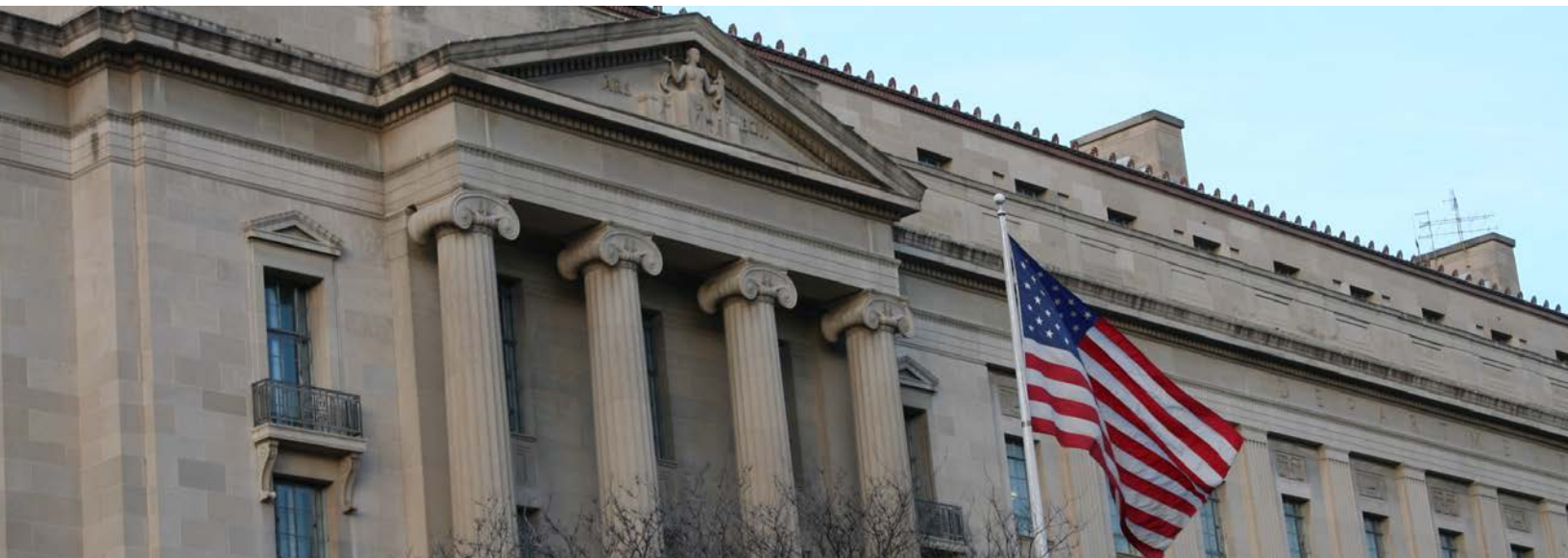




Office of the Inspector General
U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



**Audit of the Office of Justice Programs
Victim Assistance Grants Awarded to
the Arkansas Department of
Finance and Administration,
Little Rock, Arkansas**



Executive Summary

*Audit of the Office of Justice Programs Victim Assistance Grants
Awarded to the Arkansas Department of Finance and Administration,
Little Rock, Arkansas*

Objective

The objective of the audit was to evaluate how the Arkansas Department of Finance and Administration (ADFA) designed and implemented its crime victim assistance program. To accomplish this objective, we assessed performance in the following areas of grant management: (1) grant program planning and execution, (2) program requirements and performance reporting, (3) grant financial management, and (4) monitoring of subrecipients.

Results in Brief

As a result of our audit, we concluded that ADFA used its Victims of Crime Act (VOCA) funding to provide services to crime victims throughout the state. We found that ADFA took appropriate steps to announce and distribute its funding to subrecipients to meet victim service needs. We found that ADFA adequately planned and executed the VOCA program, adhered to performance monitoring and reporting, and complied with grant financial management requirements. We also found ADFA adequately accounted for its expenditures and did not exceed the administrative expense threshold set by VOCA guidelines. This audit did not identify concerns regarding subrecipients' adherence to special conditions or match obligations.

Recommendations

Our report contains no recommendations and is issued closed. We requested a response to our draft audit report from OJP and ADFA, which can be found in Appendices 2, and 3, respectively.

Audit Results

The U.S. Department of Justice Office of the Inspector General completed an audit of three VOCA victim assistance formula grants awarded by the Office of Justice Programs, Office for Victims of Crime (OVC) to ADFA in Little Rock, Arkansas. OVC awarded these formula grants, totaling \$55,953,986 from fiscal years (FY) 2015 to 2017, from the Crime Victims Fund to enhance crime victim services throughout the State of Arkansas. As of February 2019, ADFA drew down a cumulative amount of \$28,385,988 for all of the grants we reviewed.

Program Accomplishments – ADFA enhanced its crime victim services throughout Arkansas. ADFA increased the number of victims receiving services from 32,482 in FY 2015 to 49,173 in FY 2018.

