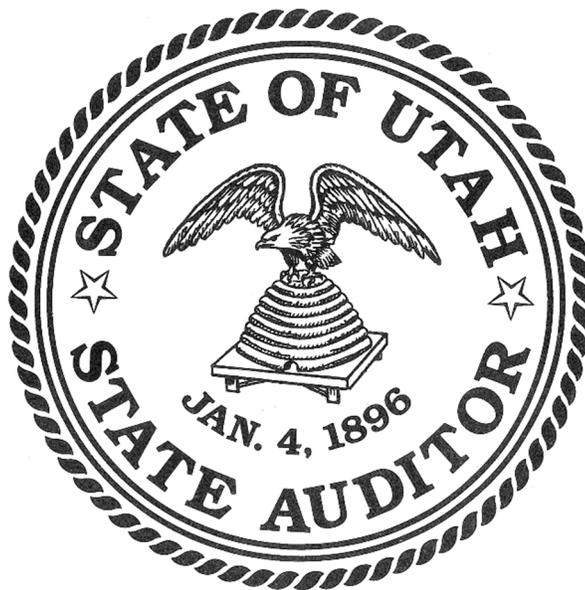


**COMMISSION ON CRIMINAL AND JUVENILE JUSTICE
Utah Office for Victims of Crime**

Single Audit Management Letter
For the Year Ended June 30, 2018

Report No. 18-10



**OFFICE OF THE
STATE AUDITOR**

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Jason Allen, CPA, CFE, Senior Audit Manager

COMMISSION ON CRIMINAL AND JUVENILE JUSTICE

Utah Office for Victims of Crime

Single Audit Management Letter

FOR THE YEAR ENDED JUNE 30, 2018

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Finding Type:

MW Material Internal Control Weakness
SD Significant Deficiency of Internal Control
MN Material Noncompliance
RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program



OFFICE OF THE
STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 18-10

December 17, 2018

Ms. Kim Cordova, Executive Director
Commission on Criminal and Juvenile Justice
State Capitol Complex
Senate Building Suite 330
P.O. Box 142330
Salt Lake City, Utah 84114-2330

Dear Ms. Cordova:

This management letter is issued as a result of the Commission on Criminal and Juvenile Justice's (CCJJ's) portion of the statewide single audit for the year ended June 30, 2018. Our final report on compliance and internal control over compliance issued to meet the reporting requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) will be issued under separate cover. We tested the Crime Victim Assistance program (CFDA # 16.575) and the Crime Victim Compensation program (CFDA # 16.576), administered by the Utah Office for Victims of Crime, at CCJJ.

In planning and performing our compliance audit of the programs listed above, we considered CCJJ's compliance with the applicable types of compliance requirements as described in the *OMB Compliance Supplement* for the year ended June 30, 2018. We also considered CCJJ's internal control over compliance with the types of requirements described above that could have a direct and material effect on the programs tested in order to determine the auditing procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CCJJ's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the second paragraph and would not necessarily identify all deficiencies in CCJJ's internal control that might be material weaknesses or significant deficiencies as defined in the following paragraphs. However, as discussed subsequently, based on the audit procedures performed, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies for the programs identified above.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct on a timely basis noncompliance with a type

of compliance requirement of a federal program. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance presented in the accompanying schedule of findings and recommendations as Findings 1–3 and 6–9 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance presented in the accompanying schedule of findings and recommendations as Finding 4 to be a significant deficiency.

During our audit, we also became aware of deficiencies in internal control other than significant deficiencies or material weaknesses that are opportunities to strengthen internal controls and operating efficiencies. These other findings are also included in the accompanying schedule of findings and recommendations.

CCJJ’s written responses to and Corrective Action Plans for the findings identified in our audit were not subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on them.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this communication is not suitable for any other purpose.

We appreciate the courtesy and assistance extended to us by CCJJ personnel during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Hollie Andrus, CPA
Audit Director
801-808-0467
handrus@utah.gov

cc: Gary Scheller, Director, Utah Office for Victims of Crime
David Walsh, Deputy Director, CCJJ
Christine Watters, Program Manager
Melanie Scarlet, Program Manager

FINDINGS AND RECOMMENDATIONS

1. INTERNAL CONTROL DEFICIENCIES OVER AND ERRORS IN FINANCIAL & PERFORMANCE REPORTING, MATCHING, AND EARMARKING

Federal Agency: **Department of Justice**

CFDA Number and Title: **16.575 Crime Victim Assistance**

Federal Award Numbers: **2014-VA-GX-0058, 2015-VA-GX-0063, 2016-VA-GX-0052**

Questioned Costs: N/A

Prior Year Single Audit Report Finding Number: **2017-020**

Pass-through Entity: N/A

The Utah Office for Victims of Crime (UOVC), a division of the Commission on Criminal and Juvenile Justice, has not established internal controls over the Crime Victim Assistance (CVA) program's financial and performance reports, matching, and administrative expenditure earmarking requirements. Federal regulations (200 CFR 200.303(a)) state, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." We selected three financial reports and one performance report submitted during fiscal year 2018 and noted the following deficiencies in the submitted reports.

Errors in Federal Financial Reports (SF-425)

The financial reports are prepared using information generated by UOVC's internally-developed Grant Management System (GMS) which did not agree to information recorded in FINET (State's financial accounting system). While UOVC indicated that the GMS is reconciled to FINET on a monthly basis, we identified the following inaccuracies as we traced the reported amounts to FINET:

- The Federal Share of Expenditures (line 10.e) reported on the 2015 Award's March 31, 2018 quarterly report was understated by \$198,904.
- The Federal Share of Expenditures (line 10.e) reported on the 2016 Award's December 31, 2017 quarterly report was understated by \$7,668.
- The Federal Share of Expenditures (line 10.e) reported on the 2014 Award's final report was overstated by \$2,715 (see "Errors in Coding of Administrative Expenditures" below).

