. Ensure that the Cal OES remedies \$5,636 in unsupported personnel costs.
2. Ensure that the Cal OES strengthens its policies and procedures to ensure adequate review and certification of timesheets and to ensure it complies with its internal policies and procedures with respect to timeliness of certification of timesheets.
3. Ensure that the Cal OES strengthens its policies and procedures such that Cal OES can readily retrieve archived documents from the California State Controller's Office as necessary and in accordance with *OJP Financial Guide* requirements.
4. Ensure that the Cal OES remedies \$41,606 in unsupported indirect cost reimbursement.
5. Require that the Cal OES strengthens its procedures to ensure that the indirect costs for federal awards are reported as required under Federal Financial Reporting guidelines and supported by the indirect cost basis recorded in the general ledger.

6. Ensure that the Cal OES updates its policies and procedures to:
(1) address the selection process by including risk scores, (2) provide for adequate and accurate record of awards monitored, and (3) comply with its internal policies and procedures with respect to timeliness and reduce the necessity of closing out reviews prior to issuance of report.
7. Ensure that the Cal OES updates its policies and procedures to retain records in accordance with OJP Financial Guide requirements.
8. Ensure that the Cal OES creates formalized policy and procedures to provide sub-recipients guidance on cost allocations.
9. Ensure that the Cal OES remedies \$445,186 in unallowable costs and complies with the award requirement to properly utilize grant funds to supplement, and not replace, state funds for grant-related activities.
10. Ensure that the Cal OES eliminates the conflict of interest in the awarding process by removing sub-recipients from the funding decisions.
11. Ensure that the Cal OES retains documentation of objective award criteria and of the funding allocation decision-making process to provide funding process information for future Cal OES personnel and to document that funding allocation decisions are free of undue influence and are fair and transparent.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, federal financial reports, budget management and control, drawdowns, expenditures, and program performance.

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

This was an audit of the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) grants awarded to the California Governor's Office for Emergency Services (Cal OES), Mather, California under the Victims of Crime Act (VOCA). Specifically grants, 2002-VA-GX-4006, 2004-VA-GX-0009, 2005-VA-GX-0052, 2006-VA-GX-0049, 2007-VA-GX-0049, 2008-VA-GX-0055, 2009-VA-GX-0050, 2010-VA-GX-0087, 2011-VA-GX-0028, 2012-VA-GX-0038 in the amount of \$382,654,713. Our audit concentrated on, but was not limited to October 1, 2009, the award date for Grant Number 2010-VA-GX-0087, through May 30, 2015, the last day of our fieldwork. Specifically, we concentrated on those grants which were still open and not administratively closed – this would be applicable to 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of Cal OES' activities related to the audited grants. The criteria we audited against are contained in the *OJP Financial Guide* and the award documents. In conducting our audit, we tested the following:

- **Grant Financial Management.** To determine whether Cal OES' financial management procedures adequately safeguard grant funds and ensure compliance with grant conditions, we performed sample testing of award expenditures. We also reviewed the FYs 2012 through 2013 Single Audit Reports to identify control weaknesses and significant non-compliance issues related to Cal OES.

Our review of Cal OES' financial management system was specific to the management of DOJ funds during the audit period. We did not test the reliability of the financial management system as a whole, therefore any findings identified involving information from those systems was verified with documentation from other sources. We reviewed grant-related procedures in place for drawdowns, financial status reports, and the

recording and reporting of expenditures. The internal control deficiencies that are significant within the context of our objectives are addressed in our report and recommendations.