Grant Planning and Execution – ADFA identified and planned to meet additional victim service needs with its increased FY 2015, FY 2016, and FY 2017 funding. ADFA took steps to announce and distribute all of its funding to subrecipients. However, ADFA did not draw down \$802,177 (4.4 percent) of its FY 2015 award that was not expended prior to the grant end date. As of February 2019, ADFA had allocated to subrecipients all of its FY 2016 grant funds, and it had spent approximately 50 percent of those funds. For the FY 2017 award, as of April 2019 ADFA was in the process of allocating all funds to subrecipients.

Program Requirements and Performance Reporting – For the FY 2015 and 2016 grants, ADFA fulfilled the requirement to distribute at least 10 percent of funds to priority victim groups, implemented adequate procedures for reporting performance, and complied with special conditions we tested.

Grant Financial Management – ADFA implemented adequate controls over its financial activities for the VOCA grant programs.

Monitoring of Subrecipients – ADFA's monitoring process as implemented provides reasonable assurance that its subrecipients comply with the terms and conditions of VOCA awards.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIM ASSISTANCE GRANTS AWARDED TO
THE ARKANSAS DEPARTMENT OF
FINANCE AND ADMINISTRATION,
LITTLE ROCK, ARKANSAS**

TABLE OF CONTENTS

INTRODUCTION.....	1
The Grantee	2
OIG Audit Approach	2
AUDIT RESULTS.....	4
Grant Program Planning and Execution	4
Subaward Allocation Plan	4
Subaward Selection Process	5
Subaward Requirements	6
Program Requirements and Performance Reporting	6
Priority Areas Funding Requirement	6
Annual Performance Reports	7
Compliance with Special Conditions.....	8
Grant Financial Management	8
Grant Expenditures	8
Drawdowns	10
Matching Requirement.....	11
Financial Reporting	11
Monitoring of Subrecipients	12
Financial Monitoring	12
Performance Monitoring.....	13
CONCLUSION	14
APPENDIX 1: OBJECTIVE, SCOPE, AND METHODOLOGY.....	15

APPENDIX 2: OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT AUDIT REPORT 17

APPENDIX 3: ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION RESPONSE TO THE DRAFT AUDIT REPORT 20

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIM ASSISTANCE GRANTS AWARDED TO
THE ARKANSAS DEPARTMENT OF
FINANCE AND ADMINISTRATION,
LITTLE ROCK, ARKANSAS**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three victim assistance formula grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) to the Arkansas Department of Finance and Administration (ADFA) in Little Rock, Arkansas. OVC awards victim assistance grants annually from the Crime Victims Fund (CVF) to state administering agencies. As shown in Table 1, from fiscal years (FY) 2015 to 2017 these OVC grants totaled approximately \$56 million.

**Table 1
Audited Grants
Fiscal Years 2015 – 2017**

Award Number	Award Date	Award Period Start Date	Award Period End Date	Award Amount
2015-VA-GX-0004	7/16/2015	10/1/2014	9/30/2018	\$ 18,252,952
2016-VA-GX-0015	9/8/2016	10/1/2015	9/30/2019	\$ 20,570,144
2017-VA-GX-0070	9/28/2017	10/1/2016	9/30/2020	\$ 17,130,890
Total:				\$ 55,953,986

Note: Grant funds are available for the fiscal year of the award plus 3 additional fiscal years.

Source: OJP's Grant Management System

Established by the Victims of Crime Act (VOCA) of 1984, the CVF is used to support crime victims through DOJ programs and state and local victim services.¹ The CVF is supported entirely by federal criminal fees, penalties, forfeited bail bonds, gifts, donations, and special assessments. OVC annually distributes proceeds from the CVF to states and territories. The total amount of funds that OVC may distribute each year depends upon the amount of CVF deposits made during the preceding years and limits set by Congress (the cap).

In FY 2015, Congress significantly raised the previous year's cap on CVF disbursements, which more than quadrupled the available funding for victim assistance grants from \$455.79 million to \$1.96 billion. In FYs 2016 and 2017, Congress continued to modify the cap, adjusting the available funding for victim assistance to \$2.22 billion for FY 2016 and \$1.85 billion for FY 2017. OVC allocates the annual victim assistance program awards based on the amount available for

¹ The VOCA victim assistance formula program is funded under 34 U.S.C. § 20103.

victim assistance each year and the states' populations. As such, the annual VOCA victim assistance grant funds available to ADFA varied from \$18.25 million in FY 2015 to \$20.57 million in FY 2016 and \$17.13 million in FY 2017.

VOCA victim assistance grant funds support the provision of direct services – such as crisis intervention, assistance filing restraining orders, counseling in crises arising from the occurrence of crime, and emergency shelter – to victims of crime. OVC distributes these assistance grants to states and territories, which in turn fund subawards to public and private nonprofit organizations that directly provide the services to victims. Eligible services are efforts that: (1) respond to the emotional and physical needs of crime victims, (2) assist primary and secondary victims of crime to stabilize their lives after a victimization, (3) assist victims to understand and participate in the criminal justice system, and (4) provide victims of crime with a measure of safety and security.

