



Audit of the Office of Justice Programs Victim
Compensation Grants Awarded to the Texas Office
of the Attorney General,
Austin, Texas

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Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 2, the grantee's response, and is of individuals' names and contact information.



EXECUTIVE SUMMARY

Audit of the Office of Justice Programs Victim Compensation Grants Awarded to the Texas Office of the Attorney General, Austin, Texas

Objectives

The objective of the audit was to evaluate how the Texas Office of the Attorney General (OAG) 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 the Texas OAG used its victim compensation grant funding to provide financial support for crime victims. We did not identify significant concerns with the compliance of program performance reports, special conditions, administrative procedures, drawdown procedures, or the financial reports. However, we identified errors in the state certification form, resulting in a \$1,140,000 under-awarding of compensation funding to Texas in fiscal years 2017 through 2020. We also tested 1,413 transactions and identified 13 that were unsupported, unallowable, or incorrect, which included \$10,237 in unsupported or unallowable overpayments. However, as permitted by the victim compensation program, Texas OAG does not identify the source of individual payments to crime victims as either federal or state, but rather tracks total Victims of Crime Act (VOCA) grant dollars by a budget status report. As a result, we could not readily determine if the claims were paid with federal funds and therefore do not question these costs.

Recommendations

Our report contains two recommendations to assist the Texas OAG in improving its grant management and administration of crime victim compensation funding. We requested a response to our draft audit report from the Texas OAG and the Office of Justice Programs (OJP), which can be found in Appendices 2 and 3, respectively. Our analysis of those responses is included in Appendix 4.

Audit Results

The U.S. Department of Justice Office of the Inspector General completed an audit of three VOCA victim compensation formula grants awarded by the Office of Justice Programs, Office for Victims of Crime (OVC) to the Texas OAG in Austin, Texas. The OVC awarded these formula grants, totaling \$77,912,000 from fiscal years 2017 to 2019, from the Crime Victims Fund to provide financial support through the payment of compensation benefits to crime victims throughout Texas OAG. As of May 2021, the Texas OAG drew down a cumulative amount of \$66,197,097 for all of the grants we reviewed.

Planning and Execution

The Texas OAG used and managed its VOCA funding to enhance payments for crime victims by planning for and distributing the VOCA funding it received. We found that the Texas OAG subtracted more restitution from their eligible amount than was required when calculating the amounts it reported on its annual state certification forms. As a result, the Texas OAG ultimately received \$1,140,000 less funding than what could have been awarded for FYs 2017 through 2020.

Program Requirements and Performance Reporting

We found that the Texas OAG accurately completed its performance reports and complied with the two special conditions tested.

Grant Financial Management

The Texas OAG generally implemented adequate controls over claim expenditures. However, out of 1,413 tested transactions, we identified 3 transactions totaling \$1,944 in unallowable and 9 transactions totaling \$8,293 in unsupported compensation payments. We also identified one instance of an underpayment to a claimant totaling \$102.

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Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three victim compensation formula grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC) to the Texas Office of the Attorney General (OAG) in Austin, Texas. The 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) 2017 to 2019, these OVC grants totaled \$77,912,000.

Table 1

**Audited Grants
Fiscal Years 2017 – 2019**

| Award Number | Award Date | Award Period Start Date | Award Period End Date | Award Amount |
|-----------------|------------|-------------------------|-----------------------|----------------------|
| 2017-VC-GX-0006 | 9/28/2017 | 10/1/2016 | 9/30/2020 | \$ 22,848,000 |
| 2018-V1-GX-0025 | 8/9/2018 | 10/1/2017 | 9/30/2021 | \$ 27,512,000 |
| 2019-V1-GX-0025 | 9/13/2019 | 10/1/2018 | 9/30/2022 | \$ 27,552,000 |
| Total: | | | | \$ 77,912,000 |

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. The 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.

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

¹ The VOCA victim compensation formula program is funded under 34 U.S.C. § 20102.

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

The Grantee

As the Texas state administering agency, the Texas OAG is responsible for administering the VOCA victim compensation program. The Crime Victims' Compensation (CVC) Program helps crime victims and their immediate families with the financial costs of crime. The Texas legislature recognizes that many innocent individuals suffer personal injury or death as a result of criminal acts. Texas' Crime Victim Compensation Act states that crime victims and persons who intervene to prevent criminal acts often suffer disabilities, incur financial burdens, or become dependent on public assistance. The Texas legislature finds that there is a need to compensate crime victims and those who suffer personal injury or death in the prevention of crime or in the apprehension of criminals. It is the Texas legislature's intent that the compensation of innocent victims of violent crime encourage greater public cooperation in the successful apprehension and prosecution of criminals.