- **Program Performance and Accomplishments.** To determine if Cal OES met or can meet the grant's objectives and whether the Cal OES collected the data and developed the performance measures necessary to assess the accomplishment of its objectives for Grant Numbers 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038, we reviewed Cal OES' monitoring of sub-recipients performance for the subject awards.
- **Grant Expenditures.** To determine the accuracy, support, and allow-ability of expenditures that Cal OES allocated or charged to the grant with respect to the applicable laws, regulations, guidelines, and terms and conditions of the grant, we reviewed source documentation for a judgmentally selected sample of 119 transactions listed in the accounting records for Grant Numbers 2010-VA-GX-0087, 2011-VA-GX-0028, and 2012-VA-GX-0038. The accounting records included expenditures related to printing, communications, travel, training, facilities operation, consultants, information technology and indirect administrative expenses. A judgmental sampling design was applied to obtain broad exposure to numerous facets of the awards we reviewed, such as dollar amounts, expenditure category, or risk. This non-statistical sample design does not allow projection of the test results to all expenditures.
- **Drawdowns.** To assess whether Cal OES adequately supported grant drawdowns and managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records.
- **Federal Financial Reporting.** To determine whether the Federal Financial Reports (FFR) submitted by Cal OES accurately reflected the activity of the grant; we performed limited testing of the last four FFRs submitted. We compared FFRs to the expenditures in the accounting records.

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS</u> ¹⁰	AMOUNT	PAGE
<u>Unsupported Costs</u>		
Payroll	\$5,636	9
Indirect Costs	\$41,606	10
Total Unsupported Costs	<u>\$47,242</u>	
 <u>Unallowable Costs</u>		
Indication of Supplanting	\$445,186	21
Total Unallowable Costs	<u>\$445,186</u>	
 <u>GROSS QUESTIONED COSTS</u>	 <u>\$492,428</u>	
 NET QUESTIONED COSTS	 <u>\$492,428</u>	

¹⁰ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

**CALIFORNIA GOVERNOR'S
OFFICE OF EMERGENCY SERVICES
RESPONSE TO THE DRAFT AUDIT REPORT¹¹**

EDMUND G. BROWN JR.
GOVERNOR

MARK S. GHILARDUCCI
DIRECTOR



November 16, 2015

David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
90 7th Street, Suite 3-100
San Francisco, California 94103

Dear Mr. Gaschke:

The California Governor's Office of Emergency Services (Cal OES) has received your letter dated October 16, 2015, regarding the results of the audit on the Office of Justice Programs (OJP), Office for the Victims of Crimes grants awarded to Cal OES. The U.S. Department of Justice (DOJ), Office of the Inspector General conducted an audit of 10 Crime Victim Assistance Formula Grant Program grants, totaling more than \$382 million. The audit included 11 recommendations for Cal OES to improve our oversight of the Victim Assistance Formula Grant funds. We appreciate the opportunity to provide our corrective action plan for those recommendations and do so as follows:

DOJ Recommendation #1

Ensure that the Cal OES strengthens its policies and procedures such that Cal OES can readily retrieve archived documents from the California State Controller's Office as necessary and in accordance with *OJP Financial Guide* requirements.

Cal OES Response to #1

We concur with the recommendation. Cal OES is working with the State Controller's Office to establish a process to more readily retrieve evidence of pay disbursements, as identified in the audit report.

DOJ Recommendation #2

Ensure that the Cal OES remedies \$5,636 in unsupported personnel costs.

Cal OES Response to #2

We concur with the recommendation. We have documentation to provide to OJP to remedy the personnel costs that were not supported by signed time reports or timesheets at the time of the review.

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(916) 845-8506 TELEPHONE (916) 845-8511 FAX

¹¹ Attachments to this response were not included in this final report.

Mr. David J. Gaschke, Regional Audit Manager
November 16, 2015
Page 2

DOJ Recommendation #3

Ensure that the Cal OES strengthens its policies and procedures to ensure adequate review and certification of timesheets and to ensure it complies with its internal policies and procedures with respect to timeliness of certification of timesheets.

Cal OES Response to #3

We concur with the recommendation. We are providing our electronic signature procedures, initiated in July 2013, which ensures adequate review and approval of timesheets. (See Attachment 1)

DOJ Recommendation #4

Ensure that the Cal OES remedies \$41,606 in unsupported indirect cost reimbursement.