The Grantee

As the Arkansas state administering agency for grants, ADFA is responsible for administering the VOCA victim assistance program. ADFA uses federal VOCA grant funds to support crime victim assistance projects statewide that expand and enhance direct services to victims of crime and provide training and technical assistance to service providers. In addition, it provides assistance to all state agencies to ensure uniformity, accountability, and efficiency in the management of human resources, material, and financial resources necessary for agencies to perform their missions. Within ADFA, the Office of Intergovernmental Services is responsible for the administration of various other federal grant programs, including the STOP Violence Against Women Formula Grant Program, the Edward Byrne Memorial Justice Assistance Grant programs, and Health and Human Services programs in support of the Family Violence Prevention Services Act.

OIG Audit Approach

The objective of the audit was to evaluate how ADFA designed and implemented its crime victim assistance program. To accomplish this objective, we assessed performance in the following areas of grant management: (1) grant program planning and execution, (2) program requirements and performance reporting, (3) grant financial management, and (4) monitoring of subrecipients.

We tested compliance with what we considered the most important conditions of the grants. Unless otherwise stated in our report, we applied the authorizing VOCA legislation, the VOCA victim assistance program guidelines (VOCA Guidelines) and Final Rule, and the DOJ Grants Financial Guide (Financial Guide) as our primary criteria. We reviewed relevant ADFA policies and procedures and interviewed ADFA personnel to determine how they administered the VOCA funds. We interviewed State and subrecipient personnel and reviewed their records

reflecting grant activity.² We conducted site visits at seven VOCA-funded subrecipients located throughout the state of Arkansas.

² Appendix 1 contains additional information on the audit's objective, scope, and methodology, as well as further detail on the criteria we applied for our audit.

AUDIT RESULTS

Grant Program Planning and Execution

The main purpose of the VOCA victim assistance grants is to enhance crime victim services. ADFA is the primary recipient of victim assistance grants at the state level in Arkansas. ADFA distributes the majority of grant funding to organizations that provide direct services, such as: domestic violence shelters; child abuse centers; and law enforcement, prosecutorial, and court-based victim assistance programs. As the state administering agency, ADFA has the discretion to select subrecipients from among eligible organizations, although the VOCA Guidelines require state administering agencies give priority to victims of sexual assault, domestic abuse, and child abuse. State administering agencies must also make funding available for previously underserved populations of violent crime victims.³ As long as a state administering agency allocates at least 10 percent of available funding to victim populations in each of these victim categories, it has discretion in determining the amount of funds each subrecipient receives.

As part of our audit, we assessed ADFA's overall plan to allocate and award the victim assistance funding. We reviewed how ADFA planned to distribute its available victim assistance grant funding, made subaward selection decisions, and informed its subrecipients of necessary VOCA requirements. As discussed below, in our overall assessment of grant program planning and execution, we determined that ADFA appropriately identified and planned to meet additional victim service needs with its increased FY 2015, FY 2016, and FY 2017 funding. ADFA took appropriate steps to announce and distribute its funding to subrecipients. However, as detailed in the Drawdown section of this report, ADFA notified OJP that \$802,177 in FY 2015 victim assistance funds (approximately 4.4 percent of total funding for that year) initially allocated to subrecipients were not expended by the subrecipients prior to the grant end date. We did not identify any issues with ADFA's process to select subrecipients and found that it adequately communicated the VOCA requirements to the subrecipients in solicitation and subaward packages.

Subaward Allocation Plan

Each year, ADFA awards existing subrecipients a portion of the VOCA grant funds to ensure consistent provision of services for victims of crime. ADFA management makes the award selection as described in the next section of this report and allocates funds based on the number and types of applications approved each year.

In response to the significant increase in available CVF funding, the OVC's FY 2015 VOCA Victim Assistance Formula Solicitation required that state and territory applicants submit a subrecipient funding plan. To comply with this

³ The VOCA Guidelines state these underserved victims may include, but are not limited to, victims of federal crimes; survivors of homicide victims; or victims of assault, robbery, gang violence, hate and bias crimes, intoxicated drivers, bank robbery, economic exploitation and fraud, and elder abuse. The Guidelines also indicate that in defining underserved victim populations, states should also identify gaps in available services by victims' demographic characteristics.

requirement, ADFA submitted a funding plan that detailed efforts to identify additional victim service needs and strategies to spend the increased VOCA funding. ADFA conducted two needs assessment surveys in calendar year 2015. One assessment surveyed ADFA-funded service providers, and the second assessment surveyed service providers, survivors, and other interested individuals. ADFA developed its funding plan for the increased funding to address the service needs and gaps identified by the surveys.