The amounts on the federal financial reports should agree to FINET since FINET contains the accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards. These errors occurred because UOVC does not use expenditures recorded in FINET to prepare the reports. This could permit improper amounts to be reported on the SF-425 without detection, which could potentially affect future program funding.

Subrecipient-Reported Information Not Adequately Verified

UOVC does not perform procedures to verify *all* the information reported by subrecipients on the U.S. Department of Justice, Office for Victims of Crimes Performance Measurement Tool (PMT) System. This information is used to ensure the requirements are met related to the 20 percent matching and various earmarking (i.e., the 30 percent minimum earmarking for priority categories of crime victims and the 10 percent minimum earmarking for previously underserved victims of violent crimes). As part of its monitoring procedures, UOVC selects one of a subrecipient's reimbursement requests and obtains supporting documentation for the reported amounts, including match amounts, and performs a desk audit to determine the validity of the amounts reported. These desk audits focus on a single reimbursement request by a subrecipient and do not determine the validity of *all* amounts reported.

Because UOVC does not obtain and review supporting documentation for all necessary data elements, we were unable to:

- Verify the values placed on in-kind and volunteer matching contributions;
- Determine whether UOVC actually met the 20% minimum match required by federal regulations (2 CFR 94.118), that the match was from a valid source outlined in 2 CFR 94.118(c), or that the match amount was properly reported on the SF-425 report; or,
- Determine whether UOVC actually met the 30 percent priority category and 10 percent previously underserved earmarking requirements.

All information submitted by subrecipients should be verified either by obtaining and reconciling supporting documentation to the reported amounts or by performing other procedures to validate the accuracy of the reported amounts and other performance measures submitted by the subrecipients. Inaccurate information on the PMT, whether provided to UOVC by the subrecipients or reported by UOVC, could permit program purposes and performance measures to be overlooked or ignored without detection and could potentially affect future program funding.

Errors in Coding Administrative Expenditures

UOVC's control over administrative spending is not properly implemented to prevent overspending. According to Victims of Crime Act (VOCA) grant requirements, no more than 5% of the State's VOCA grant may be spent on training and administration. When attempting to agree UOVC's administrative expenditures tracking spreadsheet for the 2014 award to FINET, we noted that the amount on UOVC's spreadsheet was overstated by \$2,715, which also caused the SF-425 report and the PMT report to be overstated. For the administrative tracking spreadsheet to be considered effective, it should agree to FINET. This error occurred because UOVC inadvertently coded administrative expenditures in FINET to the wrong grant. We did not note any noncompliance with administrative spending. However, if this control is not corrected it could lead to UOVC exceeding the allowed earmarking limit for training and administrative expenditures.

Recommendations:

We recommend UOVC:

- **Establish internal controls over the preparation of financial and performance reports, which could include a review by an individual other than the preparer;**
- **Prepare the financial and performance reports using expenditures recorded in FINET to ensure the accuracy in accordance with applicable reporting instructions;**
- **Establish procedures to verify all amounts reported by subrecipients on the PMT, particularly those amounts related to matching and earmarking requirements; and**
- **Improve controls over the recording of expenditures to ensure they are coded to the right grant.**

UOVC's Response:

The agency responds to each item below.

- *Errors in Federal Financial Reports (SF-425): Utah Office for Victims of Crime (UOVC) agrees with this finding. UOVC has been working with the Utah Commission on Criminal and Juvenile Justice (CCJJ), the Utah Office of the State Auditor (OSA), and the United States Department of Justice (DOJ) to correct this deficiency.*
- *Subrecipient-Reported Information Not Adequately Verified: UOVC agrees that improvement is needed in this area. UOVC will update its internal controls to verify the values placed on in-kind and volunteer match contributions, determine whether UOVC actually met the 20% minimum match required by federal regulations, determine that the match was from a valid source outlined in 2 CFR 94.118(c) or that the match amount was properly reported on the SF-45 report, and determine whether UOVC actually met the 30 percent priority category and 10 percent previously underserved earmarking requirements.*
- *Errors in Coding Administrative Expenditures: UOVC agrees with this audit finding. UOVC responded to this finding in the last single audit regarding this same amount. UOVC was able to identify these expenditures that were coded to the wrong fund 2315 when they should have been coded to fund 1000. UOVC will be more careful when processing administrative cost payments and staff will check the fund 2315 report each month to certify that no grant payments were coded inaccurately to that report. In addition to the prior audit responses, the UOVC Financial Analyst and FPOC will work with the specific Grant Program Manager and the agency Financial Manager to develop far more detailed, category capped budgets for the administrative allowances of the grant.*

Corrective Action Plan (specific to each recommendation):

- *Establish internal controls over the preparation of financial and performance reports, which could include a review by an individual other than the preparer: UOVC has*

updated the FFR Policies and Procedures to indicate that the Financial Manager will review the work of the Financial Point of Contact prior to filing the SF-425.

