



# **THE DEPARTMENT OF JUSTICE'S GRANT CLOSEOUT PROCESS**

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

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# THE DEPARTMENT OF JUSTICE'S GRANT CLOSEOUT PROCESS

## EXECUTIVE SUMMARY

A strategic objective of the Department of Justice (DOJ) is to improve the crime fighting and criminal justice administration capabilities of state, local, and tribal governments.<sup>1</sup> While the federal government continues to play an important role in crime-fighting, much of the responsibility for crime control and prevention rests with state, local, and tribal governments. To this end, DOJ seeks to provide support to state, local, and tribal governments to develop their capacity to prevent and control crime and administer justice fairly and effectively through various grant, training, technical assistance, and research programs.

Within DOJ, the Office of Community Oriented Policing Services (COPS), Office of Justice Programs (OJP), and Office on Violence Against Women (OVW) are the primary agencies responsible for providing criminal justice grant funding to state, local, and tribal governments. From October 1, 1999, through March 31, 2006, DOJ awarded 49,151 grants with funds totaling \$23.65 billion. The details of the grants awarded by COPS, OJP, and OVW are shown in Table 1.

**TABLE 1. DOJ GRANTS AWARDED  
OCTOBER 1, 1999, THROUGH  
MARCH 31, 2006** (Dollars in Billions)

DOJ AWARDING AGENCY	NO. OF GRANTS	GRANT FUNDING AWARDED
COPS	9,700	\$ 3.20
OJP	36,688	18.63
OVW	2,763	1.82
<b>TOTAL</b>	<b>49,151</b>	<b>\$23.65</b>

Source: COPS, OJP, and OVW lists of grants awarded

Grant monitoring is a critical management tool to determine whether grantees have adequately implemented the grant program, achieved the grant objectives, and properly expended grant funds. An important aspect of grant monitoring and administration is timely and proper grant closeout because it is the final point of accountability for the grantee. Timely grant closeout is an essential program and financial management practice because it can identify grantees that have failed to comply with grant requirements,

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<sup>1</sup> *Department of Justice Strategic Plan, Fiscal Years 2003 - 2008.*

as well as identify excess and unallowable costs charged to the grant or unused funds that can be deobligated and used for other grants.

## **Federal Regulations Regarding Grant Closeout**

According to federal regulations, grants should be closed out when the grant has expired (reached the end date) and all open administrative, compliance, legal, and audit issues have been resolved. During the period covered by our audit, OJP and OVW policy required grants to be closed within 6 months after the grant end date. COPS did not have a specific timeframe in which expired grants should be closed. However, in our judgment, 6 months after the grant end date is a reasonable timeframe for closing out expired grants; therefore, we used the 6-month timeframe in analyzing all grants, including COPS grants.

Additionally, federal regulations require that:

- Grantees submit, within 90 calendar days after the date of completion of the grant, all financial, performance, and other reports as required by the terms and conditions of the grant.<sup>2</sup>
- Grantees liquidate all obligations incurred under the grant and request the final reimbursement (draw down) not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the grant, unless the federal awarding agency authorizes an extension.
- The awarding agency will, within 90 days after the receipt of the final financial report and draw down, make upward and downward adjustments to the allowable costs.
- The grant recipient promptly refunds any balances of unobligated cash that the federal awarding agency has advanced or paid and that is not authorized to be retained by the recipient for use in other projects.
- Financial records, supporting documents, statistical records, and all other records pertinent to a grant must be retained for a period of 3 years from the date of submission of the final financial report.

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<sup>2</sup> According to 28 C.F.R. §66.50 and 28 C.F.R. §70.71, the federal awarding agency may approve extensions when requested by the recipient.

## Background

For the past 6 years, grant management has been identified by the Office of the Inspector General (OIG) as one of DOJ's top 10 management and performance challenges. Specifically, the OIG has reported that grant management continues to be a challenge for the following reasons:

- OIG reviews continue to find that many grantees do not submit required financial and progress reports or do not submit them timely;
- Numerous deficiencies continue to be found in DOJ's monitoring of grantee activities;
- OIG audits found that grant funds were not regularly awarded in a timely manner and that grantees were slow to spend available monies; and
- More than 375 OIG audits of grants have resulted in significant dollar-related findings.

In March 2005, the OIG issued an audit report on the *Administration of Department of Justice Grants Awarded to Native American and Alaska Native Tribal Governments* (Report No. 05-18) that included an evaluation of the effectiveness of the COPS, OJP, and OVW closeout processes for tribal-specific grant programs. This audit revealed that:

- Only 20 percent of the expired grants had been closed;
- Only 21 percent of the closed grants were closed in a timely manner, within 6 months after the grant end date;
- Despite the fact that financial guidelines require that grant funds must be drawn down within 90 days after the end of the grant period, grantees were allowed to draw down grant funds more than 90 days after the grant end date; and
- Unused grant funds for expired grants, which should have reverted back to the granting agency pursuant to financial guidelines, had not been deobligated.

The OIG has issued several other reviews of COPS and OJP's grant management that describe concerns related to grant closeout. Specifically:

- *U.S. Department of Justice Annual Financial Statement, Fiscal Year*

2005, Audit Report No. 06-17, March 2006, found that OJP program managers were not consistently closing out grants in accordance with existing policy or adequately documenting a justification for the delay. The report also found insufficient communication between the OJP program offices and the OJP Office of the Comptroller (OC) to ensure that once grants are closed remaining funds are deobligated in a timely manner. In addition, the OC did not adequately work with grantees to ensure that all financial criteria were met; as a result, the OC was not able to deobligate all remaining funds as required.<sup>3</sup>

- *Office of Justice Programs Technical Assistance and Training Program*, Audit Report No. 04-40, September 2004, found that OJP grant managers did not ensure that required financial and progress reports were submitted timely and accurately, and other monitoring and closeout requirements were not being adhered to.
- *Streamlining of Administrative Activities and Federal Financial Assistance Functions in the Office of Justice Programs and the Office of Community Oriented Policing Services*, Audit Report No. 03-27, August 2003, found that OJP did not maintain in its Grant Management System information related to grant monitoring and closeout after the grant was awarded.
- *Management and Administration of the Community Policing Services Grant Program*, Audit Report No. 99-21, July 1999, found that COPS had not deobligated remaining funds for 127 of 500 expired grants totaling over \$15 million. Moreover, the remaining funds for 373 grants that were deobligated were not done so in a timely manner.

In sum, prior audit reports identified significant and continuing concerns related to grant closeout within DOJ.

## **Audit Approach**

Based on the frequency and magnitude of the findings related to grant closeout in the previous reports, and the fact that for the past 6 years grant management has been identified by the OIG as one of DOJ's top 10 management and performance challenges, we conducted an audit of the

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<sup>3</sup> These findings were also identified in *U.S. Department of Justice Annual Financial Statement, Fiscal Year 2003 as Restated*, Audit Report No. 05-36, September 2005; and *U.S. Department of Justice Annual Financial Statement, Fiscal Year 2004 as Restated*, Audit Report No. 05-38, September 2005.

COPS, OJP, and OVW closeout processes to determine whether their grant closeout policies and procedures are adequate to ensure that:

- Expired grants are closed in a timely manner;
- Grant funds are drawn down in accordance with federal regulations, DOJ policy, and the terms and conditions of the grant; and
- Unused grant funds are deobligated prior to closeout.

Our review included 60,933 expired COPS, OJP, and OVW grants totaling \$25.02 billion. These grants consisted of 44,197 grants totaling \$17.61 billion that were closed from October 1997 through December 2005, and 16,736 expired grants totaling \$7.41 billion that had not been closed as of December 2005. The details of our universe related to COPS, OJP, and OVW is shown in Table 1.

**TABLE 1. EXPIRED DOJ GRANTS UNIVERSE** (Dollars in Billions)

	<b>COPS</b>	<b>OJP</b>	<b>OVW</b>	<b>TOTAL</b>
No. of Closed Grants	12,840	30,488	869	44,197
No. of Expired Grants Not Closed	10,603	5,452	681	16,736
<b>TOTAL NO. OF GRANTS</b>	<b>23,443</b>	<b>35,940</b>	<b>1,550</b>	<b>60,933</b>
Funding for Closed Grants	\$2.98	\$13.92	\$0.71	\$17.61
Funding for Expired Grants Not Closed	3.49	3.31	0.60	7.40
<b>TOTAL FUNDING<sup>4</sup></b>	<b>\$6.47</b>	<b>\$17.23</b>	<b>\$1.31</b>	<b>\$25.01</b>

Source: COPS, OJP, and OVW lists of closed and expired grants

## Summary of Findings and Recommendations

Overall, we found that OJP, COPS, and OVW substantially failed to ensure that grants were closed appropriately and in a timely manner. If the grants had been closed out more timely, hundreds of millions of dollars in questioned costs could have been used to provide the DOJ with additional resources to fund other programs or returned to the federal government's general fund.

Our audit includes findings related to our analysis of three general areas: (1) timeliness of grant closeout, (2) drawdowns on expired grants,

<sup>4</sup> Throughout this report, differences in the total amounts are due to rounding, in that the sum of individual numbers prior to rounding reported may differ from the sum of the individual numbers rounded.

and (3) unused grant funds on expired grants. As discussed in the following sections, we found that:

- COPS, OJP, and OVW failed to ensure that grants were closed in a timely manner. Only 13 percent of the 60,933 grants included in our sample were closed within 6 months of the grant end date. Further, we identified a backlog of 12,505 expired grants, more than 6 months past the grant end date that had not been closed.
- Forty-one percent of the expired grants that we sampled did not comply with grant requirements, including financial and programmatic reporting requirements and local matching fund requirements. Despite this, non-compliant grantees were awarded 129 additional grants totaling \$106.04 million during the period of non-compliance.
- Despite the fact that grantees must draw down all allowable grant funds within 90 days after the grant end date (the 90-day liquidation period), grantees were allowed to draw down funds totaling \$554.19 million after the end of the liquidation period.
- Based on a sample of 66 grants with drawdowns more than 90 days past the grant end date totaling \$75.90 million, we found that the drawdowns included unallowable costs totaling \$5.7 million and unsupported costs totaling \$574,940. Additionally, we identified drawdowns totaling \$13.04 million for which we were unable to determine if the drawdowns included unallowable or unsupported costs because the accounting records or supporting documentation was no longer available.<sup>5</sup>
- Unused grant funds totaling \$172.28 million related to grants that were more than 90 days past the grant end date had not been deobligated and put to better use.

The following sections describe our findings in more detail.

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<sup>5</sup> It should be noted that we did not question the unallowable and unsupported costs identified during our on-site reviews. The sample of 66 grants with drawdowns totaling \$75.90 million that occurred more than 90 days past the grant end date were already included in the question costs totaling \$554.19 million that we previously identified in this finding.

## Closed Grants

The timely closeout of expired grants has been a long-standing problem within DOJ. Based on our review of the 44,197 grants closed by COPS, OJP, and OVW, we found that timely grant closeout continues to be a significant problem, as shown in Table 2.

**TABLE 2. ANALYSIS OF CLOSED DOJ GRANTS**

<b>NO. OF MONTHS TO GRANT CLOSEOUT</b>	<b>NO. OF COPS GRANTS</b>	<b>NO. OF OJP GRANTS</b>	<b>NO. OF OVW GRANTS</b>	<b>TOTAL NO. OF GRANTS</b>
6 to 12 Months	485	4,629	206	5,320
13 to 24 Months	1,591	8,483	264	10,338
25 to 36 Months	2,322	3,529	142	5,993
37 to 48 Months	4,558	3,576	66	8,200
49 to 60 Months	2,686	1,866	34	4,586
> 60 Months	1,063	2,986	47	4,096
<b>TOTAL</b>	<b>12,705</b>	<b>25,069</b>	<b>759</b>	<b>38,533</b>

Source: COPS, OJP, and OVW list of closed grants

Specifically, this chart demonstrates that:

- 38,533 grants (87 percent) were not closed within 6 months after the grant end date;
- 22,875 grants (52 percent) were not closed until more than 2 years after the grant end date; and
- 4,096 grants (9 percent) were not closed until more than 5 years after the grant end date.

However, we found that COPS, OJP, and OVW have made some improvements in the timeliness of grant closeout. Specifically:

- On average, the grants closed by COPS in 2003 had been expired for 4 years before they were closed; conversely, the grants closed in 2005 had only been expired for 2.8 years.
- On average, the grants closed by OJP in 2004 had been expired for 2.6 years before they were closed; conversely the grants closed in 2005 had only been expired for 1.5 years.
- On average, the grants closed by OVW in 2004 had been expired for 2.2 years before they were closed; conversely the grants closed in 2005 had only been expired for 1.3 years.

Further, since 2002 it appears that grant closeout has become a higher priority within DOJ. Of the 44,197 closed grants, we found that only 9 percent were closed between 1998 and 2001, while 91 percent were closed between 2002 and 2005. Despite these improvements, we found that a significant backlog of expired grants that have not been closed still exists within COPS, OJP, and OVW.

*Expired Grants That Have Not Been Closed*

Based on our review of the 16,736 expired grants that had not been closed, we identified a significant backlog of grants more than 6 months past their end dates, as shown in Table 3.

**TABLE 3. ANALYSIS OF EXPIRED DOJ GRANTS THAT HAVE NOT BEEN CLOSED**

<b>No. OF MONTHS PAST GRANT END DATE</b>	<b>No. OF COPS GRANTS</b>	<b>No. OF OJP GRANTS</b>	<b>No. OF OVW GRANTS</b>	<b>TOTAL No. OF GRANTS</b>
< 6 Months	1,114	2,806	311	4,231
6 to 12 Months	868	502	139	1,509
13 to 24 Months	1,760	720	157	2,637
25 to 36 Months	1,532	900	29	2,461
37 to 48 Months	1,611	359	18	1,988
49 to 60 Months	1,400	55	12	1,467
> 60 Months	2,318	110	15	2,443
<b>TOTAL</b>	<b>10,603</b>	<b>5,452</b>	<b>681</b>	<b>16,736</b>

Source: COPS, OJP, and OVW list of expired grants

Specifically, this chart demonstrates that:

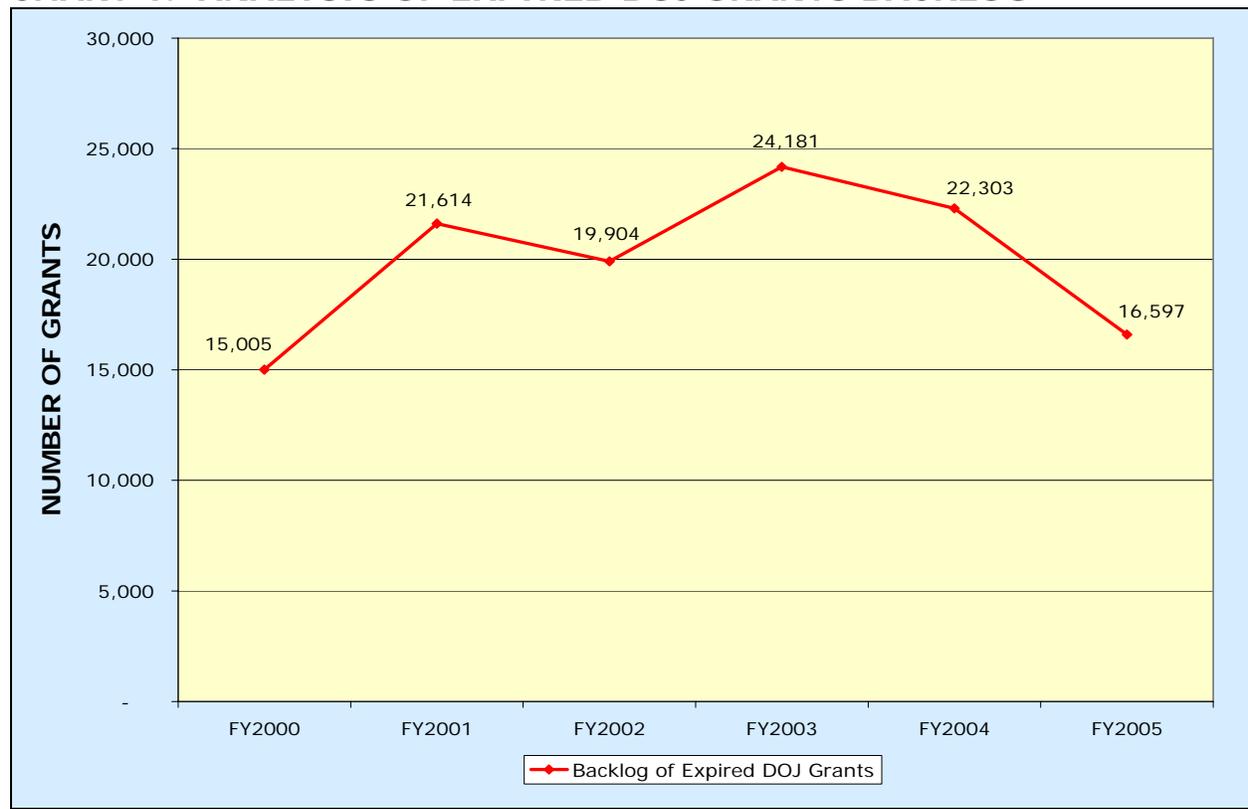
- 12,505 grants (75 percent) had been expired more than 6 months but had not been closed;
- 8,359 grants (50 percent) had been expired more than 2 years but had not been closed; and
- 2,443 grants (15 percent) had been expired more than 5 years but had not been closed.

We determined that on average: (1) the COPS grants had been expired for more than 3.5 years without being closed, (2) the OJP grants had been expired for more than 2 years without being closed, and (3) the OVW grants had been expired for more than 1.5 years without being closed.

## Expired Grants Backlog

In addition to improving the timeliness of the closeout process, it is important that DOJ eliminate the backlog of expired grants that have not been closed to determine: (1) if grantees complied with grant requirements, (2) grant funds were expended properly, and (3) unused funds are deobligated. Therefore, we analyzed the backlog of expired grants that had not been closed to determine if it was increasing or decreasing. We found that the backlog increased slightly from FYs 2000 to 2005, but has been declining since 2003, as shown in Chart 1.

**CHART 1. ANALYSIS OF EXPIRED DOJ GRANTS BACKLOG**



Source: OIG analysis of expired COPS, OJP, and OVW grants as of FY 2005 and grants awarded between FYs 2000 and 2005

As shown in Chart 1, the backlog of expired DOJ grants that had not been closed increased by 1,592 grants between FYs 2000 and 2005. Specifically:

- The backlog of expired COPS grants increased by 2,791 grants between FYs 2000 and 2005.
- The backlog of expired OJP grants decreased by 1,728 grants between FYs 2000 and 2005.

- The backlog of expired OVW grants increased by 529 grants between FYs 2000 and 2005.

While the overall backlog of expired grants that have not been closed increased between FYs 2000 and 2005, the overall backlog has decreased since FY 2003. However, COPS, OJP, and OVW still need to make significant improvements in their closeout processes in order to substantially eliminate the backlog of expired grants that have not been closed.

### *Drawdowns on Expired Grants*

According to 28 C.F.R. § 66.23, grantees are required to liquidate all obligations incurred under the grant award not later than 90 days after the end of the funding period. Additionally, according to 28 C.F.R. §66.50(b), within 90 days after the expiration of the grant, the grantee must submit the final request for payment (drawdown).<sup>6</sup> At the request of the grantee, the DOJ awarding agency may extend the liquidation period. In other words, the grantee must draw down all allowable grant funds within 90 days after the grant end date, unless an extension is authorized. If an extension is not authorized, any grant funds not drawn down within the 90-day liquidation period should revert back to the DOJ awarding agency to be regranted or returned to the general fund. During the period included in our audit, COPS, OJP, and OVW also had requirements in their own policies that required grantees to draw down all allowable grant funds within 90 days after the grant end date to coincide with the grantee's submission of its required final financial report.<sup>7</sup>

However, we found that the current practices of COPS, OJP, and OVW do not conform to federal regulations and their own policies. In fact, we found that a common practice of COPS, OJP, and OVW was to contact

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<sup>6</sup> 28 C.F.R. § 66.50(b) requires that within 90 days after the expiration of the grant, the grantee must submit the final request for payment, Standard Form 270 (SF 270). The C.F.R. is outdated in that the DOJ awarding agencies no longer use the SF 270, Request for Advance or Reimbursement. Instead, grantees request funds (drawdown) using: (1) Phone Activated Paperless Request System (PAPRS); or (2) Letter-of-Credit Electronic Certification System (LOCES). Generally, funds will be deposited into the grantees financial institution within 48 hours after the drawdown request is received. In our judgment, although the DOJ awarding agencies no longer use the SF 270 cited in 28 C.F.R. § 66.50, grantees are still required to draw down all allowable grant funds within 90 days after the grant end date.

<sup>7</sup> 28 C.F.R. § 66.50 requires that within 90 days after the expiration of the grant, the grantee must submit the final financial report. The OJP financial guide does not require the final financial report to be submitted until 120 days after the expiration of the grant, which contradicts the C.F.R. The OJP has recognized this problem and is planning to revise the financial guide.

grantees and instruct them to draw down any remaining funds even though the 90-day liquidation period has passed. The DOJ awarding agencies spend a significant amount of time following up with grantees to ensure that funds are drawn down more than 90 days after the end date but before the grant is closed. This practice not only violates federal regulations, it also contributes to the failure to close out grants in a timely manner.

Based on our review of 60,933 expired grants totaling \$25.02 billion, we found that COPS, OJP, and OVW allowed grantees to draw down funds from 8,917 expired grants totaling \$554.19 million more than 90 days past the grant end date. We are questioning this amount as unallowable because federal regulations and component policy prohibit drawdowns more than 90 days past the grant end date. The details of our questioned costs related to COPS, OJP, and OVW is shown in Table 4.

**TABLE 4. DRAWDOWNS OCCURRING 90 DAYS PAST THE GRANT END DATE** (Dollars in Millions)

No. of Years Past End Date	COPS		OJP		OVW	
	No. of Grants	Amount Drawn Down	No. of Grants	Amount Drawn Down	No. of Grants	Amount Drawn Down
90 Days to 12 Months	3,133	\$120.08	2,615	\$189.66	302	\$25.41
13 to 24 Months	819	54.80	478	75.64	72	10.30
25 to 36 Months	521	26.17	161	20.60	14	0.84
37 to 48 Months	450	14.82	50	3.05	10	0.39
49 to 60 Months	177	5.66	18	0.48	5	0.28
> 60 Months	77	5.33	14	0.62	1	0.07
<b>TOTAL</b>	<b>5,177</b>	<b>\$226.86</b>	<b>3,336</b>	<b>\$290.06</b>	<b>404</b>	<b>\$37.28</b>

Source: COPS, OJP, and OVW list of expired grants and grant payment histories

#### *Impact of Drawdowns on Expired Grants*

To determine the potential impact in allowing grantees to draw down funds after the 90-day liquidation period, we selected a judgmental sample of 90 grants for which drawdowns occurred at least 1 year after the end of the grant liquidation period. We reviewed the most recent financial reports for the 90 grants in our sample and found that:

- Grantees reported costs for periods that occurred after the grant end date for 53 percent of the sample grants, indicating that over \$6.09 million in unallowable costs may have been included in the drawdowns occurring after the end of the liquidation period.
- Expenditures reported on the financial reports provided did not support the total drawdowns for 9 percent of the sample grants, indicating that

\$116,950 in unsupported costs may have been included in the drawdowns occurring after the end of the liquidation period.

Based on our review of the financial reports for the 90 grants in our sample, we developed concerns that drawdowns occurring after the end of the 90-day liquidation period included unallowable and unsupported costs. As a result, we selected an additional sample of 66 grants with drawdowns more than 90 days past the grant end date totaling \$75.90 million. For each grant in our sample, we conducted a limited review of expenditures at the grantee's location to determine whether the drawdowns included costs that were obligated after the grant end date or unsupported costs.<sup>8</sup>

Based on our review, we found that the drawdowns included unallowable costs totaling \$5.7 million for expenditures obligated after the grant end date or paid after the end of the 90-day liquidation period. We also identified unsupported drawdowns totaling \$574,940. Additionally, we identified drawdowns totaling \$13.04 million for which we were unable to determine if the drawdowns included unallowable or unsupported costs because the accounting records or supporting documentation was no longer available. The results of these reviews appear to confirm our initial concern that drawdowns occurring after the grant end date are likely to include unallowable or unsupported costs.

#### *Funds Remaining on Expired Grants*

As stated previously, timely closeout of grants is an essential financial management practice to ensure that any unliquidated grant funds are recovered and used for other programs, as permitted by statute, or returned to the general fund. During our audit, we identified unused grant funds totaling \$163.96 million that had not been deobligated and put to better use. These funds were related to expired grants more than 90 days past the grant end date that had not been closed, for which the grantees had neither requested nor received an extension of the time in which to draw down funds. The details of the funds that should be deobligated and put to better use are shown in Table 5.

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<sup>8</sup> We found that the grantees had not maintained records for 9 grants with drawdowns totaling \$36.14 million; therefore, we were unable to review the expenditures for these grants and the results of our analysis are based on 57 grants with drawdowns totaling \$435.03 million.

**TABLE 5. UNUSED GRANT FUNDS FOR EXPIRED GRANTS 90 DAYS PAST THE GRANT END DATE** (Dollars in Millions)

NO. OF YEARS PAST END DATE	COPS		OJP		OVW	
	NO. OF GRANTS	UNUSED GRANT FUNDING	NO. OF GRANTS	UNUSED GRANT FUNDING	NO. OF GRANTS	UNUSED GRANT FUNDING
90 Days to 12 Months	691	\$33.18	517	\$42.79	158	\$9.30
13 to 24 Months	470	25.63	164	9.16	79	2.65
25 to 36 Months	385	11.40	81	2.25	19	0.39
37 to 48 Months	252	7.39	30	2.92	15	0.98
49 to 60 Months	206	5.14	26	2.41	8	0.28
> 60 Months	201	5.85	39	1.54	9	0.69
<b>TOTAL</b>	<b>2,205</b>	<b>\$88.59</b>	<b>857</b>	<b>\$61.08</b>	<b>288</b>	<b>\$14.29</b>

Source: COPS, OJP, and OVW list of expired grants and the grant payment histories

Additionally, we identified 309 grants reported as closed, with unused funds totaling \$8.32 million that had not been deobligated and put to better use. These included 103 COPS grants with unused funds totaling \$4.87 million, 195 OJP grants with remaining funds totaling \$3.49 million, and 11 OVW grants with remaining funds totaling \$102,595.