Subaward Selection Process

To assess how ADFA granted its subawards, we identified the steps that ADFA took to inform, evaluate, and select subrecipients for VOCA funding. ADFA announces federal and state funding opportunities each year and posts solicitations to its website biennially for prospective subrecipients. Solicitations include a description of eligibility requirements, application deadline dates, and other pertinent information necessary to complete the application. Applicants submit a completed application packet. ADFA reviews completed applications for eligibility, allowability, and the applicant's ability to appropriately manage grant funds. Applications are reviewed by an independent review committee of subject matter experts selected by ADFA. Based on the biennial responses to solicitations, ADFA makes subawards in October of each year. Subawards are typically made for 12 months. As of February 2019, ADFA had made subawards to 221 organizations with the FY 2015 funds, 193 organizations with the FY 2016 funds, and 22 organizations with the FY 2017 funds, with awards still underway using the 2017 funds. We found that in response to the significant funding increase beginning in FY 2015, ADFA modified its subaward process by issuing solicitations specifically focusing on underserved and targeted areas.

ADFA issued the FY 2015 funds through subawards under three solicitations, each for a 1-year performance period. At the end of each yearly performance period, any funds allocated to but not used by subrecipients were included in the available pool of funds for use by other subrecipients through new subawards. ADFA used targeted solicitations to prioritize an expansion of services provided through existing subrecipients and to reach underserved populations. Through this process, ADFA allocated all of the FY 2015 funds and sought to reallocate any funds that subrecipients were unable to use. Despite these efforts, some subrecipients did not expend all funds allocated and, consequently, a balance of \$802,177 remained unspent at the end of the grant. We believe that ADFA made reasonable efforts to ensure the responsible expenditure of the FY 2015 funds. ADFA used the same allocation processes for its FY 2016 and 2017 awards to subrecipients. As of February 2019, ADFA had allocated to subrecipients all of its FY 2016 grant funds, and it had spent approximately 50 percent of those funds. For the FY 2017 award, as of February 2019, ADFA had provided subawards to 22 applicants for a total of \$3,846,640 (22 percent of total grant funds) and spent approximately \$635,118 (4 percent of total grant funds). In addition, ADFA issued two solicitations, scheduled to close in May 2019, for enhanced services and services to culturally specific populations. ADFA has a process in place that allows the reallocation of funds in an effort to maximize victim services. Based on these efforts, it appears that ADFA has an adequate plan for allocating the remainder of the FY 2017 funds.

Subaward Requirements

State administering agencies must adequately communicate VOCA requirements to subrecipients. We reviewed ADFA's subaward solicitations and award packets for FY 2015 to determine how the grantee communicated its subaward requirements and conveyed to potential applicants the VOCA-specific award limitations, applicant eligibility requirements, eligible program areas, restrictions on uses of funds, and reporting requirements. We found that the solicitation included all applicable federal award requirements. We also reviewed the subaward agreements for FY 2015 and FY 2016 and determined subrecipients were required to affirm compliance with VOCA requirements.

Program Requirements and Performance Reporting

To determine whether ADFA distributed VOCA victim assistance program funds to enhance crime victim services, we reviewed ADFA distribution of grant funds to subrecipients. We also reviewed ADFA performance measures and performance documents that ADFA used to track goals and objectives. We further examined OVC solicitations and award documents and verified ADFA compliance with special conditions governing recipient award activity.

Based on our assessment in the areas of program requirements and performance reporting, we believe that ADFA: (1) fulfilled the distribution requirements to priority victim groups, (2) implemented adequate procedures to compile annual performance reports, and (3) complied with special conditions we tested.

Priority Areas Funding Requirement

The VOCA Guidelines require that ADFA award a minimum of 10 percent of the total grant funds to programs that serve victims in the categories of: (1) child abuse, (2) domestic abuse, (3) sexual assault, and (4) previously underserved. The VOCA Guidelines give each state administering agency the latitude for determining the method for identifying "previously underserved" crime victims.⁴ In addition to the VOCA guidelines, ADFA's VOCA implementation plan defines underserved victims as culturally-specific populations including ethnic minorities; the elderly; persons with disabilities; non-English speakers; individuals who identify as lesbian, gay, bisexual, or transgender; geographically isolated populations; and victims of severe forms of trauma such as human trafficking.

We examined how ADFA allocated VOCA subawards to gauge whether it was on track to meet priority area requirements. We found that ADFA required applicants to identify the program areas to be funded. ADFA used this information to allocate funds among the priority areas. We determined that ADFA adequately allocated funds for the FY 2015 and FY 2016 grants and was on track, but had not yet completed the allocations for the FY 2017 grant.

⁴ Methods for identifying "previously underserved" victims may include public hearings, needs assessments, task forces, and meetings with statewide victim services agencies.

Annual Performance Reports

Each state administering agency must annually report to OVC on activity funded by any VOCA awards active during the federal fiscal year. OVC requires states to upload reports annually to OJP's Grants Management System. As of FY 2016, OVC also began requiring states to submit performance data through the web-based Performance Measurement Tool (PMT). ADFA does not allow subrecipients to report directly into PMT.