Cal OES Response to #4

We concur with the recommendation. We will work with OJP to resolve the finding related to the 2012 VOCA grant. The \$41,606 will be properly reflected in the final Federal Financial Report that is due on 12/31/15.

DOJ Recommendation #5

Require that the Cal OES strengthens its procedures to ensure that the indirect costs for federal awards are reported as required under Federal Financial Reporting guidelines and supported by the indirect cost basis recorded in the general ledger.

Cal OES Response to #5

We concur with the recommendation. The Federal Financial Reports (FFR) will be completed according to the instructions. However, the OIG's statement on page 10 of the report, "Specifically the instructions require that indirect costs be reported on a cumulative basis for the life of the award," is inconsistent with the FFR instructions. The reporting of indirect costs in the FFR, Section 11, is explained in the *OJP Training and Technical Assistance, Grant Management System (GMS) User Guide*, December 2009 (the most recent version found online under the OJP's 2015 DOJ Grants Financial Guide), and requires the entering of data for only the reporting period. The reporting period is further explained in the GMS User Guide as the quarter for which the report is being prepared. Cal OES will work with OJP to determine the best reporting method based on the instructions and limitations of the online Federal Financial Report. The GMS User Guide relative to indirect costs being reported for only the "reporting period" is attached. (See Attachment 2, page 13)

DOJ Recommendation #6

Ensure that the Cal OES updates its policies and procedures to: (1) address the selection process by including risk scores, (2) provide for adequate and accurate record of awards monitored, and (3) comply with its internal policies and procedures with respect to timeliness and reduce the necessity of closing out reviews prior to issuance of report.

Cal OES Response to #6

We concur with the recommendation. In 2014, Cal OES became aware of the Grant Monitoring challenges and weakness. Thus, in November 2014, the Grant Monitoring section was moved to the newly established Financial Accountability and Compliance Office tasked with the mission to ensure the financial integrity, accountability, and compliance of state and federal funds, as well as ensure the timely distribution of the reports. Since then, the Grant Monitoring has undergone a change in management and has developed a new grant monitoring review process and testing techniques which will be implemented beginning January 1, 2016. In addition, Grant Monitoring has been focused on reducing the backlog of the grant monitoring reviews and are continuously providing training to all staff. To date, Grants Monitoring has completed approximately 70 percent of all outstanding pending reviews. By January 1, 2016, the Grant Monitoring anticipates completing 100 percent of all outstanding pending reviews.

Our Grants Monitoring will implement a new risk assessment process beginning January 1, 2016. This process will include performing a risk analysis based on A-133 audit findings and Cal OES monitoring findings. The Grants Monitoring will select subrecipients for review based on this risk analysis.

In addition, beginning January 1, 2016, Grants Monitoring will implement new procedures to ensure the database accurately reflects all reviews conducted, award numbers, and results of the reviews including findings, advisory recommendations, and all other pertinent information as deemed necessary. Our procedures will also include implementing a quality control process whereby the database will be reviewed on a monthly basis and compared to completed review reports and the Automated Ledger System to ensure completeness and accuracy.

Finally, with the new grants monitoring process, we will ensure staff are performing reviews in an efficient and effective manner, supervisors' reviews are conducted timely, and reports issued in a timely manner.

DOJ Recommendation #7

Ensure that the Cal OES updates its policies and procedures to retain records in accordance with *OJP Financial Guide* requirements.

Cal OES Response to #7

We concur with the recommendation. The current Cal OES policy is to retain contract documentation for three years on-site and an additional four years in our off-site archive

location, for a total of seven years. We will be adding a statement in our Record Retention Schedule, to retain contract records until the completion of any outstanding litigation, claim, negotiation, audit, and resolution of all issues which arise from it. We will also require confirmation by the grant program supervisor that all issues have been resolved prior to destruction of the records.

DOJ Recommendation #8

Ensure that the Cal OES creates formalized policy and procedures to provide subrecipients guidance on cost allocations.

