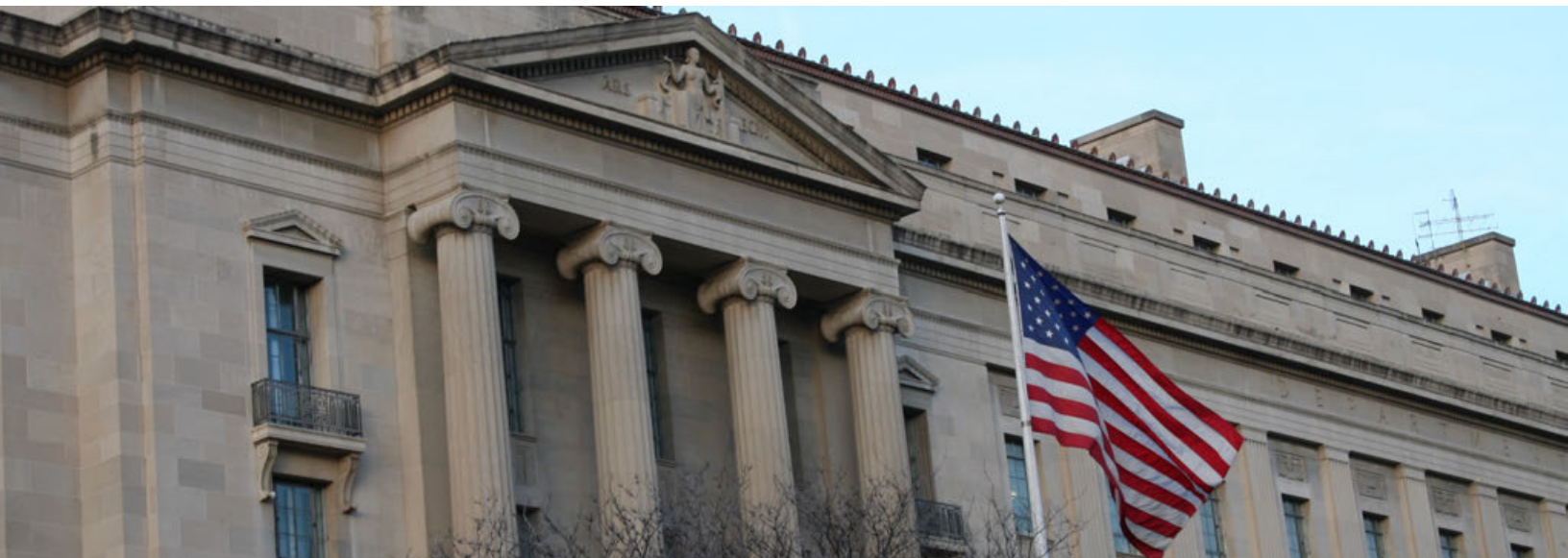




Office of the Inspector General
U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



**Audit of the Office of Justice Programs
Victim Compensation Formula Grants
Awarded to the Washington
Department of Labor and Industries
Olympia, Washington**



Executive Summary

Audit of the Office of Justice Programs Victim Compensation Formula Grants Awarded to the Washington Department of Labor and Industries, Olympia, Washington

Objective

The objective of the audit was to evaluate how the Washington Department of Labor and Industries (WADLI) designed and implemented its crime victim compensation 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, and (3) grant financial management.

Results in Brief

As a result of our audit, we concluded that WADLI used and managed its Victims of Crime Act (VOCA) funding to enhance its crime victim compensation program. However, we identified areas in need of improvement.

We found that WADLI did not accurately complete its Crime Victim Compensation State Certification Forms, resulting in incorrect award amounts between Fiscal Years (FY) 2014 and 2018. Moreover, we estimate, if the condition is not corrected, that WADLI may be improperly awarded \$471,000 more than it should be in FY 2019. We also found that WADLI could not support the program performance metrics it reported to OVC.

WADLI also lacked formal, written policies and procedures for the administration of VOCA victim compensation program grant funds and charged \$4,534 in unsupported and unallowable expenditures to the grant.

Recommendations

Our report contains 10 recommendations for the Office of Justice Programs (OJP) to improve the administration of WADLI's crime victim compensation program and remedy questioned costs.

We requested from WADLI and OJP their responses to the recommendations, which can be found in Appendices 3 and 4, respectively. WADLI sufficiently addressed six of our recommendations prior to the issuance of the final audit report. Our analysis of those responses is included in Appendix 5.

Audit Results

The U.S. Department of Justice Office of the Inspector General completed an audit of four VOCA victim compensation formula grants awarded by OJP's Office for Victims of Crime (OVC) to WADLI in Olympia, Washington. OVC awarded these formula grants, totaling \$12,667,000 from FYs 2014 to 2017, from the Crime Victims Fund (CVF) to provide financial support through the payment of compensation benefits to crime victims throughout the state of Washington. As of June 2018, WADLI had drawn down a cumulative amount of \$12,667,000 for all of the grants we reviewed.

Program Accomplishments – WADLI enhanced its crime victim compensation program by appropriately planning for and distributing the VOCA funding it received.

Planning and Execution – We found that WADLI did not accurately calculate and report on its Crime Victim Compensation State Certification Forms the correct amount eligible for federal matching funds in FYs 2012 through 2017. Because these reported amounts are the basis for future VOCA awards, the errors on WADLI's forms caused it to be over and under awarded incorrect amounts for FYs 2014 through 2018. We also identified errors in the FY 2017 form which, if not corrected, could result in an excess award amount of \$471,000 in the FY 2019 award.

Requirements and Performance Reporting – We found that WADLI did not maintain adequate documentation to support the program performance metrics it submitted to OVC and did not complete its State Certification Forms in accordance with OVC's instructions.

Financial Management – We determined that WADLI did not have formal, written policies and procedures for the administration of VOCA victim compensation program grant funds. As a result, WADLI incorrectly recorded grant revenue, incorrectly completed financial reports, and failed to uniquely identify VOCA victim compensation grant funds in its accounting records. Ultimately, these errors caused WADLI to be awarded incorrect amounts of VOCA funding by OJP. Additionally, we identified \$4,534 in unsupported and unallowable expenditures charged to the grants we audited.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIM COMPENSATION FORMULA GRANTS AWARDED TO THE
WASHINGTON DEPARTMENT OF LABOR AND INDUSTRIES,
OLYMPIA, WASHINGTON**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIM COMPENSATION FORMULA GRANTS AWARDED TO THE
WASHINGTON DEPARTMENT OF LABOR AND INDUSTRIES,
OLYMPIA, WASHINGTON**

INTRODUCTION

The Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of four victim compensation grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) to the State of Washington, Department of Labor and Industries (WADLI) in Olympia, Washington. OVC awards victim compensation grants annually from the Crime Victims Fund (CVF) to state administering agencies. As shown in Table 1, from Fiscal Years (FY) 2014 to 2017, these OVC grants totaled \$12,667,000.

Table 1

WADLI’s Victim Compensation Grants for FYs 2014 through 2017

Grant Number	Award Date	Award Period Start Date	Award Period End Date	Award Amount
2014-VC-GX-0049	08/25/14	10/01/13	09/30/17	\$3,012,000
2015-VC-GX-0035	09/21/15	10/01/14	09/30/18	\$4,192,000
2016-VC-GX-0033	09/16/16	10/01/15	09/30/19	\$2,313,000
2017-VC-GX-0031	09/28/17	10/01/16	09/30/20	\$3,150,000
Total				\$12,667,000

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

Source: OJP

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. VOCA victim compensation formula grant funds are available each year to states and territories for distribution to eligible recipients.

¹ The VOCA victim compensation formula program is funded under 42 U.S.C 10602 (a).