- *Prepare the financial and performance reports using expenditures recorded in FINET to ensure the accuracy in accordance with applicable reporting instructions: Each Federal Share of Expenditures are reconciled to FINET on a monthly basis. However, the amounts reported in FINET and the Federal Financial reports do not match due to different reporting cut off points or accounting periods. Currently Federal Financial reports are reported based on actual expenses occurred but not necessarily recorded in FINET. Therefore, when filing the Federal Financial Reports, the Federal Point of Contact (FPOC) will now file the quarterly SF-425 reports using only reports that have expenditures recorded in FINET. The policy has been updated to reflect this.*
- *Establish procedures to verify all amounts reported by subrecipients on the PMT, particularly those amounts related to matching and earmarking requirements: UOVC has updated its policies to include procedures to verify amounts reported by subrecipients, particularly those amounts related to matching and earmarking requirements. UOVC will require subrecipients to send supporting documentation for all match amounts reported for the grant analyst to review and verify on a quarterly basis. Claims analyst will at least quarterly review the spending of amounts allocated within each category per subrecipient and take action as needed. Additionally, the UOVC auditor will review a sample of supporting documentation during the annual desk review as an added measure of verification.*
- *Improve controls over the recording of expenditures to ensure they are coded to the right grant: A number of corrective actions have taken place on this issue. The Financial Point of Contact will establish a far more detailed budget at the initiation of each grant. Additionally, this process occurs in the newly developed and developing Grants Management Database the agency has been having developed over the past few years. The new system greatly reduces to opportunity for human clerical errors.*

Contact Person: Gary Scheller, Director UOVC, 801-238-2362

Anticipated Correction Date: July 25, 2018

2. INADEQUATE INTERNAL CONTROLS AND NONCOMPLIANCE WITH SUBRECIPIENT MONITORING REQUIREMENTS

Federal Agency: **Department of Justice**

CFDA Number and Title: **16.575 Crime Victim Assistance**

Federal Award Numbers: **2014-VA-GX-0058, 2015-VA-GX-0063, 2016-VA-GX-0052**

Questioned Costs: N/A

Prior Year Single Audit Report Finding Number: **2017-019**

Pass-through Entity: N/A

UOVC's monitoring of CVA program subrecipients failed to comply with federal regulations. Because UOVC is required to perform desk reviews annually and on-site visits once every two

years, we reviewed UOVC's monitoring efforts for the 2014-2016 federal fiscal awards, and noted the following.

On-Site Visits Not Performed Bi-annually

For 10 (55.6%) of the 18 subrecipients in our sample, UOVC did not perform and document an on-site visit during the last two years. Federal regulations (28 CFR 94.106(b)) require state administering agencies to conduct on-site monitoring of all subrecipients at least once every two years; however, UOVC's Monitoring Policies and Procedures state that on-site visits should be conducted "as staffing allows" and do not specify a time period. UOVC should ensure their written Monitoring Policies and Procedures are in line with the federal regulations. Also, UOVC should maintain a copy of site visit results to document its compliance.

Inadequate Policy and Documentation for Risk Assessment

While UOVC has started to implement a risk assessment tool, its procedures were not effective throughout the fiscal year. UOVC was unable to provide documentation showing that it had performed risk assessment to determine the appropriate level of subrecipient monitoring. According to federal regulations (2 CFR section 200.331(b)), "a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring." These weaknesses occurred due to a lack of understanding of these requirements when issuing subawards. Without documentation, we were unable to determine whether UOVC had performed proper risk evaluations or adequate subrecipient monitoring procedures.

Inadequate monitoring of subrecipients could result in noncompliance with grant requirements.

Recommendations:

We recommend UOVC implement internal controls and revise its procedures to ensure it properly performs and documents its monitoring of subrecipients, including:

- **Performing on-site monitoring for each subrecipient at least once every two years in accordance with 28 CFR 106(b);**
- **Identifying the federal awards funding the subawards in each subrecipient contract; and**
- **Documenting the risk assessment for each subrecipient and the appropriate actions to be taken for monitoring based on the assessment.**

UOVC's Response:

The agency responds to each item below.

- On-Site Visits Not Performed Bi-annually: *UOVC agrees that improvement is required in this area. An additional staff member was added to UOVC on October 29, 2018. This staff person has education and professional experience in auditing, and this staff's focus is on internal and external grant compliance to help address these concerns.*
- Inadequate Policy and Documentation for Risk Assessment *UOVC agrees in part with this finding. UOVC has been developing a new online grants management system which is intended to incorporate the risk assessment and a rating system tool. UOVC had hoped to have all subawards moved to the system at the beginning of the fiscal year; however, due to technical issues in the development of the new system, UOVC is still in the migration process. UOVC recognizes that it was unable to provide documentation showing it had performed risk assessments. This inability was not due to lack of understanding of the need to do so, but rather it was due to being in a state of transition (migration) at the time of the audit.*

Corrective Action Plan (specific to each recommendation):

UOVC implement internal controls and revise its procedures to ensure it properly performs and documents its monitoring of subrecipients, including:

- Performing on-site monitoring for each subrecipient at least once every two years in accordance with 28 CFR 106(b): *UOVC will update its monitoring policy to require a bi-annual site visit for each subrecipient without regard to year of current award. UOVC is in the process of implementing a new online grants management system. Once all grants are in the system, all monitoring activities (i.e.; site reviews, desk reviews and risk assessments) will be available within the agency's record. Currently, desk reviews and site reviews are housed in the office of the interim monitor.*
- Identifying the federal awards funding the subawards in each subrecipient contract: *This recommendation was addressed in the previous state single audit of UOVC. A new grant numbering system was created which identifies the funding source for each contract and established budget and was implemented after the previous audit. The change has been applied to all new and/or incoming grant applications and as mentioned and will be fully resolved as all "old" grant applications are migrated into the new system, which is nearing completion.*
- Documenting the risk assessment for each subrecipient and the appropriate actions to be taken for monitoring based on the assessment: *UOVC is nearing the completion of development and implementation of a new online grants management system. Once awards have been migrated and the system completed, the risk assessment will become part of the recipient agency's profile and will be used in the pre-award process for the next award period as well as directing any impact on monitoring requirements. UOVC is in the process of migrating all past, but still active, awards into this new system. As this system is still being implemented, UOVC has current monitoring policies regarding risk*

assessments. In its current monitoring policies, UOVC has outlined a protocol for determining risk and developing a monitoring plan for each agency based on that risk. Grant analysts assess risk using the risk assessment tool twice a year.