For the victim assistance grants, the states must report the number of agencies funded, VOCA subawards, victims served, and victim services funded by these grants. Additionally, according to a special condition of the victim assistance grants, the state must collect, maintain, and provide OVC with data that measures the performance and effectiveness of activities funded by the award. ADFA submitted annual performance reports to OVC for FYs 2015 through 2018. We discussed with ADFA officials how they compiled subrecipient performance report data. The subrecipients entered performance data into ADFA's grant management system each quarter. ADFA grant analysts reviewed the data by comparing it to each subrecipient's initial plan and budget, previous PMT reports, and past site visit results. Data verification consisted of reviewing case files to support reported performance. When grant analysts identified a potential inaccuracy, they reviewed and resolved the possible inaccuracy with the subrecipient before entering the data into PMT.

We assessed whether the performance data ADFA reported to OVC for FY 2015 through 2018 grants fairly reflected data subrecipients reported to the state. We compared a sample of subrecipient-reported data to the support documentation for that data. We reconciled the subrecipient information to the performance data the state reported to OVC. We discuss in more detail our testing of subrecipient performance in the Monitoring of Subrecipients section below.

We attempted to determine the effect the CVF funding increase had on the number of victims served during FYs 2015 and 2016. As shown in Table 2, ADFA reported a consistent increase in the number of victims served between FYs 2015 and 2018.

Table 2
VOCA Victim Assistance Program Grants
Number of Victims Served in
Annual State Performance Reports
FYs 2015 through 2018

Fiscal Year Reporting	Number of Victims Served Reported by ADFA
FY 2015	32,482
FY 2016	34,661
FY 2017	40,044
FY 2018	49,173

Source: OJP and ADFA

Compliance with Special Conditions

The special conditions of a federal grant award establish specific requirements for grant recipients. In its grant application documents, ADFA certified it would comply with these special conditions. We reviewed the special conditions for the VOCA victim assistance program grant and identified special conditions, not otherwise addressed in this report, that we deemed significant to grant performance. For each victim assistance grant, the states must report to OVC a Subgrant Award Report with basic information on every subrecipient that receives victim assistance funds. We verified that the Subgrant Award Report included all of ADFA’s subrecipients.

Grant Financial Management

Award recipients must establish an adequate accounting system and maintain financial records that accurately account for awarded funds. To assess the adequacy of ADFA’s financial management of the VOCA grants, we reviewed the process ADFA used to administer these funds by examining expenditures charged to the grants, subsequent drawdown requests, and resulting financial reports. To further evaluate ADFA’s financial management of the VOCA grants, we also reviewed the Single Audit Reports for FYs 2016 and 2017 and found no deficiencies or material weaknesses specifically related to ADFA. We also interviewed ADFA personnel responsible for financial aspects of the grants, reviewed ADFA written policies and procedures, inspected award documents, and reviewed financial records. As discussed below, in our overall assessment of grant financial management, we determined that ADFA implemented adequate controls over its financial activities for the VOCA grant programs.

Grant Expenditures

State administering agency victim assistance expenses fall into two overarching categories: (1) reimbursements to subrecipients, which constitute the vast majority of total expenses; and (2) administrative expenses, which are limited to 5 percent of each award. To determine whether costs charged to the awards

were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions from each of these categories by reviewing accounting records and verifying support for select transactions.

Subaward Expenditures

Subrecipients requested payment from ADFA by submitting monthly reimbursement requests along with supporting documentation to ADFA grant analysts. Each reimbursement request consisted of the amount requested and documentation to support that amount. As of the February 1, 2019 General Ledger Report, ADFA had paid \$28,005,489 in VOCA victim assistance program funds to subrecipients.

We evaluated ADFA's financial controls over victim assistance grant expenditures by reviewing a sample of subrecipient reimbursements to determine whether the payments were accurate, allowable, and in accordance with the VOCA Guidelines. We judgmentally selected a sample of 20 subrecipient reimbursement requests from the FY 2015 and FY 2016 grants. ADFA had not drawn funds from the FY 2017 grant as of August 2018, which was the cut-off point for our testing. We reviewed costs in the categories of: (1) personnel, (2) fringe benefits, (3) travel, (4) contracts and consultants, (5) supplies, (6) equipment, and (7) operating costs.

We selected our sample of 20 reimbursement requests from 73 monthly subrecipient requests submitted to ADFA for reimbursable expenses as of August 2018. We selected 20 subrecipient reimbursement requests to obtain a selection of low, middle, and high dollar requests for testing. Because each request may consist of hundreds of individual transactions, we did not test all transactions for each request. We selected \$208,310 in individual transactions from the reimbursement requests to include all of the cost categories, high dollar value transactions, and any transactions for which ADFA had corrected errors.

We found that all costs tested in the 20 reimbursement requests were allowable and supported by documentation, and we identified no issues with subrecipient expenditures.