Cal OES Response to #8

We concur with the recommendation. Our 2014 Recipient Handbook, Section 2183 outlines specific instructions regarding cost allocations. Section 1330 of the Recipient Handbook also states that grant funds should be used to supplement existing funds for program activities and not replace funds that have been appropriated for the same purpose. (See Attachment 2.1) Furthermore, we verbally encourage subrecipients to expend state funds prior to federal funds if the allowable costs are comparable and on an approved budget. Subrecipient expenditure patterns vary depending on the program, specific project needs, and specific fund source. We also recommend subrecipients expend funds based on actual costs.

DOJ Recommendation #9

Ensure that the Cal OES remedies \$445,186 in unallowable costs and complies with the award requirement to properly utilize grant funds to supplement, and not replace, state funds for grant-related activities.

Cal OES Response to #9

We concur with the recommendation to supplement and not replace state funds for grant-related activities. Our current process is to encourage subrecipients to expend state funds prior to federal funds, if the allowable costs are comparable and on an approved budget. The reasons federal and/or state funds revert vary based on the program, specific project needs, and specific fund source. Cal OES is requesting a list of specific subrecipients and dollar amounts that equal \$445,186 to adequately address this recommendation.

DOJ Recommendation #10

Ensure that the Cal OES eliminates the conflict of interest in the awarding process by removing subrecipients from the funding decisions.

Cal OES Response to #10

We concur with the recommendation to eliminate the conflict of interest in the awarding process by removing subrecipients from the funding decisions. However, the Cal OES advisory bodies do not make funding decisions. All funding decisions are made by the Director of Cal OES. Advisory bodies may provide recommendations for program-wide

funding priorities but they are not involved in the decision making or in the determining of individual subrecipient allocations.

California Penal Code §13823.16 requires Cal OES to collaboratively administer the Cal OES Domestic Violence Assistance Program. Specifically, the Penal Code required Cal OES to collaborate closely with the council in developing funding priorities, framing the request for proposals, and soliciting proposals. Members are appointed by the Governor, Speaker of the Assembly, and the Senate Rules Committee. Currently, eight (8) of twelve (12) members receive funding through one or more of the Cal OES victim service programs. Four (4) of the twelve receive funding through the Domestic Violence Assistance Program. **To exclude these members from discussion and voting on funding priorities would make Cal OES out of compliance with the California Penal Code.**

California Penal Code §13836-13837 requires Cal OES to collaboratively administer sexual assault/rape crisis center victim services programs and provide grants to proposed and existing sexual assault services programs. Five (5) members are appointed by the Director of Emergency Services (shall include three (3) district attorneys or assistant or deputy district attorneys, one (1) representative of a city police department or a sheriff or a representative of a sheriff's department, and one (1) public defender or assistant or deputy public defender of a county) and six (6) members are public members appointed by the Commission on the Status of Women and Girls (shall include one (1) representative of a rape crisis center, and one (1) medical professional experienced in dealing with sexual assault trauma victims). Currently seven (7) of the eleven (11) members receive funding through one or more Cal OES victim service programs. Only one (1) member receives funding through the Cal OES Rape Crisis Program. **This body is not charged with making any funding recommendations or decisions.**

DOJ Recommendation #11

Ensure that the Cal OES retains documentation of objective award criteria and of the funding allocation decision-making process to provide funding process information for future Cal OES personnel and to document that funding allocation decisions are free of undue influence and are fair and transparent.

Cal OES Response to #11

We concur with the recommendation. Cal OES has created the attached Request for Applications/Request for Proposal Record Retention Procedure to ensure funding methodology for all future programs is retained in accordance with OJP guidelines. (See Attachment 3)

Mr. David J. Gaschke, Regional Audit Manager
November 16, 2015
Page 6

On behalf of Cal OES, we appreciate the assistance and guidance offered during your review. If you have additional questions or concerns, please contact my Audit Chief, Anne Marie Nielsen, at (916) 845-8437.