### *Conclusion*

Grant closeout is a critical component of grant monitoring because it is the final point of accountability for the grantee. Timely grant closeout is an essential program and financial management practice to identify grantees that have failed to comply with grant requirements, as well to identify any excess funds. Our audit found that DOJ substantially failed to ensure that grants were closed in a timely manner.

If grants are not closed in a timely manner, non-compliant grantees may not be identified until years after the grant end date. Our analysis of a sample of expired grants that had not been closed found that 41 percent of the grantees were not compliant with grant requirements, including financial and programmatic reporting requirements and local matching fund requirements. Nonetheless, these non-compliant grantees were awarded 129 additional grants totaling \$106.04 million during the period of non-compliance.

### **Recommendations**

Our report contains 44 recommendations that focus on specific steps that COPS, OJP, and OVW should take to improve the grant closeout process. These recommendations include requiring that:

- Expired grants are closed within 6 months of the grant end date;
- Timelines are established for eliminating the backlog of expired grants that have not been closed;
- Grantees are prohibited from drawing down grant funds after the end of the 90-day liquidation period, unless an extension is requested by the grantee and approved by the DOJ awarding agency;
- Questioned costs related to drawdowns after the end of the 90-day liquidation period are addressed; and
- Unused grant funds for expired and closed grants are deobligated in a within 6 months after the grant end date and put to better use.

**THE DEPARTMENT OF JUSTICE'S  
GRANT CLOSEOUT PROCESS**

**TABLE OF CONTENTS**

<b>INTRODUCTION</b> .....	<b>1</b>
Federal Regulations Regarding Grant Closeout .....	2
DOJ Top Management Challenges .....	4
Prior Reviews Regarding Grant Closeout .....	4
Audit Objectives .....	6
<b>FINDINGS AND RECOMMENDATIONS</b> .....	<b>8</b>
I.    TIMELINESS OF GRANT CLOSEOUT .....	8
Grant Closeout Policy .....	9
Audit Approach .....	9
Closed Grants .....	10
<i>Office of Community Oriented Policing Services</i> .....	10
<i>Office of Justice Programs</i> .....	12
<i>Office on Violence Against Women</i> .....	13
<i>Priority of Grant Closeout</i> .....	15
Expired Grants That Have Not Been Closed .....	16
<i>Office of Community Oriented Policing Services</i> .....	16
<i>Office of Justice Programs</i> .....	17
<i>Office on Violence Against Women</i> .....	18
Expired Grants Backlog .....	18
Agency Estimate of Current Status of Backlog .....	19
OIG Analysis of Backlog .....	19
Current Closeout Practices .....	23
<i>Office of Community Oriented Policing Services</i> .....	24
<i>Office of Justice Programs</i> .....	26
<i>Office on Violence Against Women</i> .....	27
Conclusion .....	27
Recommendations .....	28
II.    DRAWDOWNS ON EXPIRED GRANTS .....	30
Costs Charged After the Liquidation Period .....	34

Current Drawdown Practices .....	37
Conclusion .....	40
Recommendations.....	41
<b>III. FUNDS REMAINING ON EXPIRED GRANTS .....</b>	<b>44</b>
Funds Remaining on Expired Grants .....	44
Recommendations.....	46
<b>STATEMENT ON INTERNAL CONTROLS .....</b>	<b>48</b>
<b>STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS.....</b>	<b>49</b>
<b>APPENDIX I - SCHEDULE OF DOLLAR-RELATED FINDINGS .....</b>	<b>50</b>
<b>APPENDIX II - OBJECTIVES, SCOPE, AND METHODOLOGY.....</b>	<b>51</b>
<b>APPENDIX III - GRANT CLOSEOUT FINDINGS IDENTIFIED BY THE OJP'S BUSINESS PROCESS IMPROVEMENT DESIGN GROUP.....</b>	<b>55</b>
<b>APPENDIX IV - COPS RESPONSE TO THE DRAFT REPORT .....</b>	<b>60</b>
<b>APPENDIX V- OJP RESPONSE TO THE DRAFT REPORT .....</b>	<b>66</b>
<b>APPENDIX VI - OVW RESPONSE TO THE DRAFT REPORT .....</b>	<b>73</b>
<b>APPENDIX VII - ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT .....</b>	<b>80</b>

## INTRODUCTION

A strategic objective of the Department of Justice (DOJ) is to improve the crime fighting and criminal justice administration capabilities of state, local, and tribal governments.<sup>9</sup> This objective is incorporated in the DOJ Strategic Plan, which includes the goals, objectives, and strategies for achieving its mission. DOJ's strategies for achieving this objective include:

- providing resources to state, local, and tribal jurisdictions to enhance law enforcement efforts;
- providing direct technical support to state, local, and tribal law enforcement;
- facilitating the prosecution and adjudication of federal, state, local, and tribal laws;
- enhancing the human and technological capability of state, local, and tribal jurisdictions to share information and resources to combat crime; and
- providing funding, information, training, and technical assistance to state, local, and tribal governments to prevent juvenile delinquency and improve the juvenile justice system.

While the federal government continues to play an important role in crime-fighting, much of the responsibility for crime control and prevention rests with state, local, and tribal governments. DOJ seeks to provide leadership and support to these agencies to develop their capacity to prevent and control crime and administer justice fairly and effectively through various grant, training, technical assistance, and research programs.

Within DOJ, the Office of Community Oriented Policing Services (COPS), Office of Justice Programs (OJP), and Office on Violence Against Women (OVW) are the primary agencies responsible for providing grant funding through an extensive, varied portfolio of criminal and juvenile justice grant programs, training, and technical assistance. In addition to awarding grants, COPS, OJP, and OVW are also responsible for managing and administering the programmatic and financial aspects of the grant once it has been accepted. From October 1, 1999, through March 31, 2006, DOJ

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<sup>9</sup> *Department of Justice Strategic Plan, Fiscal Years 2003 - 2008.*

awarded 49,151 grants with funds totaling \$23.65 billion. The details of the grants awarded related to COPS, OJP, and OVW is shown in Table 1.<sup>10</sup>

**TABLE 1. DOJ GRANTS AWARDED**

(Dollars in Billions)

<b>DOJ AWARDING AGENCY</b>	<b>NO. OF GRANTS</b>	<b>GRANT FUNDING AWARDED</b>
COPS	9,700	\$ 3.20
OJP	36,688	18.63
OVW	2,763	1.82
<b>TOTAL</b>	<b>49,151</b>	<b>\$23.65</b>

Source: COPS, OJP, and OVW lists of grants awarded

Grant monitoring is a critical management tool to determine whether grantees have implemented the program, achieved the objectives, and properly expended funds. An important aspect of grant monitoring and administration is timely and proper grant closeout because it is the final point of accountability for the grantee. Timely grant closeout is an essential program and financial management practice to identify grantees that have failed to comply with all grant requirements, as well as any excess and unallowable costs charged to the grant, and unused funds that should be deobligated. Therefore, timely grant closeout is necessary to determine whether grant programs are effectively meeting the criminal justice needs of state, local, and tribal governments.

### **Federal Regulations Regarding Grant Closeout**

According to federal regulations, official closeout of a grant should occur when the awarding agency determines that the grantee has completed all applicable administrative actions and work required under the grant.<sup>11</sup> Grants should be closed out when the grant has expired (reached the end date) and all open administrative, compliance, legal, and audit issues have been resolved. A federal awarding agency may choose to close a grant administratively if the grantee fails to provide the required documents, is no longer a valid operating entity, is non-responsive, or fails to cooperate. During the period covered by our audit, OJP and OVW policy required grants to be programmatically closed within 6 months after the grant end date. COPS did not have a specific timeframe in which expired grants should be

<sup>10</sup> This information is to provide a perspective on the number of grants and amount of grant funding awarded by DOJ and is not our audit universe, which is discussed later in the report.

<sup>11</sup> Policy and regulations concerning the grant closeout process are contained in the following citations: (1) Code of Federal Regulations (C.F.R.), Title 28; (2) OMB Circulars A-102, A-110, and A-123; and (3) the COPS, OJP, and OVW policies and procedures.

closed.<sup>12</sup> However, in our judgment 6 months after the grant end date is a reasonable timeframe for closing out expired grants; therefore, we used the 6-month timeframe in analyzing all grants, including COPS grants.

Additionally, federal regulations require that:

- Grantees submit, within 90 calendar days after the date of completion of the grant, all financial, performance, and other reports as required by the terms and conditions of the grant.<sup>13</sup>
- Grantees liquidate all obligations incurred under the grant and request the final reimbursement (draw down) not later than 90 calendar days after the funding period or the date of completion, as specified in the terms and conditions of the grant, unless the federal awarding agency authorizes an extension.
- The awarding agency will, within 90 days after the receipt of the final financial report and draw down, make upward and downward adjustments to the allowable costs.
- The federal awarding agencies make prompt payments to a grant recipient for allowable reimbursable costs under the grant being closed out.
- The grant recipient promptly refund any balances of unobligated cash that the federal awarding agency has advanced or paid and that is not authorized to be retained by the recipient for use in other projects.<sup>14</sup>

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<sup>12</sup> On March 31, 2005, COPS issued a memorandum entitled *Expired Grant Policy and Procedures*. The purpose of this memorandum was to set forth policy, provide procedural guidance, and delineate responsibilities across the agency for addressing COPS grants prior to and following expiration. However, this policy did not express a specific timeframe in which expired grants should be closed.

<sup>13</sup> According to 28 C.F.R. §66.50 and 28 C.F.R. §70.71, the federal awarding agency may approve extensions when requested by the recipient.

<sup>14</sup> OMB Circular A-129 governs unreturned amounts that become delinquent debts.

- Financial records, supporting documents, statistical records, and all other records pertinent to a grant must be retained for a period of 3 years from the date of submission of the final financial report.<sup>15</sup>

## **DOJ Top Management Challenges**

For the past 6 years, grant management has been identified by the Office of the Inspector General (OIG) as one of DOJ's top 10 management and performance challenges.<sup>16</sup> Specifically, the OIG has reported that grant management continues to be a challenge for the following reasons:

- OIG reviews continue to find that many grantees do not submit financial and progress reports;
- Numerous deficiencies continue to be found in monitoring of grantee activities;
- Audits found that grant funds were not regularly awarded in a timely manner and grantees were slow to spend available monies; and
- More than 375 OIG audits of grants have resulted in significant dollar-related findings.

## **Prior Reviews Regarding Grant Closeout**

In March 2005, the OIG issued an audit report on the *Administration of Department of Justice Grants Awarded to Native American and Alaska Native Tribal Governments*, Report No. 05-18, that included an evaluation of the effectiveness of the COPS, OJP, and OVW closeout processes for tribal-specific grant programs. This audit revealed that:

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<sup>15</sup> According to 28 C.F.R. §66.42 and 28 C.F.R. §70.53, the following are exceptions to the record retention and access requirements: (1) if any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken; (2) records for real property and equipment acquired with federal funds must be retained for 3 years after final disposition; (3) when records are transferred to or maintained by the Department, the 3-year retention requirement is not applicable to the recipient; (4) if the indirect cost proposal was submitted for negotiation then the 3-year retention period for its supporting records starts on the date of the submission; (5) if the indirect cost proposal was not submitted for negotiation then the 3-year retention period for the proposal, plan, or other computation and its supporting records starts at the end of the fiscal year (or other accounting period) covered by the proposal.

<sup>16</sup> Since 1998, the OIG has created a list of the top management challenges facing DOJ. Initially, the report was created in response to congressional requests. By statute this list is now required to be included in DOJ's annual *Performance and Accountability Report*.

- Only 21 percent of the closed grants were closed in a timely manner, within 6 months after the grant end date;
- Despite the fact that financial guidelines require that grant funds must be drawn down within 90 days after the end of the grant period, grantees were allowed to draw down grant funds more than 90 days after the grant end date; and
- Unused grant funds for expired grants, which should have reverted back to the granting agency pursuant to financial guidelines, had not been deobligated.

The OIG has issued several other reviews of COPS and OJP's grant management that include concerns related to grant closeout that are also identified in this audit. Specifically:

- *U.S. Department of Justice Annual Financial Statement, Fiscal Year 2005*, Audit Report No. 06-17, March 2006, found that OJP program managers were not consistently closing out grants in accordance with existing policy or adequately documenting a justification for the delay. The report also found insufficient communication between the OJP program offices and the OJP Office of the Comptroller (OC) to ensure that once grants are closed remaining funds are deobligated in a timely manner. In addition, the OC did not adequately work with grantees to ensure that all financial criteria were met; as a result, the OC was not able to deobligate all remaining funds as required.<sup>17</sup>
- *Office of Justice Programs Technical Assistance and Training Program*, Audit Report No. 04-40, September 2004, found that OJP grant managers did not ensure that required financial and progress reports were submitted timely and accurately, and other monitoring and closeout requirements were not being adhered to.
- *Streamlining of Administrative Activities and Federal Financial Assistance Functions in the Office of Justice Programs and the Office of Community Oriented Policing Services*, Audit Report No. 03-27, August 2003, found that OJP did not maintain in its Grant Management System information related to grant monitoring and closeout after the grant was awarded.

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<sup>17</sup> These findings were also identified in *U.S. Department of Justice Annual Financial Statement, Fiscal Year 2003 as Restated*, Audit Report No. 05-36, September 2005; and *U.S. Department of Justice Annual Financial Statement, Fiscal Year 2004 as Restated*, Audit Report No. 05-38, September 2005.

- *Management and Administration of the Community Policing Services Grant Program*, Audit Report No. 99-21, July 1999, found that COPS had not deobligated remaining funds for 127 of 500 expired grants totaling over \$15 million. Moreover, the remaining funds for 373 grants that were deobligated were not done so in a timely manner.

Further, the OIG has also conducted audits of individual grants awarded to state, local, and tribal governments that identified weaknesses related to the grant closeout processes followed by COPS and OJP that were similar to those concerns reported in this audit. Specifically, the OIG conducted 22 COPS audits of grants totaling \$102.49 million and 12 OJP audits of grants totaling \$24.44 million. Based on the results of the individual grant audits, we identified:

- two audits with drawdowns after the expiration of the grant totaling over \$307,912; and
- 27 audits with funds remaining after the grant had expired totaling \$6.24 million.

Finally, the Government Accountability Office (GAO) has also conducted reviews of OJP's grant management that included activities related to grant closeout, which addressed concerns similar to those identified in our audit. Specifically:

- GAO Report No. GAO-02-25, *Justice Discretionary Grants: Byrne Program and Violence Against Women Office Grant Monitoring Should Be Better Documented*, November 2001, found that grant files did not contain required closeout materials.
- GAO Report No. GAO-02-65, *Juvenile Justice: Better Documentation of Discretionary Grant Monitoring is Needed*, October 2001, found that various closeout materials were missing from the grant files.

In sum, prior audit reports identified significant and continuing concerns related to grant closeout within DOJ.

## **Audit Objectives**

Based on the frequency and magnitude of the findings related to grant closeout in the previous reports, and the fact that for the past 6 years grant management has been identified by the OIG as one of DOJ's top 10 management and performance challenges, we conducted an audit of the

COPS, OJP, and OVW closeout processes to determine whether their grant closeout policies and procedures are adequate to ensure that:

- Expired grants are closed in a timely manner;
- Grant funds are drawn down in accordance with federal regulations, DOJ policy, and the terms and conditions of the grant; and
- Unused grant funds are deobligated prior to closeout.

## FINDINGS AND RECOMMENDATIONS

### I. TIMELINESS OF GRANT CLOSEOUT

DOJ has substantially failed to ensure that grants were closed in a timely manner, within 6 months after the grant end date as required by federal regulation and agency policy. We reviewed 44,197 closed grants totaling \$17.61 billion, of which only 13 percent were closed within 6 months after the grant end date. We also identified a backlog of 12,505 expired grants more than 6 months past the grant end date that had not been closed, of which 67 percent had been expired for more than 2 years. Grant closeout is the final point of accountability. If grants are not closed in a timely manner, non-compliant grantees may not be identified until years after the grant end date. Our review of 37 non-compliant grantees revealed that the grantees were awarded 129 additional grants, totaling \$106.04 million, during the period of non-compliance.

Timely grant closeout is an essential program management practice to identify grantees that have failed to comply with all grant requirements, and provide assistance to grantees prior to awarding subsequent grants. Further, timely grant closeout is also an essential financial management practice to identify any excess and unallowable funds that the awarding agency must ensure are returned by the grantee. Timely grant closeout also ensures that any unused funds are deobligated and thereby available to provide DOJ with additional resources needed to fund other programs, or returned to the federal government's general fund.<sup>18</sup>

As part of the closeout process, the awarding agencies are required to ensure that grantees have complied with the programmatic and financial requirements of the grant. If it is determined during the grant closeout process that a grantee has failed to comply with all programmatic and financial requirements of the grant, it is the responsibility of the awarding agencies to provide timely assistance to the grantee to ensure grant requirements are met.

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<sup>18</sup> The federal government's general fund records all revenues and offsetting receipts not earmarked by law for a specific purpose and all spending financed by those revenues and receipts. The legislation authorizing the appropriation for grant programs generally specifies whether or not unused grant funds can be regranted or must be returned to the federal government's general fund.

Additionally, timely closeout is important because, according to federal regulations, grantees are only required to maintain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of 3 years from the date that the final financial report was submitted. If grants are not closed in a timely manner, it may be years before the DOJ awarding agency identifies grantees who have failed to comply with programmatic and financial grant requirements at which time the grantee may no longer be required to maintain the records necessary to resolve any compliance issues. An awarding agency can close a grant administratively if the grantee fails to provide the required documents, is no longer a valid operating entity, is non-responsive, or fails to cooperate.

### **Grant Closeout Policy**

OJP and OVW policy require that grants be closed within 6 months after the grant end date. According to the *COPS Closeout Policy and Procedures Manual*, dated August 31, 2004, absent an authorized no-cost extension of time, timely and accurate closing of grants should begin following the end date and within a reasonable amount of time as determined by COPS. Since COPS policy does not have a specific timeframe in which expired grants should be closed, we also applied the 6-month timeframe in our analysis of COPS grants.

### **Audit Approach**

As stated in the Introduction of this report, the timely closeout of expired grants has been a long-standing problem within DOJ. As a result, to determine whether DOJ is closing expired grants in a timely manner, we requested a list of all expired grants that had not been closed from COPS, OJP, and OVW, as well as, a list of all grants closed during FYs 1999 through 2005. Our review included 60,933 expired COPS, OJP, and OVW grants totaling \$25.02 billion. These grants consisted of 44,197 grants totaling \$17.61 billion that were closed during October 1997 through December 2005, and 16,736 expired grants totaling \$7.41 billion that had not been closed as of December 2005. The details of our universe related to COPS, OJP, and OVW is shown in Table 2.

**TABLE 2. EXPIRED DOJ GRANTS UNIVERSE** (Dollars in Billions)

	<b>COPS</b>	<b>OJP</b>	<b>OVW</b>	<b>TOTAL</b>
No. of Closed Grants	12,840	30,488	869	44,197
No. of Expired Grants Not Closed	10,603	5,452	681	16,736
<b>TOTAL NO. OF GRANTS</b>	<b>23,443</b>	<b>35,940</b>	<b>1,550</b>	<b>60,933</b>
Funding for Closed Grants	\$2.98	\$13.92	\$0.71	\$17.61
Funding for Expired Grants Not Closed	3.49	3.31	0.60	7.40
<b>TOTAL FUNDING<sup>19</sup></b>	<b>\$6.47</b>	<b>\$17.23</b>	<b>\$1.31</b>	<b>\$25.01</b>

Source: COPS, OJP, and OVW lists of closed and expired grants

For each grant in our universe, we identified the grants that had been closed. For closed grants, we reviewed the closeout date to determine whether the grant was closed within 6 months of the grant expiration. Our analysis of the timeliness of COPS, OJP, and OVW grant closeout processes follows.

### **Closed Grants**

Based on our review of the 44,197 closed grants totaling \$17.61 billion, we found that:

- only 5,664 grants (13 percent) were closed in a timely manner, within 6 months after the grant end date,
- 22,875 grants (52 percent) were not closed until more than 2 years after the grant end date, and
- 4,096 grants (9 percent) were not closed until more than 5 years after the grant end date.

The following sections include the results of our analysis of the closed grants as it pertains to COPS, OJP, and OVW.

#### *Office of Community Oriented Policing Services*

Our audit included 12,840 closed COPS grants totaling \$2.98 billion. We found that only 135 grants (1 percent) were closed within 6 months after the grant end date. As shown in Table 3, COPS failed to close 12,705 grants (99 percent) within 6 months after the grant end date.

<sup>19</sup> Throughout this report, differences in the total amounts are due to rounding, in that the sum of individual numbers reported prior to rounding may differ from the sum of the individual numbers rounded.

**TABLE 3. ANALYSIS OF CLOSED COPS GRANTS**

NO. OF MONTHS TO GRANT CLOSEOUT	NO. OF GRANTS	PERCENT OF ALL CLOSEOUTS
< 6 Months	135	1%
6 to 12 Months	485	4%
13 to 24 Months	1,591	12%
25 to 36 Months	2,322	18%
37 to 48 Months	4,558	36%
49 to 60 Months	2,686	21%
> 60 Months	1,063	8%
<b>TOTAL</b>	<b>12,840</b>	<b>100%</b>

Source: COPS list of closed grants

We also found that 10,629 COPS grants (83 percent) were not closed until more than 2 years after the grant end date and 1,063 COPS grants (8 percent) were not closed until more than 5 years after the grant end date. We determined that on average, these grants had been expired for more than 3 years before they were closed out by COPS.

As shown in Table 4, we also analyzed the closed COPS grants to determine whether there has been any improvement in the timeliness of grant closeout from 1998 through 2005.

**TABLE 4. ANALYSIS OF CLOSED COPS GRANTS BY YEAR**

YEAR CLOSED	NO. OF GRANTS CLOSED	AVG. NO. OF YEARS PAST END DATE
1998	3	0.8 Years
1999	255	1.1 Years
2000	46	2.2 Years
2001	506	1.7 Years
2002	1,623	3.7 Years
2003	2,953	4.0 Years
2004	3,269	3.7 Years
2005	4,185	2.8 Years
<b>TOTAL</b>	<b>12,840</b>	

Source: COPS list of closed grants

As noted above, COPS has shown some improvement in the timeliness of its grant closeout process. On average, the grants closed in 1998 had been expired for less than 1 year before they were closed out; conversely, the grants closed in 2003 had been expired on average for 4 years before they were closed. Since 2003 it appears that COPS has improved the timeliness of its grant closeout, because the grants closed in 2005 had only been expired on average for 2.8 years, 1.2 years less than the grants closed

in 2003. Although COPS has improved the timeliness of its grant closeout, significant improvements are still needed to ensure that COPS grants are closed within 6 months after the grant end date.

*Office of Justice Programs*

Our audit included 30,488 closed OJP grants totaling \$13.92 billion. We found that only 5,419 grants (18 percent) were closed within 6 months after the grant end date as required by OJP policy. As shown in Table 5, OJP failed to close 25,069 grants (82 percent) within 6 months after the grant end date.

**TABLE 5. ANALYSIS OF CLOSED OJP GRANTS**

<b>NO. OF MONTHS TO GRANT CLOSEOUT</b>	<b>NO. OF GRANTS</b>	<b>PERCENT OF ALL CLOSEOUTS</b>
< 6 Months	5,419	18%
6 to 12 Months	4,629	15%
13 to 24 Months	8,483	28%
25 to 36 Months	3,529	12%
37 to 48 Months	3,576	12%
49 to 60 Months	1,866	6%
> 60 Months	2,986	10%
<b>TOTAL</b>	<b>30,488</b>	<b>100%</b>

Source: OJP list of closed grants

We also found that 11,957 OJP grants (39 percent) were not closed until more than 2 years after the grant end date and 2,986 OJP grants (10 percent) were not closed until more than 5 years after the grant end date. We determined that on average, these grants had been expired for more than 2 years before they were closed out by OJP.

As shown in Table 6, we also analyzed the closed OJP grants to determine whether there has been any improvement in the timeliness of grant closeout from 1998 through 2005.

**TABLE 6. ANALYSIS OF CLOSED OJP GRANTS BY YEAR**

<b>YEAR CLOSED</b>	<b>NO. OF GRANTS CLOSED</b>	<b>AVG. NO. OF YEARS PAST END DATE</b>
1998	79	1.3 Years
1999	53	1.4 Years
2000	1,058	1.4 Years
2001	1,936	1.2 Years
2002	6,843	2.4 Years
2003	3,356	2.1 Years
2004	9,962	2.6 Years
2005	7,002	1.5 Years
<b>TOTAL</b>	<b>30,289<sup>20</sup></b>	

Source: OJP list of closed grants

As shown above, OJP has made some recent improvement in the timeliness of its grant closeout. On average, the grants closed in 1998 had been expired for 1.3 years before they were closed out; conversely, the grants closed in 2004 had been expired on average for 2.6 years before they were closed out. Since 2004 it appears that OJP has significantly improved the timeliness of its grant closeout, because the grants closed in 2005 had only been expired on average for 1.5 years, 1.1 years less than the grants closed in 2004. Although OJP has improved the timeliness of its grant closeout, significant improvements are still needed to ensure that OJP grants are closed within 6 months after the grant end date.

#### *Office on Violence Against Women*

Our audit included 869 closed OVW grants totaling \$712.98 million. We found that only 110 grants (13 percent) were closed within 6 months after the grant end date. As shown in Table 7, OVW failed to close 759 grants (87 percent) within 6 months after the grant end date.

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<sup>20</sup> It should be noted that 199 of the 30,488 closed OJP grants included in our audit, were closed prior to 1998.