OIG Audit Approach

The objective of the audit was to evaluate how Texas OAG 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.

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), and the DOJ Grants Financial Guide as our primary criteria. We also reviewed relevant Texas policies and procedures such as the Texas Code of Criminal Procedure. We interviewed Texas OAG personnel to determine how they administered the VOCA funds and further obtained and reviewed Texas OAG records reflecting grant activity.³

³ 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 compensation grants is to enhance state victim compensation payments to eligible crime victims. As part of our audit, we assessed the Texas OAG's overall process for making victim compensation payments, OAG's policies and procedures for providing compensation payments to victims, and the accuracy of the state certification forms.

Overall, we determined that the Texas OAG's implementation of its victim compensation program was appropriate and in compliance with the VOCA Guidelines. We found the Texas OAG complied with federal grant requirements and established an adequate program to compensate victims and survivors of criminal violence. However, we identified issues with the Texas OAG's accuracy of its annual state certification forms.

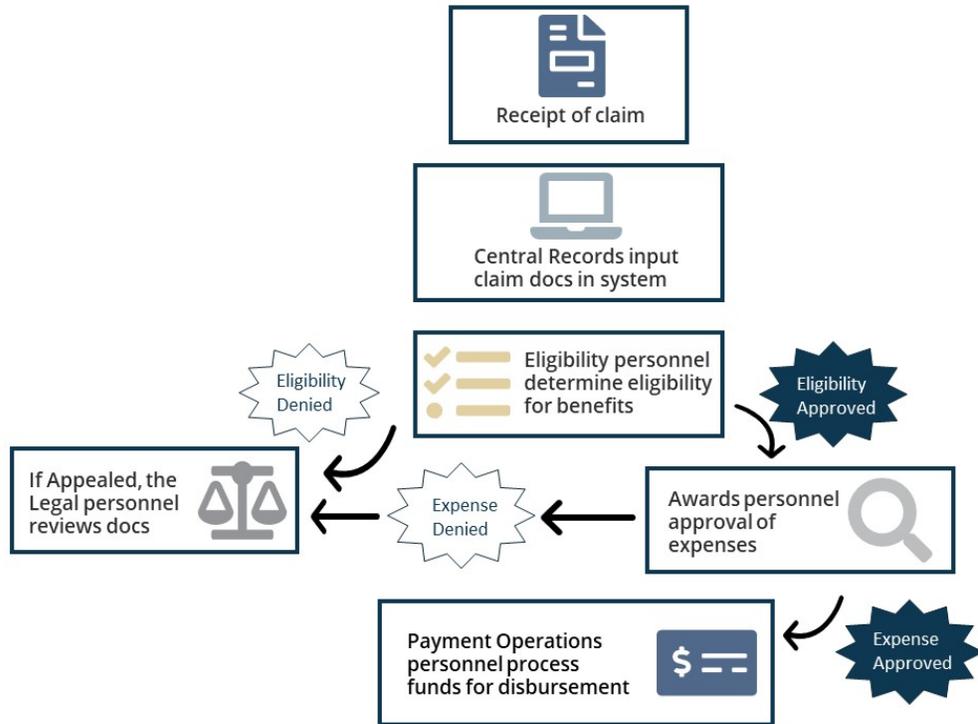
Program Implementation

State administering agencies receive VOCA victim compensation grants to compensate victims for expenses incurred from criminal victimization. As the state administering agency for Texas, the Texas OAG is responsible for the victim compensation program, including meeting all financial and programmatic requirements. When paying claims for victims, the Texas OAG operated under the Texas Crime Victims Compensation Act, which conveyed the state-specific policies for the victim compensation program. In assessing the Texas OAG's implementation of its victim compensation program, we analyzed policies and procedures governing the decision-making process for individual compensation claims, as well as what efforts the Texas OAG had made to bring awareness to victims eligible for compensation program benefits.

Based on our review, we found that Texas OAG had established a process for the intake, review, and payment or denial of individual compensation claims. We also found that the Texas OAG had adequate separation of duties between the employees who reviewed the claims and the employees who authorized payment. Upon the receipt of a claim, the Central Records personnel scan and index the documents in their electronic workflow system. Then the Eligibility personnel review the application for determination of eligibility for benefits. Next, the Awards personnel review the expenses for qualification for compensation benefits. Once the expense is approved, the Payment Operations personnel process for payment and checks are requested. If the application or expense is disapproved, then the applicant/claimant can appeal the decision to the Legal personnel. Therefore, we determined that the Texas Victim Compensation Policies and Procedures were consistent with VOCA Guidelines. See Figure 1 for a depiction of the application and expense process.