The primary purpose of the victim compensation grant program is to compensate victims and survivors of criminal violence for: (1) medical expenses attributable to a physical injury resulting from a compensable crime, including expenses for mental health counseling and care; (2) loss of wages attributable to a physical injury resulting from a compensable crime; and (3) funeral expenses attributable to a death resulting from a compensable crime.²

The Grantee

Washington State's Crime Victim Compensation Program (CVCP) began in 1973 upon the passage of Washington State's Crime Victims Compensation Act.³ CVCP is administered by WADLI, which is one of Washington State's administering agencies, and was created to help victims with the costs associated with violent crime. CVCP provides financial compensation to crime victims for expenses such as medical bills, loss of financial support, and funeral expenses. CVCP is made up of approximately 35 employees who work in partnership with victim assistance providers throughout Washington State. Between July 2016 and February 2018, CVCP disbursed more than \$16 million to victims of crime. CVCP funding is generated through a combination of federal grants, state appropriations, and restitution payments.

OIG Audit Approach

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

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 compensation program guidelines (VOCA Guidelines), the OJP Financial Guide, and the DOJ Grants Financial Guide as our primary criteria.⁴ We also reviewed WADLI policies and procedures, including

² This program defines criminal violence to include drunk driving and domestic violence.

³ Washington State's Crime Victims Compensation Act of 1973 established a method of compensating and assisting residents of the state who were innocent victims of criminal acts, and who had suffered bodily injury or death as a consequence thereof. Under the statute, victims of criminal acts are provided the same benefits afforded to injured workers in State of Washington. In 1977, the State of Washington expanded its program to include victims of criminal acts that resided outside of the state, as long as the crime had occurred within the State of Washington.

⁴ The OJP Financial Guide governs the FY 2014 grant in our scope, while the revised DOJ Grants Financial Guide applies to FYs 2015, 2016, and 2017 awards.

Washington statutes, and interviewed CVCP personnel to determine how they administered the VOCA funds. Additionally, we obtained and reviewed CVCP records reflecting grant activity.⁵

⁵ Appendix 1 contains additional information on the audit's objective, scope, and methodology, as well as further detail on the criteria we utilized in our audit. Appendix 2 presents a schedule of our dollar-related findings.

AUDIT RESULTS

Grant Program Planning and Execution

The main purpose of the VOCA victim compensation grants is to enhance state victim compensation payments to eligible crime victims. As part of our audit, we assessed WADLI's overall process for making victim compensation payments. We also assessed WADLI's policies and procedures for providing compensation payments to victims, as well as the accuracy of the State Certification Form.

We found that WADLI was using its VOCA victim compensation grants to enhance its state program and was compensating victims and survivors of criminal violence. However, we identified errors on the Annual State Certification Forms it submitted to OVC and these errors resulted in incorrect award amounts.

Program Implementation

State administering agencies receive VOCA victim compensation grants to compensate victims directly for expenses incurred from criminal victimization. As the state administering agency for Washington, WADLI was responsible for the victim compensation program, including meeting all financial and programmatic requirements. In assessing WADLI's implementation of its victim compensation program, we analyzed the Revised Code of Washington (RCW), which established state-specific policies for CVCP, as well as what efforts WADLI had made to bring awareness to victims eligible for compensation program benefits.⁶

We found that WADLI made efforts to enhance public awareness of victim compensation benefits available through CVCP. To promote awareness, WADLI distributes outreach pamphlets, posters, and business cards, in both English and Spanish. The pamphlets described the program, conditions for eligibility, examples of compensation benefits, and instructions on how to apply for compensation benefits. WADLI also performed outreach at Washington State University, the Domestic Violence Coalition, and victim service and trauma centers throughout Washington. CVCP's Program Manager and Claims Supervisor also participated at an annual conference with the Department of Commerce, which is the state administering agency for victim assistance, to establish partnerships and outreach at 12 victim assistance centers throughout the state of Washington.

CVCP's Claims Unit is made up of Claims Initiators, Law Enforcement Record Coordinators, Claims Adjudicators, and Claim Supervisors. When WADLI receives an application for crime victim compensation benefits, (through parcel post, facsimile, electronic mail, or on-line through its website) the Claims Initiator enters

⁶ Washington state Law (RCW 7.68) established the statutes governing CVCP.

the application into WADLI's electronic case management system. Although an application and police report is typically required for WADLI to adjudicate a claim, in some instances a police report cannot be obtained.⁷ In such an event, the Law Enforcement Records Coordinator will complete a detective questionnaire with the associated law enforcement agency. Based on the information from the application and police report (or detective questionnaire), the Claims Adjudicator will either approve or deny the request for benefits. CVCP's goal is to approve or deny a request for benefits within 18 days from the day it was received.

CVCP's Claims Adjudicator stated that roughly 1 in 10 applications for benefits are denied because the application or police report is missing pertinent information or the claim is not allowable under Washington's state statute. Applicants may submit additional information or protest in writing, in which the Claims Adjudicator will review the claim again and decide whether to affirm the original decision or to reverse the decision. If the decision is to reaffirm the original denial order, then a Claims Supervisor will also review the claim.

CVCP's Bill Payment Unit is responsible for payments made directly to the applicant, such as wage loss and pension, and payments made to medical providers. CVCP's goal is to pay medical providers within 21 days from the date of receipt of a bill. Accounting for the payment of benefits resides separately from CVCP with WADLI's Financial Services Program.

Claim Benefit Limits

Although both the authorizing VOCA legislation and the VOCA compensation program guidelines describe the type of benefit expenses allowed for victim compensation grants, these documents do not establish limits for the maximum amount of benefits allowed to be paid to one claimant. Rather, each state can establish its own maximum amount of benefits allowed to be paid to one claimant. Prior to 1981, Washington State did not have maximum benefit pay out limits for its crime victims. For example, one claimant approved in 1975, had received more than \$3.6 million (approximately \$84,000 a year over 43 years). In 1981, Washington State established the maximum amounts payable to a claimant, which a medical benefit cannot exceed \$150,000 and a non-medical benefit cannot exceed \$40,000. However, claims approved prior to 1981 are not required to abide by Washington State's established benefit limits. As a result, we found between July 2015 and May 2018, CVCP paid out approximately \$2.3 million on approximately 40 claims approved prior to 1981. Additionally, these claims represent approximately 17 percent of the total claims CVCP paid with VOCA compensation grant funds between July 2015 and May 2018. CVCP's Program

⁷ Washington state law (RCW 7.68.170) requires CVCP to pay for the costs of sexual-assault examinations when they are performed to gather evidence for possible prosecution. The victim is not required to pay for the exam, use their own insurance, file a police report, or file a crime victim's claim application to have the exam paid for by the state.

Manager stated that although claims approved before benefit limits were established do make up a decent portion of the claims it pays out, CVCP is still able to pay all of the new claims it has received.

Annual State Certification

State administering agencies must submit an annual Crime Victim Compensation State Certification Form, which provides OJP the necessary information to determine the grant award amount. The certification form must include all sources of revenue to the crime victim compensation program during the federal fiscal year, as well as the total of all compensation claims paid out to, or on behalf of, victims from all funding sources. OJP allocates VOCA victim compensation formula grant funds to each state by calculating 60 percent of the eligible compensation claims paid out to victims during the fiscal year 2 years prior. The accuracy of the information provided in the certification form is critical to OJP's correct calculation of the victim compensation award amounts granted to each state.

We assessed WADLI's controls for preparing the annual certification forms submitted to OJP for FYs 2012 through 2017, which were or will be used to calculate the award amounts granted in FYs 2014 through 2019. We reviewed the annual certification forms, including accounting records for the payouts and revenues. We found that WADLI incorrectly reported both its payouts and revenues on its FYs 2012 through 2017 State Certification Forms.