Sincerely,



MARK S. GHILARDUCCI
Director

cc: Linda Taylor, Office of Audit, Assessment, and Management
Office of Justice Programs, U.S. DOJ

OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice


Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

NOV 16 2015

MEMORANDUM TO: David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin 
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Victim Assistance Formula Grants Awarded to the California Governor's Office for Emergency Services, Mather, California*

This memorandum is in reference to your correspondence, dated October 16, 2015, transmitting the above-referenced draft audit report for the California Governor's Office for Emergency Services (Cal OES). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains 11 recommendations and \$492,428 in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **Ensure that the Cal OES strengthens its policies and procedures such that Cal OES can readily retrieve archived documents from the California State Controller's Office as necessary and in accordance with OJP Financial Guide requirements.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that archived documents from the California State Controller's Office can be readily retrieved, as necessary and in accordance with Department of Justice (DOJ) *Financial Guide* requirements.

2. **Ensure that the Cal OES remedies \$5,636 in unsupported personnel costs.**

OJP agrees with this recommendation. We will coordinate with Cal OES to remedy the \$5,636 in questioned costs, related to unsupported personnel costs.

3. **Ensure that the Cal OES strengthens its policies and procedures to ensure adequate review and certification of timesheets and to ensure it complies with its internal policies and procedures with respect to timeliness of certification of timesheets.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure the adequate review and certification of timesheets and compliance with internal policies and procedures with respect to the timely certification of timesheets.

4. **Ensure that the Cal OES remedies \$41,606 in unsupported indirect cost reimbursement.**

OJP agrees with this recommendation. We will coordinate with Cal OES to remedy the \$41,606 in questioned costs, related to unsupported indirect cost reimbursements.

5. **Require that the Cal OES strengthens its procedures to ensure that the indirect costs for Federal awards are reported as required under Federal Financial Reporting guidelines and supported by the indirect cost basis recorded in the general ledger.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that the indirect costs for Federal awards are reported as required under Federal Financial Reporting guidelines; and supported by the indirect cost basis recorded in the general ledger.

6. **Ensure that the Cal OES updates its policies and procedures to: (1) address the selection process by including risk scores, (2) provide for adequate and accurate record of awards monitored, and (3) comply with its internal policies and procedures with respect to timeliness and reduce the necessity of closing out reviews prior to issuance of report.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to: (1) address the selection process by including risk scores, (2) provide for adequate and accurate records of awards monitored, and (3) comply with its internal policies and procedures with respect to timeliness, and reduce the necessity of closing out reviews prior to issuance of the reports.

7. **Ensure that the Cal OES updates its policies and procedures to retain records in accordance with *OJP Financial Guide* requirements.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that records are retained in accordance with *DOJ Financial Guide* requirements.

8. **Ensure that the Cal OES creates formalized policy and procedures to provide sub-recipients guidance on cost allocations.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that sub-recipients receive guidance on cost allocations.

9. **Ensure that the Cal OES remedies \$445,186 in unallowable costs and complies with the award requirement to properly utilize grant funds to supplement, and not replace, state funds for grant-related activities.**

OJP agrees with this recommendation. We will coordinate with Cal OES to remedy the \$445,186 in questioned costs, related to unallowable costs as an indication of supplanting, and to ensure compliance with the award requirement to properly utilize grant funds to supplement, and not replace, state funds for grant-related activities.

10. **Ensure that the Cal OES eliminates the conflict of interest in the awarding process by removing sub-recipients from the funding decisions.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that Cal OES eliminates the conflict of interest in the awarding process by removing sub-recipients from the funding decisions.

11. **Ensure that the Cal OES retains documentation of objective award criteria and of the funding allocation decision-making process to provide funding process information for future Cal OES personnel and to document that funding allocation decisions are free of undue influence and are fair and transparent.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that appropriate documentation is retained to support objective award criteria and the funding allocation decision-making process. These documents should provide funding process information for future Cal OES personnel, and evidence that funding allocation decisions are free of undue influence and are fair and transparent.