**TABLE 7. ANALYSIS OF CLOSED OVW GRANTS**

<b>NO. OF MONTHS TO GRANT CLOSEOUT</b>	<b>NO. OF GRANTS</b>	<b>PERCENT OF ALL CLOSEOUTS</b>
< 6 Months	110	13%
6 to 12 Months	206	24%
13 to 24 Months	264	30%
25 to 36 Months	142	16%
37 to 48 Months	66	8%
49 to 60 Months	34	4%
> 60 Months	47	5%
<b>TOTAL</b>	<b>869</b>	<b>100%</b>

Source: OVW list of closed grants

We also found that 289 OVW grants (33 percent) were not closed until more than 2 years after the grant end date and 47 OVW grants (5 percent) were not closed until more than 5 years after the grant end date. We determined that on average, these grants had been expired for more than 1.5 years before they were closed out by OVW.

As shown in Table 8, we also analyzed the closed OVW grants to determine whether there has been any improvement in the timeliness of the grant closeout process from 1998 through 2005.

**TABLE 8. ANALYSIS OF CLOSED OVW GRANTS BY YEAR**

<b>YEAR CLOSED</b>	<b>NO. OF GRANTS CLOSED</b>	<b>AVG. NO. OF YEARS PAST END DATE</b>
1998	1	< 6 Months
1999	0	-
2000	24	1.1 Years
2001	28	1.7 Years
2002	118	1.8 Years
2003	127	1.7 Years
2004	333	2.2 Years
2005	237	1.3 Years
<b>TOTAL</b>	<b>868<sup>21</sup></b>	

Source: OVW list of closed grants

As shown above, OVW has shown recent improvement in the timeliness of its grant closeout process. The grant closed in 1998 had been expired for less than 6 months before it was closed out; conversely, the grants closed in 2004 had been expired on average for 2.2 years before they were closed out. Since 2004 it appears that OVW has improved the timeliness of its grant closeout, because the grants closed in 2005 had only

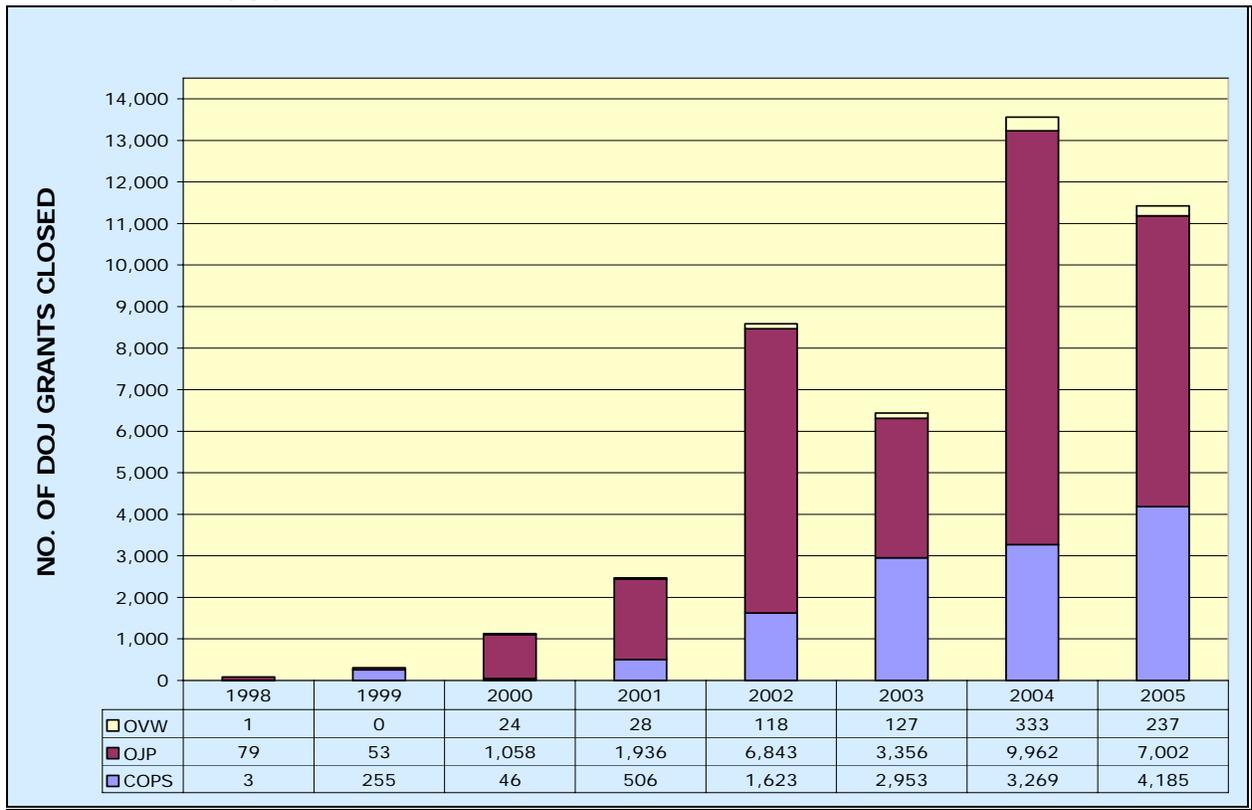
<sup>21</sup> It should be noted that 1 of the 869 closed OVW grants included in our audit was closed prior to 1998.

been expired on average for 1.3 years, 0.9 years less than the grants closed in 2004. Although OVW has improved the timeliness of its grant closeout, significant improvements are still needed to ensure that OVW grants are closed within 6 months after the grant end date.

*Priority of Grant Closeout*

Although, COPS, OJP, and OVW have made improvements in the timeliness of grant closeout, significant improvements are still needed to ensure that grants are closed within 6 months after the grant end date. Nonetheless, it appears that since 2002 grant closeout has become a greater priority within DOJ. As shown in Chart 1, the number of grants closed each year greatly increased in 2002.

**CHART 1. NUMBER OF DOJ GRANTS CLOSED BETWEEN FYS 1998 AND 2005**



Source: COPS, OJP, and OVW lists of closed grants between 1998 and 2005

Specifically, we found that:

- of the 12,840 COPS grants that had been closed, only 810 grants (6 percent) were closed between 1998 and 2001, while 12,030 (94 percent) were closed between 2002 and 2005;

- of the 30,289 OJP grants that had been closed, only 3,126 grants (10 percent) were closed between 1998 and 2001, while 27,163 (90 percent) were closed between 2002 and 2005; and
- of the 868 OVW grants that had been closed, 53 grants (6 percent) were closed between 1998 and 2001, while 815 (94 percent) were closed between 2002 and 2005.

Despite the fact that COPS, OJP, and OVW have made improvements in the timeliness of grant closeout and the number of grants closed each year, we found that a significant backlog of expired grants still exists.

### **Expired Grants That Have Not Been Closed**

Based on our review of the 16,736 expired DOJ grants totaling \$7.40 billion that had not been closed, we found that:

- 12,505 grants (75 percent) were more than 6 months past the grant end date,
- 8,359 grants (50 percent) were more than 2 years past the grant end date, and
- 2,443 grants (15 percent) were more than 5 years past the grant end date.

The following sections include the results of our analysis of the expired COPS, OJP and OVW grants that have not been closed.

#### *Office of Community Oriented Policing Services*

Our audit included 10,603 expired COPS grants totaling \$3.49 billion that had not been closed. As shown in Table 9, we found that COPS failed to close a total of 9,489 grants, despite the fact that the grants were more than 6 months past the grant end date.

**TABLE 9. EXPIRED COPS GRANTS THAT HAVE NOT BEEN CLOSED**

NO. OF MONTHS PAST END DATE	NO. OF GRANTS NOT CLOSED
6 to 12 Months	868
13 to 24 Months	1,760
25 to 36 Months	1,532
37 to 48 Months	1,611
49 to 60 Months	1,400
> 60 Months	2,318
<b>TOTAL</b>	<b>9,489</b>

Source: COPS list of closed grants

We also found that 6,861 COPS grants (72 percent) had been expired more than 2 years but had not been closed, and 2,318 COPS grants (24 percent) had been expired more than 5 years but had not been closed. We determined that on average these grants had been expired for more than 3.5 years without being closed by COPS.

*Office of Justice Programs*

Our audit included 5,452 expired OJP grants totaling \$3.31 billion that had not been closed. As shown in Table 10, we found that OJP failed to close a total of 2,646 grants, despite the fact that the grants were more than 6 months past the grant end date.

**TABLE 10. EXPIRED OJP GRANTS THAT HAVE NOT BEEN CLOSED**

NO. OF MONTHS PAST END DATE	NO. OF GRANTS NOT CLOSED
6 to 12 Months	502
13 to 24 Months	720
25 to 36 Months	900
37 to 48 Months	359
49 to 60 Months	55
> 60 Months	110
<b>TOTAL</b>	<b>2,646</b>

Source: OJP list of closed grants

We also found that 1,424 OJP grants (54 percent) had been expired more than 2 years but had not been closed, and 110 OJP grants (4 percent) had been expired more than 5 years but had not been closed. We determined that on average these grants had been expired for more than 2 years without being closed by OJP.

*Office on Violence Against Women*

Our audit included 681 expired OVW grants totaling \$603.51 million that had not been closed. As shown in Table 11, we found that OVW failed to close a total of 370 grants, despite the fact that the grants were more than 6 months past the grant end date.

**TABLE 11. EXPIRED OVW GRANTS THAT HAVE NOT BEEN CLOSED**

<b>NO. OF MONTHS PAST END DATE</b>	<b>NO. OF GRANTS NOT CLOSED</b>
6 to 12 Months	139
13 to 24 Months	157
25 to 36 Months	29
37 to 48 Months	18
49 to 60 Months	12
> 60 Months	15
<b>TOTAL</b>	<b>370</b>

Source: OVW list of closed grants

We also found that 74 OVW grants (20 percent) had been expired more than 2 years but had not been closed, and 15 OVW grants (4 percent) had been expired more than 5 years but had not been closed. We determined that on average these grants had been expired for more than 1.5 years without being closed by OVW.

**Expired Grants Backlog**

To determine the reasons for the delay in the closeout process, we selected a judgmental sample of 30 COPS, OJP, and OVW grants (for a total sample of 90 grants) that had been expired for more than 6 months but had not been closed. If the delay in the closeout process was due to grantee non-compliance, such as not submitting final financial and progress reports, we attempted to determine whether COPS, OJP, and OVW had awarded additional grants to the grantee during the period of non-compliance. Based on our review, we found the following:

- COPS indicated that for 20 of the 30 (67 percent) expired grants sampled, the grantee was not compliant with grant requirements. However, between FY 2000 and FY 2006, 10 of the 20 grantees (50 percent) were awarded 39 additional grants totaling \$18,786,104 during the period of non-compliance.
- OJP indicated that for 15 of the 30 expired grants sampled, which were awarded to 14 grantees, the grantee was not compliant with grant

requirements. However, between FY 2000 and FY 2006, the 14 grantees (100 percent) were awarded 83 additional grants totaling \$71,781,836 during the period of non-compliance.

- OVW indicated that for 2 of the 30 (7 percent) expired grants sampled the grantee was not compliant with grant requirements. However, between FY 2000 and FY 2006, 1 of the 2 grantees was awarded 7 additional grants totaling \$15,468,237 during the period of non-compliance.

Since COPS, OJP, and OVW failed to close out grants in a timely manner, it took on average between 1.8 and 3.3 years before the DOJ awarding agency determined whether the grantee complied with all necessary programmatic and financial requirements of the grant. As a result, non-compliant grantees included in our sample were awarded a total of 129 additional grants totaling \$106.04 million.

### **Agency Estimate of Current Status of Backlog**

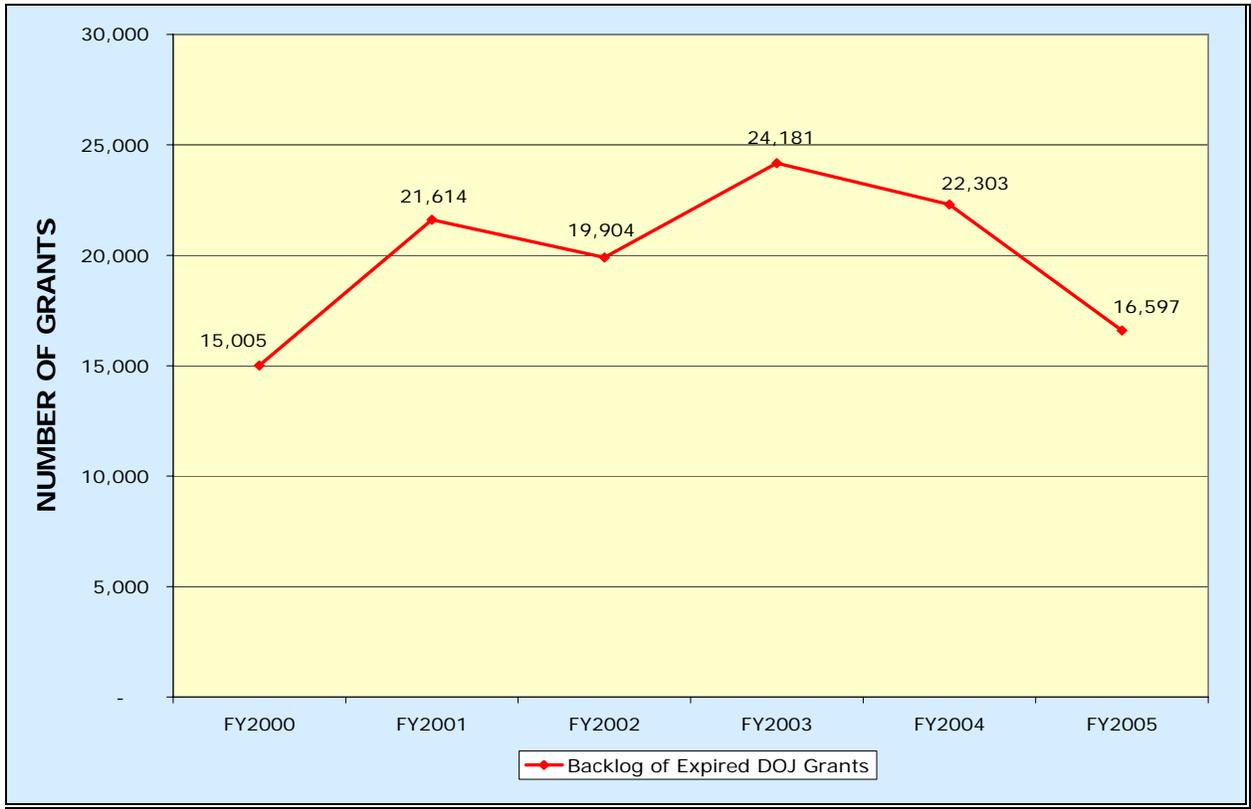
Since our review of expired grants was as of December 2005, we met with representatives from COPS, OJP, and OVW to determine the current status of the expired grants backlog, and estimated timeframes for eliminating the backlog. Based on our meetings with the DOJ awarding agency officials, we determined the following:

- COPS estimates that it currently has a backlog of 5,200 expired grants that have not been closed, which they hope to eliminate by the end of calendar year (CY) 2007.
- OJP estimates that it currently has a backlog of 2,700 expired grants that have not been closed, which they hope to eliminate by the end of CY 2006.
- OVW estimates that it currently has a backlog of 484 expired grants that have not been closed, which they hope to eliminate by the end of CY 2006.

### **OIG Analysis of Backlog**

We analyzed the backlog of expired grants that had not been closed to determine if it was increasing or decreasing. As shown in Chart 2, the backlog of expired DOJ grants that had not been closed increased by 1,592 grants between FYs 2000 and 2005.

**CHART 2. ANALYSIS OF EXPIRED DOJ GRANTS BACKLOG**

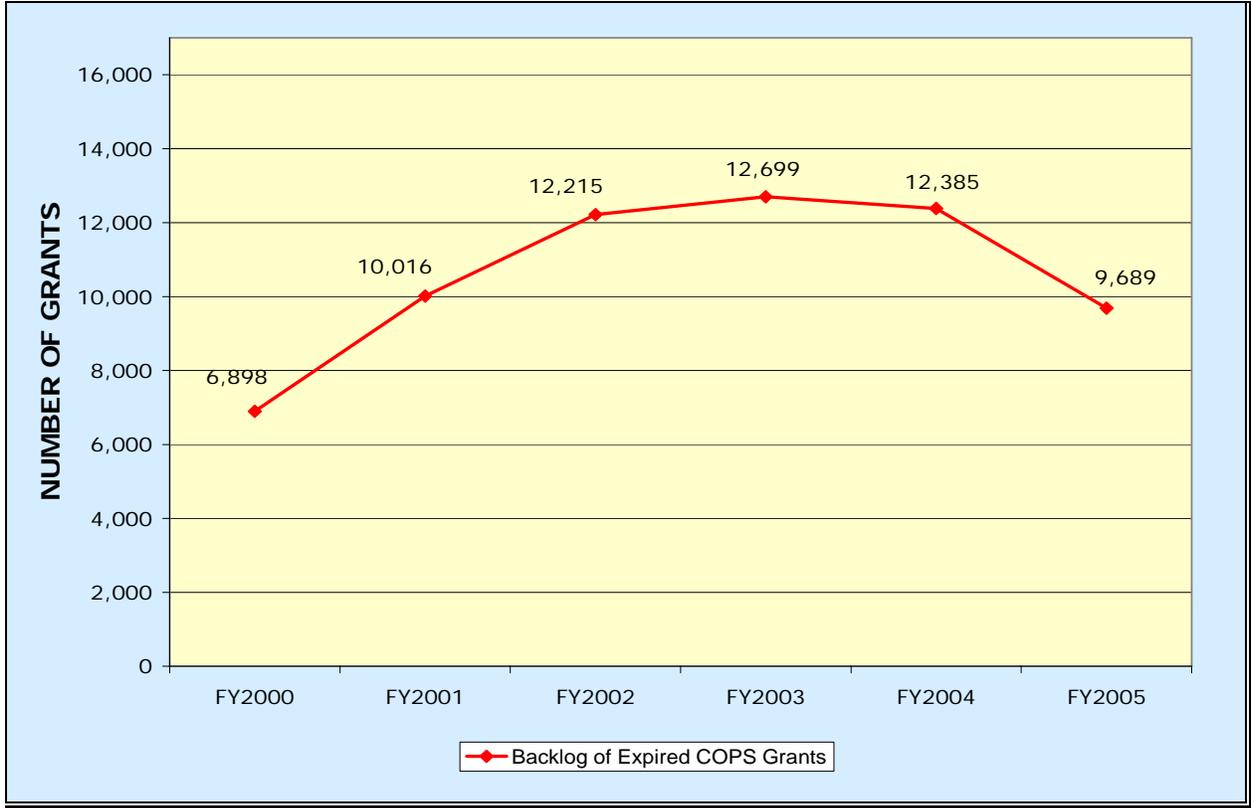


Source: OIG analysis of expired COPS, OJP, and OVW grants as of FY 2005 and grants awarded between FYs 2000 and 2005

However, the overall backlog of expired grants that have not been closed has decreased by 7,584 grants between FYs 2003 and 2005.

As shown in Chart 3, the backlog of expired COPS grants that had not been closed increased by 2,791 grants between FYs 2000 and 2005.

**CHART 3. ANALYSIS OF EXPIRED COPS GRANTS BACKLOG**

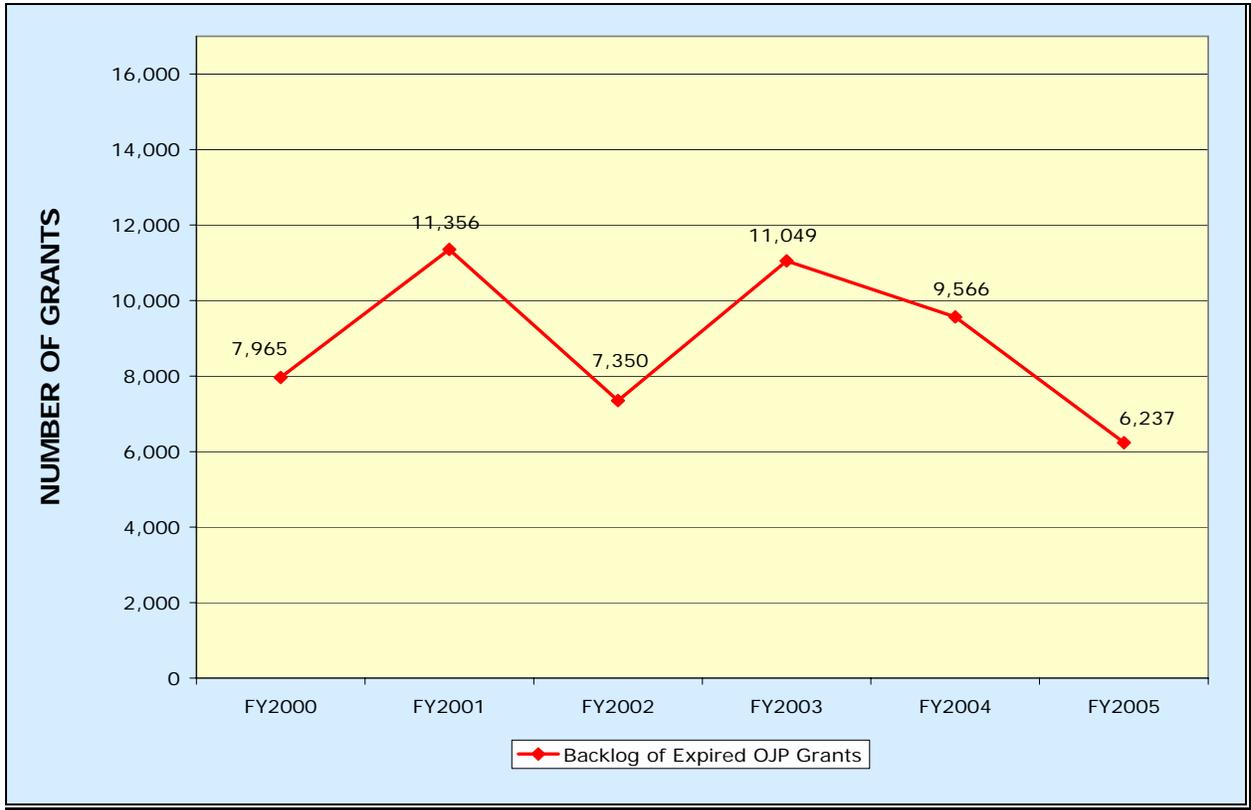


Source: OIG analysis of expired COPS grants as of FY 2005 and grants awarded between FYs 2000 and 2005

However, the COPS backlog of expired grants that have not been closed has decreased by 3,010 grants between FYs 2003 and 2005.

As shown in Chart 4, the backlog of expired OJP grants that had not been closed decreased by 1,728 grants between FYs 2000 and 2005.

**CHART 4. ANALYSIS OF EXPIRED OJP GRANTS BACKLOG**

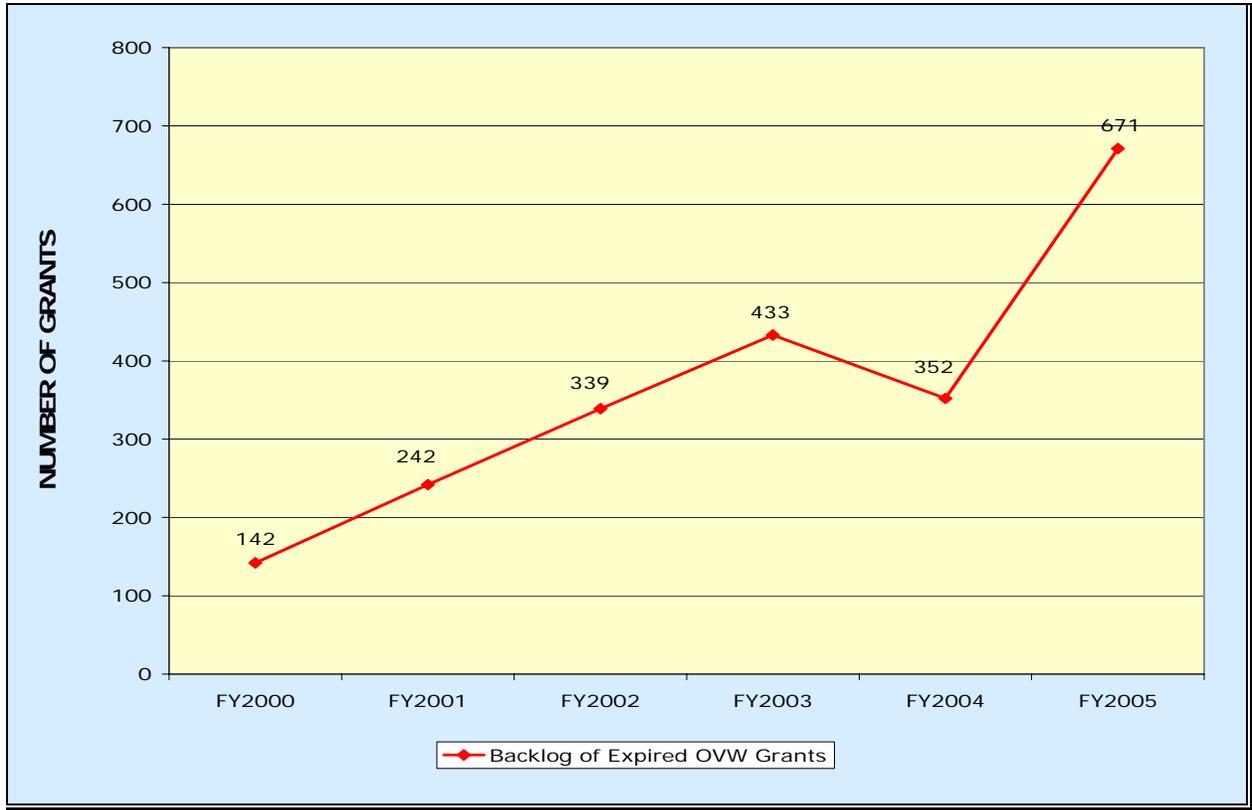


Source: OIG analysis of expired OJP grants as of FY 2005 and grants awarded between FYs 2000 and 2005

However, the OJP backlog of expired grants that have not been closed has decreased by 4,812 grants between FYs 2003 and 2005.