Table 2
Inaccurate Reporting on WADLI's State Certifications Forms

Fiscal Year	WADLI Reported Payouts	OIG Recalculated Payouts	Difference
2012	\$5,020,063	\$5,408,774	(\$388,711)
2013	\$6,986,940	\$6,537,396	\$449,544
2014	\$3,855,306	\$4,725,377	(\$870,071)
2015	\$5,250,576	\$4,798,803	\$451,773
2016	\$2,650,216	\$3,169,066	(\$518,850)
2017	\$3,208,372	\$2,423,942	\$784,430

Note: The eligible payout amount for award consideration is determined after deducting payments made with VOCA funds, subrogation and restitution recoveries, refunds, amount awarded for property loss, and other reimbursements.

Source: WADLI and OIG Analysis

We determined that WADLI did not have adequate controls in place to ensure that the amounts reported on its annual certification forms were accurate. Specially, we found that WADLI was reporting amounts based on its state fiscal

year versus the federal fiscal year required by OJP.⁸ Additionally, WADLI did not utilize its official accounting system, the Agency Financial Reporting System (AFRS), to prepare its State Certification Forms. Rather, the Actuarial Analyst relied on a different system, the Fiscal Interactive Reporting System (FIRS). We determined that the information reported in FIRS did not reconcile to the information in AFRS. A WADLI official stated that there is a time lag between AFRS and FIRS, which may result in slightly different accounting records. However, the WADLI official agreed that the State Certification Forms should have been prepared using AFRS, its official accounting system. We also determined that the State Certification Forms were not reviewed prior to being submitted. Therefore, there was no independent review or management oversight of the employee's work to verify that the reports were prepared completely and accurately. WADLI's Chief Accounting Officer agreed that the forms should be reviewed by a supervisor prior to submission. We discuss WADLI's lack of internal controls further in our Grant Financial Management section of this report.

Based on the inaccurate payouts and revenues reported on its State Certification Forms, we determined that WADLI had been awarded incorrect amounts by OJP in FYs 2014 through 2018. As shown in Table 3, between FYs 2014 and 2018, WADLI was over awarded a total of \$541,000 and under awarded a total of \$1,066,000, for a net under award of \$525,000. We also determined that WADLI's inaccurate FY 2017 State Certification Forms could result in WADLI's FY 2019 VOCA victim compensation grant being over awarded by \$471,000.

⁸ WADLI's state fiscal year is July 1 through June 30.

Table 3
Inaccurate Awarding of WADLI’s Victim Compensation Grants
for FYs 2014 through 2019

Grant Number	Award Amount	Award Amount based on AFRS	Over or (Under) Awarded Amount	Net Total Calculation
2014-VC-GX-0049	\$3,012,000	\$3,245,000	(\$233,000)	(\$233,000)
2015-VC-GX-0035	\$4,192,000	\$3,922,000	\$270,000	\$37,000
2016-VC-GX-0033	\$2,313,000	\$2,835,000	(\$522,000)	(\$485,000)
2017-VC-GX-0031	\$3,150,000	\$2,879,000	\$271,000	(\$214,000)
2018-V1-GX-0060	\$1,590,000	\$1,901,000	(\$311,000)	(\$525,000)
2019 Projected Award	\$1,925,000	\$1,454,000	\$471,000	(\$54,000)

Note: Grant number 2018-V1-GX-0060, awarded on August 9, 2018, was not part of our audit testing because funding was not obligated by OJP and made available for use by WADLI until August 27, 2018, after the start our audit. Additionally, as of February 2019, the FY 2019 VOCA victim compensation award has not yet been made, and our calculation for WADLI’s FY 2019 award is based solely on OVC’s methodology to calculate 60 percent of the amount reported on WADLI’s FY 2017 State Certification Form.

Source: OIG Analysis

According to the Victim Compensation Grant Program Guidelines, “[in the event of an over certification], the necessary steps will be taken to recover funds that were awarded in error...it is the policy of OVC to reduce the amount of the subsequent year VOCA victim compensation award by the amount of the overpayment.” If a state under certifies the amounts paid to crime victims, “OVC and the Office of the Comptroller, OJP, will not supplement payments to the state to correct the state's error since this would require recalculating allocations to every state VOCA compensation and assistance program and cause disruption in administration of these programs.”

Because of the rolling effect of using the incorrect fiscal year in addition to WADLI preparing its State Certification Forms based on inaccurate financial information, we recommend that OJP work with WADLI to determine if its State Certification Forms included amounts that were overstated, resulting in funds awarded in error, and if so to take the necessary steps to recover those funds. We also recommend that OJP require WADLI to submit a corrected FY 2017 State Certification Form to ensure that the FY 2019 victim compensation award to WADLI is correct. Lastly, we recommend that OJP ensure that WADLI develops and implements procedures to ensure that State Certification Forms are completed accurately.

Program Requirements and Performance Reporting

To determine whether WADLI distributed VOCA victim compensation program funds to compensate victims of crime, we reviewed WADLI's performance measures and performance documents used to track its goals and objectives. We further examined OVC solicitations and award documents and verified WADLI's compliance with special conditions governing recipient award activity.

Based on our overall assessment in the areas of program requirements and performance reporting, WADLI did not have adequate procedures implemented to compile annual and quarterly performance information.

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. The reports are submitted through OJP's Grants Management System (GMS). As of FY 2016, OVC also began requiring states to submit quarterly performance data through the web-based Performance Measurement Tool (PMT). To assess WADLI's performance, we reviewed its FY 2017 quarterly and annual performance reports submitted to OVC. We judgmentally selected for review three performance metrics from each of the FY 2017 quarterly reports, including: (1) the number of applications received for male victims; (2) the number of applications received for sexual assault forensic examinations; and (3) the number of applications paid for assault type crimes. We found that WADLI's performance metrics submitted to OVC differed slightly from its supporting documentation for 3 of the 4 quarters we reviewed. Additionally, we found that WADLI's annual report differed slightly from its supporting documentation.

Table 4

WADLI's Performance Statistics Reported to OVC for FY 2017

Performance Categories	Oct. Through Dec. 2016	Jan. Through Mar. 2017	Apr. Through Jun. 2017	Jul. Through Sept. 2017	FY 2017 Annual Report
Number of applications received for male victims					
WADLI Reported	504	527	520	623	2,174
Supporting Documentation	503	529	512	623	2,167
Difference	1	(2)	8	0	7
Number of applications received for sexual assault forensic examinations					
WADLI Reported	1,081	883	1,067	1,086	4,117
Supporting Documentation	1,082	874	1,066	1,086	4,108
Difference	(1)	9	1	0	9
Number of applications paid for assault type crimes					
WADLI Reported	470	593	629	533	2,225
Supporting Documentation	481	554	544	533	2,112
Difference	(11)	39	85	0	113

Note: The number of applications includes both VOCA victim compensation funds and Washington State funds.

Source: WADLI Information and OIG Analysis

We found that the number of applications received for male victims and for sexual assault forensic examinations varied slightly from the numbers reported to OVC for the first 3 quarters of FY 2017. When we asked WADLI about the differences, WADLI's Actuarial Analyst stated that the system is dynamic and that the status of claims change as new information is obtained. WADLI did not maintain copies of the reports used to prepare its FY 2017 performance reports submitted to OVC and it had to re-create the reports for our review.

We also noted differences in the number of applications paid for assault type crimes in the first three quarters of FY 2017. A WADLI official stated that WADLI had implemented a new electronic case management system in 2016, and when data was migrated over to the new system some data fields did not merge properly. As a result, when WADLI's Actuarial Analyst ran the report to determine the number of crime types, an inaccurate report was produced. The Actuarial Analyst stated that WADLI now has a CVCP programmer create a more accurate report, including the number of applications paid for by each crime type. As shown in Table 5, we determined that the number of applications paid for assault type crimes

for the first three quarters of FY 2018 reported to OVC reconciled to WADLI's supporting documentation. However, we also found that the remaining performance metrics we tested slightly differed from WADLI's supporting documentation.