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

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

cc: Anna Martinez
Senior Policy Advisor
Office of the Assistant Attorney General

Jeffery A. Haley
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James Simonson
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Office for Victims of Crime

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Leigh A. Benda
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**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT**

The Office of the Inspector General (OIG) provided a draft of this audit report to OJP and the Cal OES for their review and comment. The Cal OES' and OJP's responses were incorporated in Appendices 3 and 4, respectively, of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation

- 1. Ensure that the Cal OES remedies \$5,636 in unsupported personnel costs.**

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with Cal OES to remedy the \$5,636 in questioned costs related to unsupported personnel costs.

The Cal OES concurred with our recommendation and stated that it has documentation to provide to OJP to remedy the personnel costs that were not supported by signed time reports or timesheets at the time of the review.

This recommendation can be closed when we receive documentation demonstrating that the Cal OES remedied the \$5,636 in unsupported personnel costs.

- 2. Ensure that the Cal OES strengthens its policies and procedures to ensure adequate review and certification of timesheets and to ensure it complies with its internal policies and procedures with respect to timeliness of certification of timesheets.**

Closed. This recommendation is closed. OJP concurred with our recommendation and stated that it will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure the adequate review and certification of timesheets and compliance with internal policies and procedures with respect to the timely certification of timesheets.

The Cal OES concurred with our recommendation and provided its updated electronic signature procedures, initiated in July 2013 and updated on October 30, 2015, which require adequate review and approval of timesheets.

We reviewed the supporting documentation and determined it adequately addresses our recommendation.

- 3. Ensure that the Cal OES strengthens its policies and procedures such that Cal OES can readily retrieve archived documents from the California State Controller's Office as necessary and in accordance with *OJP Financial Guide* requirements.**

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure archived documents from California State Controller's Office can be readily retrieved as necessary and in accordance with Department of Justice (DOJ) *Financial Guide* requirements.

The Cal OES concurred with our recommendation and stated that it is working with the California State Controller's Office to establish a process to more readily retrieve evidence of pay disbursements, as identified in the audit report.

This recommendation can be closed when we receive documentation demonstrating that the Cal OES has established policies and procedures and implemented a process to readily retrieve archived documents from the California State Controller's Office.

- 4. Ensure that the Cal OES remedies \$41,606 in unsupported indirect cost reimbursement.**

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with the Cal OES to remedy the \$41,606 in questioned costs related to unsupported indirect cost reimbursements.

The Cal OES concurred with our recommendation and stated it will work with OJP to resolve the finding related to the 2012 VOCA grant and that it will properly reflect the \$41,606 in the final Federal Financial Report that is due on December 31, 2015.

This recommendation can be closed when we receive documentation demonstrating that the Cal OES remedied the \$41,606 in questioned costs related to unsupported indirect cost reimbursements.

- 5. Require that the Cal OES strengthens its procedures to ensure that the indirect costs for federal awards are reported as required under Federal Financial Reporting guidelines and supported by the indirect cost basis recorded in the general ledger.**

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with the Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that the indirect costs

for federal awards are reported as required under Federal Financial Reporting guidelines; and supported by the indirect cost basis recorded in the general ledger.

The Cal OES concurred with our recommendation and stated that it will complete the Federal Financial Reports according to instructions. The Cal OES identified an inconsistency between our finding and the instructions provided by the *OJP Training and Technical Assistance GMS User Guide: GMS Financial Status Reports Module (SF-425) for Recipients*. The Cal OES stated that according to the GMS User Guide, it is required to only report data specific to the reporting period as opposed to cumulative data for the entire award.

We agree that the wording of the GMS User Guide lacked instructions to enter cumulative amounts on the Federal Financial Reports. However, according to OMB's FFR instructions, the grant recipient is required to enter the cumulative amount from the date of the inception of the award through the end date of the reporting period.