Contact Person: Gary Scheller, Director UOVC, 801-238-2362

Anticipated Correction Date: The anticipated completion of the new system, including the risk assessment portion, is March 2019. On-site monitoring will be completed by June 30, 2019.

3. TIMING AND CALCULATION ERRORS IN FEDERAL CASH DRAWS

Federal Agency: **Department of Justice**

CFDA Number and Title: **16.575 Crime Victim Assistance**

Federal Award Numbers: **2014-VA-GX-0058, 2015-VA-GX-0063, 2016-VA-GX-0052, 2017-VA-GX-0057**

Questioned Costs: \$0

Prior Year Single Audit Report Finding Number: **2017-018**

Pass-through Entity: N/A

UOVC does not have adequate policies and procedures related to cash draws. Of the 6 cash draw requests tested, 3 draws (50.00 %) did not comply with federal cash management requirements for the CVA. Identified errors include the following:

- \$164,911 drawn as advances of funds rather than on a reimbursement basis. The related expenditures were recorded in FINET from 1 to 8 days after the draw was made. The draw amounts were not calculated based on expenditures recorded in FINET. We have not questioned these costs as these subsequent expenditures were in accordance with program requirements and any imputed interest obligations would be immaterial to the program.
- \$396,425 drawn after the related expenditures were recorded in FINET that could have been drawn by UOVC earlier. Although these expenditures were recorded in FINET they were excluded from the draw calculation. We have not questioned these costs as they do not result in an interest liability to the Federal Government.

According to 2 CFR 200.305(b)(1), draws should minimize the time elapsed between the state's payout of funds for federal program purposes and the transfer of funds from the federal agency. Drawing funds that do not minimize the time between the payout of funds by the state and the transfer of funds from the federal agency can result in noncompliance with federal cash management requirements.

Recommendations:

We recommend UOVC:

- **Develop written policies and procedures related to cash draws;**
- **Draw funds on a reimbursement basis; and**
- **Use expenditures recorded in FINET to calculate draw requests.**

UOVC's Response:

UOVC agrees with the finding.

Corrective Action Plan (specific to each recommendation):

- *Develop written policies and procedures related to cash draws: UOVC has developed a policy where no draws can be done until the payments have been verified to have processed in FINET. UOVC has developed a policy that administrative funds are to be drawn on a monthly basis rather than quarterly. This repeat finding occurred after the prior year's audit but prior to the implementation of that corrective action.*
- *Draw funds on a reimbursement basis: UOVC policy addresses this recommendation.*
- *Use expenditures recorded in FINET to calculate draw requests: UOVC policy addresses this recommendation.*

*Contact Person: Gary Scheller, Director UOVC, 801-238-2362
Anticipated Correction Date: July 25, 2018 and October 12, 2018*

4. NO ALLOCATION OF LEAVE BALANCES BETWEEN ACTIVITIES

Federal Agency: **Department of Justice**
CFDA Number and Title: **16.575 Crime Victim Assistance**
Federal Award Numbers: **2015-VA-GX-0063, 2016-VA-GX-0052**
Questioned Costs: \$0
Prior Year Single Audit Report Finding Number: N/A
Pass-through Entity: N/A

In cases where employees worked on more than one activity, the hours charged for leave taken (e.g. annual leave, sick leave, holidays, etc.) were not equitably allocated to all of the activities on which the employees had worked. As required by 2 CFR section 200.431, the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job should be equitably allocated to all related activities. UOVC has not established a process to subsequently review, and allocate where necessary, leave charges to the actual activities on which the employees had worked. Failure to properly allocate leave costs may result in inequitable charges to all related activities, including federal programs. We noted

no reportable noncompliance for CVA as the program was undercharged for its share of leave taken.

Recommendations:

We recommend UOVC:

- **Implement appropriate procedures and applicable internal controls to ensure that leave costs charged to federal awards are equitably allocated to all related activities in accordance with 2 CFR section 200.431; and**
- **Properly calculate the leave allocations and charge the federal programs for their fair share of leave taken for all prior fiscal years to the extent that federal program funds are still available.**

UOVC's Response:

UOVC agrees with the finding.

Corrective Action Plan (specific to each recommendation):

- *Implement appropriate procedures and applicable internal controls to ensure that leave costs charged to federal awards are equitably allocated to all related activities in accordance with 2 CFR section 200.431: Additional training will be provided for all UOVC supervisors and grant funded personnel. The UOVC Financial Manager has contacted ERIC, the state's employee time tracking system, to see if there is a way she can get access to review staff time sheets before they are approved. This will add another internal control to ensure the correct grant coding is recorded properly in payroll for those that charge hours worked to the Federal grants.*
- *Properly calculate the leave allocations and charge the federal programs for their fair share of leave taken for all prior fiscal years to the extent that federal program funds are still available: All leave will be charged to the appropriate grant coding except holiday leave. The state's employee time tracking system (ERIC) does not permit the detailed entry of time for holiday Leave. A new spreadsheet has been created to calculate holiday leave, and the charges for holiday leave will be moved quarterly to the appropriate grant coding. The first quarter has been completed.*

Contact Person: Gary Scheller, Director UOVC, (801)-238-2362

Anticipated Correction Date: These corrective actions took place during the audit.