Table 5

WADLI's Performance Statistics Reported to OVC for FY 2018

Performance Categories	Oct. Through Dec. 2017	Jan. Through Mar. 2018	Apr. Through Jun. 2018
Number of applications received for male victims			
WADLI Reported	547	547	547
Supporting Documentation	547	557	561
Difference	0	(10)	(14)
Number of applications received for Sexual Assault Forensic Examinations			
WADLI Reported	1,149	1,149	1,163
Supporting Documentation	1,149	1,051	1,163
Difference	0	98	0
Number of applications paid for assault type crimes			
WADLI Reported	513	607	563
Supporting Documentation	513	607	563
Difference	0	0	0

Source: WADLI

We found that the number of applications received for male victims and sexual assault forensic examinations reported to OVC slightly differed from WADLI's supporting documentation for two of the three FY 2018 quarters we reviewed. When we asked WADLI's Actuarial Analyst about the differences, he stated that the wrong reports may have been used when preparing WADLI's performance reports. Without maintaining supporting documentation, WADLI cannot determine why its performance reports were inaccurate. Therefore, we recommend that OJP work with WADLI to ensure that it maintains support for the performance data at the time of reporting to OVC to enable reconciliation of reported data with its internal records.

Duplicate Reporting of Claims

We found that WADLI overstated its crime victim payment statistics to OVC by counting a victim's claim in each quarter a payment was made to that victim.⁹ For example, between July 2017 and September 2017, we found that WADLI reported 533 unique claims as being paid. However, 254 of the 533 claims had already been reported to OVC in at least one of the prior three reporting quarters. As a result, WADLI overstated the number of crime victims served each quarter. According to OVC's Performance Measures Coordinator, OVC originally set up its performance metrics to capture when an application for crime victim benefits was received, when an application for benefits was approved or denied, and when benefits had been paid. Additionally, claims with multiple payments across multiple reporting quarters should only be reported as paid when the claim had been paid in final and closed. WADLI's Program Manager stated that its data system was not designed to capture when a claim was paid in final, but rather to capture each time a benefit payment was made, regardless if multiple payments were made on one claim. An OVC official stated to us that OVC is aware that WADLI and additional grantees have been reporting duplicate claims on their performance reports. OVC stated that it is currently in the process of reviewing its performance metric questions to more accurately capture crime victim payment statistics, while also considering grantee data system limitations. While their review is on-going, OVC will allow grantees to continue to report all crime victim benefit payments as claims, regardless if the payment was a supplemental payment. The OIG is currently conducting a review of OJP's Efforts to Address Crime Victims Fund Program Challenges, including program performance reporting to OVC.

Appealed and Denied Claims

According to a Washington state statute, if a claimant does not agree with a benefit decision order, a written protest may be sent to CVCP or an appeal may be sent to the Board of Industrial Insurance Appeals. If a protest is sent to CVCP, the Claims Adjudicator will review the claim again and decide whether to affirm the original decision or to reverse the claim decision. If the decision is to reaffirm the original denial order, then a Claims Supervisor will also review the claim. A claimant may then appeal the denial to the Board of Industrial Insurance Appeals. We judgmentally selected 10 denied claims to review, of which 5 were appealed. To assess whether the documentation maintained in WADLI's case files adequately supported its decision to deny the claims, we reviewed supporting documentation including the application for benefits, the police report from the law enforcement agency, and any medical reports from a medical provider. Based on our review, we determined that the documentation maintained in WADLI's case files adequately supported its decision to deny each of the 10 claims.

⁹ Each unique claim number has one crime victim associated with it.

Compliance with Special Conditions

The special conditions of a federal grant award establish specific requirements for grant recipients. In its grant application documents, WADLI certified it would comply with these special conditions. We reviewed the special conditions for the VOCA victim compensation program grants and identified a special condition that we deemed significant to grant performance, which was not otherwise addressed in other sections of this report.

We judgmentally selected the following special condition from each of the VOCA victim compensation grants (FYs 2014 through 2017) to review:

The recipient agrees to ensure that at least one key grantee official attends the annual VOCA National Training Conference.

We found that the grantee was in compliance with the special condition listed above for each of the grant years we reviewed.

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 WADLI's financial management of the VOCA victim compensation grants, we reviewed the process WADLI used to administer these funds by examining expenditures charged to the grants, subsequent drawdown requests, and resulting financial reports. To further evaluate WADLI's financial management of the VOCA victim compensation grants, we also reviewed the Single Audit Reports for Washington State. In addition, we interviewed WADLI personnel who were responsible for financial aspects of the grants, reviewed WADLI's written policies and procedures, inspected award documents, and reviewed financial records.

As discussed below, in our overall assessment of grant financial management, we identified material weaknesses in WADLI's administration of its grant funds. Specifically, we determined that WADLI did not have policies and procedures for the administration of VOCA victim compensation program grant funds. As a result, we found that WADLI incorrectly recorded grant revenue, incorrectly completed financial reports, and failed to uniquely identify VOCA victim compensation grant funds in its accounting records. We also questioned \$4,534 in unsupported and unallowable expenditures charged to the grants.

Single Audit

The Single Audit Act requires that recipients of federal funding above a certain threshold receive an annual audit of its financial statements and

federal expenditures.¹⁰ Entities that expend \$750,000 or more in federal funds within the entity's fiscal year must have a single audit performed annually covering all federal funds expended for that year. The Single Audit Report is required to include a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements.

According to information provided by WADLI, it met the Single Audit Act reporting threshold for FYs 2012 through 2017. Based on our review of those Single Audit Reports for Washington State, which encompassed WADLI, we identified cross-cutting concerns. Specifically, the Single Audit Reports identified cross-cutting weaknesses with Washington State's lack of internal controls and preparation of inaccurate financial reports. Our audit found similar weaknesses in WADLI's financial reporting and overall tracking of its grant-related expenditures, which we discuss below and in the Annual State Certification section of this report.

To determine if WADLI accurately reported federal VOCA victim compensation grant expenditures on its SEFAs, we reviewed WADLI's accounting records and the State of Washington's Single Audit Reports for FYs 2014 through 2017. We found that WADLI accurately reported VOCA victim compensation grant expenditures on its SEFAs for FYs 2014 through 2017.

OVC Desk Reviews and Site Visit

Between May and July 2017, OVC performed two desk reviews of WADLI's FYs 2015 and 2016 VOCA victim compensation grants. The reviews found that WADLI did not submit a required progress report to OJP and submitted another progress report, but not on time. OVC stated that WADLI has remedied these issues and provided evidence of receiving the missing report.

In September 2015, OVC conducted an on-site monitoring visit to WADLI, which included reviewing WADLI's FYs 2012, 2013, and 2014 VOCA victim compensation program grants. As a result, OVC noted a discrepancy between WADLI's FY 2013 recoveries recorded in its accounting records (\$486,388) and the amount of recoveries reported on its FY 2013 Annual State Certification Form (\$492,568). WADLI stated to OVC that the discrepancies were due to adjusting journal entries made after the State Certification Form was prepared. OVC's official conducting the desk review stated that if a state understates the amount paid to crime victims, OJP will not provide additional payments to the state to correct the state's error, as this would require recalculating allocations to every state's VOCA victim compensation program grants. We found similar reporting discrepancies and

¹⁰ The Single Audit Report activities included here were conducted under both OMB Circular A-133 and 2 C.F.R. 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The new Uniform Guidance, which affects all audits of fiscal years beginning on or after December 26, 2014, raised the audit threshold from \$500,000 to \$750,000.

inaccurate revenue and payouts reported on WADLI's Annual State Certification Forms.