Figure 1

Texas OAG Application and Claims Adjudication Process



Source: OIG analysis of Texas OAG's process

To enhance its state program and bring public awareness of available victim compensation benefits, we found that the Texas OAG handed out informational brochures, provided training, and performed presentations on the victim compensation program to advocates, law enforcement, criminal justice, adult and child protective services, mental health providers, general public, and medical and treatment providers throughout the State of Texas. Furthermore, the Texas OAG's website contains the crime victim compensation eligibility requirements, compensation benefits that can be awarded, and instructions for applying online. In our judgment, the Texas OAG enhanced public awareness of victim compensation benefits for crime victims in a variety of ways, and we encourage the Texas OAG to continue exploring initiatives to increase public awareness of its crime victim compensation program.

Annual State Certification

State administering agencies must submit an annual Crime Victim Compensation State Certification Form, which provides the OVC 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. The OVC 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 eligible payout amount for award consideration is determined after deducting payments made

with VOCA Funds, subrogation and restitution recoveries, refunds, amounts awarded for property loss, and other reimbursements. 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 Texas OAG's controls for preparing the annual certification forms submitted to the OVC for FYs 2015 through 2019, which were used to calculate the award amounts granted in FYs 2017 through 2021.⁴ We reviewed the annual certification forms, including the financial support for the payouts and revenues. Our review focused on the accuracy of the annual state certification forms, including total funds paid, payouts made with VOCA funds, subrogation recoveries, restitution recoveries, and recovery costs. Using official accounting records provided by the Texas OAG, we attempted to reconcile the amounts reported. As shown in Table 2, we determined that the Texas OAG did not correctly calculate the amounts on its annual state certification forms. Specifically, Texas OAG subtracted more restitution from their eligible amount than was required. Our finding is discussed in greater detail below.

Table 2

Comparisons of Texas Annual State Certification Forms and the OIG Recalculation of Formula Awards

| Eligible Payout Amounts | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|----------------------|
| | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
| Texas Certification Form | \$38,079,278 | \$45,852,587 | \$45,920,363 | \$31,851,717 | \$30,164,489 |
| OIG Calculation of Certification Form | \$38,649,482 | \$46,398,729 | \$46,319,168 | \$32,237,122 | \$30,604,079 |
| Differences | (\$570,204) | (\$546,142) | (\$398,805) | (\$385,405) | (\$439,590) |
| VOCA Victim Compensation Formula Grant Award Amounts | | | | | |
| | FY 2017 | FY 2018 | FY 2019 | FY 2020 | Total Under Award |
| Actual Award Amount | \$22,848,000 | \$27,512,000 | \$27,552,000 | \$19,111,000 | |
| Award Amount Based on OIG Calculation | \$23,190,000 | \$27,839,000 | \$27,792,000 | \$19,342,000 | |
| Differences | (\$342,000) | (\$327,000) | (\$240,000) | (\$231,000) | (\$1,140,000) |

Note: The FY 2021 VOCA Victim Compensation Formula Grant Award has not been awarded.

Source: The Texas OAG state certification forms and Texas OAG financial records.

According to the VOCA Guidelines, "Restitution is payment made by the offender to the victim who was injured in the crime, to the legal guardian of a vulnerable adult or child victim, or to beneficiaries of the victim of homicide. Restitution does not refer to the general collection of fines, fees, and other penalties

⁴ The OJP's Office of the Chief Financial Officer, Budget Execution Division calculates the allocations for VOCA eligible crime victim compensation programs and OVC makes the grant awards.

from offenders that provide basic revenue for a compensation program and are not attributable to reimbursement of payouts on a specific claim.” To this end, the certification form instructions require States to enter amounts of restitution recovered by the program, including reimbursements recovered for sexual assault examinations, as well as compensation claims. We determined the Texas OAG included all restitution recoveries instead of only submitting the restitution recoveries attributable to reimbursement of payouts on a specific claim, even though the Texas OAG tracks whether the restitution is related to victims not compensated by the program. As a result, we were able to calculate that the Texas OAG overstated the restitution recoveries by \$2,340,146 on the FYs 2015 through 2019 state certification forms. Given that the award cycle relies upon the recorded fiscal activity from 2 years prior, the net effect of the overstatement of restitution recoveries resulted in the Texas OAG receiving \$1,140,000 less in funding than what it could have been awarded in FYs 2017 through 2020. Unfortunately, Texas OAG cannot recoup the lost funds, since, according to VOCA Guidelines, if a state under certifies amounts paid to crime victims, the 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.