Administrative Expenditures

The state administering agency may retain up to 5 percent of each grant to pay for administering its crime victim assistance program and for training. We tested ADFA's compliance with the 5 percent limit. We compared the total administrative expenditures charged to the grants as reflected in ADFA's general ledger to the total award amount for the FY 2015 and 2016 grants and determined that the state complied with the limits.

In addition to testing ADFA's compliance with the 5 percent administrative limit, we also tested a sample of these administrative transactions. We judgmentally selected for testing 19 payroll transactions totaling \$25,440 and

20 non-payroll transactions totaling \$194,934. We determined each transaction was allowable and supported.

Drawdowns

Award recipients should request funds based upon immediate disbursement or reimbursement needs, and the grantee should time drawdown requests to ensure that the federal cash on hand is the minimum needed for disbursements or reimbursements made immediately or within 10 days. VOCA grant funds are available for the fiscal year of the award plus 3 additional fiscal years. To assess whether ADFA managed grant receipts in accordance with these federal requirements, we compared the total amount reimbursed to the total expenditures in ADFA’s accounting system and accompanying financial records.

For the VOCA victim assistance awards, ADFA receives reimbursement requests from each of its subrecipients. ADFA grant analysts review the subrecipient reimbursement requests, coordinate with the subrecipient to make any necessary modifications, and forward the requests for department approval. Once approved, the reimbursement requests are processed and submitted to OJP. When the drawdown is received, ADFA disburses the funds based on subrecipient reimbursement invoices and it posts the disbursements to the grant general ledger. Table 3 shows the total amounts drawn down for each grant as of February 1, 2019.

Table 3
Amount Drawn Down for Each Grant as of February 1, 2019

Award Number	Total Award	Award Period End Date	Amount Drawn Down	Amount Remaining
2015-VA-GX-0004	\$18,252,952	9/30/2018	\$17,450,775	\$802,177 ^a
2016-VA-GX-0015	\$20,570,144	9/30/2019	\$10,300,096	\$10,270,048
2017-VA-GX-0070	\$17,130,890	9/30/2020	\$635,118	\$16,495,772
Total:	\$55,953,986		\$28,385,988	\$27,567,998

^a As of January 31, 2019, OJP had closed out the grant and deobligated the remaining grant balance.

Source: OJP and ADFA

During this audit, we found no deficiencies with ADFA’s normal process for drawdown requests. However, we found one instance where \$380,512 in FY 2016 funds were drawn but not disbursed within 10 days. This occurred during January 2019 at the time of the partial federal government shutdown. At this time, ADFA experienced the departure of two of three staff members who processed subrecipient reimbursements. To ensure that it had adequate funds available during the partial government shutdown, ADFA changed its procedures for drawdowns so that it requested, as allowed by the program, an advance of funds. An ADFA official told us that these funds were drawn in anticipation of expenditure

within 10 days, but the expenditures were unexpectedly delayed by the staff losses and accounting system processing problems, which have subsequently been corrected. ADFA provided us support demonstrating that the \$380,512 was disbursed 34 days after being drawn on January 17, 2019. We determined that ADFA had taken adequate steps to correct the cause for the excessive drawdown. Consequently, we make no recommendation.

To verify the accuracy of the drawdowns for closed grants, we compared the total awards for each grant to the total amounts drawn. The FY 2015 grant closed on September 30, 2018, and ADFA had until December 29, 2018, to complete all drawdowns of grant funds. ADFA submitted its final Federal Financial Report (FFR) on December 13, 2018, with \$802,177 as the unobligated balance of federal funds. The unused balance of funds was 4.4 percent of the total FY 2015 grant award. An ADFA official told us the unused funds resulted from allocations made to but not expended by subrecipients, and the funds were not drawn down by the state.

Matching Requirement

VOCA Guidelines require that subrecipients match 20 percent of project costs. The purpose of this requirement is to increase resources available to VOCA projects, prompting subrecipients to obtain independent funding sources to help ensure future sustainability. Match contributions must come from non-federal sources and can be either cash or an in-kind match.⁵ VOCA Guidelines state that any deviation from this policy requires OVC approval. The state administering agency has primary responsibility for ensuring subrecipient compliance with the match requirements.

Subrecipients are required to submit grant applications, including budgets, for approval by ADFA. The budgets are required to include a description of the intended match. ADFA grant analysts are responsible for monitoring subrecipients' compliance with the approved budget. Analysts monitor the match by verifying match documentation submitted with monthly reimbursement requests and by verifying that each subrecipient meets the required match by the end of the grant period. Beginning in late 2016, ADFA's grants management software maintained a running total of the match costs submitted and the remaining match required.

To assess subrecipient matches, we reviewed 10 sets of match documentation submitted to ADFA by subrecipients. Each was authorized by the ADFA analyst and allowable based on the support provided by the subrecipient. We identified no issues related to matching costs.