Lack of Internal Controls

As part of our audit, we reviewed WADLI's internal controls related to its administration and management of VOCA victim compensation program grant funds. What we found were significant internal controls weaknesses. For example, we determined that although WADLI had an official accounting system (AFRS) to track all financial transactions related to the grants, it relied on inaccurate information maintained in another database to compile some of the financial information reported to OVC. WADLI also reported financial information to OVC based on its state fiscal year rather than the federal fiscal year, as required by OVC. We also found that WADLI was not reconciling its VOCA victim compensation grant funds with supporting documentation on a routine basis. As a result, WADLI incorrectly completed both its financial reports and State Certification Forms. Lastly, WADLI submitted information to OVC without an independent review or management oversight to ensure the information being prepared was complete and accurate. WADLI is in the process of drafting a policy for the administration of VOCA victim compensation grant funds to strengthen internal controls over those funds, including guidelines for completing crime victim compensation program financial reports. Prior to the start of our audit, WADLI did not have any formal, written policies and procedures related to how it should administer and manage VOCA victim compensation program grant funds. Therefore, we recommend that OJP work with WADLI to establish written policies and procedures to strengthen its internal controls over VOCA victim compensation program grant funds.

Grant Expenditures

VOCA compensation expenditures fall into two overarching categories: (1) compensation claim payments – which constitute the vast majority of total expenses, and (2) administrative expenses – which are allowed to total up to 5 percent of each award.¹¹ To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we judgmentally selected a sample of 25 expenditures, totaling \$69,251. Of the 25 expenditures we tested, 13 expenditures were payments made directly to victims, or their families, and 12 expenditures were payments made to service providers. The following section discusses the results of our testing.

Unsupported Expenditures

According to Washington's state statute, RCW 7.68.070, crime victims are eligible for financial support for wages lost due to either a temporary or permanent

¹¹ WADLI did not charge administrative expenses to any of the VOCA victim compensation program grants.

disability resulting from a criminal act. Crime victims may receive 60 percent of their total monthly wage, but no more than 100 percent of the state's average monthly wage. Additionally, monthly wages were required to be based upon employer wage statements, employment security records, or documents reported to and certified by the internal revenue service. We determined that WADLI could not support the wages it paid for two expenditures we reviewed, totaling \$2,250. Specifically, we found that WADLI did not base its wage calculations on employer provided information but rather information provided by the victim. Without obtaining adequate documentation to support a victim's wage, such as an employer's wage statement, WADLI was at an increased risk of inaccurately paying crime victims. Therefore, we question the \$2,250 in unsupported expenditures.

Unallowable Expenditures

We also found that WADLI paid for three unallowable expenditures. First, WADLI incorrectly paid \$1,771 in lost wages to a victim whose employer had already compensated her work performed that day. Secondly, WADLI incorrectly computed and overpaid \$418 in lost wages to a victim. Lastly, WADLI overpaid a victim because of an electronic data migration issue. WADLI had switched its case management software and during the automated migration the victim's hourly rate of pay was corrupted and changed, resulting in an overpayment of \$95 to the victim. Although this amount may be considered relatively small, we informed WADLI's officials that the error could be systemic, affecting other hourly rates that victims were paid. A WADLI official stated that the incorrect wage rate should have been corrected after WADLI switched to its new case management system. In total, we questioned \$2,284 in unallowable expenditures.

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. We were unable to assess whether WADLI had managed its grant receipts in accordance with federal requirements because WADLI did not uniquely identify each fiscal year VOCA victim compensation program grant. Therefore, we could not compare the total amount reimbursed by each VOCA victim compensation program grant in our scope to the total expenditures in WADLI's accounting system and accompanying financial records. We further discuss and make a recommendation to address this issue in the Financial Reporting section of this report.

Treasury Offset Program

During our review of drawdowns, we learned that the Treasury Offset Program (TOP) had garnished approximately \$1.4 million in VOCA victim

compensation grant funding between June 2016 and May 2018.¹² When WADLI attempted to draw down grant funds, monies were transferred from OJP to TOP instead of to WADLI. The garnishments were for debt that Washington State owed to the Centers for Medicare and Medicaid Services (CMS) and were unrelated to WADLI's CVCP. VOCA funding is financed by fines and penalties paid by convicted federal offenders, not from tax dollars, to support local victim assistance programs across the country and to help compensate victims for crime-related losses. We found it concerning that WADLI's VOCA funding, intended to help victims of crime, was garnished by TOP to pay for costs unrelated to the VOCA victim compensation program. When we asked an OJP official about the garnishment, the OJP official stated that the VOCA victim compensation program was eligible for TOP.

As a result of TOP's garnishments, WADLI inaccurately recorded VOCA victim compensation grant revenue in its accounting records. Specifically, we found three instances where WADLI requested drawdowns totaling \$7,510,934 and it recorded that same amount in its accounting records as grant revenue. However, because of the TOP's garnishment, WADLI received only \$6,165,104, or \$1,345,830 less than it requested, making WADLI's grant revenue inaccurate. Additionally, WADLI did not record a correcting journal entry to appropriately account for the funds until July 2018, nearly two months after the start of our audit. Without a consistent accounting practice for the recording of grant funds received, WADLI was at an increased risk of mismanagement of its VOCA victim compensation grant funds.

WADLI had an accounting mechanism in place to identify and ensure accurate posting of revenue by first recording the requested drawdown as a receivable and then when funds were received recording the amount received as grant revenue. Any remaining amount in the receivable account would indicate the amount of drawdown that was requested but not received. In fact, when reviewing WADLI's transactions, we noticed that WADLI utilized this procedure in at least three drawdowns, though inconsistently and not in all circumstances. When we suggested to WADLI officials that WADLI utilize their receivable account to record all drawdowns, its Chief Accounting Officer stated that WADLI was required to record federal grant funds as a receivable in its accounting system only at its state fiscal year-end, rather than in an on-going manner as federal grant funds were received. According to Washington State's Administrative and Accounting Manual, funds received from the federal government are required to be recorded as a receivable in the account named "Due from Federal Government." In our review of the manual, we did not see any prohibition to the using the receivable accounts beyond fiscal year end. Therefore, we recommend that OJP work with WADLI to implement a practice to record a receivable each time a draw down for VOCA victim compensation program grant funds is requested or utilize another mechanism to

¹² TOP is a centralized offset program, administered by the U.S. Department of Treasury, Bureau of Fiscal Service's Debt Management Services, to collect delinquent debts owed to federal agencies and states, in accordance with 26 U.S.C. Section 6402. TOP mandates federal agencies to transfer delinquent debts greater than 180 days to Fiscal Services for offset.

track the difference between the amount WADLI requests from OJP and the amount actually received.

We also asked WADLI officials how they continued to provide CVCP services when more than \$1.4 million dollars had been garnished by TOP from its program. According to WADLI's Chief Accounting Officer, Washington State has provided WADLI the approximately \$1.4 million for CVCP costs while WADLI is in the process of disputing the debt owed to CMS. The CVCP Program Manager also stated that the amount of compensation it has provided to victims has not been affected by the TOP garnishments. To assess whether the victim compensation services provided by WADLI had been impacted by TOP's garnishments, we judgmentally selected one garnishment made by TOP in August 2017 for \$90,000. We determined that the compensation services provided to claimants in the immediate months following the garnishments did not decrease. As of October 18, 2018, CMS has returned \$844,983 that was garnished to Washington State because it determined that the debt amount owed was incorrect. As of November 2018, WADLI continued to dispute the remaining balance of \$592,272 that was garnished by TOP on behalf of CMS.

Financial Reporting

According to the OJP Financial Guide and DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. To determine whether WADLI submitted accurate Federal Financial Reports (FFRs), we compared the 16 most recent reports to WADLI's accounting records. However, we could not assess whether the expenditures reported on each of the FFRs were accurate.