This recommendation can be closed when the Cal OES strengthens its procedures to ensure that its indirect costs for federal awards are reported cumulatively as required and supported by the indirect cost basis recorded in its general ledger.

- 6. Ensure that the Cal OES updates its policies and procedures to: (1) address the selection process by including risk scores, (2) provide for adequate and accurate record of awards monitored, and (3) comply with its internal policies and procedures with respect to timeliness and reduce the necessity of closing out reviews prior to issuance of report.**

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with the Cal OES to obtain a copy of written policies and procedures, developed and implemented, to: (1) address the selection process by including risk scores, (2) provide for adequate and accurate records of awards monitored, and (3) comply with its internal policies and procedures with respect to timeliness, and reduce the necessity of closing out reviews prior to issuance of the reports.

The Cal OES concurred with our recommendation and stated that its Grants Monitoring section has undergone organizational and management changes. In addition, the Cal OES has developed a new grant monitoring review process and testing techniques that will be implemented beginning January 1, 2016. With its new grant monitoring review process, Cal OES' Grant Monitoring section will implement a new risk assessment process, which will include performing risk analysis based on findings resulting from Single Audits and self-monitoring. Further, the Cal OES stated that it will implement new procedures to ensure its database accurately reflects all

reviews conducted, award numbers, and the results of the reviews. The Cal OES has also stated that it is continuously providing training to all staff and the new grant monitoring process will ensure staff members perform reviews in an efficient and effective manner, supervisors conduct their reviews in a timely manner, and reports are issued on time.

This recommendation can be closed when we receive documentation demonstrating that the Cal OES has implemented its new grant monitoring review process, and that the process: (1) addresses the selection process by including risk scores, (2) provides an adequate and accurate record of awards monitored, and (3) complies with its internal policies and procedures with respect to issuing monitoring reports within 30 days of the completion of a compliance review.

7. Ensure that the Cal OES updates its policies and procedures to retain records in accordance with *OJP Financial Guide* requirements.

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with the Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that records are retained in accordance with *DOJ Financial Guide* requirements.

The Cal OES concurred with our recommendation and stated that it would create policy to retain contract documentation on-site for 3 years and an additional 4 years off-site. The Cal OES also stated that it will be adding a statement in its Record Retention Schedule to retain contract records until the completion of any outstanding litigation, claim, negotiation, audit, and resolution of all issues which arise from it. The Cal OES will also require confirmation by the grant program supervisor that all issues have been resolved prior to destruction of the records.

This recommendation can be closed when we receive documentation demonstrating that the Cal OES has established policies and procedures and implemented a process to retain records in accordance with *DOJ Financial Guide* requirements.

8. Ensures that the Cal OES creates formalized policy and procedures to provide sub-recipients guidance on cost allocations.

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with the Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that sub-recipients receive guidance on cost allocations.

The Cal OES concurred with our recommendation and stated that the 2014 Cal OES Recipient Handbook provided guidance to sub-recipients regarding cost allocations and it also continues to state that sub-recipients should use

grant funds to supplement their existing programs and not to replace funds that have been appropriated for the same purpose. The Cal OES also stated that it will provide verbal guidance to its sub-recipients to encourage expending state funds prior to federal funds.

This recommendation can be closed when we receive documentation demonstrating that the Cal OES has provided written policy and procedures to its sub-recipients regarding expending state funds prior to federal funds.

9. Ensure that the Cal OES remedy \$445,186 in unallowable costs and complies with the award requirement to properly utilize grant funds to supplement, and not replace, state funds for grant-related activities.

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with the Cal OES to remedy the \$445,186 in questioned costs related to unallowable costs as an indication of supplanting, and to ensure compliance with the award requirement to properly utilize grant funds to supplement, and not replace, state funds for grant-related activities.

The Cal OES concurred with our recommendation and stated that its current process is to encourage sub-recipients to expend state funds prior to federal funds, if the allowable costs are comparable and on an approved budget. The Cal OES also stated that the reasons federal and state funds revert vary based on the program, specific project needs, and specific fund sources. The Cal OES further requested a list of specific sub-recipients and dollar amounts that equal the questioned amount of \$445,186 in order to adequately address this recommendation.