As shown in Chart 5, the backlog of expired OVW grants that had not been closed increased by 529 grants between FYs 2000 and 2005.

**CHART 5. ANALYSIS OF EXPIRED OVW GRANTS BACKLOG**



Source: OIG analysis of expired OVW grants as of FY 2005 and grants awarded between FYs 2000 and 2005

Additionally, the OVW backlog of expired grants that have not been closed has increased by 238 grants between FYs 2003 and 2005.

While the overall backlog of expired grants that have not been closed increased between FYs 2000 and 2005, the COPS and OJP backlog has decrease since FY 2003. On the other hand, the OVW backlog continues to increase.

### **Current Closeout Practices**

COPS, OJP, and OVW have taken several actions to improve the closeout process and improve the timeliness of grant closeout.

## *Office of Community Oriented Policing Services*

According to COPS, prior to 1998 only a small number of grants were closed. As a result, in 1998 COPS established the Grant Closeout Team within its Grants Administration Division. In 2000, the first formal COPS Closeout Policy and Procedures Manual was developed by the Grant Closeout Team, which was updated in 2002 and 2004. The Closeout Team currently consists of 10 federal employees and 5 contract employees. Only two of the federal employees work exclusively on closeouts; all others serve on a part-time basis, as they are also responsible for team and state grant advising responsibilities. However, according to COPS, there have been occasions when nearly every member of the COPS Grants Administration Division has been assigned to assist with closeout-related work.

Additionally, COPS created an Expired Grants Project in November 2004 in response to a reportable condition identified during its 2004 financial statement audit to financially close out as many grants as possible. The Expired Grants Project included 1,021 grants of which 425 (42 percent) had been closed at the time of our review.

COPS also developed new closeout policies and procedures to ensure that its grants are closed in accordance with federal guidelines.<sup>22</sup> In March 2005, COPS implemented the following expired grant policy and procedures:

- COPS Management System database queries are run on a quarterly basis to determine which grants have expired and are ready for closeout.
- On a quarterly basis the COPS Finance Division also identifies which grants have expired and are ready for closeout through review of the grantees' final financial report. An expired grants list is then developed and forwarded to the COPS Grants Administration Division for final determination.
- As the final step in the closeout process, the COPS Finance Division completes a financial review of each grant. The purpose of the

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<sup>22</sup> COPS policy and procedures concerning its grant closeout process are contained in the following: (1) *COPS Expired Grants Policy and Procedures*, dated March 31, 2005, (2) *COPS Closeout Policy Manual*, dated August 31, 2004; (3) *Grant Closeout Notification Toolkit*, and (4) COPS Grant Owner's manuals.

financial closeout review is to: (1) verify the approved federal share of costs based on the completed grant program costs; (2) account for non-federal share amounts; (3) determine unobligated amounts under the grant; and (4) determine and make payment available for unliquidated balances owed to the grantee. In this process, the COPS Finance Division ensures that the grantee has submitted a final financial report and that the financial records are reconciled according to federal guidelines.

- COPS Finance Division verifies and reconciles the information reported on the final financial report against the programmatic checklist, which certifies full or partial completion of the project. If necessary, grantees are contacted to verify financial information reported.
- In addition to checking the required local match of program costs, the final financial report is reconciled to the grant expenditures, disbursements, and obligations.
- If the COPS Finance Division's reconciliation of the final financial report and payment history determines that the grantee has been underpaid the grantee is allowed to draw down the remaining allowable funds. Otherwise, the COPS Finance Division deobligates the grant's unobligated balance.
- The COPS Finance Division also ensures that the grantee's final financial report is entered into the accounting system and placed in the financial file.

Although we acknowledge these efforts to improve the grant closeout process, we have identified weaknesses in the current COPS policies and practices. For example, COPS policy appears to be reactive rather than proactive in that queries are run on a quarterly basis to determine which grants have expired and are ready for closeout. As a result, grants may be expired for up to 90 days before they are identified by COPS as ready for closeout. In our judgment, COPS should be monitoring the grant end dates to determine which grants will be expiring during the next quarter, rather than waiting until after the grants have expired.

Additionally, we noted that COPS policy does not include timeframes for when specific actions should be completed, including a timeframe for when grants should be closed. In our judgment, COPS policy should ensure that grants are closed within 6 months after the grant end date, and that specific timeframes are established for each task to ensure that grants are closed within the 6 month period.

## *Office of Justice Programs*

In September 2005, OJP issued *Grant Closeout: Business Improvement Recommendations, Final Version*, based on an analysis of its grant closeout process to determine opportunities to reduce the number of expired grants that require closeout and improve the closeout process, which it identified as “burdensome and problematic.”<sup>23</sup> Specifically, in its analysis OJP identified numerous areas of concern related to its grant closeout process. For example, inconsistencies exist between OJP and DOJ Closeout Guidelines. In addition to the implemented and proposed revisions to the policies and procedures already in place regarding its grant closeout process, the Business Improvement Recommendations report also included long-term recommendations that OJP plans to implement in the future. See Appendix III for a full list of the concerns and recommendations identified by OJP related to its grant closeout process.

In order to address some of these concerns, OJP implemented or revised many of the policies and procedures already in place regarding its grant closeout process. Specifically, OJP plans to make the following changes to its *Grant Managers Manual* related to grant closeout:

- The due date for the final financial report will be changed from 120 days to 90 days in compliance with 28 C.F.R. §66.41.
- The responsibility for the grant closeout process will be moved to the Office of the Assistant Attorney General. The Office of the Assistant Attorney General’s closeout responsibilities will include:
  - (a) administering and enforcing uniform grant closeout policies within OJP, (b) resolving conflicts or disputes pertaining to the grant closeout process, and (c) monitoring and tracking performance of program and support offices related to grant closeout.
- The timelines for the grant closeout process will be adjusted to ensure that grants are closed within 6 months of the grant end date. This will correct the confusion related to grant closeout included in OC Policy Statement No. 4031.1B.

Additionally, in April 2006, the OC reorganized in order to streamline and standardize the closeout process. As a result of the reorganization, the OC consolidated its five existing divisions into two new divisions, which they

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<sup>23</sup> Office of Justice Programs. *Grant Closeout: Business Improvement Recommendations, Final Version*, September 15, 2005.

expect will help to eliminate the “disjointed closeout processing steps of the past.”

### *Office on Violence Against Women*

While OVW is a designated Office, Boards, and Divisions (OBD) within DOJ, it receives all grant related financial services from the OC and therefore follows the financial closeout policies and procedures established by the OC. As a result, the policies and procedures implemented in response to the OJP Business Improvement Recommendations report will directly impact OVW's closeout process. In addition, a financial analyst from the OC has been detailed to OVW. This analyst participated in the project that resulted in the Business Improvement Recommendations report and has worked closely with OVW program managers on implementing the closeout policies and procedures.

According to an OVW official, over the past few years the closeout process has evolved and been streamlined. This official also stated that:

- OVW has provided better training and has coordinated with its program staff responsible for grant closeout.
- OVW has put a great deal of emphasis on processing and monitoring of grant closeouts.
- In the past OVW did not do a very good job of monitoring grants sent to the OC for financial closeout. However, OVW has been better at tracking communications with the OC to ensure that the OC does its part to officially close out all grants submitted.
- Program assistants are focusing more closely on grant closeout and assisting the program managers with the closeout process.

### **Conclusion**

Overall, DOJ substantially failed to ensure that grants were closed in a timely manner, within 6 months after the grant end date. Specifically:

- We reviewed 44,197 closed grants totaling \$17.61 billion, of which only 13 percent were closed within 6 months after the grant end date.
- We identified a backlog of 12,505 expired grants more than 6 months past the grant end date that had not been closed, of which 67 percent had been expired for more than 2 years.

- On average, it took between 1.8 and 3.3 years before the DOJ awarding agency determined that grantees had failed to comply with programmatic and financial requirements of the grant.
- Thirty-seven non-compliant grantees were awarded 129 additional grants totaling \$106.04 million, during the period of non-compliance.

Since 2002, grant closeout has become a greater priority within DOJ and COPS, OJP, and OVW have recently made improvements in the timeliness of grant closeout. However, we have identified weaknesses in the current COPS policy. COPS policy does not include timeframes for when specific actions should be completed, including a timeframe for when grants should be closed.

The timely closeout of grants is an essential financial management practice to identify any excess and unallowable funds that should be returned by the grantee, as well as unused funds that should be deobligated and put to better use. The financial issues related to DOJ's failure to close out grants in a timely manner are detailed in Findings II and III of this report. However, it should be noted that as a result of DOJ's failure to close grants timely, we identified questioned costs and funds to be put to better use totaling over \$726 million, representing funds that could have been used to provide DOJ with additional resources needed to fund other programs or returned to the federal government's general fund. About 71 percent of the dollar-related findings occurred more than 6 months after the grant end date. Therefore, in our opinion, the majority of the dollar-related findings would most likely not have occurred if COPS, OJP, and OVW closed grants in a timely manner.

## **Recommendations**

### **We recommend that COPS:**

1. Revise and fully implement grant closeout policies and procedures to ensure that expired grants are closed within 6 months after the end date.
2. Ensure that grant closeout policies and procedures include timeframes within which specific actions should be completed, including a requirement that grants must be closed within 6 months after the grant end date.
3. Establish a system to track progress towards eliminating the backlog within the established timeframe.

**We recommend that OJP:**

4. Fully implement the revisions to the grant closeout policies and procedures based on the recommendations included in the Business Improvement Recommendations report to ensure that expired grants are closed within 6 months after the end date.
5. Establish a system to track progress towards eliminating the backlog within the established timeframe.

**We recommend that OVW:**

6. Revise and fully implement grant closeout policies and procedures to ensure that expired grants are closed within 6 months after the end date.
7. Establish a system to track progress towards eliminating the backlog within the established timeframe.

## II. DRAWDOWNS ON EXPIRED GRANTS

COPS, OJP, and OVW are not ensuring that grant funds are drawn down within 90 days after the grant end date as required by federal and agency regulations. We reviewed 60,933 expired grants totaling \$25.02 billion, and identified questioned costs totaling \$554.19 million related to drawdowns that occurred more than 90 days after the grant end date. Through additional testing, we identified unallowable costs for expenditures obligated after the grant end date totaling \$142.74 million and unsupported drawdowns totaling \$46.52 million.

As part of the closeout process COPS, OJP, and OVW review the final financial report to determine whether: (1) drawdowns are supported by the expenditures reported and that excess funds were not drawn down, (2) reported expenditures exceed drawdowns indicating that the grantee failed to draw down allowable funds within the 90-day liquidation period, and (3) reported expenditures are less than the award amount indicating that the remaining funds should have been deobligated and regranted or returned to the federal government's general fund, thus reducing the national debt.

Federal regulations require that grantees must draw down all allowable grant funds within 90 days after the grant end date. According to 28 C.F.R. §66.50(b), within 90 days after the expiration of the grant, the grantee must submit the final request for payment (drawdown).<sup>24</sup> At the request of the grantee, the DOJ awarding agency may extend this period. Additionally, unless an extension is authorized, any grant funds not drawn down within the 90-day period should revert back to the DOJ awarding agency to be regranted or returned to the general fund. During the period included in our audit, COPS, OJP, and OVW had the following requirements related to grant drawdowns.<sup>25</sup>

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<sup>24</sup> 28 C.F.R. § 66.50(b) requires that within 90 days after the expiration of the grant, the grantee must submit the final request for payment, Standard Form 270 (SF 270). The C.F.R. is outdated in that the DOJ awarding agencies no longer use the SF 270, Request for Advance or Reimbursement. Instead, grantees request funds (drawdown) using: (1) Phone Activated Paperless Request System (PAPRS); or (2) Letter-of-Credit Electronic Certification System (LOCES). Generally, funds will be deposited into the grantees financial institution within 48 hours after the drawdown request is received. In our judgment, although the DOJ awarding agencies no longer use the SF 270 cited in 28 C.F.R. § 66.50, grantees are still required to draw down all allowable grant funds within 90 days after the grant end date.

<sup>25</sup> While OVW is a designated OBD within DOJ, it receives all grant-related financial services from the OC and therefore requires grantees to follow the *OJP Financial Guide*.

- COPS Grant Owner's Manuals - Each of the COPS Grant Owner's Manuals requires that grant funds must be obligated before the end of the grant period. The manuals also require that grantees request reimbursement for obligated funds within 90 days after the end of the grant period.
- OJP Financial Guide – The OJP Financial Guide requires that block, formula, and discretionary funds that have been properly obligated by the end of the grant period should be liquidated (expended) within 90 days from the end of the grant period. Any funds not liquidated at the end of the 90-day period will lapse and revert to the DOJ awarding agency, unless a grant adjustment notice extending the liquidation period has been approved. The OJP Financial Guide also requires grantees to request final payment for reimbursement of expenditures incurred prior to the grant expiration date in conjunction with the submission of the final financial report, which according to 28 C.F.R. §66.50(b) is due within 90 days after the grant end date.<sup>26</sup>

Prior OIG reviews have found that DOJ failed to ensure that grantees draw down allowable funds within the 90-day liquidation period and that any remaining grant funds were deobligated and regranted, or returned to the general fund in a timely manner. Based on our current review, we determined that this continues to be a problem for COPS, OJP, and OVW.

We found that the current practices of COPS, OJP, and OVW do not conform to federal regulations and their own policies. In fact, we found that a common practice of COPS, OJP, and OVW was to contact grantees and instruct them to draw down any remaining funds even though the 90-day liquidation period had passed. The DOJ awarding agencies spend a significant amount of time following up with grantees to ensure that funds are drawn down before the grant is closed. This practice not only violates federal regulations, it is also one of the factors contributing to the failure to close grants in a timely manner.

Because current practices of COPS, OJP, and OVW disregard federal regulations related to the grant liquidation period, we found that grantees were allowed to draw down funds totaling \$554,192,410 more than 90 days past the grant end date, for which the grantee had not requested or received

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<sup>26</sup> 28 C.F.R. §66.50(b), requires that within 90 days after the expiration or termination of the grant, the grantee must submit all financial, performance, and other reports required as a condition of the grant. However, the *OJP Financial Guide*, dated March 2005, requires the final financial report be submitted within 120 days after the grant end date, which contradicts the federal regulations. The OJP has recognized this problem and is planning to update the financial guide to reflect the federal regulations.

an extension of time to draw down funds.<sup>27</sup> We are questioning this amount as unallowable because federal regulations and component policy prohibit drawdowns more than 90 days past the grant end date. Additionally, pursuant to the federal regulations, in the absence of an extension, this funding should have reverted back to the DOJ awarding agency and been made available for other purposes. The details of our questioned costs related to COPS, OJP, and OVW is shown in Table 12.

**TABLE 12. DRAWDOWNS OCCURRING 90 DAYS PAST THE GRANT END DATE** (Dollars in Millions)

NO. OF MONTHS PAST END DATE	COPS		OJP		OVW	
	NO. OF GRANTS	AMOUNT DRAWN DOWN	NO. OF GRANTS	AMOUNT DRAWN DOWN	NO. OF GRANTS	AMOUNT DRAWN DOWN
90 Days to 12 Months	3,133	\$120.08	2,615	\$189.66	302	\$25.41
13 to 24 Months	819	54.80	478	75.64	72	10.30
25 to 36 Months	521	26.17	161	20.60	14	0.84
37 to 48 Months	450	14.82	50	3.05	10	0.39
49 to 60 Months	177	5.66	18	0.48	5	0.28
> 60 Months	77	5.33	14	0.62	1	0.07
<b>TOTAL</b>	<b>5,177</b>	<b>\$226.86</b>	<b>3,336</b>	<b>\$290.06</b>	<b>404</b>	<b>\$37.28</b>

Source: COPS, OJP, and OVW list of expired grants and grant payment histories

As shown in Table 12, we determined that:

- For 5,177 grants, COPS allowed grantees to make 8,796 drawdowns totaling \$226,856,849 that were more than 90 days past the grant end date; as a result, we are questioning this amount. It should be noted that 4,343 drawdowns totaling \$106,779,142 occurred more than 1 year after the grant expired.
- For 3,336 grants, OJP allowed grantees to make 5,368 drawdowns totaling \$290,055,575 that were more than 90 days past the grant end date; as a result, we are questioning this amount. It should be noted that 1,429 drawdowns totaling \$100,392,960 occurred more than 1 year after the grant expired.
- For 404 grants, OVW allowed grantees to make 779 drawdowns totaling \$37,279,986 that were more than 90 days past the grant end date; as a result, we are questioning this amount. It should be noted

<sup>27</sup> A detailed list of the expired grants for which we are questioning costs related to drawdowns occurring more than 90 days after the grant end date will be provided to each component in a separate document.

that 250 drawdowns totaling \$11,871,512 occurred more than 1 year after the grant expired.

We also identified questioned costs totaling \$529,043 related to 21 grants for which the drawdowns exceeded the total award. These grants included 6 COPS grants with drawdowns in excess of the award amount totaling \$45,688, 14 OJP with drawdowns in excess of the award amount totaling \$442,108, and 1 OVW grant with drawdowns in excess of the award amount totaling \$41,247. In our judgment, the grants payment system should include a control to prevent grantees from drawing down funds in excess of the award amount.

In order to determine if COPS, OJP, and OVW had a justification for allowing grantees to draw down funds more than 90 days past the grant end date, we selected a sample of 30 COPS, OJP, and OVW grants (for a total sample of 90 grants) for which grantees were allowed to make drawdowns more than 90 days past the grant end date. We requested that COPS, OJP, and OVW provide any information that might explain why grant drawdowns occurred more than 90 days after the expiration of the grant, such as an extension of the grant liquidation.

Based on our review, we determined that only two grant extensions were issued extending the liquidation period. However, the extensions related to these grants were not awarded until between 1 and 2.5 years after the grant had originally expired. Additionally, for one of the grants for which an extension was approved, the grantee continued to draw down funds for an additional year after the end of the extended grant period. In our judgment, COPS, OJP, and OVW failed to provide valid reasons for allowing these grantees to draw down funds more than 90 days past the grant end date. Instead, COPS, OJP, and OVW provided the final or most recent financial report in an attempt to show that the federal share of costs reported by the grantee supported the grant drawdowns. However, our review of the financial reports for the 90 sampled grants revealed that:

- COPS, OJP, and OVW did not provide the necessary information to determine whether the drawdowns that occurred 90 days past the grant end date were based on reported grant expenditures for 14 percent of the sampled grants.<sup>28</sup>

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<sup>28</sup> COPS, OJP, and OVW did not provide any financial reports, including the final financial report, for 14 percent of our sampled grants. Specifically, COPS did not provide financial reports for 2 grants, OJP did not provide financial reports for 6 grants, and OVW did not provide financial reports for 3 grants. As a result, we based our percentages on the 79 grants for which we received a financial report.

- Grantees reported costs for periods that occurred after the grant end date for 53 percent of the sampled grants. This prohibited practice indicates that \$6.09 million in unallowable costs may have been included in the drawdowns after the end of the liquidation period.
- The expenditures reported on the financial reports provided did not support the total drawdowns for 9 percent of the sampled grants, indicating that \$116,950 in unsupported costs may have been included in the drawdowns after the end of the liquidation period.
- The financial reports provided were filed between 1 and 1,350 days after the last drawdown for 28 percent of the sampled grants. As a result, the DOJ awarding agency did not have a final financial report to use in determining whether the late drawdowns were supported.

### **Costs Charged After the Liquidation Period**

Based on our review of the financial reports for the 90 grants in our sample, we developed concerns that drawdowns occurring after the end of the 90-day liquidation period may include unallowable or unsupported costs. As a result, we selected an additional sample of 66 grants with drawdowns totaling \$75.90 million that occurred more than 90 days past the grant end date. We conducted expenditure testing at the grantee's location to determine whether the costs associated with these drawdowns were properly charged to the grant in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.<sup>29</sup>

We found that the grantees had not maintained any records for 9 grants with drawdowns totaling \$14.39 million that occurred more than 90 days past the grant end date. For one of these grants, with drawdowns totaling \$367,570 that occurred more than 90 days past the grant end date, the record retention period had not yet expired. Therefore, we consider these drawdowns unsupported. For the remaining 8 grants, the grantee was no longer required to maintain the grant records. As a result, we did not consider these drawdowns unsupported, but we were unable to determine if the drawdowns included unallowable or unsupported costs. Because grant closeouts are not being accomplished timely, we are concerned that, in some

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<sup>29</sup> We judgmentally selected our sample of grantees based on: (1) the largest-dollar drawdowns occurring more than 1 year after the grant end date, (2) the largest number of grants with drawdowns occurring more than 90 days after the grant end date, and (3) grantees with drawdowns occurring more than 90 days after the grant end date from multiple granting agencies included in our audit.

instances, the grantee may no longer be required to maintain the grant records when the DOJ awarding agency begins the closeout process.

Based on our review, we found that the drawdowns included unallowable costs totaling \$5.7 million for expenditures obligated after the grant end date or paid after the end of the 90-day liquidation period. We also identified unsupported drawdowns totaling \$574,940. Additionally, for drawdown totaling \$13.04 million we were unable to determine if the drawdowns included unallowable or unsupported costs because the accounting records or supporting documentation was no longer available. Table 13 illustrates the unallowable and unsupported costs identified for each grantee included in our on-site reviews, as well as the drawdown for which we were unable to determine the allowability of the costs included. It should be noted that we did not question the unallowable and unsupported costs identified during our on-site reviews. The sample of 66 grants with drawdowns totaling \$75.90 million that occurred more than 90 days past the grant end date, were already included in the question costs totaling \$554.19 million that we previously identified in this finding.

**TABLE 13. ANALYSIS OF ON-SITE REVIEWS**

GRANTEE NAME	TOTAL UNALLOWABLE COSTS	TOTAL UNSUPPORTED COSTS	UNABLE TO DETERMINE	TOTAL DOLLAR-RELATED FINDINGS
CALIFORNIA OFFICE OF CRIMINAL JUSTICE PLANNING	-	-	\$10,661,742	\$10,661,742
INDIANA CRIMINAL JUSTICE INSTITUTE	-	367,570	1,905,871	2,273,441
NEW JERSEY DEPARTMENT OF LAW & PUBLIC SAFETY	\$1,524,781	\$134,585	-	1,659,366
WYOMING OFFICE OF THE ATTORNEY GENERAL	1,187,351	-	348,294	1,535,645
ARKANSAS DEPARTMENT OF HUMAN SERVICES	763,828	51,268	100,565	915,661
CATAHOULA PARISH SHERIFF'S DEPARTMENT (LA)	497,925	21,418	-	519,343
NEW MEXICO DEPARTMENT OF PUBLIC SAFETY	495,353	-	20,324	515,677
D.C. JUSTICE GRANTS ADMINISTRATION	412,737	-	-	412,737

<b>GRANTEE NAME</b>	<b>TOTAL UNALLOWABLE COSTS</b>	<b>TOTAL UNSUPPORTED COSTS</b>	<b>UNABLE TO DETERMINE</b>	<b>TOTAL DOLLAR-RELATED FINDINGS</b>
BOYS AND GIRLS CLUBS OF AMERICA	338,051	99	-	338,150
MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION	273,977	-	-	273,977
ST. LOUIS METROPOLITAN POLICE DEPARTMENT (MO)	200,000	-	-	200,000
ALABAMA DEPARTMENT OF ECONOMIC & COMMUNITY AFFAIRS	6,801	-	-	6,801
CITY OF FRESNO (CA)	-	-	-	-
NEW YORK STATE DIVISION OF CRIMINAL JUSTICE	-	-	-	-
<b>TOTAL DOLLAR-RELATED FINDINGS</b>	<b>\$5,700,804<sup>30</sup></b>	<b>\$574,940<sup>31</sup></b>	<b>\$13,036,795<sup>32</sup></b>	<b>\$19,312,540</b>

The results of our on-site reviews support our concern that drawdowns occurring after the end of the 90-day liquidation period include unallowable and unsupported costs. From our sample, we found that 8 percent of the grant funds drawn down by the grantees more than 90 days past the grant end date were for unallowable costs, 1 percent were for unsupported costs, and we were unable to determine the allowability of 17 percent of the costs included in the drawdowns.

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<sup>30</sup> The unallowable costs consist of grant expenditures obligated after the grant end date or paid more than 90 days after the grant end date. We did not include these costs in our dollar-related findings since they were questioned as drawdowns occurring after the end of the 90-day grant liquidation period.

<sup>31</sup> The unsupported costs consist of drawdowns in excess of the federal share of grant expenditures per the grantee's accounting records. We did not include these costs in our dollar-related findings since they were questioned as drawdowns occurring after the end of the 90-day grant liquidation period.

<sup>32</sup> These costs consist of expenditures that occurred after the grant end date for which the grantee had not maintained the supporting documentation necessary to determine whether the costs were obligated prior to the end of the grant. Since the grantee was no longer required to maintain records for these grants, we did not consider the costs unsupported.

## Current Drawdown Practices

In response to prior OIG audit reports, COPS, OJP, and OVW have developed or proposed the following closeout policies and procedures to address the fact that grantees are drawing down funds more than 90 days after the grant end date.

- COPS Expired Grant Policy and Procedures Memorandum, dated March 31, 2005 - According to the memorandum, after the grant has been expired for 90 days, the COPS Finance Division will proceed with the deobligation of any remaining funds on those grants which have not received an extension within the required period. The COPS Finance Division will have an additional 90 days to process the deobligation after receipt of the final financial report.
- Eligible Reimbursements to Grantees Memorandum, dated May 4, 2006 - This memorandum reflects the decision by the COPS Executive Management Team to allow certain grantees, on a temporary basis, to be paid for documented, unliquidated obligations beyond the 90-day period following the grant expiration date until the expired grants backlog is eliminated.