We discussed these discrepancies with the Texas OAG officials, who acknowledged the overstatement of restitution recoveries in the state certification forms for the audit scope period. At the time of our fieldwork, the Texas OAG policies and procedures did not distinguish between the reporting of restitution attributable to claims compensated by the VOCA program, and Texas OAG had not updated their policies and procedures for calculating restitution recoveries on future state certifications. Therefore, we recommend that OJP ensure the Texas OAG updates its policies and procedures to ensure that only the restitution attributable to claims compensated by the VOCA program are included as restitution recoveries on the state certification forms.

Program Requirements and Performance Reporting

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

Based on our overall assessment in the areas of program requirements and performance reporting, we believe that the Texas OAG: (1) implemented adequate procedures to compile annual performance reports and (2) complied with tested special conditions.

Annual Performance Reports

Each state administering agency must report to the OVC on activity funded by any VOCA awards active during the federal fiscal year. The OVC requires states to submit quarterly performance data, and after the end of the fiscal year, the Annual State Performance Report. For the victim compensation grants, the states must report the number of victims for whom an application was made; the number of victims whose victimization is the basis for the application; victim demographics; the number of applications that were received, approved, denied, and closed; and total compensation paid by service type.

In our judgment, accurate statistics are a vital tool for the OVC to use to better manage the victim compensation program. As a result, we assessed whether the Texas OAG's annual performance data reported to the OVC fairly reflected the performance figures of the victim compensation program activities by comparing the data reported in the performance reports to supporting documentation. To this end, we selected one quarter from the FYs 2018 and 2019 yearly performance reports and tested metrics from every applicable category. Based on our review of that documentation, we were generally able to reconcile the state's information to the totals the state reported to the OVC.

Compliance with Special Conditions

The special conditions of a federal grant award establish specific requirements for grant recipients. In its grant application documents, the Texas OAG certified it would comply with these special conditions. We reviewed the special conditions for each VOCA victim compensation program grants and identified special conditions that we deemed significant to grant performance which are not otherwise addressed in another section of this report. The special conditions we tested required that:

- The recipient ensures that at least one key grantee official attends the annual VOCA National Training Conference.
- Both the point of contact and all financial points of contact for this award successfully complete the OJP Financial Management trainings.

We found that the Texas OAG complied with the tested special conditions.

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 the Texas OAG's financial management of the VOCA victim compensation grants, we reviewed the process the Texas OAG used to administer these funds by examining expenditures charged to the grants, subsequent drawdown requests, and resulting financial reports. To further evaluate Texas OAG's financial management of the VOCA victim compensation grants, we also reviewed the Single Audit Reports for FYs 2017, 2018, and 2019 did not find any significant deficiencies or material weaknesses specifically related to the Texas OAG. We also interviewed Texas OAG personnel who were responsible for financial aspects of the grants, reviewed Texas OAG 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 the Texas OAG generally implemented adequate controls over claim payments and administrative expenditures associated with managing the victim compensation program. However, we identified unsupported and unallowable expenditures, and claims with untimely processing times.

Grant Expenditures

State administering agency VOCA compensation expenses 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. 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.

Victim Compensation Claim Expenditures

Victims of crime in the state of Texas submit claims for reimbursement of expenses incurred as a result of victimization, such as medical and funeral costs or loss of wages. Texas OAG staff adjudicate these claims for eligibility and make payments from the VOCA victim compensation grants and state funding. The Texas OAG's program is divided into six sections with distinct tasks and responsibilities and uses system controls such as edit checks, segregation of duties, and supervisory review. Further, to ensure that appropriate policies and procedures have been applied by the Case Managers, a Quality Assurance Monitor should review a minimum of four claims per Case Manager per quarter. These controls work to ensure adequate review for accuracy as well as to detect and prevent fraud.

According to the DOJ Grants Financial Guide, there is no financial requirement for the OVC Victim Compensation Program "to identify the source of individual payments to crime victims as either federal or state dollars. However, the state agency administering funds under this program must have in place an adequate accounting system to capture and track all financial transactions related to the victim compensation grant." Because it is not required, Texas OAG does not identify the source of individual payments to crime victims as either federal or state, but rather tracks VOCA grant dollars by a budget status report. In addition, the Texas OAG's criteria provides compensable expenses consistent with federal guidelines; therefore, all payments made can be paid with either state or federal funds.