5. IMPROPER RECORDING OF ADMINISTRATIVE COSTS

Federal Agency: **Department of Justice**
CFDA Number and Title: **16.575 Crime Victim Assistance**
Federal Award Numbers: **2015-VA-GX-0063, 2016-VA-GX-0052**
Questioned Costs: **\$0**
Prior Year Single Audit Report Finding Number: N/A
Pass-through Entity: N/A

For our allowable cost testwork, we selected 80 expenditures (40 pass-through and 40 non-payroll) and noticed the following errors related to two of the sample items:

- a. UOVC miscoded one expenditure as a pass-through expenditure rather than as an administrative expenditure. This expenditure was for a \$17 meal reimbursement when the employee only traveled 45 miles from his home and did not stay overnight. According to state policy FIACCT 10-02.03, to qualify for a meal reimbursement without an overnight stay, the employee must travel to a destination over 100 miles away. Therefore, this employee did not qualify for this meal reimbursement. Additionally, had this employee met the distance requirement for a meal reimbursement for a non-overnight stay, this transaction was improperly processed in FINET. This transaction should have been processed through payroll as a taxable meal allowance, in accordance with IRS regulations, rather than as a non-payroll travel reimbursement.

In addition, the mileage reimbursement for this trip was incorrectly calculated. According to fiscal year 2018 state policy FIACCT 10-02.06, "private-vehicle use is reimbursed at the rate of 40 cents per mile, or 54 cents per mile if a state vehicle is not available to the employee." Because a state vehicle was available, the rate paid of 54 cents per mile resulted in an additional overpayment to the employee of \$13.

These errors occurred because UOVC staff was not aware of specific state travel reimbursement policies when processing the transaction.

- b. UOVC improperly charged a \$56 non-payroll expenditure to the 2016 CVA program instead of the Violence Against Women program. According to 2 CFR 200.405, costs must be incurred specifically for the federal award to which they are charged to be considered allowable. This error occurred due to a clerical error when entering the transaction in FINET. As a result, we noted improper charges to the program of \$56.

Because the projected errors related to these issues are less than \$25,000, we have not questioned any costs. Improper processing of expenditures, including meal and mileage reimbursements, could result in noncompliance with award requirements, noncompliance with IRS regulations, and questioned costs.

Recommendations:

We recommend UOVC:

- a. **Comply with state travel policy (FIACCT 10-02) when reimbursing expenditures; and**
- b. **Strengthen internal controls over the approval of transactions to ensure they are properly recorded in FINET.**

UOVC's Response:

UOVC agrees with the finding.

Corrective Action Plan (specific to each recommendation):

- Comply with state travel policy (FIACCT 10-02) when reimbursing expenditures: UOVC will comply with state travel policy when reimbursing expenditures.
- Strengthen internal controls over the approval of transactions to ensure they are properly recorded in FINET: UOVC Financial Manager will provide additional training to all staff on the state travel policy. All staff will submit travel reimbursements to their immediate supervisor for accuracy and travel guide compliance review prior to submitting to UOVC Financial Manager for entry. UOVC Financial Manager confirms accuracy of travel documents with travelers' supervisor prior to entry in FINET. All travel reimbursements, regardless if the traveler is a UOVC employee or not, must submit for travel reimbursement using the forms required by the state travel policy or reimbursement will not be made.

Contact Person: Gary Scheller, Director UOVC, (801)-238-2362

Anticipated Correction Date: This policy became effective October 12, 2018 and additional training will be completed prior to November 15, 2018.

6. IMPROPER CRIME VICTIM COMPENSATION EXPENDITURES

Federal Agency: **Department of Justice**

CFDA Number and Title: **16.576 Crime Victim Compensation**

Federal Award Numbers: **2014-VC-GX-0025, 2015-VC-GX-0032; 2016-VC-GX-0057;
2017-VC-GX-0019**

Questioned Costs: **\$12,224**

Prior Year Single Audit Report Finding Number: N/A

Pass-through Entity: N/A

UOVC has not established internal controls over the processing of Crime Victim Compensation (CVC) expenditures. Currently, the Claims Analyst or Reparations Officer that processes the claim also reviews the supporting documentation and approves payments. Federal regulations (200 CFR 200.303(a)) state, "The non-Federal entity must establish and maintain effective

internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” Because there are no controls over claims processing, we noted the following issues in the 60 CVC payments selected for review:

- a. One victim was improperly deemed eligible. Per *Utah Code* 63M-7-510(1)(d), a victim is not eligible to receive an award of reparations if they are suspected of participating in the offense. Additionally, per *Utah Code* 63M-7-509(5)(a), the victim shall cooperate with the appropriate law enforcement agencies and prosecuting attorneys in their efforts to apprehend or convict the perpetrator of the alleged offense. The police report indicated that the victim was participating in an illegal activity at the time the crime was committed against the victim and, when this became known to the police, the victim no longer cooperated with law enforcement. Therefore, this victim was not eligible to receive compensation. This error occurred because the Claims Analyst, at the time eligibility was initially determined, did not understand eligibility requirements for the program. The victim has been compensated a total of \$20,407 for this claim. Based on the current federal funding formula for awards to states, the U.S. Department of Justice’s Office for Victims of Crimes reimburses 60 percent of the compensation payments. Therefore, we have questioned costs totaling \$12,224.
- b. UOVC issued two duplicate payments totaling \$415 to providers, one which was detected by the service provider and the other which was detected by the victim/claimant. The Claims Analyst or Reparations Officer processing these transactions failed to notice that the providers had already been reimbursed for the service dates. Subsequent billings were reduced by the overpayment amounts; therefore, we did not question any costs.
- c. One medical provider was paid 60% of the total charged amount (pre-insurance adjustment) instead of the remaining patient responsibility, resulting in an underpayment to the provider of \$17.08. UOVC’s current practice of compensating for medical payments when the victim has insurance is to pay the lesser of (1) the patient responsibility or (2) 60% of the total charged amount (pre-insurance adjustment). However, this practice is not in compliance with UOVC’s Administrative Rule (R270-1-20) which states that when a victim has insurance, UOVC will pay the portion of the eligible medical bills that the claimant is obligated to pay pursuant to an insurance agreement.
- d. Claims analysts and Reparation Officers have waived insurance requirements for reasons not identified in UOVC’s Administrative Rules or policies. UOVC sent to its employees an email stating four reasons a victim’s insurance can be waived. However, it has not outlined in its Administrative Rules or policies all the reasons for which a victim’s insurance can be waived from being a payor. Federal Regulations (Federal Register, Vol. 66, No. 95, May 16, 2001, IV.C.2.) state that “As a payor of last resort, it is in the compensation program’s discretion to make exception for victim needs that are not adequately met by a collateral source.” UOVC has struggled with how to word its rules and policies so as not to penalize any situation once the rules/policies become effective. Consequently, they have decided to leave the determination for issuing waivers on a case-by-case basis. As such, we have not questioned any costs.