Although we acknowledge these efforts to ensure that grantees draw down allowable funds within the 90-day liquidation period, we have identified weaknesses in COPS's current policy. In our judgment, there is a contradiction between the two COPS memoranda noted above. The COPS Expired Grant Policy and Procedures Memorandum requires that any remaining funds will be deobligated after the grant has been expired for 90 days unless an extension of the liquidation period is obtained within the required timeframe. Conversely, the Eligible Reimbursements to Grantees Memorandum allows certain grantees, on a temporary basis, to be paid for documented, unliquidated obligations beyond the 90-day period.

Additionally, the Eligible Reimbursements to Grantees Memorandum states the practice of allowing grantees to draw down unliquidated obligations beyond the 90-day period will continue until there is no longer an expired grants backlog. However, this practice is one of the factors contributing to the expired grants backlog since the federal awarding agencies spend a significant amount of time following up with grantees to ensure that "allowable" funds are drawn down after the end of the 90-day liquidation period prior to closing the grant. As a result, in our judgment, COPS should immediately discontinue the practice of allowing grantees to draw down unliquidated obligations beyond the 90-day period.

In response to the OIG's March 2005 audit report, OJP stated that it would "incorporate procedures into its grant monitoring and closeout policies and procedures to ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date and that all remaining funds on grants that have been expired more than 90 days are deobligated." However, OJP has not yet updated its policy and procedures to ensure that grantees are not allowed to draw down funds more than 90 days past the grant end date.

Additionally, OVW stated that, "Although OVW has become an independent Office/Bureau/Division within the Department of Justice, we are still contracting with OJP OC for financial management services." However, as stated above, OJP has not yet updated its policy and procedures to ensure that grantees are not allowed to draw down funds more than 90 days past the grant end date.

We also found that COPS, OJP, and OVW grantees can continue to draw down funds indefinitely after the grant end date as long as the grantee continues to submit financial reports. Although the grant payment system automatically prevents grantees from drawing down funds if a financial report is not submitted within 45 days after the end of the fiscal quarter, once a financial report is submitted the grantee is considered to be "current" and can continue to draw down funds. Since there is no control in the current grant payment system that recognizes that the grant has expired as long as grantees submit a financial report prior to drawing down funds, the system will not prevent them from drawing down funds after the grant end date. In fact, when COPS, OJP, and OVW contact grantees to draw down remaining funds even though the 90-day liquidation period may have passed, they instructed them to submit a financial report so that the grant payment system recognized them as being current, thus allowing them to continue to draw down funds.

Pursuant to all relevant criteria, grantees are required to draw down grant funds for allowable costs within 90 days after the end of the grant, unless the grantee requests and receives an extension of time to draw down funds. Any funds remaining after the end of the liquidation period are required to be deobligated and regranted or returned to the general fund, within 180 days after the grant end date. In our judgment, the simple solution would be to modify OJP's grant payment system so that grantees are automatically prevented from drawing down funds more than 90 days past the grant end date unless they receive an extension.<sup>33</sup> Currently, the grant payment system automatically freezes grant funds if a grantee fails to

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<sup>33</sup> COPS and OVW both use OJP's grant payment system.

submit a financial report within 45 days after the end of the quarter but does not include a similar control to prevent grantees from drawing down funds after the 90-day grant liquidation period has expired. Further, the granting agencies should ensure that grants are closed and remaining funds are deobligated with 180 days after the end of the grant.

We proposed the following solution to prevent grantees from drawing down funds after the end of the 90-day liquidation period.

- The grant payment system should be modified to ensure that grantees cannot draw down funds more than 90 days past the grant end date, at which time the final financial report should have been submitted.
- If a grantee attempts to draw down funds more than 90 days past the grant end date the system would automatically reject the request.
- Once the reimbursement request is rejected, the grantee would be required to contact the DOJ awarding agency to request an extension of the liquidation period.
- If an extension request is received, the DOJ awarding agency would be able to review the final financial report to determine if the federal share of outlays reported exceeded the drawdowns.
- If the DOJ awarding agency identifies any unliquidated obligations, then it would have the option of approving the extension of the liquidation period. The extension should not exceed 180 days past the original grant expiration date, since the grants should be closed and remaining funds deobligated within 180 days after the end of the grant period.
- If the grantee has not submitted a final financial report, the DOJ awarding agency should require that it be submitted before considering an extension of the liquidation period.

Under this process, grantees would not be allowed to draw down funds more than 90 days past the grant end date without requesting and receiving an extension in compliance with 28 C.F.R. §66.50(b). In addition, the process would also ensure that the final financial reports are submitted and reviewed in a timely manner, so that the granting agencies can determine whether drawdowns were supported. At the same time, the awarding agencies must also ensure that grants are closed within 180 days and remaining funds are deobligated. This would ensure that:

- If the DOJ awarding agency grants an extension of the liquidation period, the extension will not be granted for more than 180 days after the grant end date;
- The review and timing of drawdowns would occur during the period for which the grantee is required to maintain the grant records; and
- Remaining grant funds are deobligated in a timely manner so that the funds can be regranting or returned to the general fund.

We discussed our proposal with COPS, OJP, and OVW officials, and they agreed with our proposed solution. However, COPS and OVW officials were not sure if the grant payment system could be modified to automatically prevent grantees from drawing down funds more than 90 days past the grant end date since the grant payment system is administered by the OC. When we discussed this possibility with OC officials, they stated that it would be difficult to modify the current system to prevent drawdowns more than 90 days past the grant end date. However, OC officials stated that DOJ is planning to implement a new grant payment system by 2009 and acknowledged that an automatic freeze on any remaining funds more than 90 days past the grant end date would be a "good" control in the new grant payment system.

## **Conclusion**

As a part of grant closeout the awarding agency is required to identify any excess and unallowable funds and ensure that these funds are returned by the grantee. Any funds returned by the grantee should be deobligated and used to provide DOJ with additional resources needed to fund other programs, or returned to the general fund.

However, we found that the current practices of COPS, OJP, and OVW do not conform to federal regulations and their own policy. In fact, we found that COPS, OJP, and OVW allowed grantees to draw down funds from 8,917 expired grants totaling \$554.19 million more than 90 days past the grant end date. We are questioning this amount as unallowable because federal regulations and component policy prohibit drawdowns more than 90 days past the grant end date.

In addition, we are concerned that drawdowns occurring after the end of the 90-day liquidation period may include unallowable or unsupported costs. From a sample of grantees for which on-site review were conducted, we consider our concern to be valid. Specifically, for our sample we found that 33 percent of the grant funds drawn down by these grantees were for

unallowable expenditures totaling over \$142.74 million. These funds were obligated after the grant end date.<sup>34</sup> Additionally, 11 percent of the grant funds drawn down by these grantees were for unsupported costs totaling over \$46.52 million.

In our judgment, the best solution to the problems related to drawdowns identified in our report would be to modify the grant payment system so that grantees are automatically prevented from drawing down funds more than 90 days past the grant end date. Further, the granting agencies should ensure that grants are closed and remaining funds are deobligated with 180 days after the end of the grant.

We discussed our proposed solution with COPS, OJP, and OVW officials and they agreed with our recommendation. However, OC officials stated that it would be difficult to modify the current system to prevent drawdowns more than 90 days past the grant end date. OC officials also stated that DOJ is planning to implement a new grant payment system by 2009.

## **Recommendations**

### **We recommend that COPS:**

8. Ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date without requesting and receiving an extension not to exceed 90 days.
9. Work with the Office of Justice Programs Office of the Comptroller to add a control to the current grant payment system that will prohibit grantees from drawing down funds after the end of the 90-day liquidation period.
10. Remedy the \$226,856,849 in questioned costs related to drawdowns occurring more than 90 days past the grant end date.
11. Work with the Office of Justice Programs Office of the Comptroller to ensure that the current grant payment system includes a control to prohibit negative award balances, e.g., total payments in excess of the net award amount.

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<sup>34</sup> We found that the grantees had not maintained records for nine grants with drawdowns totaling \$36.14 million. As a result, we were unable to review the expenditures for these grants. For seven grants with drawdowns totaling \$25.73 million, we determine that the grantee was no longer required to maintain the grant records. However, for two grants with drawdowns totaling \$10.41 million the grantee had not maintained records despite the fact that the record retention period had not yet expired.

12. Remedy the questioned costs totaling \$45,688 related to grants for which the drawdowns exceeded the total award amount.
13. Ensure that grantees are not allowed to draw down funds for unallowable expenditures obligated after the grant end date.<sup>35</sup>
14. Ensure that grantees are not allowed to draw down excess funds for unsupported expenditures.
15. Immediately discontinue the practice of allowing grantees to draw down unliquidated obligations beyond the 90-day liquidation period without an extension.

**We recommend that OJP:**

16. Ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date without requesting and receiving an extension not to exceed 90 days.
17. Ensure that the current grant payment system includes a control to prohibit grantees from drawing down funds after the end of the 90-day liquidation period.
18. Remedy the \$290,055,575 in questioned costs related to drawdowns occurring more than 90 days past the grant end date.
19. Ensure that the current grant payment system includes a control to prohibit negative award balances, e.g., total payments in excess of the net award amount.
20. Remedy the questioned costs totaling \$442,108 related to grants for which the drawdowns exceeded the total award amount.
21. Ensure that grantees are not allowed to draw down funds for unallowable expenditures obligated after the grant end date.
22. Ensure that grantees are not allowed to draw down excess funds for unsupported expenditures.

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<sup>35</sup> In our judgment, many of our recommendations would be addressed if the COPS, OJP, and OWV implemented our proposed solution of modifying the grant payment system so that grantees are automatically prevented from drawing down funds more than 90 days past the grant end date. At the same time, the awarding agencies would need to ensure that the final financial reports are reviewed in a timely manner and that grants are closed and remaining funds are deobligated with 180 days after the end of the grant.

23. Immediately discontinue the practice of allowing grantees to draw down unliquidated obligations beyond the 90-day liquidation period without an extension.

**We recommend that OVW:**

24. Ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date without requesting and receiving an extension not to exceed 90 days.
25. Work with the Office of Justice Programs Office of the Comptroller to ensure that the current grant payment system includes a control to prohibit grantees from drawing down funds after the end of the 90-day liquidation period.
26. Remedy the \$37,279,986 in questioned costs related to drawdowns occurring more than 90 days past the grant end date.
27. Work with the OC to ensure that the current grant payment system includes a control to prohibit negative award balances, e.g., total payments in excess of the net award amount.
28. Remedy the questioned costs totaling \$41,247 related to grants for which the drawdowns exceeded the total award amount.
29. Ensure that grantees are not allowed to draw down funds for unallowable expenditures obligated after the grant end date.
30. Ensure that grantees are not allowed to draw down excess funds for unsupported expenditures.
31. Immediately discontinue the practice of allowing grantees to draw down unliquidated obligations beyond the 90-day liquidation period without an extension.

### **III. FUNDS REMAINING ON EXPIRED GRANTS**

COPS, OJP, and OVW are not ensuring that remaining grant funds are deobligated after the end of the 90-day liquidation period. As a result, we identified funds totaling \$172.28 million that had not been deobligated and put to better use. The funds put to better use included \$163.96 million in unused funds for expired grants that had not been closed and were more than 90 days past the grant end date, and \$8.32 million in unused funds for grants that had been reported as closed.

Pursuant to federal regulations and DOJ policy, grant funds must be drawn down within 90 days after the end of the grant period. Additionally, unless an extension of time to draw down funds is requested by the grantee and authorized, any grant funds not drawn down within the 90-day liquidation period should revert back to the DOJ awarding agency to be regranted or returned to the general fund. As part of the closeout process COPS, OJP, and OVW are required to review the grant drawdowns to identify any unused funds and deobligate these funds within 180 days after the expiration of the grant. Based on our review of 60,933 expired and closed grants, we identified \$172.28 million in unused grant funds that had not been drawn down within 90 days after the grant end date, for which the grantees had not requested or received an extension of the liquidation period.<sup>36</sup> These funds should have reverted back to the DOJ awarding agency and been made available for other purposes. Failure to close out grants in a timely manner and deobligated remaining grants funds within 180 days after the expiration of the grant has resulted in COPS, OJP, and OVW having millions of dollars in unused grant funds reported in their accounting systems for years. However, because of the delay in the grant closeout process, the DOJ awarding agencies did not know the amount of unused funds in their accounting systems that should have been deobligated.

#### **Funds Remaining on Expired Grants**

As shown in Table 14, we identified funds totaling \$163,955,084 associated with 3,350 expired grants that had not been closed and were more than 90 days past the grant end date, for which the grantees had not requested or received an extension of the time in which to draw down funds.

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<sup>36</sup> A detailed list of the expired and closed grants for unused funds that had not been deobligated and put to better use will be provided to each component in a separate document.

However, COPS, OJP, OVW, had not deobligated these funds and put them to better use.

**TABLE 14. UNUSED GRANT FUNDS FOR EXPIRED GRANTS 90 DAYS PAST THE GRANT END DATE** (Dollars in Millions)

NO. OF YEARS PAST END DATE	COPS		OJP		OVW	
	NO. OF GRANTS	UNUSED GRANT FUNDING	NO. OF GRANTS	UNUSED GRANT FUNDING	NO. OF GRANTS	UNUSED GRANT FUNDING
90 Days to 12 Months	691	\$33.18	517	\$42.79	158	\$9.30
13 to 24 Months	470	25.63	164	9.16	79	2.65
25 to 36 Months	385	11.40	81	2.25	19	0.39
37 to 48 Months	252	7.39	30	2.92	15	0.98
49 to 60 Months	206	5.14	26	2.41	8	0.28
> 60 Months	201	5.85	39	1.54	9	0.69
<b>TOTAL</b>	<b>2,205</b>	<b>\$88.59</b>	<b>857</b>	<b>\$61.08</b>	<b>288</b>	<b>\$14.29</b>

Source: COPS, OJP, and OVW list of expired grants and the grant payment histories

Specifically, we identified:

- 2,205 COPS grants more than 90 days past the grant end date with remaining grant funds totaling \$88,587,211; as a result, these funds should be deobligated and put to better use.
- 857 OJP grants more than 90 days past the grant end date with remaining grant funds totaling \$61,082,443; as a result, these funds should be deobligated and put to better use.
- 288 OVW grants more than 90 days past the grant end date with remaining grant funds totaling \$14,285,431; as a result, these funds should be deobligated and put to better use.

Of these amounts, 1,044 COPS grants with funds remaining of \$29,779,911, 176 OJP grants with funds remaining of \$9,126,165, and 51 OVW grants with funds remaining of \$2,334,805 have been expired more than 2 years.

Additionally, we identified 309 grants reported as closed with unused funds totaling \$8,321,570, which had not been deobligated and put to better use. These grants included 103 COPS grants with funds totaling \$4,730,492, 195 OJP grants with funds totaling \$3,488,483, and 11 OVW grants with funds totaling \$102,595 that should have been deobligated and put to better use prior to closing the grants.

During our follow-up discussions with COPS officials related to funds remaining on grants reported as closed, COPS requested that we provide a list of the grants in question so that they could determine the reasons why the funds had not been deobligated. We provided COPS with a list of the 103 grants reported as closed with funds remaining of \$4,730,492. In response, COPS officials stated that the COPS Finance Division reviewed our list and created a new list from which they removed all of the grants with a current "zero balance" indicating that the funds for 53 grants had been deobligated or drawn down subsequent to our review. The new list provided by COPS included 50 grants with funds remaining of \$2,091,725. To determine reasons for the differences between our list of 103 grants and the COPS list of 50 grants, we requested the grant payment histories for all 103 grants.

Based on our review of the grant payment histories for the 103 grants reported as closed with funds remaining, we determined that subsequent to our initial analysis:

- COPS allowed grantees to draw down \$147,862 on grants reported as closed; as a result, we are questioning this amount as unallowable.
- COPS deobligated \$1,767,859 in funds remaining for 56 grants reported as closed, of which \$894,155 for 25 grants was deobligated after the initial list of the 103 grants was provided to COPS.
- For 44 grants we identified unused funds totaling \$2,849,825, which COPS had not been deobligated and put to better use.

## **Recommendations**

### **We recommend that COPS:**

32. Ensure that all funds remaining on grants are deobligated within 180 days after the expiration of the grant and regranted, or returned to the general fund.
33. Deobligate and put to better use the \$88,587,211 in remaining funds related to expired grants that are more than 90 days past the grant end date.
34. Ensure that remaining grant funds are deobligated prior to closure.
35. Deobligate and put to better use the \$2,849,825 in remaining funds related to grants that were reported as closed.

36. Remedy the \$147,862 in questioned costs related to drawdowns occurring after the grant was reported as closed.

**We recommend that OJP:**

37. Ensure that all funds remaining on grants are deobligated within 180 days after the expiration of the grant and regrant, or returned to the general fund.
38. Deobligate and put to better use the \$61,082,443 in remaining funds related to expired grants that are more than 90 days past the grant end date.
39. Ensure that remaining grant funds are deobligated prior to closure.
40. Deobligate and put to better use the \$3,488,483 in remaining funds related to grants that were reported as closed.

**We recommend that OVW:**

41. Ensure that all funds remaining on grants are deobligated within 180 days after the expiration of the grant and regrant, or returned to the general fund.
42. Deobligate and put to better use the \$14,285,431 in remaining funds related to expired grants that are more than 90 days past the grant end date.
43. Ensure that remaining grant funds are deobligated prior to closure.
44. Deobligate and put to better use the \$102,595 in remaining funds related to grants that were reported as closed.

## STATEMENT ON INTERNAL CONTROLS

In planning and performing our audit of grant closeout within DOJ, we considered COPS, OJP, and OVW's internal controls for the purpose of determining our auditing procedures. The evaluation was not made for the purpose of providing assurance on the internal control structure as a whole. However, we noted certain matters that we consider reportable conditions under generally accepted government auditing standards.<sup>37</sup>

### Finding I

- COPS, OJP, and OVW did not ensure that expired grants were closed within 6 months of the grant end date; as a result, the federal awarding agencies failed to ensure that grantees complied with all essential grant requirements in a timely manner.

### Finding II

- COPS, OJP, and OVW did not ensure that grantees were not allowed to draw down funds more than 90 days after the grant end date.

### Finding III

- COPS, OJP, and OVW did not ensure that all funds remaining on grants that had expired for more than 90 days were deobligated.

Because we are not expressing an opinion on the overall management control structure of COPS, OJP, or OVW, this statement is intended solely for the information and use by these components in administering the federal regulations governing for federal grants.

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<sup>37</sup> Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the management control structure that, in our judgment, could adversely affect the ability of COPS, OJP, and OVW to administer grants awarded to state, local, and tribal governments.

## STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the *Government Auditing Standards*, we tested COPS, OJP, and OVW records and documents pertaining to closed and expired grants awarded between FYs 1999 and 2005 to obtain reasonable assurance that each component complied with laws and regulations that, if not complied with, in our judgment could have a material effect on the administration of grants awarded by DOJ. Compliance with laws and regulations applicable to the timely closure of expired grants is the responsibility of COPS, OJP, and OVW management. An audit includes examining, on a test basis, evidence about compliance with laws and regulations. At the time of our audit, the federal regulations governing the requirements for federal grants could be found in:

- 28 C.F.R. Part 66, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*
- 28 C.F.R. Part 70, *Uniform Administrative Requirements for Grants and Agreements (including subawards) with Institutions of Higher Education, Hospitals and Other Non-profit Organizations*
- OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments*
- OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*
- OMB Circular A-123, *Management's Responsibility for Internal Control*

Except for the issues discussed in the Findings and Recommendations section of this report, nothing came to our attention that caused us to believe that COPS, OJP, and OVW management was not in compliance with the federal regulations governing the requirements for federal grants listed above.

## SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS: <sup>38</sup>	AMOUNT	PAGE
Drawdowns occurring more than 90 days past the grant end date	\$554,192,410	32
Drawdowns in excess of the award amount	\$529,043	33
<b>TOTAL QUESTIONED COSTS</b>	<b>\$554,721,453</b>	
<b>FUNDS PUT TO BETTER USE:<sup>39</sup></b>		
Grant funds remaining for expired grants that are more than 90 days past the grant end date	\$163,955,084	45
Grant funds remaining for closed grants <sup>40</sup>	\$8,321,570	46
<b>TOTAL FUNDS PUT TO BETTER USE</b>	<b>\$172,276,654</b>	
<b>TOTAL DOLLAR-RELATED FINDINGS</b>	<b>\$726,998,107</b>	

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<sup>38</sup> **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or 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.

<sup>39</sup> **Funds Put to Better Use** are funds not yet expended that could be used more efficiently if management took action to implement and complete audit recommendations.

<sup>40</sup> The \$8,321,570 in funds to be put to better use for closed grants is the amount identified during our initial review. As stated on page 47 of this report, subsequent to our review COPS deobligated \$1,767,859 in funds remaining for 56 grants reported as closed and allowed grantees to draw down \$147,862 on grants reported as closed, which we are questioning as unallowable.

## OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed COPS, OJP, and OVW closeout processes to determine whether the grant closeout policies and procedures are adequate to ensure that: (1) expired grants are closed in a timely manner; (2) grant funds are drawn down in accordance with federal regulations, DOJ policy, and the terms and conditions of the grant; and (3) remaining grant funds are deobligated prior to closeout.

We conducted our audit in accordance with *Government Auditing Standards*. We included such tests as were necessary to accomplish the audit objectives. The audit generally covered, but was not limited to, all expired DOJ grants that had not been closed by COPS, OJP, and OVW, as of December 2005, as well as all grants closed during FYs 1999 through 2005. Audit work was conducted at COPS, OJP, OVW, and selected grantees.

To determine whether COPS, OJP, and OVW closed expired grants in a timely manner, we requested a list of all expired grants that had not been closed as well as a list of all grants closed between FYs 1999 through 2005. For grants which had been closed, we reviewed the closeout date to determine whether the grant was closed within 6 months of the grant expiration. For grants which had not been closed, we reviewed the grant end date to determine whether the grant had been expired for more than 6 months without being closed. In order to determine the reasons for the delay in the closeout process, we then reviewed a sample of grants that had either been expired for more than 6 months and that had not been closed or were closed more than 6 months after the grant end date. If the delays in the closeout process were due to grantee non-compliance, such as not submitting final financial and progress reports, we attempted to determine whether COPS, OJP, and OVW had awarded any new grants during the delay. We also conducted our own analysis to determine the length of time it would take to eliminate the backlog of expired grants based on the historical closeout practices of COPS, OJP, and OVW.

To determine whether COPS, OJP, and OVW allowed grantees to draw down funds more than 90 days past the grant end date, we compared the grant end date with the date of the last drawdown as reported on the grant payment history. For all grants where the date of the last drawdown was made after the grant end date, we reviewed the grant payment history to determine the number of grant drawdowns made and the amount of those drawdowns. In addition, for the following sample of grants in which COPS, OJP, and OVW allowed the grantee to draw down federal funds after the

liquidation period, we conducted expenditure testing at the grantee's location to determine whether the costs were properly charged to the grant in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.

<b>GRANTEE NAME</b>	<b>DOJ AWARDING AGENCY</b>	<b>GRANT NO.</b>	<b>TOTAL DRAWDOWNS 90 DAYS AFTER THE GRANT END DATE</b>
ALABAMA DEPARTMENT OF ECONOMIC & COMMUNITY AFFAIRS	OJP	1996DBMU0001	\$ 24,858.35
	OJP	1999VAGX0001	162,324.35
	OJP	1998JFFX0001	162,446.72
	OJP	1999RTVX0001	501,259.26
	OVW	1997WFVX0001	1,248,438.25
<i>TOTAL</i>			<i>\$2,099,326.93</i>
BOYS AND GIRLS CLUBS OF AMERICA	OJP	2001LDBXK002	\$ 500,000.00
	OJP	1999LBVXK001	29,675,000.00
	OVW	1998WTVXK008	40,047.00
<i>TOTAL</i>			<i>\$30,215,047.00</i>
INDIANA CRIMINAL JUSTICE INSTITUTE	OJP	1995DBVX0018	\$367,569.96
	OJP	1995RURXK041	764,827.64
	OJP	1999RTVX0018	674,786.36
	OJP	1997SYBX0018	137,347.43
	OVW	1996WFNX0018	328,909.58
<i>TOTAL</i>			<i>\$2,273,440.97</i>
ST. LOUIS METROPOLITAN POLICE DEPARTMENT (MO)	COPS	1995CCWX0165	\$2,236,406.66
	COPS	1997PAWXK014	14,275.06
	COPS	1996CNWX0016	27,011.35
<i>TOTAL</i>			<i>\$2,277,693.07</i>
NEW MEXICO DEPARTMENT OF PUBLIC SAFETY	COPS	1998CLWX0200	\$603,227.57
	OJP	1995RURXK036	689,217.54
	OJP	1997DBMU0035	251,227.30
	OJP	1995DBVX0035	81,399.35
	OJP	1990DBCX0035	20,323.96
	OJP	1999RTVX0035	414,977.22
	OJP	1998NRCXK055	231,523.13
	OJP	1997RTVX0035	81,805.76
	OJP	1997SYBX0035	157,817.00
	OJP	1998SYBX0035	14,587.07
	OJP	1997TTVX0004	46,797.50
<i>TOTAL</i>			<i>\$2,592,903.40</i>

<b>GRANTEE NAME</b>	<b>DOJ AWARDING AGENCY</b>	<b>GRANT NO.</b>	<b>TOTAL DRAWDOWNS 90 DAYS AFTER THE GRANT END DATE</b>
WYOMING OFFICE OF THE ATTORNEY GENERAL	OJP	1998DBMU0056	\$1,166,836.69
	OJP	1997DBMU0056	147,351.19
	OJP	1996DBMU0056	28,599.09
	OJP	1998SYBX0056	138,980.50
	OJP	1997SYBX0056	166,727.00
	OJP	1999SYBX0056	71,628.90
	OJP	1998NRCXK017	83,944.90
	OVW	1997WFVX0056	204,047.70
<i>TOTAL</i>			<i>\$2,008,115.97</i>
ARKANSAS DEPARTMENT OF HUMAN SERVICES	OJP	1998JFFX0005	\$261,635.00
	OJP	2002JFFX0005	272,569.00
	OJP	1996JFFX0005	91,075.00
	OJP	2000JPF3005	289,411.00
<i>TOTAL</i>			<i>\$914,690.00</i>
CATAHOULA PARISH SHERIFF'S DEPARTMENT (LA)	COPS	1997UMWX0675	\$256,723.04
<i>TOTAL</i>			<i>\$256,723.04</i>
NEW JERSEY DEPARTMENT OF LAW & PUBLIC SAFETY	OJP	2002JFFX0034	\$1,753,000.00
	OJP	2001AHFX0034	171,367.92
	OVW	1997WFVX0034	1,773,660.11
	OVW	2001WFBX0006	1,583,800.97
	OVW	1995WFX0034	163,519.72
<i>TOTAL</i>			<i>\$5,445,348.72</i>
NEW YORK STATE DIVISION OF CRIMINAL JUSTICE	OJP	1997DBMU0036	\$ 611,069.55
	OJP	1996DBMU0036	284,588.79
	OJP	1995JFFX0036	2,227,266.99
	OJP	1996JFFX0036	2,385,537.00
	OJP	1997JPF30036	485,529.00
<i>TOTAL</i>			<i>\$5,993,991.33</i>
CALIFORNIA OFFICE OF CRIMINAL JUSTICE PLANNING	OJP	1999DBBX0006	\$ 1,643,302.00
	OJP	1998DBMU0006	4,852,489.40
	OJP	1998VAGX0006	915,837.33
	OJP	2000JFFX0006	7,618,184.00
	OVW	2000WEVX0013	217,211.00
<i>TOTAL</i>			<i>\$15,247,023.73</i>
CITY OF FRESNO (CA)	COPS	1995CCWX0485	\$3,513,306.00
<i>TOTAL</i>			<i>\$3,513,306.00</i>

<b>GRANTEE NAME</b>	<b>DOJ AWARDING AGENCY</b>	<b>GRANT NO.</b>	<b>TOTAL DRAWDOWNS 90 DAYS AFTER THE GRANT END DATE</b>
D.C. JUSTICE GRANTS ADMINISTRATION	OJP	2001JBBX0011	\$1,319,948.76
	OJP	1995JFFX4411	121,394.94
	OJP	1997JPFX4011	50,000.00
	OVW	1999WFVX4011	231,353.07
	OVW	1998WFVX4011	184,453.10
<i>TOTAL</i>			<i>\$1,907,149.87</i>
MARYLAND GOVERNOR'S OFFICE OF CRIME CONTROL AND PREVENTION	OJP	1999JPFX0024	\$109,934.00
	OJP	1999AHFX0024	228,385.00
	OJP	1998JPFX0024	227,948.00
	OVW	1998WFVX0024	500,045.00
	OVW	1996WFX0024	86,699.00
<i>TOTAL</i>			<i>\$1,153,011.00</i>
<b><i>TOTAL DRAWDOWNS</i></b>			<b><i>\$75,897,771.03</i></b>

To determine whether any grant funds remained on expired grants administered by COPS, OJP, and OVW, we compared the grant end date with the date of the grant payment history to identify all grants that had been expired for more than 90 days. For all expired grants more than 90 days past the grant end, we reviewed the grant payment history to determine the amount of remaining grant funds.