To test the effectiveness of Texas OAG's financial controls over VOCA victim compensation grant expenditures, we reviewed victim compensation claims to determine whether the payments were accurate, allowable, timely, and in accordance with the policies of the VOCA Guidelines, the Texas Administrative Code, and the Texas OAG's victim compensation policies and procedures. Because Texas does not identify the source of individual payments, our sample included all payments from the program - both state and federal. We judgmentally selected 1,413 transactions, representing approximately 1 percent of all transactions processed from FYs 2019 and 2020, and totaling \$6,734,946 of the \$140,345,235 paid out during this timeframe. The transactions we reviewed included costs across all categories, including funeral expenses, loss of wages, loss of support, physician fees, and relocation/rent expenses.

Based on our testing, we determined that generally expenditures were allowable, supported by adequate documentation, and approved in accordance with state regulations and VOCA Guidelines. However, we found 12 instances of unsupported and unallowable overpayments totaling \$10,237 and 1 instance of an underpayment to a claimant totaling \$102. Table 3 shows a summary of the testing results.

Table 3

Expenditures Testing Summary

| FY-Quarter | Overpayment/ (Underpayment) | Unallowable | Unsupported |
|--------------|--------------------------------|----------------|----------------|
| 2019-Q1 | (\$102) | N/A | N/A |
| 2019-Q2 | \$536 | \$536 | - |
| 2019-Q2 | \$1,041 | \$1,041 | - |
| 2019-Q2 | \$150 | - | \$150 |
| 2019-Q2 | \$1,825 | - | \$1,825 |
| 2019-Q2 | \$150 | - | \$150 |
| 2019-Q2 | \$1,600 | - | \$1,600 |
| 2019-Q2 | \$367 | \$367 | - |
| 2019-Q2 | \$300 | - | \$300 |
| 2019-Q3 | \$900 | - | \$900 |
| 2019-Q4 | \$2,268 | - | \$2,268 |
| 2019-Q4 | \$1,000 | - | \$1,000 |
| 2020-Q3 | \$100 | - | \$100 |
| Total | \$10,135 | \$1,944 | \$8,293 |

Source: Texas OAG expenditure documentation

As shown in Table 3, these overpayments ranged from \$100 to just under \$2,270. According to the Texas OAG, system errors such as incorrect allowable limits and Case Manager errors such as incorrect calculations and insufficient review of supporting documentation caused these issues. However, our review did not identify any systemic causes for these errors and we believe that the controls put in place by Texas OAG mitigate the risk to a reasonable level as the dollar value of the errors compared to the dollar value tested is less than 1 percent. While we do not make a formal recommendation, we do believe that Texas OAG officials should review their procedures to ensure accurate payment of claims. Overall, we identified \$1,944 in unallowable and \$8,293 in unsupported claims. However, because the Texas OAG does not identify the source of individual payments as either state or federal, we cannot readily determine if the claims noted in Table 3 were paid with federal funds. As a result, we recommend that OJP work with the Texas OAG to determine the appropriate amount of funds, if any, to be reimbursed.

Our testing also identified 19 of the 1,413 transactions (1.3 percent) were paid more than 120 days after Texas OAG had all information necessary to process the claim. Although neither the VOCA Guidelines or Texas policies and procedures establish a specific timeframe for processing claims, in our view, any delay of benefits to eligible claimants may lead to financial hardship of the crime victim. In our judgment, processing eligible claims in the timely manner would help to reduce these hardships. We discussed this issue with the Director of the Texas Crime Victims' Compensation Program, who agreed. Although, we do not make a formal recommendation in this area, Texas OAG officials should review their established process for claim processing to ensure timely reimbursement to victims of crime.

Administrative Expenditures

The state administering agency may retain up to 5 percent of each grant to pay for administering its crime victim compensation program. However, such costs must derive from efforts to improve program effectiveness and service to crime victims, including claims processing, staff development and training, and public outreach. We tested the Texas OAG’s compliance with the 5 percent limit on the administrative category of expenses and found that the Texas OAG complied with or is positioned to comply with the 5 percent administrative expenditure limitation.

In addition to testing the Texas OAG’s compliance with the 5 percent administrative allowance, we also tested a sample of administrative expenditures to ensure the transactions were allowable and supported. We judgmentally selected 14 expenditures for an IT system to improve victim application and claim processing, which represents \$1,157,700 of the \$1,667,475 charged as administrative expenditures to the victim compensation grants at the time of our fieldwork. We found that the 14 expenditures we tested were 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 reimbursements or disbursements made immediately or within 10 days. To assess whether the Texas OAG managed grant receipts in accordance with these federal requirements, we compared the total amount reimbursed to the total expenditures in the Texas OAG’s accounting system and accompanying financial records.