Financial Reporting

According to the DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period

⁵ In-kind matches may include donations of expendable equipment, office supplies, workshop or classroom materials, workspace, or the value of time contributed by those providing integral services to the funded project.

on each financial report as well as cumulative expenditures. To determine whether ADFA submitted accurate FFRs, we compared the four most recent reports to ADFA's accounting records for the FY 2015, FY 2016, and FY 2017 grants. We determined that quarterly and cumulative expenditures for the reports reviewed matched ADFA's accounting records for all three grants.

Monitoring of Subrecipients

According to the DOJ Grants Financial Guide, the purpose of subrecipient monitoring is to ensure that subrecipients: (1) use grant funds for authorized purposes; (2) comply with the federal program and grant requirements, laws, and regulations; and (3) achieve subaward performance goals. According to the VOCA Guidelines, state administering agencies must conduct regular desk monitoring of all sub-recipients. In addition, state administering agencies must conduct on-site monitoring of all subrecipients at least once every 2 years during the award period, unless a different frequency based on risk assessment is set out in the monitoring plan. As the primary grant recipient, ADFA must develop policies and procedures to monitor subrecipients. To assess the adequacy of ADFA's monitoring of its VOCA subrecipients, we interviewed ADFA personnel, identified ADFA monitoring procedures, and reviewed records of interactions between ADFA and its subrecipients. We also conducted site visits of seven subrecipients, which included interviewing personnel, touring facilities, and reviewing accounting and performance records. We spoke with subrecipient officials about the support received from ADFA, and those officials told us that ADFA provided support and was available to answer questions as needed. Based on our limited review of accounting records at the seven locations, it appeared that subrecipients were following the program guidelines, had sufficient knowledge of the program, and had adequate controls in place to mitigate the lack of segregation of duties and prevent fraud as much as possible given the size of the organizations.

According to ADFA's policies and procedures, ADFA performs either a site visit or desk review of each subrecipient annually so that every subrecipient receives an on-site monitoring visit at least once every 2 years. We found that ADFA complied with its monitoring policies and schedule for performing onsite and desk reviews. We also found that ADFA documented its monitoring procedures and processes sufficiently to identify risks among subrecipients. The monitoring process as implemented provides reasonable assurance that its subrecipients comply with the terms and conditions of VOCA awards.

Financial Monitoring

ADFA requires its subrecipients to submit monthly reimbursement requests along with complete supporting documentation for each request. To ensure the requested reimbursements are complete and allowable, ADFA grant analysts review each expenditure and the supporting documentation provided. When issues are identified, the grant analysts contact the subrecipient and request corrected or additional information to support the cost. Reviewed and accepted reimbursement requests are processed for payment.

We also assessed ADFA's monitoring of subrecipient compliance with single audit requirements. We reviewed single audit reports onsite for six of the seven subrecipients we visited and noted no findings or required corrective actions pertaining to federal funds.⁶ Consequently, there were no subrecipient corrective actions on single audit findings to assess.

Performance Monitoring

ADFA requires its subrecipients to file quarterly progress reports in the ADFA grants management system. ADFA grant analysts review the subrecipients' data for accuracy and discuss any deficiencies with the subrecipients. In addition to its quarterly review process, ADFA assessed performance data when it performed on-site program reviews of all subrecipients during 2017 through 2018. We assessed subrecipient performance reports by first selecting three subrecipients from each of the FY 2015 and 2016 subawards. We then obtained each of those subrecipient's support documentation for the number of victims served during April to June 2016 for the FY 2015 grant and during April to June 2018 for the FY 2016 grant. We compared the reported number of victims served to the number of victims supported in the source documentation. We determined that the documentation supported the reported numbers of victims served.

⁶ The seventh subrecipient we visited did not meet the dollar threshold requiring a single audit.

CONCLUSION

We found that ADFA used its grant funds to enhance services for crime victims in Arkansas. We did not identify significant issues regarding ADFA's grant management practices for sub awarding victim assistance funds. ADFA established sufficient written policies and procedures governing requisitioning, procurement, payment, and general operation. ADFA took appropriate steps to announce and distribute its funding to subrecipients to meet victim service needs. ADFA implemented policies, processes, and systems to adequately account for grant funds. ADFA complied with essential award conditions related to program requirements, performance reporting, and grant financial management and did not exceed the administrative expense threshold set by VOCA guidelines. ADFA's monitoring process as implemented provides reasonable assurance that its subrecipients comply with the terms and conditions of VOCA awards. Although ADFA did not expend \$802,177 in FY 2015 victim assistance grant funds, it appeared to have made reasonable efforts to expend the funds. As of January 31, 2019, OJP had closed out the grant and deobligated the remaining grant balance. We make no recommendations to OJP.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to evaluate how Arkansas Department of Finance and Administration (ADFA) designed and implemented its crime victim assistance program. To accomplish this objective, we assessed performance in the following areas of grant management: (1) grant program planning and execution, (2) program requirements and performance reporting, (3) grant financial management, and (4) monitoring of subrecipients.