According to the DOJ Grants Financial Guide, there is no financial requirement to identify the source of individual payments to crime victims as either federal or state dollars, nor is there any requirement that restitution recoveries or other refunds be tracked to federal or state dollars paid out to victims. However, the state agency administering funds under this program must have an adequate accounting system to capture and track all financial transactions related to the victim compensation grant. We found that WADLI failed to establish a unique account number or project code that would allow for separate accounting and tracking of each DOJ grant. Specifically, without uniquely identifying each fiscal year VOCA victim compensation grant in its accounting records, WADLI could not accurately identify and report grant expenditures on its FFRs. An OJP official agreed that each VOCA victim compensation grant should be uniquely identified in WADLI's accounting system, such as utilizing a separate cost center to identify each grant. Therefore, we recommend that OJP ensure that WADLI establishes a separate account or unique project code to separately track funds from each VOCA victim compensation program grant.

Additionally, WADLI was not reconciling its VOCA victim compensation grant funds with supporting documentation on a routine basis. WADLI's Chief Accounting

Officer stated that the FFRs contained errors, and that no independent review or management oversight of the employee's work had occurred to verify the FFRs were prepared correctly before submitting to OJP. WADLI's Chief Accounting Officer stated that going forward the Accounting Services Manager will review the FFRs to ensure they are being prepared completely and accurately. We recommend that OJP work with WADLI to ensure that it reports all quarterly expenditures accurately on its FFRs going forward.

CONCLUSION AND RECOMMENDATIONS

Based on the results of our audit, we found that WADLI used its VOCA funding to enhance its crime victim compensation program. However, we identified several significant issues related to the management and oversight of WADLI's VOCA victim compensation grant funds.

We found that WADLI did not accurately calculate and report on its Crime Victim Compensation State Certification Forms the correct amount eligible for federal matching funds in FYs 2012 through 2018. Because these reported amounts are the basis for future VOCA awards, the errors on WADLI's forms caused it to be awarded incorrect amounts. Moreover, errors on WADLI's FY 2017 form mean that WADLI could receive \$471,000 more than it should be awarded in FY 2019. We also found that WADLI did not maintain adequate documentation to support its program performance metrics submitted to OVC.

Lastly, we identified material weaknesses in WADLI's administration of its VOCA victim compensation grant funds. Specifically, we determined that WADLI did not have policies and procedures for the administration of grant funds. Without established policies and procedures, we found that WADLI incorrectly recorded grant revenue, incorrectly completed financial reports, and failed to uniquely identify VOCA victim compensation grant funds in its accounting records. We also found \$4,534 in unsupported and unallowable expenditures charged to the grants. We provide 10 recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Work with WADLI to determine if its State Certification Forms included amounts that were overstated, resulting in funds awarded in error, and if so to take the necessary steps to recover those funds.
2. Require WADLI to submit a corrected FY 2017 State Certification Form to ensure that the FY 2019 victim compensation award to WADLI is correct.
3. Ensure that WADLI develops and implements procedures to ensure that State Certification Forms are completed accurately.
4. Ensure that WADLI maintains support for the performance data at the time of reporting to OVC to enable reconciliation of reported data with its internal records.
5. Work with WADLI to establish written policies and procedures to strengthen its internal controls over VOCA victim compensation program grant funds.
6. Remedy \$2,250 in unsupported expenditures charged to the VOCA victim compensation program grants.
7. Remedy \$2,284 in unallowable expenditures charged to the VOCA victim compensation program grants.

8. Work with WADLI to implement a practice to record a receivable each time a draw down for VOCA victim compensation program grant funds is requested or utilize another mechanism to track the difference between the amount WADLI requests from OJP and the amount actually received.
9. Ensure that WADLI establishes a separate account or unique project code to separately track funds from each VOCA victim compensation program grant.
10. Ensure that WADLI reports all quarterly expenditures accurately on its financial reports going forward.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to evaluate how Washington Department of Labor and Industries (WADLI) designed and implemented its crime victim compensation 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, and (3) grant financial management.

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 compensation formula grants 2014-VC-GX-0049, 2015-VC-GX-0035, 2016-VC-GX-0033, 2017-VC-GX-0031 from the Crime Victims Fund (CVF) awarded to WADLI. The Office of Justice Programs (OJP), Office for Victims of Crime (OVC) awarded these grants totaling \$12,667,000 to WADLI, which serves as the state administering agency. Our audit concentrated on, but was not limited to, the period of October 1, 2013, the project start date for VOCA compensation grant number 2014-VC-GX-0049, through May 2018. As of June 2018, WADLI had drawn down a total of \$12,667,000 from the four audited grants.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of WADLI's activities related to the audited grants. We performed sample-based audit testing for grant expenditures, financial reports, performance testing, and special conditions. 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 compensation program guidelines, the OJP Financial Guide, and the Department of Justice (DOJ) Grants Financial Guide, state compensation criteria, 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 WADLI'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 WADLI's overall system of internal controls, we did review the internal controls of WADLI's financial management system specific to the management of funds for each VOCA grant within our review. To determine whether WADLI adequately managed the VOCA funds we audited, we conducted interviews with state of Washington financial staff, examined policies and procedures, and reviewed grant documentation and financial records. We also developed an understanding of WADLI'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.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
Questioned Costs: ¹³		
Unallowable Costs:		
Unallowable Expenditures	\$2,284	16
Unsupported Costs:		
Unsupported Expenditures	\$2,250	16
TOTAL DOLLAR-RELATED FINDINGS	<u>\$4,534</u>	

¹³ **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.

WADLI'S RESPONSE TO THE DRAFT AUDIT REPORT



STATE OF WASHINGTON
DEPARTMENT OF LABOR AND INDUSTRIES
PO Box 44000 • Olympia Washington 98504-4000

February 20, 2019

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

Dear Mr. Gaschke:

I am pleased to provide an official response to the audit your office recently conducted on the Office of Justice Programs Victim Compensation Formula Grants awarded to the Washington Department of Labor and Industries (L&I).

L&I's responses to the 10 recommendations contained in the draft report are provided below. L&I welcomes this opportunity to enhance its ability to effectively administer Victims of Crime Assistance (VOCA) funds in Washington and looks forward to working with the Office of Justice Programs (OJP) to implement the recommendations. L&I continuously strives to effectively administer VOCA funding to address the needs of crime victims in Washington State.

Recommendations and L&I responses:

1. *Work with L&I to determine if its State Certification Forms included amounts that were overstated, resulting in funds awarded in error, and if so to take the necessary steps to recover those funds.*

L&I concurs with the recommendation. We will work with the OJP to resolve errors in the State Certification Forms.

2. *Require L&I to submit a corrected FY 2017 State Certification Form to ensure that they FY2019 victim compensation award to L&I is correct.*

L&I concurs with the recommendation. We will work with the OJP to resubmit the FY2017 State Certification Form.



3. *Ensure that L&I develops and implements procedures to ensure that State Certification Forms are completed accurately.*

L&I concurs with the recommendation. We have implemented procedures to ensure accuracy of the State Certification Forms.

4. *Ensure that L&I maintains support for the performance data at the time of the reporting to OVC to enable reconciliation of reported data with its internal records.*

L&I concurs with the recommendation. We have already implemented a procedure requiring all data generated to be clearly labelled and saved based on the date data is collected or generated. This procedure serves to ensure that L&I maintains support for the data used for performance reporting to OJP and make reconciliations of reported data much easier.

5. *Work with L&I to establish written policies and procedures to strengthen its internal controls over VOCA victim compensation program grant funds.*

L&I concurs with the recommendation. We now have written policies and procedures, which have been shared with the auditors.

6. *Remedy \$2,250 in unsupported expenditures charged to the VOCA victim compensation program grants.*

L&I concurs with the recommendation. While we have a procedure for verifying and documenting employment and wages for victims of a crime, we agree that we did not have the documentation to support these two payments. We have provided training to Claim Managers responsible for authorizing wage loss about the importance of documenting the information used to make the payment.