Payments on behalf of eligible participants should be processed in accordance with UOVC Administrative Rules and policies. Improper payments could result in noncompliance with award requirements and potential reductions of federal funding.

Recommendations:

We recommend UOVC:

- a. Implement appropriate internal controls over claims processing;**
- b. Compensate only eligible victims and consider appropriate actions to recoup any improper payments;**
- c. Eliminate duplicate payments and pay providers the proper amount; and**
- d. Incorporate all instances in which a victim's insurance can be waived as a payor into UOVC's Administrative Rules or policies.**

UOVC's Response:

The agency responds to each item below.

- *Item A. One Victim Was Improperly Deemed Eligible: UOVC agrees that improvement is needed in this area. UOVC will ensure staff is aware of eligibility guidelines, and the program manager will meet with the staff weekly to review any questions regarding eligibility.*
- *Item B. Duplicate Payments: \$275 of the \$415 had been previously brought to the attention of UOVC and the funds had been requested and paid back prior to this audit. This error was made by an employee who was identified by management as having struggles in his work. His work was being monitored and he was receiving added training. Ultimately we were unsuccessful at improving his performance and had to part ways. \$140 was paid by a new employee during her training period. This error was brought to our attention and a refund was received by our office prior to this audit. This employee has successfully completed their training and has been promoted to another position.*
- *Item D. Waived Insurance Requirements: UOVC has updated their policies regarding waiving insurance requirements. These policies are based around victim safety, confidentiality, and ability to attain meaningful and effective services in a timely manner. UOVC will recommend to the board at the next board meeting to change the Administrative Rule to mirror these policies.*

Corrective Action Plan (specific to each recommendation):

- *Implement appropriate internal controls over claims processing: UOVC will continue to require program managers and lead staff to routinely audit staffs' work product and will continue to take the needed corrective actions as determined appropriate.*

- Compensate only eligible victims and consider appropriate actions to recoup any improper payments: UOVC will continue to require program managers and lead staff to routinely audit staffs' work product and continue to take the needed corrective actions as determined appropriate.
- Eliminate duplicate payments and pay providers the proper amount: UOVC will continue to require program managers and lead staff to routinely audit staffs' work product and continue to take the needed corrective actions as determined appropriate.
- Incorporate all instances in which a victim's insurance can be waived as a payor into UOVC's Administrative Rules or policies: UOVC will distribute the updated policy and reiterate with applicable staff that the discretionary insurance waivers must remain tied to the guiding principles based around victim safety, confidentiality, and ability to attain meaningful and effective services in a timely manner. UOVC will address the board to request an update in the Administrative Rule.

Contact Person: Gary Scheller, Director UOVC, (801)-238-2362

Anticipated Correction Date: Current and ongoing

7. INTERNAL CONTROLS OVER FEDERAL CASH MANAGEMENT REQUIREMENTS NOT ESTABLISHED

Federal Agency: **Department of Justice**

CFDA Number and Title: **16.576 Crime Victim Compensation**

Federal Award Numbers: **2014-VC-GX-0025, 2015-VC-GX-0032; 2016-VC-GX-0057;
2017-VC-GX-0019**

Questioned Costs: \$0

Prior Year Single Audit Report Finding Number: N/A

Pass-through Entity: N/A

For administrative draws, UOVC currently has one individual calculate the amount to be drawn and perform the draw with no review or approval by a second individual. For non-administrative draws, UOVC draws funds when their bank account is low with no support or explanation from program expenditures for the amounts drawn. At the time the draws were made, the CVC program expenditures recorded in FINET exceeded the amount of draws made from this federal program; thus, no compliance issues were noted. However, federal regulations (200 CFR 200.303(a)) state, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." Without adequate internal controls, incorrect amounts could be drawn or funds could be drawn before they are expensed, resulting in noncompliance with federal cash management requirements.

Recommendation:

We recommend UOVC establish internal controls over cash management to ensure draws are properly calculated and supported by appropriate, allowable expenditures.

UOVC's Response:

UOVC agrees with the finding.

Corrective Action Plan (specific to each recommendation):

- *Establish internal controls over cash management to ensure draws are properly calculated and supported by appropriate, allowable expenditures: Cash management policies have been updated to include the proper internal controls.*

Contact Person: Gary Scheller, Director UOVC, (801)-238-2362

Anticipated Correction Date: October 12, 2018

8. INTERNAL CONTROL DEFICIENCIES OVER AND ERRORS IN FINANCIAL & PERFORMANCE REPORTING

Federal Agency: **Department of Justice**

CFDA Number and Title: **16.576 Crime Victim Compensation**

Federal Award Numbers: **2014-VC-GX-0025, 2015-VC-GX-0032; 2016-VC-GX-0057;
2017-VC-GX-0019**

Questioned Costs: N/A

Prior Year Single Audit Report Finding Number: N/A

Pass-through Entity: N/A

UOVC has not established adequate internal controls over the SF-425 Reports, the State Certification Form, and the annual performance report. Federal regulations (200 CFR 200.303(a)) state, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." We selected five financial reports (four SF-425 reports and one state certification form) and one performance report submitted during state fiscal year 2018 and noted the following errors in the state certification form and the annual performance report.