For the VOCA victim compensation awards, we found that the Texas OAG calculated its drawdown funding requests to reimburse the state for compensation claims paid on behalf of the victim or to the victim, and the 5 percent administrative costs. Although our testing only went through October 2020, Table 4 shows the total amount drawn down for each grant as of May 2021, the date of the most recent drawdown during our field work.

Table 4

Amount Drawn Down for Each Grant as of May 2021

| Award Number | Total Award | Award Period End Date | Drawdowns | Amount Remaining |
|---------------------|---------------------|----------------------------------|---------------------|-----------------------------|
| 2017-VC-GX-0006 | \$22,848,000 | 9/30/2020 | \$22,848,000 | \$0 |
| 2018-V1-GX-0025 | \$27,512,000 | 9/30/2021 | \$26,916,868 | \$595,133 |
| 2019-V1-GX-0025 | \$27,552,000 | 9/30/2022 | \$16,432,229 | \$11,119,771 |
| Total: | \$77,912,000 | | \$66,197,097 | \$11,714,904 |

Source: OJP

During this audit, we did not identify significant deficiencies related to the recipient's process for developing drawdown requests.

Financial Reporting

According to the 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 the Texas OAG submitted accurate Federal Financial Reports (FFR), we compared the Texas OAG's accounting records for each grant. We determined that the quarterly and cumulative expenditures for the reports reviewed matched the Texas OAG's accounting records.

Conclusion and Recommendations

Based on the results of the audit, we conclude that the Texas OAG utilized its funding to compensate victims of crime according to VOCA and state-imposed requirements. The Texas OAG established an adequate application and claims adjudication process that enhances its crime victim compensation program. The Texas OAG accurately reported information on its annual performance reports, federal financial reports, and drawdowns. We also found that Texas OAG generally processed claims in a timely matter, although we encourage the Texas OAG to continue to work towards a timely process to help ease the financial impact inflicted on victims. However, we identified areas needing corrective actions or improvements related to the Texas OAG management of its program.

Specifically, we found that the Texas OAG subtracted more restitution from their eligible amount than was required when calculating the amounts it reported on its annual state certification forms, which resulted in the Texas OAG receiving \$1,140,000 less in victim compensation funding that it was eligible to receive. Furthermore, of the 1,413 expenditures tested, we found 12 instances of unsupported and unallowable overpayments totaling \$10,237 and 1 instance of an underpayment to a claimant totaling \$102. As a result, we provide two recommendation to OJP to address these deficiencies.

We recommend that:

1. Ensure the Texas OAG updates its policies and procedures to ensure that only the restitution attributable to claims compensated by the VOCA program are included as restitution recoveries on the state certification forms.
2. Work with the Texas OAG to determine the appropriate amount of funds, if any, to be reimbursed.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

The objective of the audit was to evaluate how the Texas Office of the Attorney General (OAG) 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 2017-VC-GX-0006, 2018-V1-GX-0025, and 2019-V1-GX-0025 from the Crime Victims Fund (CVF) awarded to the Texas OAG. The Office of Justice Programs (OJP), Office for Victims of Crime (OVC) awarded these grants totaling \$77,912,000 to the Texas OAG, which serves as the state administering agency. Our audit concentrated on, but was not limited to, the period of October 1, 2016, the project start date for VOCA compensation grant number 2017-VC-GX-0006, through June 2021. As of May 2021, the Texas OAG had drawn down a total of \$66,197,097 from the four audited grants. As a result of the COVID-19 pandemic response, we performed our audit fieldwork exclusively in a remote manner.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of the Texas OAG's activities related to the audited grant(s), which included conducting interviews with state of Texas financial staff, examining policies and procedures, and reviewing grant documentation and financial records. We performed sample-based audit testing for grant expenditures, which includes administrative and claim compensation costs, 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 compensation program guidelines, the 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, JustGrants, and Performance Measurement Tool, as well as the Texas OAG 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.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of the Texas OAG to provide assurance on its internal control structure as a whole. The Texas OAG management is responsible for the establishment and maintenance of internal controls in accordance with 2 C.F.R. §200. Because we do not express an opinion on the Texas OAG's internal control structure as a whole, we offer this statement solely for the information and use of the Texas OAG and OJP.⁵