## GRANT CLOSEOUT FINDINGS IDENTIFIED BY THE OJP'S BUSINESS PROCESS IMPROVEMENT DESIGN GROUP<sup>41</sup>

In September 2005, the Office of Justice Programs completed a review of its grant closeout process.<sup>42</sup> The goal of this review was to evaluate the closeout process it identified as "burdensome and problematic" in order to design a new streamlined closeout process that would bring standardization, efficiency and automation to OJP. In its analysis OJP identified the following areas of concern related to its grant closeout process:

- Inconsistencies exist between OJP and DOJ Closeout Guidelines. According to OJP, the closeout process does not conform to DOJ closeout guidelines documented in 28 C.F.R. §66.50; OMB Circular A-102; or OMB Circular A-110. OJP found that it was not in compliance with documentation and timeline requirements as set forth in these documents. OJP program offices were not consistently collecting required final reports and timeframes for closeout deadlines that were documented in OJP policies and procedures were not consistent. Also, communications to grantees were up to twice as long as the deadlines set forth by DOJ regulations.
- Insufficient and inconsistent policies and procedures exist to govern the closeout process. OJP found that its program offices lacked a clear, concise, and accurate set of policies and procedures for the grant closeout process. OJP policies and procedures provided conflicting information regarding documentation, timeliness, and roles and responsibilities. Additionally, the OJP Financial Guide, Grant Manager's Manual, and OJP Office of the Comptroller (OC) policy statement lack sufficient guidance for rules and regulations concerning administrative closeouts for uncooperative grantees.
- Resources to support the process do not exist to ensure accuracy and completeness. OJP found that its staff did not have access to the correct tools and information needed to accurately complete the grant closeout process. Information regarding closeout procedures was

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<sup>41</sup> All findings listed were identified by OJP in its report entitled, *Grant Closeout: Business Improvement Recommendations*, Final Version, September 15, 2005.

<sup>42</sup> This review was conducted by OJP Business Process Improvement (BPI) Design Group, which was comprised of representatives from OJP program and support offices. The BPI is an OJP Executive Steering Committee initiative that supports the OJP Management Plan goal of improving OJP's core business processes.

provided to grantees, but was not easily accessible, nor was it presented at the correct point during the life of the award and was not easily understood. Additionally, grantees and grant managers alike were not consistently provided with data regarding end dates of awards and, similarly, the OC monitoring data was not appropriately disseminated within OJP program offices.

- Lack of grantee and OJP program office coordination. OJP found that its program offices were only able to determine that a grantee completed the closeout requirements by directly contacting the grantee for information. There was no single, comprehensive source for a grantee's full programmatic and financial history. According to OJP, the reactive nature of this process, e.g., contacting grantees and requesting they provide missing documents, created difficulty for a variety of reasons, including: (1) grantees were not fully aware of closeout requirements and were thus, non-responsive to grant manager requests, (2) appropriate grantee contacts could be difficult to reach if the project has experienced turnover in key staff members, (3) communication deficiencies exist between programmatic and financial contacts for a particular grant, and (4) certain grantees abandon entire projects and cannot be located.
- Handoffs between OJP program offices and the OC. OJP found that its program offices had no means to determine where a closeout was in the process once it had been submitted to the OC, which became an issue when a closeout package was rejected and returned to the grant manager. Additionally, closeout packages can be placed on hold by the OC with no communication to the program office. This became an issue when the program office reviews reports that track the number of closeouts performed and those that remained outstanding. Finally, program offices that manage large numbers of grants lack the appropriate tools to adequately track closeout packages that have been completed and submitted to the OC, which leads to multiple submissions for a single grant.
- Lack of an audit trail. The lack of visibility also relates back to the issue of lack of audit trail information. Program offices, with the exception of the National Institute of Justice (NIJ), which uses the NIJ Pipeline System, do not have tools in place to track grant closeout packages. Program offices currently rely on the OC Systems Branch to provide reports with upcoming closeout dates and closeouts that are past due. The OC utilizes several tools for tracking closeout information. However, the information captured is differentiated

and does not provide a complete picture of the closeout package status.

- Non-standard business processes are the rule, rather than the exception. Each program office conducts the closeouts process differently and often have undefined and undocumented “workarounds” that have evolved over time. In addition, roles and responsibilities vary by program office.
- Performance measures are not established or enforced to ensure timely completion of the closeout process. OJP does not currently track whether grant closeouts were completed correctly, the length of time it took to complete the full closeout process, or how many administrative closeouts were processed.
- System tools are not in place to effectively support the process. A variety of systems are in place to track grant closeout data. However, these systems do not interact or interface with each other, do not cover all aspects of the grant closeout process, and collect disaggregate information that does not add value to the overall grant closeout process. In addition, the manual nature of the closeout process causes the following:

Issue	Implication
Manual process is too lengthy or involved for grant managers’ volume of closeouts	<ul style="list-style-type: none"> <li>• A combination of the lengthy and cumbersome current process, along with lack of prioritization of closeouts by management, results in closeouts not being completed within established timeframes.</li> </ul>
No standard method of communication between the grantee and OJP program office, OJP program office and the OC, and the OC and grantee	<ul style="list-style-type: none"> <li>• Consistent language, timeframes, and requirements are not communicated to grantees across OJP program offices and the OC, and even across grant managers within a particular OJP program office. This results in inconsistent customer services and confusion for grantees who work with multiple OJP offices.</li> <li>• Workload is increased in the OC by having to check for different forms, signatures, and notations on closeout packages from each of the different OJP program offices.</li> </ul>
Inability to accommodate workforce changes (grant managers) in a timely manner	<ul style="list-style-type: none"> <li>• Grants are left unattended and unsupervised when a grant manager leaves and a new grant manager is not immediately assigned. This lapse in grant management has numerous implications for OJP and</li> </ul>

Issue	Implication
	makes these grants especially difficult to close at the end of the grant because of the loss of familiarity with the grant and grant staff.
No dissemination of monitoring data in OJP program offices	<ul style="list-style-type: none"> <li>Grant managers who do not have adequate access to the OC monitoring list will submit closeout packages to the OC where they will be placed on hold until monitoring issues are resolved and holds are released. OJP program offices are not always aware when a closeout package is placed on hold in the OC.</li> </ul>
Inconsistent system and methods for completing closeout packages	<ul style="list-style-type: none"> <li>Each OJP program office complies and processes closeout packages differently. This non-standard approach does not facilitate a shared knowledge base for closeout across OJP, results in inconsistencies for grantees who work with multiple OJP program offices, and creates additional work for the OC during review of closeout packages.</li> </ul>

Upon completing its review, OJP identified the following areas and recommendation for improvement. Specifically:

- Revise policies and procedures for the OJP-wide manual grant closeout process. Communicate to, and train all relevant OJP staff on the new policies and procedures.
- Develop new OJP closeout forms to facilitate the manual process.
- A streamlined and standard OJP-wide grant closeout process should be adopted.
- Grantees should be held accountable for timely and consistent completion of closeout requirements.
- Grantees and OJP staff should have better access to closeout information.
- The new closeout process should be flexible enough to meet OJP's needs.
- Formal, OJP-wide policies and procedures should be established to support the automated closeout process.
- The OJP Office of the Assistant Attorney General should be the formal owner of the grant closeout process.

- Formal, OJP-wide roles and responsibilities should be established to support the improved closeout process.
- Establish performance measures to monitor efficiency and compliance with the OJP-wide closeout process.
- The grant closeout process should be fully automated.

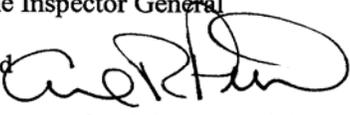


**U.S. Department of Justice**  
*Office of Community Oriented Policing Services (COPS)*

**MEMORANDUM**

VIA FACSIMILE and U.S. MAIL

To: Guy K. Zimmerman  
Assistant Inspector General for Audit  
Office of the Inspector General

From: Carl R. Peed   
Director  
Office of Community Oriented Policing Services (COPS)

Date: November 27, 2006

Subject: Draft Audit Report on the Department of Justice's Grant Closeout Process

This memorandum is in response to the Office of the Inspector General's (OIG) above-referenced draft audit report dated November 3, 2006, as it relates to the COPS Office.

The COPS Office has always recognized the importance of closing grant awards in a timely manner and has made grant closeout an office-wide priority, successfully closing more than 24,000 grants to date. In accordance with the need to set forth policy, provide procedural guidance, and delineate responsibilities across the agency for closing COPS grant awards, the Grants Administration Division established a Closeout Team in 1998, with grant closeouts as its primary focus. A substantive "Closeout Policy and Procedures Manual" was also developed by the agency in 2000, and has since been updated and revised twice (in 2002 and 2004) in order to streamline our closeout processes and enhance efficiency.

Despite our efforts to aggressively move the closeout process forward, COPS has faced a number of inherent challenges that have impeded our ability to close many of those earliest grants within a shorter span of time. Bearing in mind that the COPS Office did not begin to make grants until 1995, the bulk of those grants were to communities to hire law enforcement officers for a period of three years. That meant that, at best, the COPS Office could not begin to initiate any grant closure until at least 1998-1999. In addition, to allow the communities the time they needed to successfully complete their grants by hiring officers for the entire three years, communities requested and received grant extensions averaging approximately 18 months from the original end date, to allow time for recruitment, hiring, training, deployment and backfilling vacancies. That meant the COPS Office could not begin to initiate closeout on those grants until approximately 2000-2001. In addition to these hiring grants, our technology and equipment

awards required extensions from their original award end dates in order to allow grantees sufficient time to successfully complete the awards. In most cases, the COPS Office was not able to initiate the closeout process for these grants until after the extended award end date.

Unanticipated delays in initiating closeout on the earliest hiring grants were also caused by the "supplemental" award system used by the COPS Office until June 2000. Under that system, agencies receiving a hiring award for the first time were granted what was known as an "original" award, with a specific grant number corresponding to that award. Any subsequent UHP funding received by an agency was known as a "supplemental" award (e.g., Supplement #1, #2, etc.), and although these supplemental awards had unique start and end dates, they kept the same grant number as the original award, regardless of how many supplements were awarded. Many hiring grantees received three, four, or even five supplemental awards. Although this supplemental award system won the Attorney General's "JustWorks" award in 1997 for its innovative streamlining and ease of grantee use, it also severely limited the ability of the COPS Office to close grants in a timely manner, as thousands of grants with one or more supplements could not be closed until the expiration of the final supplement awarded under the original grant number. In many cases, the period of time between the expiration of a grantee's initial hiring award and the expiration of their final supplement was five years or more.

In June 2000, the COPS Office ended the use of the supplemental award system, and each new hiring grant awarded thereafter received its own unique grant number. This change in the grant award process has allowed the Grants Administration Division to initiate the closeout of each individual grant award shortly after its end date. As a result, the COPS Office is now able to financially and programmatically close expired hiring awards in a more timely and efficient manner than was possible under the supplemental system. The COPS Office continues to seek ways to improve our grant administration processes in order to ensure timeliness and accuracy in the closure of all grant awards, and appreciates the recommendations offered by the OIG for additional areas of improvement and enhancement.

For ease of review, the draft audit recommendations pertaining to the COPS Office are stated in bold and underlined, followed by the COPS Office's response to each recommendation.

**Recommendation 1: Revise and fully implement grant closeout policies and procedures to ensure that expired grants are closed within 6 months after the end date.**

The COPS Office concurs.

The COPS Closeout/Withdrawal team is currently in the process of initiating an agency-wide review of the COPS Closeout Policy and Procedures Manual, which was last revised in August 2004. This review process will encompass a comprehensive and complete review of all current closeout policies and practices. An emphasis will be placed on adding specific language that clearly directs the efficient processing of eligible grants through the establishment of a

processing timeline that ensures the final closure of all eligible grants within six months of the end date. The COPS Office will fully implement this new six-month processing timeline once the backlog of currently expired grants has been addressed.

**Recommendation 2: Ensure that grant closeout policies and procedures include timeframes within which specific actions should be completed, including a requirement that grants must be closed within 6 months after the grant end date.**

The COPS Office concurs that the Closeout Policy and Procedures Manual should include specific timeframes for completing closeout actions once a grant has expired. When the COPS Office updates the current Closeout Policy and Procedures Manual (see response to Recommendation #1), specific timeframes for closure milestones will be developed and incorporated into the manual. As noted above, one such milestone to be included within the processing timeframe is the closure of all expired grants within six months of the grant end date.

**Recommendation 3: Establish a system to track progress towards eliminating the backlog within the established timeframe.**

The COPS Office concurs.

The COPS Grants Administration Division will increase the amount of current vetting cycles performed in order to expedite the identification of eligible grants for closure. A four-fold process of identifying specific grants will continue to be implemented. This process includes direct input from program managers, COPS Finance Staff, the COPS Department Annual Progress Report (DAPR), and through the established vetting process. The continual implementation of this identification process should eliminate the current backlog of eligible grants by the end of calendar year 2007. The COPS Office will utilize existing tracking methods, such as proactive database queries and management reports, to monitor the progress of eliminating the closeout backlog. Concurrently, while completing the milestone of eliminating the expired grant backlog, the COPS Office will update the tracking system, as necessary, to ensure the closure of grants on a regular basis within six months of the end date.

**Recommendation 8: Ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date without requesting and receiving an extension not to exceed 90 days.**

The COPS Office concurs and, as appropriate, will take appropriate action to ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date. The COPS Office will develop and implement a practice for allowing grantees to request and receive,

under specific and limited circumstances, additional time solely for the purpose of drawing down grant funds after the 90-day liquidation period has passed.

**Recommendation 9: Work with the Office of Justice Programs Office of the Comptroller to add a control to the current grant payment system that will prohibit grantees from drawing down funds after the end of the 90-day liquidation period.**

The COPS Office concurs and will request that the Office of Justice Programs Office of the Comptroller (OJP-OC) add a control to their grant payment system prohibiting grantees from drawing down funds after the end of the 90-day liquidation period. [As the OIG has noted in the audit report, the grant payment system is administered by the OJP-OC, and not by the COPS Office.]

**Recommendation 10: Remedy the \$226,856,849 in questioned costs related to drawdowns occurring more than 90 days past the grant end date.**

The COPS Office concurs, and will review the grants in question and take appropriate steps to address the \$226,856,849 in questioned costs.

**Recommendation 11: Work with the Office of Justice Programs Office of the Comptroller to ensure that the current grant payment system includes a control to prohibit negative award balances, e.g., total payments in excess of the net award amount.**

The COPS Office concurs and will request that OJP-OC ensure the current grant payment system includes a control to prohibit negative award balances, such as total payments in excess of the net award amount.

**Recommendation 12: Remedy the questioned costs totaling \$45,688 related to grants for which the drawdowns exceeded the total award amount.**

The COPS Office concurs, and will review the grants in question and take appropriate steps to address the \$45,688 in questioned costs related to grants for which the drawdowns exceeded the total award amount.

**Recommendation 13: Ensure that grantees are not allowed to draw down funds for unallowable expenditures obligated after the grant end date.**

The COPS Office concurs that grantees should not be allowed to draw down funds for unallowable expenditures obligated after the grant end date and will take the appropriate steps as required by the Expired Grants Policy.

**Recommendation 14: Ensure that grantees are not allowed to draw down excess funds for unsupported expenditures.**

The COPS Office concurs that grantees should not be allowed to draw down excess funds for unsupported expenditures and will take appropriate action.

**Recommendation 15: Immediately discontinue the practice of allowing grantees to draw down unliquidated obligations beyond the 90-day liquidation period without an extension.**

The COPS Office concurs and will take appropriate action to discontinue the practice of allowing grantees to draw down unliquidated obligations beyond the 90-day liquidation period without an extension.

**Recommendation 32: Ensure that all funds remaining on grants are deobligated within 180 days after the expiration of the grant and regrant, or returned to the general fund.**

The COPS Office concurs and will take the appropriate steps to ensure that all funds remaining on grants that have been expired for more than 90 days are deobligated and regrant, or returned to the general fund as necessary, within 180 days after the expiration of the grant.

**Recommendation 33: Deobligate and put to better use the \$88,587,211 in remaining funds related to expired grants that are more than 90 days past the grant end date.**

The COPS Office concurs and will review the grants in question and take appropriate steps to address the \$88,587,211 in remaining funds related to expired grants that are more than 90 days past the grant end date.

**Recommendation 34: Ensure that remaining grant funds are deobligated prior to closure.**

The COPS Office concurs and will take the necessary steps to ensure that remaining grant funds are deobligated prior to closure.

Guy K. Zimmerman  
Draft Audit Report on the Department of Justice's Grant Closeout Process  
November 27, 2006  
Page 6

**Recommendation 35: Deobligate and put to better use the \$2,849,825 in remaining funds related to grants that were reported as closed.**

The COPS Office concurs and will review the grants reported as closed with a balance of \$2,849,825, and take appropriate action as necessary.

**Recommendation 36: Remedy the \$147,862 in questioned costs related to drawdowns occurring after the grant was reported as closed.**

The COPS Office concurs and will review the grant in question and take appropriate steps to address the \$147,862 in questioned costs related to drawdowns occurring after the grant was reported as closed.

The COPS Office thanks the Office of the Inspector General for the opportunity to review and respond to the draft audit report. If you have any questions, please contact Cynthia Bowie, Assistant Director, Audit Liaison Division at (202) 616-3645; or Martha Viterito, Program Audit Liaison, at (202) 514-6244.

cc: Robert A. Phillips  
Deputy Director for Operations  
COPS Office

Richard P. Theis  
Acting Director  
DOJ/JMD Audit Liaison Office

Mary T. Myers  
Audit Liaison Specialist  
DOJ/JMD Audit Liaison Office



## U.S. Department of Justice

Office of Justice Programs

*Office of the Assistant Attorney General*

Washington, D.C. 20531

DEC 01 2006

MEMORANDUM TO: Glenn A. Fine  
Inspector General  
United States Department of Justice

THROUGH: Guy K. Zimmerman  
Assistant Inspector General for Audit  
Office of the Inspector General  
United States Department of Justice

FROM: *Regina B. Schofield*  
Regina B. Schofield  
Assistant Attorney General

SUBJECT: Response to Draft Audit Report – *The Department of Justice's Grant Closeout Process*

This memorandum provides a response to the Office of the Inspector General's (OIG's) draft audit report entitled, "*The Department of Justice's Grant Closeout Process.*" The report contains 14 recommendations and \$290,497,683 in questioned costs and \$64,570,926 in funds put to better use directed to the Office of Justice Programs (OJP).

The Office of Justice Programs agrees that timely closeout of grants has been a long-standing issue. However, much of the data reviewed as part of the OIG's audit pertains to the backlog of expired grants that existed as of December 31, 2005. As explained to your staff during the exit conference, OJP has made significant strides to ensure that grants are timely closed. For example, during Fiscal Year (FY) 2006, OJP closed over 9,000 grants. As of October 1, 2006, there were approximately 4,800 expired grants, 2,700 (56%) of which were in the final financial reconciliation and closeout process.

The Office of Justice Programs does not agree with the OIG's interpretation that OJP's practice of allowing grantees to drawdown grant funds more than 90 days after the end date of the grant period violates Federal regulations (28 C.F.R. §66.23 and §66.50). The Code of Federal Regulations, specifically 28 C.F.R. §66.23(b),<sup>1</sup> states that "a grantee must liquidate<sup>2</sup> all obligations incurred under the award not later than 90 days after the

<sup>1</sup> This regulation is only applicable to state, local, and tribal governments.

<sup>2</sup> Liquidation refers to the process whereby a grantee pays obligations. The obligations must have been incurred prior to the end date of the grant.

end of the funding period...to coincide with the submission of the annual Financial Status Report (SF-269).” The section of 28 C.F.R. that details guidance regarding drawdown of grant funds is 28 C.F.R. §66.50(d) (*Cash Adjustments*), which states that the Federal agency will make prompt payment to the grantee for allowable reimbursable costs.

Obligations incurred during the grant period and liquidated within 90 days after the end date of the funding period are allowable expenditures. Since the obligations are appropriately incurred, it is consistent with the clear statutory intent of the appropriation for the grantee to be permitted to draw down grant funds to reimburse itself for costs incurred during the grant period.

Where appropriate, in response to the recommendations, further details are provided regarding OJP’s interpretation of these requirements. For ease of review, the 14 recommendations directed to OJP are restated in bold and are followed by OJP’s response.

4. **Fully implement the revisions to the grant closeout policies and procedures based on the recommendations included in the Business Process Improvement Recommendations report to ensure that expired grants are closed within 6 months after the end date.**

The Office of Justice Programs agrees with the recommendation. It is anticipated that full implementation of the Business Process Improvement (BPI) Recommendations will occur by April 2007. The table included as Attachment 1 details the current status of OJP’s efforts to implement the BPI Recommendations.

5. **Establish a system to track progress towards eliminating the backlog within the established timeframe.**

The Office of Justice Programs agrees with the recommendation. As directed by the Deputy Assistant Attorney General for Operations and Management, the Office of the Comptroller (OC) developed closeout reports to track the progress of the grant closeout process. Once the format of the reports was finalized, in August 2006, OC began posting the reports on the OJP portal. As an example, a copy of the most recent closeout tracking reports available is included as Attachment 2.

16. **Ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date without requesting and receiving an extension not to exceed 90 days.**

The Office of Justice Programs agrees, in part, with the recommendation as it relates to no-cost extensions of the liquidation period. Per OJP’s revised grant closeout policies and procedures (see Attachment 3), once the grant period ends,

grantees may not initiate a request for a no-cost extension.<sup>3</sup> No-cost extensions after the grant end date must be initiated by the Grant Manager. If a no-cost extension is not approved, grantees are required to complete closeout requirements within 90 days after the end date of the grant. In turn, the Grant Manager has 30 days (i.e., within 120 days after the end date of a grant) to submit a standard or administrative<sup>4</sup> closeout package to OC. Once the closeout process is initiated, a Grant Adjustment Notice (GAN) is processed to place a hold on any remaining funds that exceed total Federal expenditures as reported on the final Financial Status Report.

**17. Ensure that the current grant payment system includes a control to prohibit grantees from drawing down funds after the 90-day liquidation period.**

The Office of Justice Programs agrees, in part, with the recommendation. As previously stated on page 1, OJP does not agree that grantees should be prohibited from drawing down funds after the 90 day liquidation period. As discussed during the exit conference with your staff, OJP is in the process of converting its accounting system and anticipates changing its current payment system. Therefore, OJP does not believe it would be cost effective to re-program the current payment system.

The Grants Management System (GMS) Grants Closeout Module, once implemented, will enable OJP to automatically process a GAN to temporarily hold funds once the closeout process is initiated.<sup>5</sup> If it is determined during the financial reconciliation of the grant that the grantee is entitled to drawdown additional funds to cover allowable expenditures incurred during the grant period, the hold will be removed to allow the grantee to make a final drawdown. A copy of the relevant pages of the system design requirements are attached at Attachments 4 and 5.