Inaccuracies in the CVC State Certification Form:

The State Certification Form is a financial report prepared from information in FINET and from supporting documentation. The following errors indicate that the review of this report is not effective in preventing or detecting and correcting errors in the report.

- Part I, Line A (Total Amount Paid to or on Behalf of Crime Victims) was understated by \$11,157 compared to FINET. This created an understatement by the same amount in Part I, Lines D and F (Total State Payments Eligible for Matching VOCA Grant Award).
- Part II, Line A.12 (Reserves Carried Over) was overstated by \$27,059 compared to the account holding the reserves.
- Part II, Line C (VOCA Grant Funds) was overstated by \$575,161 based on a comparison of the amounts awarded less the amounts drawn through September 30, 2017. This error, combined with the error in the second bullet above, created an overstatement on Part II, Line D (Total Funds Received) of \$602,220.

The amounts reported in this federal financial report should agree to FINET since FINET contains the accounting records that support the audited financial statements and the Schedule of Expenditures of Federal awards. These errors were caused either by calculation errors, timing differences in queries, or data entry errors.

Inaccuracies in Annual Performance Report:

The “Victims of Crime Act Compensation Grant Program State Performance Report” (performance report) is an annual report derived from information in UOVC’s Claims Management System. We selected random line items to review and noted the following errors:

- The amounts paid for each “crime type” were incorrectly reported on the Performance Report. Because FINET is not configured to track compensation payments by individual crime type, UOVC uses the amounts from the Claims Management System on the Performance Report. When the total amount paid for *all* crimes on the Performance Report did not match the amount reported in FINET, UOVC arbitrarily reduced the amount reported for the “Assault” category (since it is the largest of the categories) by \$150,812 to match the amount reported in FINET.
- The required performance measurements that went into effect October 2015, e.g., dollar amount of expenses paid by category and type of crime are not tracked. UOVC has a 2015 correspondence from the Department of Justice stating that these items can be reported as “not tracked.” The correspondence also stated that UOVC should comply as quickly as possible to start tracking the required measurements but did not give an implementation deadline. As of June 2018, these required performance measures are still being reported as “not tracked.” In addition to the “not tracked” performance measures, many of the reporting errors noted below resulted from the Claims Management System not being properly programmed to produce the required information for the Performance Report.
- UOVC’s Claims Management System contains different age ranges for four out of six age categories required on the Performance Report. As such, we were unable to calculate the correct number of applicants within the age ranges requested on the Performance Report. The Claims Management System is not properly programmed to generate reports for the proper age categories.

- The number of new applications received during the reporting period was overstated by 281. UOVC entered the number of victims rather than the number of applications into the Performance Report.
- The number of applications denied or closed due to ineligible crime was overstated by 207 applications. This error occurred because: 1) two denial categories were double-counted resulting in 29 applications being reported twice; and, 2) UOVC reported 178 victims whose applications were denied or pending instead of only those victims whose applications had been denied. This difference was carried through to the breakout of “reasons for denial” and added to the “ineligible crime” category to allow the total and breakout to balance.
- The number of applications received for sexual assault forensic examinations during the reporting period was overstated by 19 as a result of pending claims being counted twice.
- The “Number of Applications Related to Domestic and Family Violence that were Paid During the Reporting Period” is calculated using a formula created by UOVC. This formula uses percentages for each crime type that were predetermined and then multiplied by the number of applications for the applicable reporting period. However, these percentages should be based on actual numbers for the current period; because they were not, we were unable to agree these amounts to actual data.

UOVC should take greater care when entering data into the Claims Management System and preparing the annual performance report. Without tracking or properly generating the required performance measures, UOVC cannot provide the Department of Justice with the critical information needed to know how this program is being administered to help victims of various crimes.

Recommendations:

We recommend UOVC:

- **Implement internal controls to ensure the required reports are prepared in an accurate manner. This could include a review by an individual other than the preparer;**
- **Prepare the State Certification Report using expenditures recorded in FINET;**
- **Reconcile total expenditures recorded on the Claims Management System and reported in the performance report to total expenditures in FINET;**
- **Begin tracking the required performance measurements that went into effect October 2015;**
- **Modify the Claims Management System to capture data using data elements (e.g., age ranges) required by the performance report; and**
- **Create and generate reports from the Claims Management System to permit the proper reporting of all data elements required for the performance report.**

UOVC's Response:

UOVC agrees with the findings. Our current Claims Management System is unable to pull many of the categories and data the new performance report requires. DOJ/OVC was made aware that few states if any would be able to collect and report on the new data requirements. DOJ/OVC has yet to set a date as to when UVC is required to have a new database to collect the requested data. UOVC has provided this information from DOJ/OVC to the auditor.