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objective(s):

| Internal Control Components & Principles Significant to the Audit Objectives |
|---|
| Control Activity Principles |
| Management should design control activities to achieve objectives and respond to risks. |
| Management should design the entity's information system and related control activities to achieve objectives and respond to risks. |
| Management should implement control activities through policies. |
| Information & Communication Principles |
| Management should use quality information to achieve the entity's objectives. |

We assessed the design, implementation, and/or operating effectiveness of these internal controls implemented at the time of our audit. The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to aspects of these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

⁵ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: The Texas Office of the Attorney General Response to the Draft Audit Report



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

July 19, 2021

Mr. David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1120 Lincoln St
Suite 1500
Denver, CO 80203

Dear Mr. Sheeren:

The Texas Office of the Attorney General (OAG) Crime Victim Compensation (CVC) Program agrees with reported observations and recommendations.

The OAG CVC's management response is denoted in Attachment A.

If you have any questions regarding this formal response, please reach out to me by email or telephone [REDACTED] or [REDACTED] (OAG Internal Audit Director at [REDACTED]).

Sincerely,

DocuSigned by:

D1D07A8A23174F8...
Mr. Gene McCleskey
Director of the OAG Crime Victim Compensation Program
Office of the Attorney General of Texas

cc: Mr. Josh Reno, Deputy Attorney General for OAG Criminal Justice
[REDACTED], Deputy Director of the OAG Crime Victim Compensation Program
[REDACTED], OAG Internal Audit Director

Remittance Method: Submitted electronically via email to David.M.Sheeren@usdoj.gov

Attachment A

OIG Recommendation – Number 1

We recommend that:

Ensure that Texas OAG updates its policies and procedures to ensure that only the restitution attributable to claims compensated by the VOCA program are included as restitution recoveries on the state certification forms.

OAG CVC Program Response for Recommendation – Number 1

The Texas OAG Crime Victims' Program (OAG CVC) concurs with the Office of Inspector General (OIG) audit finding regarding a necessary change in the methodology used to calculate restitution in the annual state certification forms. In addition, the OAG CVC Program concurs with restitution calculation observations noted for years 2017, 2018, 2019, and 2020 reviewed in this engagement.

OAG CVC Program Prior Audit Outreach to OVC and OVC State Certification Guidance Conferences

Office for Victims of Crime (OVC) conducted a series of online conferences to review the state certification form and instructions. It was during these online conferences that the OAG CVC Program was made aware of the restitution calculation methodology error used when preparing the certification form. As a result of this awareness, discussions between OVC and OAG CVC immediately took place in the summer of 2020 and OAG CVC began development of a correction action plan.

As noted above, OAG CVC became aware of the needed change in the preceding calendar quarter before the initiation of the OIG audit engagement. The OIG audit began in the fall of 2020 and OAG CVC communicated this calculation error to the auditors and conveyed that action plans to address update to applicable policies were under development.

Action Plans and Completed Actions

The OAG Crime Victim Services Division, Accounting Division, and Grants Administration Division have reviewed division policies followed for completion of the certification form; these policies are being combined into one agency policy that will be completed by September 1, 2021.

In addition, the FY 2021 certification form was prepared in accordance with OVC and OIG audit guidance regarding the methodology for recording restitution recoveries on the state certification form.

Furthermore, it appears pertinent to note that there is pending federal legislation that if passed, would remove the restitution calculation entirely from the certification form and would require OVC to update the certification form instructions.

Attachment A

OIG Recommendation – Number 2

We recommend that:

Work with the Texas OAG to determine the appropriate amount of funds, if any, to be reimbursed.

OAG CVC Program Response for Recommendation – Number 2

The Texas OAG Crime Victims' Program (OAG CVC) concurs with the OIG audit findings of the twelve transactions of unsupported and unallowable overpayments and the one transaction of an underpayment.

Eleven of the thirteen transactions were a result of employee errors in incorrect calculations or insufficient review of supporting documentation. We will coordinate with our internal OAG CVC awards section manager regarding scheduling of a section policy training on the following policies: loss of earnings also referred to as lost wages, relocation and travel to funeral expenses. The referenced trainings will be completed by October 1, 2021.

Furthermore, there were two system errors that were identified; a duplicate payment and a funeral expense limit error. The duplicate payment was an employee error in manually creating a duplicate payment that was allowed by the system due to an incorrect system permission, this system permission has been removed for all users. The funeral expense limit was found to be an incorrect date value in the database expense limit table and has been corrected.