The Office of Justice Programs does not believe that it is necessary for the grantee to submit a separate no-cost extension request to enable them to make their final drawdowns. By allowing funds to be drawn down to cover otherwise allowable expenditures incurred during the grant period, OJP has effectively acceded to the request for a late drawdown. Further, while 28 CFR Part 66 provides that a grantee may request an extension of time to draw down funds for allowable

<sup>3</sup> No cost extensions are processed through the Grants Management System's Grant Adjustment Notice module.

<sup>4</sup> Standard closeouts are closeouts where all required final documents are received from the grantee (including, but not limited to, a final progress/performance report and a final Financial Status Report). Administrative closeouts are closeouts where a grantee has not or will not complete closeout requirements within 120 days after the end date of the grants. An administrative closeout is initiated by OJP to resolve administrative matters which require the closing of the grant with or without consent of the grantee.

<sup>5</sup> As stated in response to Recommendation 16, grantees are expected to complete closeout requirements within 90 days after the end date of the grant (standard closeout), or the Grant Manager may initiate an administrative closeout within 120 days after the end date of the grant.

expenditures incurred during the grant period, it does not specify the format that must be used for such a request. Such decisions are clearly within the administrative discretion of the agency.

**18. Remedy the \$290,055,575 in questioned costs related to drawdowns occurring more than 90 days past the grant end date.**

The Office of Justice Programs does not agree with the finding related to this recommendation. As previously stated on page 1, OJP does not agree that grantees should be prohibited from drawing down funds after the 90 day liquidation period. Obligations incurred during the grant period and liquidated within 90 days after the end date of the funding period are allowable expenditures. Since the obligations are appropriately incurred, it is consistent with the clear statutory intent of the appropriation for the grantee to be permitted to draw down grant funds to reimburse itself for costs incurred during the grant period.

**19. Ensure that the current grant payment system includes a control to prohibit negative award balances, e.g., total payments in excess of the net award amount.**

The Office of Justice Programs does not agree with the finding related to this recommendation. The current grant payment system, the Phone Activated Paperless Request System (PAPRS), includes automated controls to ensure that the total funds paid do not exceed the award amount. However, there are a small number of grant records in the Integrated Financial Management Information System (IFMIS), OJP's accounting system, that contain errors related to the conversion to IFMIS from the prior accounting system, ATOMIC. The reporting errors relate only to IFMIS, and OC and the Office of the Chief Information Officer are working with the IFMIS developer to resolve the issue.

**20. Remedy the questioned costs totaling \$442,108 related to grants for which the drawdowns exceeded the total award amount.**

The Office of Justice Programs does not agree with the finding related to this recommendation. As stated in response to Recommendation 19 above, the errors noted relate to the conversion to IFMIS from the prior accounting system. To address the questioned costs, by January 31, 2007, OJP will provide documentation that supports that the grantees noted were only able to draw down funds up to the award amount.

**21. Ensure that grantees are not allowed to draw down funds for unallowable expenditures obligated after the grant end date.**

The Office of Justice Programs agrees with the recommendation. During the final financial reconciliation process, OC ensures that drawdowns are made only for expenditures reported as obligated within the grant award period. However, OJP

will consider incorporating post-closeout monitoring of grants to its risk-based financial monitoring methodology to detect unallowable expenditures obligated after the grant end date.

**22. Ensure that grantees are not allowed to draw down excess funds for unsupported expenditures.**

The Office of Justice Programs agrees with this recommendation. However, it is important to note that it is not, and has never been, OJP's practice to allow grantees to draw down any funds for unsupported expenditures (or report/claim expenditures that are unsupported on the Financial Status Reports). Grant recipients are required to comply with the applicable Office of Management and Budget Circulars and the OJP Financial Guide. As part of its fiduciary responsibility, OJP has a comprehensive financial monitoring program, which includes on-site, desk monitoring, and excess cash reviews of grantee compliance with these requirements and other specific grant requirements. In addition, OC follows up and ensures resolution of all issues, including questioned costs identified during OIG grant audits and Office of Management and Budget Circular A-133 audits transmitted through the OIG.

**23. Immediately discontinue the practice of allowing grantees to drawdown excess funds for unsupported expenditures.**

The Office of Justice Programs does not agree with this recommendation. As stated in response to Recommendation 22, it is not, and has never been, OJP's practice to allow grantees to draw down any funds for unsupported expenditures (or report/claim expenditures that are unsupported on the Financial Status Reports).

**37. Ensure that all remaining funds on grants are deobligated within 180 days after the expiration of the grant and regranted, or returned to the general fund.**

The Office of Justice Programs agrees with the recommendation. The revised grant closeout process will ensure that grants are closed within 180 days, and as necessary, remaining grant funds are timely deobligated. In addition, implementation of the GMS Grants Closeout Module, will further assist OJP in monitoring grants to ensure that grants are timely closed. As previously stated, we anticipate full implementation of the GMS Grants Closeout Module by April 2007.

**38. Deobligate and put to better use the \$61,082,443, in remaining funds related to expired grants that are more than 90 days past the grant end date.**

The Office of Justice Programs does not agree with the finding related to this recommendation. As previously stated on page 1, OJP does not agree that

grantees should be prohibited from drawing down funds after the 90 day liquidation period. Obligations incurred during the grant period and liquidated within 90 days after the end date of the funding period are allowable expenditures. Since the obligations are appropriately incurred, it is consistent with the clear statutory intent of the appropriation for the grantee to be permitted to draw down grant funds to reimburse itself for costs incurred during the grant period.

Based on OJP's preliminary review of the questioned costs related to this finding, a substantial portion of the questioned costs relate to grants that have been closed or are in financial reconciliation phase of the closeout process. By January 31, 2007, OJP will provide a current status on the grants identified.

**39. Ensure that remaining grant funds are deobligated prior to closure.**

The Office of Justice Programs agrees with the recommendation. In April 2006, OC implemented a new organizational structure which results in the assignment of Team Leaders/Project Leaders for all staff that process closeouts. The new process includes quality control reviews and a confirmation process to ensure that the financial reconciliation is correct, and that all systems are updated correctly. The Office of the Comptroller will revise its current grant closeout policy statement to include the new processes in February 2007.

**40. Deobligate and put to better use the \$3,599,483 in remaining funds related to grants that were reported as closed.**

The Office of Justice Programs agrees with the recommendation. Based on OJP's preliminary review of the questioned costs related to this finding, most of the funds identified were as a result of refunds of grant funds stemming from audits that occurred after the grants were closed or from subgrantees returning grant funds. In April 2006, OC implemented a process to ensure that refunds on closed grants are properly processed. The Office of the Comptroller will revise its current grant closeout policy statement to include the new processes in February 2007. To address the questioned costs, by January 31, 2007, OJP will provide documentation that supports that the funds identified have been deobligated.

Thank you for your continued cooperation. If you have any questions regarding this response, please contact LeToya Johnson, Director, Program Review Office, on 202-514-0692.

Attachments (6)

cc: Beth McGarry  
Deputy Assistant Attorney General  
for Operations and Management

**Marcia K. Paull  
Comptroller**

**LeToya A. Johnson, Director  
Program Review Office**

**Richard P. Theis  
Audit Liaison  
Department of Justice**



## U. S. Department of Justice

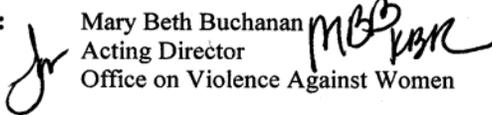
## Office on Violence Against Women

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 Washington, D.C. 20530

**TO:** Glenn A. Fine  
 Inspector General  
 United States Department of Justice

**THROUGH:** Guy K. Zimmerman  
 Assistant Inspector General For Audit  
 Office of the Inspector General

**FROM:** Mary Beth Buchanan   
 Acting Director  
 Office on Violence Against Women

**Date:** December 1, 2006

**SUBJECT:** OVW Response to the OIG Draft Audit Report – *The Department of Justice's Grant Closeout Process*

Attached you will find the Office on Violence Against Women's (OVW) response to the Draft Audit Report issued on November 17, 2006 on the Department of Justice's Grant Closeout Process. The draft report contains 14 recommendations for OVW (#6, 7, 24, 25, 26, 27, 28, 29, 30, 31, 41, 42, 43 and 44). Each recommendation has been addressed separately.

The Office on Violence Against Women (OVW) recognizes that there have been significant delays in the past in the grant closeout process. During fiscal year 2006, OVW made revisions to its closeout process aimed at minimizing the time lapse between the grant end date and the closeout date. To achieve this goal, OVW has revamped and streamlined the internal closeout process, and continues to work with the Office of Justice Programs' Office of the Comptroller (OJP OC) to improve the overall process. Highlights of enhancements to OVW's internal closeout process include:

- Revision of the entire internal closeout process
- Development of a Closeout Desk Guide, which standardizes and streamlines the internal closeout process
- Tracking the closeout progress aided by the development of a closeout tracking tool which allows management to track OVW's closeouts, and monitor progress according to various programs and other criteria
- Enhanced communication and coordination with OJP OC regarding OVW's data requirements

OVW has included its responses to the recommendations made by the Grant Closeout Process Audit conducted by the OIG.

## **TIMELINESS OF GRANT CLOSEOUT**

### **Recommendation #6: Revise and fully implement grant closeout policies and procedures to ensure that expired grants are closed within 6 months after the end date.**

OVW agrees with the recommendation to revise and fully implement grant closeout policies and procedures to ensure that expired grants are closed within six months after the grant end date.

During FY 2004 OVW became a separated component independent from OJP. Within this separation, OVW became responsible for performing certain functions that were previously performed by OJP OC, such as grant closeout status tracking, quality assurance of the closeout documentation, grantee follow-up for required final closeout report submission. OVW now contracts with OJP OC to obtain services similar to those it received when OVW was a component within OJP. In addition, the separation brought changes to the manner in which information is shared between the two entities. Also in 2004, OJP and OVW entered into a concerted effort to close-out grants. This resulted in both entities identifying gaps in the close-out procedures.

OVW has developed automated processes using data provided by OJP to identify and track grants that are approaching and past the grant expiration date on a graduated scale based on regulatory guidance. As part of this process, OVW has integrated a quality review of expired grant file documentation to ensure that all required forms have been submitted for programmatic and financial closeout. In addition, items identified through status tracking and quality review are used as a basis for grantee outreach and follow-up to facilitate timely closeout. These initiatives have necessitated increased data sharing, communication and collaboration between OJP and OVW that will result in improved grant closeout compliance within six months of the grant end-date.

During FY 2006 OVW conducted an internal evaluation to address the need for greater attention to the closeout process leading to an internal evaluation and revision of its internal closeout process. The revisions to the closeout process included measures aimed at improving the information flow, improved coordination with OJP, standardization of the internal closeout process, development of an internal closeout desk guide, and dedicating specific staff resources to the closeout process.

OVW understands that in order to discharge its obligation to promptly close out grants, additional measures must be taken both internally and externally. OVW will continue its reengineering of the closeout process so that expired grants will be closed within six months of the end date.

### **Response to Recommendation #7: Establish a system to track progress towards eliminating the backlog within the established timeframe.**

OVW agrees with the recommendation to track progress towards eliminating the backlog within the established timeframe.

Prior to FY 2006 OVW did not have an internal tracking tool to track its closeouts and relied solely on periodic reports from OJP for closeout workload reporting. During FY 2006 OVW developed an internal grant closeout tracking tool as part of its revision of the overall closeout process. OVW created and maintains an MS Access tool which allows OVW to track its progress toward closing all grants, as well as the backlog of expired grants. The closeout tracking tool allows OVW leadership to monitor the progress of grant closeouts by period and by individual program. Additionally, the tool ages the grants within the closeout process which allows OVW to pursue necessary follow-up action in a timely manner.

OVW will continue to coordinate with OJP regarding enhancements it makes to its internal process and will integrate its enhancements into our tool. OVW will continue to enhance and maintain its internally developed closeout tracking tool.

## **DRAWDOWNS ON EXPIRED GRANTS**

**Response to Recommendation #24: Ensure that grantees are not allowed to draw down funds more than 90 days after the grantee end date without requesting and receiving an extension not to exceed 90 days.**

OVW appreciates the OIG's concern that grant drawdowns occurring after the end of a 90-day liquidation period may include unallowable or unsupported costs, and that limiting the timeframe for the liquidation of all obligations may mitigate this practice.

The grantee payment system used by OVW grantees is managed and maintained by OJP OC. Furthermore, the financial aspects of the closeout process, including tracking the liquidation and drawdown of grant funds, are handled by the OJP OC. At present, the grantee payment system does not include a control that specifically prevents a grantee from drawing funds after the liquidation period as long as the grantee has submitted a current SF-269. OVW is aware that OJP plans to migrate to a new financial system that would provide greater controls. We have communicated with OJP formally to express our commitment to assist in implementing this new system.

OVW acknowledges an obligation to take a more active role on its own to monitor expiring grants to that obligations are promptly liquidated and unused appropriated funds may be put to productive use. In the interim and as part of the planned enhancements to the regular grant management process, OVW will take the following steps to address this recommendation and improve the timeliness of grantee liquidation and drawdowns following the grant end date. First, OVW will inform grantees of the grant closeout requirements during all new grantee orientations. Second, OVW will conduct outreach to grantees whose grants are set to expire within 30 to 60 days to remind them of the closeout requirements and to encourage them to complete all liquidations and drawdowns in a timely manner. During this outreach effort, OVW will inform the grantees of their reported balances per the financial status reports, and payment balances based on their payment history reports, and work with grantees at that time to mitigate the occurrences of excess or unsupported payments. Grantees will be encouraged to request liquidation extensions, if needed. Third, OVW will highlight the requirements of the grant closeout process during other OVW-sponsored events such as the recent meeting of STOP Formula Program and State Coalition grantees. Fourth, OVW will review all grants with an expiration date that is 60 days past. For those grants with a remaining balance which exceeds \$50,000, OVW will create a Grant Adjustment Notice (GAN) to freeze funds unless the grantee makes a liquidation extension request by the final liquidation date.

OVW recognizes that the decreasing and eliminating late drawdowns is an important goal, and that the time needed to implement systemic changes to correct this issue is not yet certain. OVW also recognizes the significant time, effort, and cost required to manually generate a GAN for each expired grant. Therefore, OVW will concentrate on expired grants with award balances that exceed \$50,000, and will periodically revise this figure for reasonableness. This will allow OVW to target those grantees with the highest remaining balances while allowing us an opportunity to assess the overall impact of our new internal grant closeout process.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

**Response to Recommendation #25: Work with the Office of Justice Programs' Office of the Comptroller to ensure that the current grant payment system includes a control to prohibit grantees from drawing down funds after the end of the 90-day liquidation period.**

See response to recommendation #24.

**Response to Recommendation #26: Remedy the \$37,279,986 in questioned costs related to drawdowns occurring more than 90 days past the grant end date.**

OVW understands that the OIG is questioning the above costs because they represent the amount of grant funds grantees were allowed to draw down more than 90 days past the grant end date and may have included otherwise unallowable or unsupported costs. OVW recognizes and agrees with the OIG on the importance of timely drawdowns on grant funds.

OVW's analysis of the 404 grants revealed that a large number of grants included on this list are from state grantees, most of which fall under OVW's STOP Formula Program through which states receive a statutorily determined amount of funds which they then distribute to subgrantees. These grants represent approximately 76% of the question costs. While we understand the importance of timely drawdowns after the grant project ends, we also recognize that formula grantees have an additional requirement of coordinating with subgrantees for final billing of approved obligated expenditures. This sometimes may cause a delay in the timing of liquidation and drawdowns of remaining obligated funds. In addition, STOP Formula grantees have a 25% match requirement that must be satisfied during the grant project period and reported on the final financial status report. As with liquidations, STOP grantees have experience delays in receiving the appropriate information for their subgrantees in order to report in a timely manner. OVW is aware that OJP questions the continued validity of the Department's current 90-day regulatory standard for closing out grants. OVW is also aware that OJP takes the position that grant expenses duly obligated during the grant period should be liquidated, even if outside of the Department's current 90-day regulatory standard, in order to achieve the purposes for which these grants (some of which are mandatory) were appropriated. We share OJP's concern that the Department's 90-day standard may not be feasible for state and local government agencies in particular to complete these financial activities.

OVW proposes the following remedies regarding this situation: 1) conduct targeted outreach to our formula grantees, particularly those on this list, to identify any issues or challenges they may have that we are not aware of that may also have created circumstances that delayed their ability to complete these required steps; 2) provide written notification to all other grantees on this list, many of which are current grantees, to reiterate the requirements of grant record retention and the grant closeout procedures; and 3) implement our new internal process, as noted previously, to prevent this from occurring in the future.

OVW anticipates taking corrective action related to this recommendation by within 90 days of the submission of this audit response.

**Response to Recommendation #27: Work with the OC to ensure that the current grant payment system includes a control to prohibit negative award balances, e.g., total payments in excess of the net award amount.**

OVW agrees with the recommendation that OVW should work with the OJP OC to ensure that the current payment system includes a control to prohibit negative award balances.

The grantee payment system in place at OVW is maintained and managed by OJP. As part of our revised internal closeout process, OVW currently requests and reviews the final closeout data for each closed grant on a periodic basis. This data review will also serve to ensure that closed grants do not have negative

award balances. In addition, OVW will work with OJP OC to find alternative measures or controls to prohibit negative award balances, e.g., total payments in excess of the net award amount.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

**Response to Recommendation #28: Remedy the questioned costs totaling \$41,247 related to one grant for which the drawdowns exceeded the total award amount.**

After an analysis of the drawdown payment history for this grant, OVW cannot conclude that a negative drawdown was made. It is important to note that the drawdown history reveals that the grantee completed a drawdown of \$41,247, the exact amount of the questioned costs prior to the final recorded drawdown. When grant data was converted from ATOMIC to IFMIS, there were a few instances in which the data was not transferred accurately, and as a result, there remain some anomalies in IFMIS, in which either the payment or award balance did not transfer properly. Therefore, we believe that there may have been an error in the system rather than an additional drawdown resulting in these questioned costs.

OVW will contact the grantee and work with OJP OC to determine if this is a system error or an inappropriate drawdown. If this recommendation represents an accurate assessment, OVW will take the necessary steps to recover the questioned funds.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

**Response to Recommendation #29: Ensure that grantees are not allowed to draw down funds for unallowable expenditures obligated after the grant end date.**

OVW agrees with the recommendation that OVW should ensure that grantees are not allowed to draw down funds for unallowable expenditures obligated after the grant end date.

OVW has always maintained that funds be obligated within the grant period and recognizes that allowing grantees to obligate funds after the expiration of the grant is not in compliance with regulations and will continue to inform our grantees of this requirement. OVW will work with grantees and staff to promote compliance with this requirement.

In FY 2006 OVW revised its closeout process aimed at getting expired grants closed and remaining funds de-obligated in a timely manner. It is expected that by aggressively pursuing timely closeouts, the likelihood of expenditures being reported after the end date will be mitigated. As part of the planned enhancements to the regular grant management process, OVW will conduct outreach to grantees whose grants are set to expire within 30 to 60 days. During this outreach effort, OVW will inform the grantees of their reported balances per the financial status reports, and payment balances based on their payment history reports, and work with grantees at that time to mitigate the occurrences of excess or unsupported payments. OVW will also inform grantees of the process of requesting a no-cost extension of the project period to ensure that such extensions are properly recorded in a Grant Adjustment Notice (GAN) via the Grants Management System (GMS). OVW will work collaboratively with OJP OC to ensure that all no-cost extension GANs are reviewed and approved in a timely manner.

Finally, OVW will work to mitigate such instances by stressing the payment and obligation reporting rules and regulations in the new grantee orientation and grantee training, and by aggressively communicating these regulations through various outreach efforts prior to the expiration of the grants.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

**Response to Recommendation #30: Ensure that grantees are not allowed to draw down excess funds for unsupported expenditures.**

OVW agrees with the recommendation that OVW should ensure that grantees are not allowed to draw down excess funds for unsupported expenditures.

The current payment system does not prevent grantees from drawing down more than their reported expenditures. OVW will coordinate with OJP to develop a strategy to mitigate such instances. OVW will also complete more desk-based monitoring of grants, which when combined with site visits already being conducted, will help to identify grantees that may have drawn down funds for unsupported expenditures.

As part of the planned enhancements to the regular grant management process, OVW will conduct outreach to grantees whose grants are set to expire within 30 to 60 days. During this outreach effort, OVW will inform the grantees of their reported balances per the financial status reports, and payment balances based on their payment history reports, and work with grantees at that time to mitigate the occurrences of excess or unsupported payments.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

**Response to Recommendation #31: Immediately discontinue the practice of allowing grantees to draw down unliquidated obligations beyond the 90-day liquidation period without an extension.**

See response to recommendation #24.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

## **FUNDS REMAINING ON EXPIRED GRANTS**

**Response to Recommendation #41: Ensures that all funds remaining on grants are de-obligated within 180 days after the expiration of the grant and regranted, or returned to the general fund.**

OVW agrees with the recommendation that all remaining grant funds are de-obligated within 180 days after the expiration of the grant and put to better use.

OVW will take closeout action on all expired grants to ensure that they are programmatically closed within 180 days of the grant end date. OVW does face the challenge of closing grants that are not compliant with specific requirements which make them ineligible for closure. For these grants, OVW is committed to ensuring that they are programmatically closed within 180 days, working with OJP OC to financially close and de-obligate remaining funds in a timely manner, and to ensure that they are not considered for additional grants until the outstanding issue(s) are resolved.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

**Response to Recommendation #42: De-obligate and put to better use the \$14,285,431 in remaining funds related to expired grants that are more than 90 days past the grant end date.**

OVW agrees with the recommendation to de-obligate and reprogram the \$14,285,431 in remaining funds related to expired grants that are more than 90 days past due to the extent that these grantees are not entitled to appropriate extensions for obligation or liquidation purposes.

OVW will dedicate additional resources to the addressing the closeout backlog and work with OJP OC to de-obligate the remaining funds on grants that comprise the closeout backlog. OVW will address all of the grants in the closeout backlog and will programmatically close all of the grants in the backlog during the current fiscal year. Furthermore, OVW will work with OJP to de-obligate any remaining funds in a timely manner in accordance with the revised grant closeout process. It is anticipated that the majority of the backlog will be closed and de-obligated prior to the end of the current fiscal year.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

**Response to Recommendation #43: Ensure that remaining grant funds are de-obligated prior to closure.**

OVW agrees with the recommendation to ensure that grant funds are de-obligated prior to closure.

The financial portion of the grant closeout which includes de-obligating funds prior to closing grants is conducted by OJP OC. OVW will communicate the need to address this issue via a memo to OJP requesting that OJP ensure that grant funds are de-obligated prior to the grants being closed. Additionally, OVW will work with OJP to ensure that the closeout process does not allow for such instances.

The recent OVW revisions to the closeout process include requesting data and performing analysis on all financially closed grants, this analysis will also include ensuring that the remaining balances have been appropriately de-obligated.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

**Response to Recommendation #44: De-obligate and put to better use the \$102,595 in remaining funds related to grants that were reported as closed.**

OVW agrees with the recommendation to de-obligate and reprogram the \$102,595 in remaining funds related to grants that were reported as closed.

OVW will work with the OJP OC to identify any OVW grants that were reported as closed but not fully de-obligated and to ensure the de-obligation of any remaining funds. Furthermore, the recent OVW revisions to the closeout process include requesting data and performing analysis on all financially closed grants, this analysis will also include ensuring that the remaining balances have been appropriately de-obligated.

OVW anticipates taking corrective action related to this recommendation by the end of the current fiscal year.

## ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

In response to our audit report, COPS and OVW concurred with the all of our recommendations and discussed the actions they have taken and others they plan on implementing to address our findings. OJP also concurred with the majority of our recommendations and discussed the actions they plan on implementing to address our findings. However, the OIG has identified several issues in OJP's response to our draft report (see Appendix V) that we believe should be addressed. As a result, we are providing the following comments on OJP's response to the draft report.

In Appendix V, pages 66 through 67, OJP provided the following general statement in response to the report:

*The Office of Justice Programs does not agree with the OIG's interpretation that OJP's practice of allowing grantees to draw down grant funds more than 90 days after the end date of the grant period violates Federal regulations (28 C.F.R. §66.23 and §66.50). The Code of Federal Regulations, specifically 28 C.F.R. §66.23(b), states that "a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period...to coincide with the submission of the annual Financial Status Report (SF-269)." The section of 28 C.F.R. that details guidance regarding drawdown of grant funds is 28 C.F.R. §66.50(d) (Cash Adjustments), which states that the Federal agency will make prompt payment to the grantee for allowable reimbursable costs.*

The OIG agrees that C.F.R. §66.23(b) refers to the liquidation of grant funds. However, in our judgment this section of the C.F.R. requires grantees to liquidate all outstanding obligations and draw down allowable funds within 90 days after the end of the grant, as suggested by the title of C.F.R. §66.23 "Period of Availability of Funds."

Further, the OIG disagrees with the statement that "The section of 28 C.F.R. that details guidance regarding drawdown of grant funds is 28 C.F.R. §66.50(d) (Cash Adjustments)." As stated on page 30 of the report, the section that details guidance regarding the final drawdown of grant funds is 28 C.F.R. §66.50(b) not 28 C.F.R. §66.50(d). 28 C.F.R. §66.50(d), which is referred to by OJP in its response, states that "the

federal agency will make prompt payment to the grantee for allowable reimbursable costs.” However, that section of the C.F.R. refers to the awarding agencies responsibilities to make prompt payment once the final drawdown occurs, rather than the length of time grantees are allowed to make the final drawdown. 28 C.F.R. §66.50(b) refers to the grantee’s responsibilities to submit, within 90 days after the expiration or termination of the grant, all financial, performance, and other reports required as a condition of the grant. According to 28 C.F.R. §66.50(b)(3), within 90 days after the expiration of the grant, the grantee must submit the final request for payment (drawdown).<sup>43</sup> Additionally, as stated on page 31 of the report, the OJP Financial Guide also requires grantees to request final payment for reimbursement of expenditures incurred prior to the grant expiration date in conjunction with the submission of the final financial report, which according to 28 C.F.R. §66.50(b) is due within 90 days after the grant end date.<sup>44</sup> Therefore, the OIG maintains that it is correct in its interpretation of the C.F.R. related to the fact that OJP’s practice of allowing grantees to draw down grant funds more than 90 days after the end date of the grant period violates federal regulations.