As we state in the report, we analyzed the Cal OES' use of federal and state funding at an aggregate level in which we reviewed all victim services funding as a whole and by fiscal year. Based on our analysis we determined that \$445,186 in state funding for FYs 2009 to 2012 reverted back to the state when federal funds were being expended. Because federal funds were used before state funds were extinguished, we identified this situation as an indication of supplanting and questioned the \$445,186. Our calculation of the \$445,186 in questioned costs did not incorporate calculations at the sub-recipient level.

This recommendation can be closed when we receive evidence that the \$445,186 in questioned costs related to indications of supplanting has been remedied.

10. Ensure that the Cal OES eliminates the conflict of interest in the awarding process by removing sub-recipients from the funding decisions.

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with the Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure the Cal OES eliminates the conflict of interest in the awarding process by removing sub-recipients from the funding decisions.

The Cal OES concurred with our recommendation and stated that all funding decisions are made by the Director of Cal OES. Advisory bodies may provide recommendations for program-wide funding priorities, but they are not involved in the decision making or in determining individual sub-recipient allocations.

Further, the Cal OES referenced in its response the California Penal Code § 13823.16 that requires the Cal OES to collaboratively administer its Domestic Violence Assistance program with committee members appointed by state government officials and that excluding those appointed members from discussion and voting on funding priorities would result in the Cal OES being in noncompliance with California law. The Cal OES noted that 8 of the 12 members receive funding through one or more of its victim service programs and 4 of the 12 members receive funding specifically through its Domestic Violence Assistance Program.

Finally, the Cal OES stated that California Penal Code § 13836-13837 requires the Cal OES to collaboratively administer its Sexual Assault - Rape Crisis Center Victim Services programs with committee members appointed by statutorily specified individuals. The response notes that only one member receives funding through its Rape Crisis Program and that this committee is not charged with making any funding recommendations or decisions.

Our report does not take issue with stakeholders providing feedback regarding the Cal OES programs nor is it our intention for the Cal OES to be in non-compliance state law. Rather, we noted that feedback that is provided by members on the advisory bodies should not undermine Cal OES' ability to make impartial funding decisions. During our review when the Cal OES officials informed us that committee members must recuse themselves from voting on matters related to the funding of their projects, we requested of the Cal OES documentation pertaining to the voting records and recusals. However, the Cal OES did not maintain this documentation and thus could not provide it to us. Additionally, the Cal OES could not provide information regarding past committee members because it does not track that information either. We believe that maintaining this information and related documentation on the removal of sub-recipients from its funding decisions can ensure a record of fair and

transparent awarding decisions regarding the Cal OES VOCA funds and thus eliminate any appearance of a conflict of interest. Without this type of documentation, we are unable to determine whether those committee members actually recused themselves or not.

This recommendation can be closed when we receive documentation of policies and procedures that have been developed and implemented to track committee members that recused themselves from awarding decisions regarding the Cal OES VOCA funds to ensure that conflicts of interest are eliminated.

- 11. Ensure that the Cal OES retains documentation of objective award criteria and of the funding allocation decision-making process to provide funding process information for future Cal OES personnel and to document that funding allocation decisions are free of undue influence and are fair and transparent.**

Closed. This recommendation is closed. OJP concurred with our recommendation and stated that it will coordinate with the Cal OES to obtain a copy of written policies and procedures, developed and implemented, to ensure that appropriate documentation is retained to support objective award criteria and the funding allocation decision making process.

The Cal OES concurred with the recommendation and provided a document entitled "Request for Applications/Request for Proposals: Funding Allocation Methodology & Record Retention Procedure". This procedure was developed to ensure its funding methodology for all future programs is in accordance with OJP guidelines.

We reviewed the supporting documentation and determined it adequately addresses our recommendation.

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