APPENDIX 3: The 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

July 21, 2021

MEMORANDUM TO: David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin
Director *Ralph E. Martin*

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Victim Compensation Grants Awarded to the Texas Office of the Attorney General, Austin, Texas*

This memorandum is in reference to your correspondence, dated June 28, 2021, transmitting the above-referenced draft audit report for the Texas Office of the Attorney General (Texas OAG). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **two** recommendations and **no** 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 ensure the Texas OAG updates its policies and procedures to ensure that only the restitution attributable to claims compensated by the VOCA program are included as restitution recoveries on the state certification forms.**

OJP agrees with this recommendation. We will coordinate with the Texas OAG to obtain a copy of written policies and procedures, developed and implemented, to ensure that only the restitution attributable to claims compensated by the VOCA program are included as restitution recoveries on the state certification forms.

- 2. We recommend that OJP work with the Texas OAG to determine the appropriate amount of funds, if any, to be reimbursed.**

OJP agrees with this recommendation. We will coordinate with the Texas OAG to determine the amount of Federal dollars to be returned, if any, associated with the unsupported and unallowable overpayments from OJP's Victims of Crime Act, Victim Compensation Formula Program grants.

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

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

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

Kristina Rose
Director
Office for Victims of Crime

James Simonson
Acting Principal Deputy Director
Office for Victims of Crime

Katherine Darke Schmitt
Deputy Director
Office for Victims of Crime

Kathrina S. Peterson
Deputy Director
Office for Victims of Crime

Joel Hall
Associate Director, State Victim Resource
Office for Victims of Crime

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

Charlotte Grzebien
Deputy General Counsel

Phillip K. Merkle
Acting Director
Office of Communications

cc: Rachel Johnson
Acting Chief Financial Officer

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

Joanne M. Suttington
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Aida Brumme
Manager, Evaluation and Oversight Branch
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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 IT20210701085031

APPENDIX 4: The Office of the Inspector General Analysis and Summary of Actions Necessary to Close to the Audit Report

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and the Texas Office of the Attorney General (OAG). Texas OAG's response is incorporated in Appendix 2 and OJP's response is incorporated in Appendix 3 of this final report. In response to our draft audit report, OJP and the Texas OAG agreed with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for OJP:

- 1. Ensure the Texas OAG updates its policies and procedures to ensure that only the restitution attributable to claims compensated by the VOCA program are included as restitution recoveries on the state certification forms.**

Resolved. OJP agreed with this recommendation. OJP stated in its response that they will coordinate with Texas OAG to obtain a copy of written policies and procedures, developed and implemented, to ensure that only the restitution attributable to claims compensated by the VOCA programs are included as restitution recoveries on the state certification forms.

The Texas OAG also concurred with our recommendation and stated in its response that the Texas Crime Victim Services Division, Accounting Division, and Grants Administration Division have reviewed the policies for completion of the state certification form. The Texas OAG has decided to combine all the state certification for policies into one agency policy and will be completed by September 1, 2021. Texas OAG also stated that restitution recoveries for the FY 2021 state certification form was prepared in accordance with OVC and OIG audit guidance. Furthermore, Texas OAG stated that there is a pending federal legislation that if passed, would remove restitution calculation entirely from the certification form and would require OVC to update the certification form instructions.

This recommendation can be closed when we receive evidence that Texas OAG has developed policies and procedures to ensure that only restitution attributable to claims compensated by the VOCA program are included as restitution recoveries on the state certification forms.

- 2. Work with the Texas OAG to determine the appropriate amount of funds, if any, to be reimbursed.**

Resolved. OJP agreed with this recommendation. OJP stated in its response that they will coordinate with Texas OAG to determine the amount of Federal dollars to be returned, if any, associated with the unsupported and unallowable overpayments from OJP's Victim of Crime Act, Victim Compensation Formula Program grants.

The Texas OAG also concurred with our recommendation and stated in its response that 11 of the transactions were result of the employee errors in incorrect calculations or insufficient review of supporting documentation. Therefore, the Texas OAG will schedule policy training for policies on

loss of wages, relocation, and travel to funeral expenses and will be completed by October 1, 2021. Furthermore, there were two system errors that were identified: a duplicate payment and a funeral expense limit error. The duplicate payment was an employee error in manually creating a duplicate payment that was allowed by the system due to an incorrect system permission, this system permission has been removed for all users. The funeral expense limit was found to be an incorrect date value in the database expense limit table and has been corrected.

This recommendation can be closed when we receive evidence of the training conducted and that there was a discussion on the determination of the appropriate amount of funds, if any, to be reimbursed.