In Appendix V, page 67, OJP also provided the following general statement in response to the report:

*Obligations incurred during the grant period and liquidated within 90 days after the end date of the funding period are allowable expenditures. Since the obligations are appropriately incurred, it is consistent with the clear statutory intent of the appropriation for the grantee to be permitted to draw down grant funds to reimburse itself for costs incurred during the grant period.*

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<sup>43</sup> 28 C.F.R. § 66.50(b) requires that within 90 days after the expiration of the grant, the grantee must submit the final request for payment, Standard Form 270 (SF 270). The C.F.R. is outdated in that the DOJ awarding agencies no longer use the SF 270, Request for Advance or Reimbursement. Instead, grantees request funds (drawdown) using: (1) Phone Activated Paperless Request System (PAPRS); or (2) Letter-of-Credit Electronic Certification System (LOCES). Generally, funds will be deposited into the grantees financial institution within 48 hours after the drawdown request is received. In our judgment, although the DOJ awarding agencies no longer use the SF 270 cited in 28 C.F.R. § 66.50, grantees are still required to draw down all allowable grant funds within 90 days after the grant end date.

<sup>44</sup> It should be noted that COPS has also interpreted 28 C.F.R. §66.23 and §66.50 as a requirement that grantees must drawdown all allowable grant funds with 90 days after the grant end date. As stated on page 31 of the report, each of the COPS Grant Owner's Manuals requires that grant funds must be obligated before the end of the grant period. The manuals also require that grantees request reimbursement for obligated funds within 90 days after the end of the grant period.

We agree that obligations incurred during the grant period and liquidated within 90 days after the end date are allowable expenditures. However, as stated previously, 28 C.F.R. §66.50(b), requires grantees to draw down grant funds for all allowable expenditures within 90 days after the expiration of the grant. As stated on page 30 of the report, at the request of the grantee, the DOJ awarding agency may extend the liquidation period. However, according to 28 C.F.R. §66.50 and OJP's grant closeout policies and procedures, OJP must ensure that expired grants are closed within 180 days after the grant end date. As a result, extensions of the grant liquidation must not exceed 180 days after the grant end date. In its response, OJP incorrectly implies that as long as the grantee incurs allowable expenditures, the grant funds may be draw down for an indefinite period of time.

As shown in Table 12 on page 32 of the report, OJP's failure to enforce the federal regulations and its own policy related to the 90 day grant liquidation period has resulted in questioned costs totaling over \$290 million. It is also important to note that in addition to allowing grantees to draw down funds after the end of the 90 days liquidation period, OJP was not closing grants within 180 days after the grant end date. As a result, OJP allowed grantees to make 1,429 drawdowns totaling \$100.39 million more than 1 year after the grant expired. Of this amount, OJP allowed grantees to make 243 drawdowns totaling \$24.75 million more than 2 years after the grant expired. Further, as stated on pages 34 through 35 of the report, based on a sample of 66 grants with drawdowns totaling \$75.90 million that occurred more than 90 days past the grant end date, we found that the drawdowns included unallowable costs totaling \$5.7 million for expenditures obligated after the grant end date or paid after the end of the 90-day liquidation period. We also identified unsupported drawdowns totaling \$574,940. Additionally, for drawdown totaling \$13.04 million we were unable to determine if the drawdowns included unallowable or unsupported costs because the accounting records or supporting documentation was no longer available.

The timely closeout of grants is an essential financial management practice to identify any excess and unallowable funds that should be returned by the grantee, as well as unused funds that should be deobligated and put to better use. The financial issues related to DOJ's failure to close out grants in a timely manner are detailed in Findings II and III of this report. However, it should be noted that as a result of DOJ's failure to close grants timely, we identified questioned costs and funds to be put to better use totaling over \$726 million, representing funds that could have been used to provide DOJ with additional resources needed to fund other programs or returned to the federal government's general fund. About 71 percent of the

dollar-related findings occurred more than 6 months after the grant end date. In our opinion, the majority of the dollar-related findings would most likely not have occurred if COPS, OJP, and OVW closed grants in a timely manner. Therefore, it is important that OJP ensures that grantees draw down grant funds for all allowable expenditures within 90 days after the expiration of the grant, in accordance with the timeframes established in 28 C.F.R. §66.50(b), and that any extensions of the grant liquidation period do not exceed 180 days past the grant end date.

In Appendices IV through VI, pages 60 through 79, COPS, OJP, and OVW provided responses to the OIG recommendations, which we analyze in turn:

1. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has revised its closeout policies and procedures to include the requirement that expired grants are closed within 6 months of the grant end date.
2. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has revised its closeout policies and procedures to include specific timeframes are established for each closeout task to ensure that grants are closed within the 6 month period.
3. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has increased the number of vetting cycles performed in order to expedite the identification of eligible grants for closure and is using proactive database queries and management reports, to monitor the progress of eliminating the closeout backlog, as well as using the tracking system to ensure that future expired grants are closed within 6 months of the grant end date.
4. **Resolved (OJP).** This recommendation can be closed when we receive documentation that OJP has fully implemented the Business Process Improvement (BPI) recommendations.
5. **Closed (OJP).**
6. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that OVW has revised and fully implemented grant closeout policies and procedures to ensure that grants are closed within 6 months of the grant end date.

7. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that OVW has established a system to track progress towards closing expired grants, as well as eliminating the backlog of expired grants.
8. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has developed and implemented policies and procedures to ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date without requesting and receiving an extension.
9. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has requested that OJP add a control to their grant payment system prohibiting grantees from drawing down funds after the end of the 90-day liquidation period.
10. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has remedied the \$226,856,849 in questioned costs related to draw downs occurring more than 90 days past the grant end date.
11. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has requested that OJP ensure that the current grant payment system include a control to prohibit negative award balances, such as total payments in excess of the net award amount.
12. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has remedied the \$45,688 in questioned costs related to grants for which the drawdowns exceeded the total award amount.
13. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has developed and implemented policies and procedures to ensure that grantees are not allowed to draw down funds for unallowable expenditures obligated after the grant end date.
14. **Closed (COPS).**
15. **Closed (COPS).**
16. **Unresolved (OJP).** OJP does not concur with our recommendation to ensure that grantees are not allowed to draw down funds more than

90 days after the grant end date without requesting and receiving an extension not to exceed 90 days. In Appendix V, pages 67 through 68, OJP provided the following statement in response to recommendation 16:

*The Office of Justice Programs agrees, in part, with the recommendation as it relates to no-cost extensions of the liquidation period. Per OJP's revised grant closeout policies and procedures (see Attachment 3), once the grant period ends, grantees may not initiate a request for a no-cost extension. No-cost extensions after the grant end date must be initiated by the Grant Manager. If a no-cost extension is not approved, grantees are required to complete closeout requirements within 90 days after the end date of the grant. In turn, the Grant Manager has 30 days (i.e., within 120 days after the end date of a grant) to submit a standard or administrative closeout package to OC. Once the closeout process is initiated, a Grant Adjustment Notice (GAN) is processed to place a hold on any remaining funds that exceed total Federal expenditures as reported on the final Financial Status Report.*

In its response, OJP states that it agrees "in part" with the recommendation. The OJP response then details the no-cost extension process. However, the OJP response does not address the recommendation to ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date. Further, the response does not provide any information as to why OJP only agrees with the recommendation "in part."

In its response, OJP also implies that as long as the grantee incurs allowable expenditures, the grant funds may be draw down for an indefinite period of time. However, this practice contradicts 28 C.F.R. §66.50(b), which states that within 90 days after the expiration of the grant, the grantee must submit the final request for payment (drawdown). Additionally, the practice contradicts the OJP Financial Guide, which requires grantees to request final payment for reimbursement of expenditures incurred prior to the grant expiration date in conjunction with the submission of the final financial report, which according to 28 C.F.R. §66.50(b) is due within 90 days after the grant end date.

This recommendation can be resolved when OJP provides an acceptable corrective action plan that addresses the recommendation to ensure that grantees are not allowed to draw down funds more than 90 days after the grant end date without requesting and receiving an extension.

17. **Unresolved (OJP).** OJP does not concur with our recommendation to ensure that the current grant payment system includes a control to prohibit grantees from drawing down funds after the 90-day liquidation period. In Appendix V, pages 67 through 68, OJP provided the following statement in response to recommendation 17:

*The Office of Justice Programs agrees, in part, with the recommendation. As previously stated on page 1, OJP does not agree that grantees should be prohibited from drawing down funds after the 90-day liquidation period. As discussed during the exit conference with your staff, OJP is in the process of converting its accounting system and anticipates changing its current payment system. Therefore, OJP does not believe it would be cost effective to re-program the current payment system.*

As stated previously, the OIG believes that its interpretation of the C.F.R. that OJP's practice of allowing grantees to draw down grant funds more than 90 days after the end date of the grant period violates federal regulations. Specifically, 28 C.F.R. §66.50(b), requires grantees to draw down grant funds for all allowable expenditures within 90 days after the expiration of the grant. Additionally, the OJP Financial Guide also requires grantees to request final payment for reimbursement of expenditures incurred prior to the grant expiration date in conjunction with the submission of the final financial report, which according to 28 C.F.R. §66.50(b) is due within 90 days after the grant end date.

OJP did inform the OIG previously that it was in the process of converting its accounting system; however, according to OJP officials, the new accounting system will not be implemented until FY 2009. As a result, if OJP does not believe that it will be cost effective to re-program the current payment system, it needs to provide documentation supporting that re-programming the current payment system to include a control prohibiting grantees from drawing down funds after the 90-day liquidation period is not cost effective. Further, OJP needs to provide an alternative corrective action plan that details how OJP will prohibit grantees from drawing down funds after the end

of 90-day liquidation period until the new accounting system is fully implemented.

OJP also stated with regard to recommendation 17 that:

*The Grants Management System (GMS) Grants Closeout Module, once implemented, will enable OJP to automatically process a GAN to temporarily hold funds once the closeout process is initiated. If it is determined during the financial reconciliation of the grant that the grantee is entitled to draw down additional funds to cover allowable expenditures incurred during the grant period, the hold will be removed to allow the grantee to make a final drawdown.*

The OIG agrees that OJP needs to include a control in the GMS Grants Closeout Module, once implemented, which ensures that a temporary hold on grant funds occurs on the 91<sup>st</sup> day after the end of the grant period to prevent grantees from drawing down funds more than 90 days past the grant end date. If OJP determines during the financial reconciliation that the grantee should be granted an extension of the liquidation period, then the hold may be removed. However, OJP needs to ensure that extensions to allow a final draw down based on the financial reconciliation are granted on a case by case basis and that the extension of the liquidation period does not exceed 180 days past the grant end date since expired grants are required to be closed with 180 days after the end of the grant.

OJP's response to recommendation 17 also stated:

*The Office of Justice Programs does not believe that it is necessary for the grantee to submit a separate no-cost extension request to enable them to make their final drawdowns. By allowing funds to be drawn down to cover otherwise allowable expenditures incurred during the grant period, OJP has effectively acceded to the request for a late drawdown. Further, while 28 CFR Part 66 provides that a grantee may request an extension of time to draw down funds for allowable expenditures incurred during the grant period, it does not specify the format that must be used for such a request. Such decisions are clearly within the administrative discretion of the agency.*

The OIG does not disagree with the method used by the awarding agency in granting an extension of the period of time to draw downs. However, we believe that OJP needs to ensure that extensions to allow late draw downs are granted on a case by case basis and that any extension granted does not exceed 180 days past the grant end date since expired grants are required to be closed with 180 days after the end of the grant. Further, the basis for the extension and the approval of an extension to allow late draw downs should be fully documented.

In its response, OJP stated that it is in the process of converting its accounting system and anticipates changing its current payment system. Therefore, OJP does not believe it would be cost effective to re-program the current payment system. However, the OJP needs to provide documentation supporting that re-programming the current payment system to include a control prohibiting grantees from drawing down funds after the 90-day liquidation period is not cost effective. Further, OJP needs to provide an alternative corrective action plan that details how OJP will prohibit grantees from drawing down funds after the end of 90-day liquidation period until the new accounting system is fully implemented.

This recommendation can be resolved when OJP provides an acceptable corrective action plan that addresses the recommendation to ensure the current grant payment system includes a control to prohibit grantees from drawing down funds after the 90-day liquidation period.

18. **Unresolved (OJP).** OJP does not concur with our recommendation to remedy the \$290,055,575 in questioned costs related to drawdowns occurring more than 90 days past the grant end date.

*The Office of Justice Programs does not agree with the finding related to this recommendation. As previously stated on page 1, OJP does not agree that grantees should be prohibited from drawing down funds after the 90-day liquidation period. Obligations incurred during the grant period and liquidated within 90 days after the end date of the funding period are allowable expenditures. Since the obligations are appropriately incurred, it is consistent with the clear statutory intent of the appropriation for the grantee to be permitted to draw down grant funds to reimburse itself for costs incurred during the grant period.*

This also relates to the issue of whether the C.F.R. allows grantees to draw down grant funds more than 90 days after the end date of the grant period. As noted above, we believe that 28 C.F.R. §66.50(b), requires grantees to draw down grant funds for all allowable expenditures within 90 days after the expiration of the grant. Additionally, the OJP Financial Guide also requires grantees to request final payment for reimbursement of expenditures incurred prior to the grant expiration date in conjunction with the submission of the final financial report, which according to 28 C.F.R. §66.50(b) is due within 90 days after the grant end date.

OJP's response implies that there is no remedy for grantees to draw down funds after the 90-day liquidation period. As stated, previously, federal regulations allow for, at the request of the grantee, an extension of the 90-day liquidation period to draw down allowable costs. However, as stated on page 33 of the report, we found no evidence that the grantees requested extensions of the 90-day liquidation period for these grants and no extensions were provided.

Further, OJP's response fails to adequately address the \$290,055,575 in questioned costs related to drawdowns occurring more than 90 days past the grant end date or how it will remedy the questioned costs.

In its response, OJP implies that as long as the grantee incurs allowable expenditures, the grant funds may be draw down for an indefinite period of time. However, this practice contradicts 28 C.F.R. §66.50(b), which states that within 90 days after the expiration of the grant, the grantee must submit the final request for payment (drawdown). Additionally, the practice contradicts the OJP Financial Guide, which requires grantees to request final payment for reimbursement of expenditures incurred prior to the grant expiration date in conjunction with the submission of the final financial report, which according to 28 C.F.R. §66.50(b) is due within 90 days after the grant end date.

This recommendation can be resolved when OJP provides an acceptable corrective action plan that addresses the recommendation to remedy the \$290,055,575 in questioned costs related to drawdowns occurring more than 90 days past the grant end date.

19. **Unresolved (OJP).** OJP does not concur with our recommendation to ensure that the current grant payment system includes a control to prohibit negative award balances, e.g., total payments in excess of the

net award amount. In Appendix V, page 69, OJP provided the following statement in response to recommendation 19:

*The Office of Justice Programs does not agree with the finding related to this recommendation. The current grant payment system, the Phone Activated Paperless Request System (PAPRS), includes automated controls to ensure that the total funds paid do not exceed the award amount. However, there are a small number of grant records in the Integrated Financial Management Information System (IFMIS), OJP's accounting system, that contain errors related to the conversion to IFMIS from the prior accounting system, ATOMIC. The reporting errors relate only to IFMIS, and OC and the Office of the Chief Information Officer are working with the IFMIS developer to resolve the issue.*

In its response, OJP states that it does not agree with the finding related to the recommendation. However, OJP's response goes on to explain that there are in fact grant records that have negative award balances resulting from the conversion to IFMIS from the prior accounting systems. OJP's response further details its plans for remedying the negative award balances by working with the IFMIS developer. Therefore, OJP's response appears to concur with the finding related to the recommendation rather than disagree.

OJP states also that the current grant payments system, PAPRS, already includes automated controls to ensure that the total funds paid do not exceed the award amount. Therefore, OJP needs to provide documentation supporting that the PAPRS system includes automated controls to ensure that the total funds paid do not exceed the award amount.

This recommendation can be resolved when OJP provides an acceptable corrective action plan that addresses the recommendation to ensure that the current grant payment system includes a control to prohibit negative award balances.

20. **Unresolved (OJP).** OJP does not concur with our recommendation to remedy the questioned costs totaling \$442,108 related to grants for which the drawdowns exceeded the total award. In Appendix V, page 69, OJP provided the following statement in response to recommendation 20:

*The Office of Justice Programs does not agree with the finding related to this recommendation. As stated in response to Recommendation 19 above, the errors noted relate to the conversion to IFMIS from the prior accounting system. To address the questioned costs, by January 31, 2007, OJP will provide documentation that supports that the grantees noted were only able to draw down funds up to the award amount.*

In its response, OJP states that it does not agree with the finding related to this recommendation. However, OJP's response goes on to explain that there are in fact grant records that have negative award balances resulting from the conversion to IFMIS from the prior accounting systems. OJP's response further details its plans for remedying the questioned costs. Therefore, OJP's response appears to concur with the finding related to the recommendation rather than disagree.

This recommendation can be resolved when OJP provides an acceptable corrective action plan that addresses the recommendation to remedy the questioned costs totaling \$442,108 related to grants for which the drawdowns exceeded the total award.

21. **Resolved (OJP).** This recommendation can be closed when we receive documentation supporting that OJP has incorporated post-closeout monitoring of grants to its risk-based financial monitoring to detect unallowable expenditures obligated after the grant end date.
22. **Resolved (OJP).** OJP agreed with our recommendation to ensure that grantees are not allowed to draw down excess funds for unsupported expenditures. However, in Appendix V, page 70, OJP provided the following statement in response to recommendation 22:

*The Office of Justice Programs agrees with this recommendation. However, it is important to note that it is not, and has never been, OJP's practice to allow grantees to draw down any funds for unsupported expenditures (or report/claim expenditures that are unsupported on the Financial Status Reports). Grant recipients are required to comply with the applicable Office of Management and Budget Circulars and the OJP Financial Guide. As part of its fiduciary responsibility, OJP has a comprehensive financial monitoring program, which includes on-site, desk monitoring, and excess cash reviews*

*of grantee compliance with these requirements and other specific grant requirements. In addition, OC follows up and ensures resolution of all issues, including questioned costs identified during OIG grant audits and Office of Management and Budget Circular A-133 audits transmitted through the OIG.*

The OIG agrees with the statement that OJP is not in the practice of allowing grantees to draw down funds for unsupported expenditures. However, as stated on pages 34 through 35 of the report, based on a sample of 66 grants with drawdowns totaling \$75.90 million that occurred more than 90 days past the grant end date, we found that the drawdowns included unsupported costs totaling \$574,940. In our judgment, these unsupported costs occurred in part because of OJP's failure to closeout expired grants timely. Therefore, OJP should ensure that financial reconciliation is conducted timely to identify any unsupported costs

This recommendation can be closed when OJP provides documentation supporting that financial reconciliations will be conducted timely to identify any unsupported costs.

23. **Unresolved (OJP).** OJP does not concur with our recommendation to immediately discontinue the practice of allowing grantees to drawdown excess funds for unsupported expenditures. In Appendix V, pages 70, OJP provided the following statement in response to recommendation 23:

*The Office of Justice Programs does not agree with this recommendation. As stated in response to Recommendation 22, it is not, and has never been, OJP's practice to allow grantees to draw down any funds for unsupported expenditures (or report/claim expenditures that are unsupported on the Financial Status Reports).*

As stated previously, the OIG agrees that it is not OJP's practice to allow grantees to draw down funds for unsupported expenditures. However, as stated on pages 34 through 35 of the report, based on a sample of 66 grants with drawdowns totaling \$75.90 million that occurred more than 90 days past the grant end date, we found that the drawdowns included unsupported costs totaling \$574,940. In our judgment, these unsupported costs incurred in part because of OJP's failure to closeout expired grants timely. Therefore, OJP should ensure

that financial reconciliation is conducted timely to identify any unsupported costs.

This recommendation can be resolved when OJP provides an acceptable corrective action plan to ensure that financial reconciliations are conducted timely to identify any unsupported costs.

24. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that OVW has developed and implemented policies and procedures to ensure that grantees are not allowed to draw down funds more than 90 days after the grantee end date without requesting and receiving an extension.
25. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that OVW has requested that OJP add a control to their grant payment system prohibiting grantees from drawing down funds after the end of the 90-day liquidation period.
26. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that OVW has remedied the \$37,279,986 in questioned costs related to drawdowns occurring more than 90 days past the grant end date.
27. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that OVW has requested that OJP ensure that the current grant payment system include a control to prohibit negative award balances, such as total payments in excess of the net award amount.
28. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that OVW has remedied the \$41,247 in questioned costs related to one grant for which drawdowns exceeded the total award amount.
29. **Closed (OVW).**
30. **Resolved (OVW).** This recommendation can be closed when we receive supporting documentation that OVW has developed and implemented a strategy, including increasing desk-based monitoring of grants and conducting outreach to grantees to ensure that grantees are not allowed to draw down excess funds for unsupported expenditures.
31. **Closed (OVW).**

32. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has developed and implemented policies and procedures to ensure that all funds remaining on grants that have been expired for more than 90 days are deobligated and regranted, or returned to the general fund as necessary, within 180 days after the expiration of the grant.
33. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has deobligated and put to better use the \$88,587,211 in remaining funds related to expired grants that are more than 90 days past the grant end date.
34. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has developed and implemented policies and procedures to ensure that all remaining grant funds are deobligated prior to closure.
35. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has deobligated and put to better use the \$2,849,825 in remaining funds related to grants that were reported as closed.
36. **Resolved (COPS).** This recommendation can be closed when we receive documentation supporting that COPS has remedied the \$147,862 in questioned costs related to drawdowns occurring after the grant was reported as closed.
37. **Resolved (OJP).** This recommendation can be closed when we receive documentation supporting that OJP has revised its grant closeout process to ensure that grants are closed within 180 days, and as necessary, remaining grant funds are deobligated timely.
38. **Unresolved (OJP).** OJP does not concur with our recommendation to deobligate and put to better use the \$61,082,443 in remaining funds related to expired grants that are more than 90 days past the grant end date. In Appendix V, pages 70 through 71, OJP provided the following statement in response to recommendation 38:

*The Office of Justice Programs does not agree with the finding related to this recommendation. As previously stated on page 1, OJP does not agree that grantees should be prohibited from drawing down funds after the 90 day liquidation period. Obligations incurred during the grant period and liquidated within 90 days after the end date of*

*the funding period are allowable expenditures. Since the obligations are appropriately incurred, it is consistent with the clear statutory intent of the appropriation for the grantee to be permitted to draw down grant funds to reimburse itself for costs incurred during the grant period.*

*Based on OJP's preliminary review of the questioned costs related to this finding, a substantial portion of the questioned costs relate to grants that have been closed or are in financial reconciliation phase of the closeout process. By January 31, 2007, OJP will provide a current status on the grants identified.*

As stated previously, the OIG believes that OJP's practice of allowing grantees to draw down grant funds more than 90 days after the end date of the grant period violates federal regulations. Specifically, 28 C.F.R. §66.50(b) requires grantees to draw down grant funds for all allowable expenditures within 90 days after the expiration of the grant. Additionally, the OJP Financial Guide requires grantees to request final payment for reimbursement of expenditures incurred prior to the grant expiration date in conjunction with the submission of the final financial report which, according to 28 C.F.R. §66.50(b), is due within 90 days after the grant end date. Therefore, any drawdown not made within the 90-day liquidation period should be deobligated and put to better use within 180 days after the grant end date since expired grants are required to be closed with 180 days after the end of the grant.

Additionally, OJP's response implies that there is no remedy for grantee's to draw down funds after the 90-day liquidation period. As stated, previously federal regulations allow for, at the request of the grantee, an extension of the 90-day liquidation period to draw down allowable costs. However, OJP needs to ensure that extensions to allow late draw downs are granted on a case by case basis and that any extension granted does not exceed 180 days past the grant end date since expired grants are required to be closed with 180 days after the end of the grant. Further, the basis for the extension and the approval of an extension to allow late draw downs should be fully documented.

Further, OJP's response fails to adequately address the \$61,082,443 in funds to be put to better use related to expired grants more than 90 days past the grant end date.

In its response, OJP implies that as long as the grantee incurs allowable expenditures, the grant funds may be draw down for an indefinite period of time. However, this practice contradicts 28 C.F.R. §66.50(b), which states that within 90 days after the expiration of the grant, the grantee must submit the final request for payment (drawdown). Additionally, the practice contradicts the OJP Financial Guide, which requires grantees to request final payment for reimbursement of expenditures incurred prior to the grant expiration date in conjunction with the submission of the final financial report, which according to 28 C.F.R. §66.50(b) is due within 90 days after the grant end date. Therefore, any drawdown not made within the 90-day liquidation period should be deobligated and put to better use within 180 days after the grant end date since expired grants are required to be closed with 180 days after the end of the grant.

This recommendation can be resolved when OJP provides an acceptable corrective action plan that addresses the recommendation to deobligate and put to better use the \$61,082,443 in remaining funds related to expired grants that are more than 90 days past the grant end date.

39. **Resolved (OJP).** This recommendation can be closed when we receive documentation supporting that OJP has revised its current grant closeout policy statement to ensure that remaining grant funds are deobligated prior to closure.
40. **Resolved (OJP).** This recommendation can be closed when we receive documentation supporting that OJP has deobligated and put to better use the \$3,488,483 in remaining funds related to grants that were reported as closed.
41. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that OVW has developed and implemented policies and procedures, in coordination with OJP, to ensure that all funds remaining on grants are deobligated within 180 days after the expiration of the grant and regranted, or returned to the general fund.
42. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that the \$14,285,431 in remaining funds related to expired grants that are more than 90 days past the grant end date have been deobligated and put to better use.

43. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that OVW has developed and implemented policies and procedures, in coordination with OJP, to ensure that remaining funds are deobligated prior to closure.
44. **Resolved (OVW).** This recommendation can be closed when we receive documentation supporting that the \$102,595 in remaining funds related to grants that were reported as closed have been deobligated and put to better use.