7. *Remedy \$2,284 in unallowable expenditures charged to the VOCA victim compensation program grants.*

L&I concurs with the recommendation. While we have a procedure for verifying and documenting employment and wages for victims of a crime, we agree that we did not have the documentation to support these three payments. We have provided training to Claim Managers responsible for authorizing wage loss about the importance of documenting the information used to make the payment.

8. *Work with L&I to implement a practice to record a receivable each time a draw down for VOCA victim compensation program grant funds is requested or utilize another*

David J. Gaschke, Regional Audit Manager
February 20, 2019
Page 3

mechanism to track the different between the amount L&I requests from OJP and the amount actually received.

L&I concurs with the recommendation. We agreed that Office of Financial Management's State Administrative and Accounting Manual (SAAM) Section 85.65.34 proscribes setting up receivable for the reimbursement of federal expenditures. We will change our practice to record receivable when we request reimbursement of federal expenditures.

9. *Ensure that L&I establishes a separate account or unique project code to separately track funds from each VOCA victim compensation program grant.*

L&I concurs with the recommendation. We have already implemented policies and procedures to address this recommendation. Since we can have multiple Crime Victim federal grant opened at any given time, we will use program index coding to separate each Federal Award. For example, we established program index code 82318 for the Federal 2018 grant. We will be establishing program index code 82319 for the Federal 2019 grant, and so on. We are using the 82318 to account for both federal expenditures incurred and federal reimbursements.

10. *Ensure that L&I reports all quarterly expenditures accurately on its financial reports going forward.*

L&I concurs with the recommendation. We are now reporting quarterly expenditures on the Federal Financial Report (FFR) accurately. To insure accuracy, the Chief Accounting Officer or designee is responsible for reviewing the supporting documents and draft report prior to completing the FFR. Review is evidenced by signing off by the reviewer.

Thank you for the opportunity to respond to your report and please let me know if I can be of further assistance.

Sincerely,



Randi Warick
Deputy Director for Strategy & Finance

cc: Linda J. Taylor, Lead Auditor, Audit Coordination Branch, U.S. Department of Justice
Steve Reinmuth, Assistant Director for Administrative Services
Cletus Nnanabu, Crime Victims Program Manager
Jennifer Myers, Internal Audit Director

OJP'S 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

MAR - 6 2019

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 Compensation Formula Grants, Awarded to the Washington Department of Labor and Industries, Olympia, Washington*

This memorandum is in reference to your correspondence, dated February 7, 2019, transmitting the above-referenced draft audit report for the State of Washington, Department of Labor and Industries (WADLI). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains 10 recommendations and \$4,534 in net 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. We recommend that OJP work with WADLI to determine if its State Certification Forms included amounts that were overstated, resulting in funds awarded in error, and if so to take the necessary steps to recover those funds.**

OJP agrees with this recommendation. We will coordinate with WADLI to obtain a copy of written policies and procedures, developed and implemented, to ensure that it completes its Crime Victim Compensation State Certification Forms accurately. In addition, we will coordinate with WADLI to resolve the errors in its State Certification Forms, and take the necessary steps to recover those funds, as appropriate.

2. **We recommend that OJP require WADLI to submit a corrected FY 2017 State Certification Form to ensure that the FY 2019 victim compensation award to WADLI is correct.**

OJP agrees with this recommendation. We will require WALDI to work with the Office for Victims of Crime (OVC) to correct its Fiscal Year 2017 State Certification Form. In addition, we will coordinate with the OVC, to determine if WADLI will be required to return funds to the DOJ.

3. **We recommend that OJP ensure that WADLI develops and implements procedures to ensure that State Certification Forms are completed accurately.**

OJP agrees with this recommendation. WALDI provided copy of written policies and procedures, developed and implemented, to ensure that State Certification Forms are completed accurately. We believe these procedures adequately address this recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this recommendation.

4. **We recommend that OJP ensure that WADLI maintains support for the performance data at the time of reporting to OVC to enable reconciliation of reported data with its internal records.**

OJP agrees with this recommendation. WALDI provided a copy of written policies and procedures, developed and implemented, to ensure it maintains support for the performance data at the time of reporting to OVC, to enable the reconciliation of reported data with its internal records. We believe these procedures adequately address this recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this recommendation.

5. **We recommend that OJP work with WADLI to establish written policies and procedures to strengthen its internal controls over VOCA Victim Compensation Program grant funds.**

OJP agrees with this recommendation. WALDI provided a copy of written policies and procedures, developed and implemented, to strengthen its internal controls over Victims of Crime Act (VOCA) Victim Compensation Program grant funds. We believe these procedures adequately address this recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this recommendation.

6. **We recommend that OJP remedy \$2,250 in unsupported expenditures charged to the VOCA Victim Compensation Program grants.**

OJP agrees with this recommendation. We will review the \$2,250 in questioned costs, related to unsupported wages, and will work with WALDI to remedy, as appropriate.

7. **We recommend that OJP remedy \$2,284 in unallowable expenditures charged to the VOCA Victim Compensation Program grants.**

OJP agrees with this recommendation. We will review the \$2,284 in questioned costs, related to unallowable expenditures for lost wages, and will work with WALDI to remedy, as appropriate.

8. **We recommend that OJP work with WALDI to implement a practice to record a receivable each time a draw down for VOCA Victim Compensation Program grant funds is requested or utilize another mechanism to track the difference between the amount WALDI requests from OJP and the amount actually received.**

OJP agrees with this recommendation. WALDI provided a copy of written policies and procedures, developed and implemented, to ensure that receivables are recorded each time a draw down for VOCA Victim Compensation Program grant funds is requested, or utilize another mechanism to track the difference between the amount WALDI requests from OJP and the amount actually received. We believe these procedures adequately address this recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this recommendation.

9. **We recommend that OJP ensure that WALDI establishes a separate account or unique project code to separately track funds from each VOCA Victim Compensation Program grant.**

OJP agrees with this recommendation. WALDI provided a copy of written policies and procedures, developed and implemented, to ensure that it establishes a separate account or unique project code to separately track funds from each VOCA Victim Compensation Program grant. WALDI also provided documentation to support that a new program code was established for its fiscal year 2018 VOCA Victim Compensation grant funds. We believe these actions adequately address this recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this recommendation.

10. **We recommend that OJP ensure that WALDI reports all quarterly expenditures accurately on its financial reports going forward.**

OJP agrees with this recommendation. WALDI provided a copy of written policies and procedures, developed and implemented, to ensure that it accurately reports all quarterly expenditures on its Federal Financial Reports. We believe these procedures adequately address this recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this recommendation.

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.

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OJP Executive Secretariat
Control Number IT20190214104306

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

The OIG provided a draft of this audit report to the Washington Department of Labor and Industries (WADLI) and the Office of Justice Programs (OJP) for review and official comment. WADLI's response is included in Appendix 3 and OJP's response is included in Appendix 4 of this final report. Both WADLI and OJP agreed with each of the 10 recommendations contained in this report. As a result, the audit report is resolved. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for OJP:

- 1. Work with WADLI to determine if its State Certification Forms included amounts that were overstated, resulting in funds awarded in error, and if so to take the necessary steps to recover those funds.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with WADLI to obtain a copy of written policies and procedures, developed and implemented, to ensure that it completes its Crime Victim Compensation State Certification Forms accurately. OJP also stated that it will coordinate with WADLI to resolve the errors in its State Certification Forms, and take the necessary steps to recover those funds, as appropriate.

WADLI concurred with our recommendation and stated that it will work with OJP to resolve errors in its State Certification Forms.

This recommendation can be closed when we receive evidence that OJP has worked with WADLI to determine if its State Certification Forms included amounts that were overstated, and if so to take the necessary steps to recover those funds.