Corrective Action Plan (specific to each recommendation):

- Implement internal controls to ensure the required reports are prepared in an accurate manner. This could include a review by an individual other than the preparer: Internal controls will be implemented to ensure accuracy of reports.
- Prepare the State Certification Report using expenditures recorded in FINET: The State Certification Report has been based on the expenditures from FINET using the CA40 reports which show expenditures by activity category. Going forward, the CA40 reports will be compared to AM02 reports. Certain restitution refund payments made will have to be deducted to get the correct amount paid on behalf of crime victims.
- Reconcile total expenditures recorded on the Claims Management System and reported in the performance report to total expenditures in FINET: The expenditure amounts needed for the Performance Report are taken from FINET and our Claims Management System as accurately as our current Claims Management system is capable of at this time. Our Claims Management System does not match up to the numbers in FINET. FINET numbers are used for the final reports.
- Begin tracking the required performance measurements that went into effect October 2015: UOVC has enlisted the help of Utah Department of Technology Services (DTS) and has begun the investigative phase of purchasing a new database system capable of collecting and reporting data in the manner DOJ/OVC is now requesting. The current data system is a modified version of the system originally created for the agency by DTS employees. The data system has been updated to comply with past changes in reporting requirements from DOJ/OVC. The most recent data requirements are not cost effective to program into the old system. Accordingly, a new system must be pursued.
- Modify the Claims Management System to capture data using data elements (e.g., age ranges) required by the performance report: UOVC will work with DTS to change our current Claims Management system to match up to the new performance report request regarding the age categories. Currently the Claims Management system breaks out age categories differently than what is asked for. We will begin looking into this to see if it is possible and if the cost will allow the change to be completed. Other changes to our current database are not cost effective at this time.
- Create and generate reports from the Claims Management System to permit the proper reporting of all data elements required for the performance report: A new database is needed to meet the current needs of the UOVC compensation program and to enable the gathering of information to meet federal reporting requirements for the performance

report. UOVC is in the process of developing a new Claims Management System to be able to collect and then have the ability to run report the data required to complete the new Federal Performance Report.

Contact Person: Gary Scheller, Director UOVC, (801)-238-2362

Anticipated Correction Date: Some current, others within the next 24 to 36 months depending upon available upgrade funding for the data system.

9. INADEQUATE INTERNAL CONTROLS OVER PERIOD OF PERFORMANCE

Federal Agency: **Department of Justice**

CFDA Number and Title: **16.576 Crime Victim Compensation**

Federal Award Numbers: **2014-VC-GX-0025, 2015-VC-GX-0032; 2016-VC-GX-0057; 2017-VC-GX-0019**

Questioned Costs: N/A

Prior Year Single Audit Report Finding Number: N/A

Pass-through Entity: N/A

UOVC does not monitor or verify that expenditures charged to the CVC program occurred during each award's period of performance. Funding for this program is derived from both state and federal resources, is recorded in one fund code in FINET, and includes multiple federal awards, each of which have a four-year period of performance requirement. UOVC does not charge the majority of CVC expenditures to a specific award and does not perform any allocation after the fact. The 2017 Department of Justice Grants Financial Guide specifically states that for this program there is no financial requirement to identify the source (federal or state) of individual payments to crime victims. However, without an allocation or some other way to identify the expenditures to a specific federal award, we could not perform appropriate audit procedures to determine compliance with period of performance requirements. By not adequately tracking spending for period of performance purposes, UOVC could be spending funds outside the allowable period.

Recommendation:

In order to comply with federal period of performance requirements, we recommend UOVC charge expenditures to specific awards or otherwise identify the source (federal or state) of payments to crime victims.

UOVC's Response:

UOVC agrees.

Corrective Action Plan (specific to each recommendation):

- Charge expenditures to specific awards or otherwise identify the source (federal or state) of payments to crime victims: Upon full expenditure and closure of the compensation grant, UOVC will document spending for period of performance purposes for allowable administrative costs as well as compensation benefits recorded in categories other than those identified as state funds, including the time period that spending occurred.

Contact Person: Gary Scheller, Director UOVC, (801)-238-2362
Anticipated Correction Date: Ongoing

10. ERRORS IN SEFA PREPARATION

Federal Agency: **Department of Justice**
CFDA Number and Title: **16.576 Crime Victim Compensation**
Federal Award Numbers: **2017-VC-GX-0019**
Questioned Costs: N/A
Prior Year Single Audit Report Finding Number: N/A
Pass-through Entity: N/A

During our review of the CVC data reported in the State's Schedule of Expenditures of Federal Awards (SEFA) for State fiscal year 2018, we noted the following deficiencies and errors:

- a. \$2,530,000 in expenditures related to the 2017 CVC award were erroneously listed as pass-through expenditures. However, UOVC does not pass-through any CVC funds to subrecipients. This error occurred because UOVC personnel preparing the SEFA information did not realize that this program does not have subrecipients and did not fully understand how to fill out the SEFA form provided by the State's Division of Finance (Finance). This error was not detected during the review process.
- b. \$211,707 in Stop Violence Against Women Grant (CFDA #16.588) expenditures were incorrectly included in the CVC program. This error also overstated the total pass-through amounts for the CVC program by \$161,191. UOVC staff accidentally copied the CFDA number for the CVC program to the row. These errors were not detected during the review process.

Management is responsible for the preparation and accuracy of the data reported in UOVC's portion of the State's SEFA as well as the establishment of internal controls to ensure amounts are reported accurately, completely, and in conformity with established requirements. Inaccurate SEFA reporting does not adequately report how program funds are used in the State of Utah. Adjustments were made for the statewide SEFA to correct the errors noted above.

Recommendations:

We recommend UOVC:

- a. Properly and accurately complete the Finance SEFA form; and**
- b. Improve internal controls to ensure data reported in UOVC's portion of the State's SEFA is accurate, complete, and presented in conformity with established requirements.**

UOVC's Response:

UOVC agrees with the finding.

Corrective Action Plan (specific to each recommendation):

- *Properly and accurately complete the Finance SEFA form: An email has been sent to State Finance regarding the pass thru entry error and they indicated that they would fix that entry. UOVC will not enter the compensation grant as pass thru again.*
- *Improve internal controls to ensure data reported in UOVC's portion of the State's SEFA is accurate, complete, and presented in conformity with established requirements: Internal controls will be improved to ensure accurate, complete data.*

Contact Person: Gary Scheller, Director UOVC, (801)-238-2362

Anticipated Correction Date: October 12, 2018 and ongoing