Scope and Methodology

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

This was an audit of Victims of Crime Act (VOCA) victim assistance formula grants 2015-VA-GX-0004, 2016-VA-GX-0015, and 2017-VA-GX-0070 from the Crime Victims Fund (CVF) awarded to ADFA. The Office of Justice Programs (OJP), Office for Victims of Crime (OVC) awarded grants totaling \$55,953,986 to ADFA, which serves as the state administering agency. Our audit concentrated on, but was not limited to, the period of October 1, 2014, the project start date for VOCA assistance grant number 2015-VA-GX-0004, through February 1, 2019, the end of our fieldwork. ADFA had drawn down a total of \$28,385,988 from the three audited grants as of February 1, 2019.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of ADFA's activities related to the audited grants. We performed sample-based audit testing for grant expenditures including payroll and fringe benefit charges, financial reports and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The authorizing VOCA legislation, the VOCA victim assistance program guidelines, the Department of Justice (DOJ) Financial Guides, and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System and Performance Measurement Tool, as well as ADFA's accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole; therefore, any findings identified involving information from those systems was verified with documents from other sources.

While our audit did not assess ADFA's overall system of internal controls, we did review the internal controls of ADFA's financial management system specific to the management of funds for each VOCA grant within our review. To determine whether ADFA adequately managed the VOCA funds we audited, we conducted interviews with state of Arkansas financial staff, examined policies and procedures, and reviewed grant documentation and financial records. We also developed an understanding of ADFA's financial management system and its policies and procedures to assess its risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grants.

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

JUL 10 2019

MEMORANDUM TO: Ferris B. Polk
Regional Audit Manager
Atlanta 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, Office for Victims of Crime, Victim Assistance Formula Grants Awarded to the Arkansas Department of Finance and Administration, Little Rock, Arkansas*

This memorandum is in response to your correspondence, dated June 27, 2019, transmitting the subject draft audit report for the Arkansas Department of Finance and Administration. The draft audit report does not contain any recommendations directed towards the Office of Justice Programs (OJP). OJP has reviewed the draft audit report and does not have any comments.

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: Katharine T. Sullivan
Principal Deputy Assistant Attorney General

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

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

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

cc: Darlene L. Hutchinson
Director
Office for Victims of Crime

Tracey Trautman
Principal Deputy Director
Office for Victims of Crime

Allison Turkel
Deputy Director
Office for Victims of Crime

Kathrina S. Peterson
Acting Deputy Director
Office for Victims of Crime

Katherine Darke-Schmitt
Deputy Director
Office for Victims of Crime

James Simonson
Associate Director for Operations
Office for Victims of Crime

Brian Sass-Hurst
Grants Management Specialist
Office for Victims of Crime

Charlotte Grzebien
Deputy General Counsel
Office of the General Counsel

Robert Davis
Acting Director
Office of Communications

Leigh A. Benda
Chief Financial Officer

Christal McNeil-Wright
Associate Chief Financial Officer
Grants Financial Management Division
Office of the Chief Financial Officer

cc: Joanne M. Suttington
Associate Chief Financial Officer
Finance, Accounting, and Analysis Division
Office of the Chief Financial Officer

Aida Brumme
Manager, Evaluation and Oversight Branch
Grants Financial Management Division
Office of the Chief Financial Officer

Louise Duhamel
Acting Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20190628073655

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
RESPONSE TO THE DRAFT AUDIT REPORT



STATE OF ARKANSAS
**Department of Finance
and Administration**

OFFICE OF THE DIRECTOR
1509 West Seventh Street, Suite 401
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-5323
Fax: (501) 682-1029
<http://www.dfa.arkansas.gov>

July 1, 2019


Ferris B. Polk
Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
75 Ted Turner Drive Southwest, Suite 1130
Atlanta, Georgia 30303

Dear Mr. Polk:

This is in response to the draft audit report issued June 27, 2019. The Arkansas Department of Finance and Administration would like to thank you and your staff for taking time to review our Victims of Crime Act grant program.

We appreciate the opportunity to review the draft report before being published. We have reviewed the report and have no additional comments.

Sincerely,


Larry W. Walther
Director



The Department of Justice Office of the Inspector General (DOJ OIG) is a statutorily created independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct in the Department of Justice, and to promote economy and efficiency in the Department's operations.

To report allegations of waste, fraud, abuse, or misconduct regarding DOJ programs, employees, contractors, grants, or contracts please visit or call the **DOJ OIG Hotline** at oig.justice.gov/hotline or (800) 869-4499.

U.S. DEPARTMENT OF JUSTICE OFFICE OF THE INSPECTOR GENERAL

950 Pennsylvania Avenue, Northwest
Suite 4706
Washington, DC 20530 0001

Website
oig.justice.gov

Twitter
[@JusticeOIG](https://twitter.com/JusticeOIG)

YouTube
[JusticeOIG](https://www.youtube.com/JusticeOIG)

Also at Oversight.gov