- 2. Require WADLI to submit a corrected FY 2017 State Certification Form to ensure that the FY 2019 victim compensation award to WADLI is correct.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will require WADLI to work with the Office for Victims of Crime (OVC) to correct its FY 2017 State Certification Form and to determine if WADLI will be required to return funds to the DOJ.

WADLI concurred with our recommendation and stated that it will work with OJP to resubmit its FY 2017 State Certification Form.

This recommendation can be closed when we receive evidence that WADLI has submitted a corrected FY 2017 State Certification Form to OJP to ensure that the FY 2019 victim compensation award to WADLI is correct.

3. Ensure that WADLI develops and implements procedures to ensure that State Certification Forms are completed accurately.

Closed. OJP agreed with our recommendation. OJP stated in its response that WADLI provided a copy of its written policies and procedures, developed and implemented, to ensure that its State Certification Forms are completed accurately. OJP stated that it believes these procedures adequately address this recommendation. Accordingly, OJP requested closure of this recommendation.

WADLI concurred with our recommendation and stated that it has implemented policies and procedures to ensure the accuracy of its State Certification Forms. WADLI provided a copy of its Federal Grant Management Procedures, which includes instructions for completing and submitting State Certification Forms to OVC. State Certification Forms are required to be based on the federal fiscal year and must be reviewed by the Washington State Crime Victim Compensation Program's (CVCP) Program Manager prior to submission. Additionally, the CVCP Program Manager will forward the completed form to Financial Services. Financial Services staff will reconcile the amounts reported on the State Certification Form to WADLI's official accounting records. CVCP and Financial Services will resolve any discrepancies identified, make any necessary adjustments, and forward the State Certification Form to the Chief Financial Officer for approval.

Based on our review of the documentation provided, we consider this recommendation closed.

4. Ensure that WADLI maintains support for the performance data at the time of reporting to OVC to enable reconciliation of reported data with its internal records.

Closed. OJP agreed with our recommendation. OJP stated in its response that WADLI has provided a copy of its written policies and procedures, developed and implemented, to ensure that it maintains support for the performance data at the time of reporting to OVC, to enable the reconciliation of reported data with its internal records. OJP stated that it believes these procedures adequately address this recommendation. Accordingly, OJP requested closure of this recommendation.

WADLI concurred with our recommendation and stated that it has implemented procedures to require all grant program performance data be clearly labeled and saved based on the date in which the performance data is collected. WADLI also stated that the procedure will ensure that it maintains

support for the performance data reported to OVC and allow for reconciliation of the reported data. We reviewed WADLI's Crime Victim Compensation Administrative Policy Manual and determined that the policy requires the CVCP Actuarial Analyst to save supporting performance data used to create annual and quarterly performance reports, at the time the data is collected.

Based on our review of the documentation provided, we consider this recommendation closed.

5. Work with WADLI to establish written policies and procedures to strengthen its internal controls over VOCA victim compensation program grant funds.

Closed. OJP agreed with our recommendation. OJP stated in its response that WADLI has provided a copy of its written policies and procedures, developed and implemented, to strengthen its internal controls over VOCA Victim Compensation Program grant funds. OJP stated that it believes these procedures adequately address this recommendation. Accordingly, OJP requested closure of this recommendation.

WADLI concurred with our recommendation and stated that it has implemented written policies and procedures to strengthen its internal controls over its VOCA victim compensation program grant funds. Based on our review of WADLI's Federal Grant Management Procedures, we determined that WADLI has created procedures for: (1) completing and submitting its Crime Victim Compensation State Certification Forms; (2) completing and submitting its Federal Financial Reports; (3) requesting grant drawdowns; (4) reporting of grant program performance data; (5) grant closeout procedures; and (6) grant record retention procedures.

Based on our review of the documentation provided, we consider this recommendation closed.

6. Remedy \$2,250 in unsupported expenditures charged to the VOCA victim compensation program grants.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$2,250 in questioned costs, related to the unsupported wages, and will work with WADLI to remedy the amount, as appropriate.

WADLI concurred with our recommendation and stated that it does not have documentation to support the expenditures. As stated in our report, we determined that WADLI could not support the wages it paid for two expenditures we reviewed, totaling \$2,250.

This recommendation can be closed when OJP remedies the \$2,250 in unsupported expenditures charged to the VOCA victim compensation program grants.

7. Remedy \$2,284 in unallowable expenditures charged to the VOCA victim compensation program grants.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$2,284 in questioned costs, related to unallowable expenditures for lost wages, and will work with WADLI to remedy the amount, as appropriate.

WADLI concurred with our recommendation and stated that it does not have documentation to support the expenditures. As stated in our report, we found that WADLI paid for three unallowable expenditures including incorrectly paid lost wages to a victim whose employer had already compensated her work performed that day, incorrectly computed and overpaid lost wages to a victim, and overpayment to a victim because of an electronic data migration issue.

This recommendation can be closed when OJP remedies the \$2,284 in unallowable expenditures charged to the VOCA victim compensation program grants.

8. Work with WADLI to implement a practice to record a receivable each time a draw down for VOCA victim compensation program grant funds is requested or utilize another mechanism to track the difference between the amount WADLI requests from OJP and the amount actually received.

Closed. OJP agreed with our recommendation. OJP stated in its response that WADLI has provided a copy of its written policies and procedures, developed and implemented, to ensure that receivables are recorded each time a draw down for VOCA Victim Compensation Program grant funds is requested, or utilize another mechanism to track the difference between the amount WADLI requests from OJP and the amount actually received. OJP stated that it believes these procedures adequately address this recommendation. Accordingly, OJP requested closure of this recommendation.

WADLI concurred with our recommendation and stated that Washington's State Administrative and Accounting Manual requires setting up a receivable for the reimbursement of federal expenditures. Based on our review of the Crime Victim Federal Grant Drawdown Request section of WADLI's Federal Grant Management Procedures, WADLI now requires recording a receivable in its accounting records when it requests a reimbursement of federal expenditures.

Based on our review of the evidence provided, we consider this recommendation closed.

9. Ensure that WADLI establishes a separate account or unique project code to separately track funds from each VOCA victim compensation program grant.

Closed. OJP agreed with our recommendation. OJP stated in its response that WADLI has provided a copy of its written policies and procedures, developed and implemented, to ensure that it established a separate account or unique project code to separately track funds from each VOCA victim Compensation Program grant. WADLI also provided documentation to support that a new program code was established for its FY 2018 VOCA Victim Compensation grant funds. OJP stated that it believes these actions adequately address this recommendation. Accordingly, OJP requested closure of this recommendation.

WADLI concurred with our recommendation and stated that it will establish a separate program index code for each federal award it receives. Further, WADLI's Federal Grant Management Procedures require a program index to be created in its accounting records for each federal award. As stated in our report, all VOCA victim compensation program grant funds, regardless of federal fiscal year award, were recorded to program index code 82300. Based on our review of WADLI's chart of accounts provided, we identified a new program index code (82318), established to separately track its FY 2018 VOCA victim compensation program grant funds.

Based on our review of the evidence provided, we consider this recommendation closed.

10. Ensure that WADLI reports all quarterly expenditures accurately on its financial reports going forward.

Closed. OJP agreed with our recommendation. OJP stated in its response that WADLI has provided a copy of its written policies and procedures, developed and implemented, to ensure that it accurately reports all quarterly expenditures on its FFRs. OJP stated that it believes these procedures adequately address this recommendation. Accordingly, OJP requested closure of this recommendation.

WADLI concurred with our recommendation. WADLI stated that its Federal Grant Management Procedures requires FFRs to be prepared accurately and includes procedures for generating data and reporting quarterly expenditures on its FFRs. To ensure accuracy, WADLI's Chief Accounting Officer or other designee is required to review the supporting documentation and approve the FFR prior to submission to OVC.

Based on our review of the evidence provided, we consider this recommendation closed.



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