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U.S. Department of Justice
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Subcommittee on Government Operations

OJP Oversight Hearing
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Chairman Meadows, Ranking Member Connolly, and distinguished Members of the Subcommittee, thank you for allowing me to speak here today. I appreciate the opportunity to discuss the Office of Justice Programs' (OJP) rigorous oversight of our grants and cooperative agreements, and our collaboration with the DOJ Office of Inspector General (OIG) and the Government Accountability Office (GAO). These collaborations strengthen and support OJP's ongoing grant oversight process. I am Beth McGarry, the Principal Deputy Assistant Attorney General for OJP, and prior to this position I was a career employee at the Department of Justice, including work as an Assistant United States Attorney and at OJP.

As the Committee is aware, OJP's mission is to provide leadership, resources and solutions for creating safe, just and engaged communities. We emphasize close and productive relationships with a broad array of stakeholders in the criminal and juvenile justice fields. This mutual support, and the resources available from OJP to bolster our criminal and juvenile justice systems and victim services, are of critical importance in these challenging times.

OJP recognizes its responsibility to be a vigilant steward of taxpayer dollars and we continuously focus on effectively managing public funds. For the last decade, we have constantly improved and strengthened OJP's internal controls, developed and refined our risk management, and strengthened our oversight and monitoring.

Key to these efforts is OJP's Office of Audit, Assessment and Management (OAAM). Congress created OAAM to ensure compliance and proper internal controls through the oversight and review of grant management activities, grant programs and financial processes. Through OAAM's leadership, OJP has developed and implemented a strong framework of oversight to ensure accountability and mitigate the risk of waste, fraud and abuse of the billions of taxpayer dollars OJP awards in grants each fiscal year.

OJP fulfills its grant oversight and monitoring duties through a variety of mechanisms, including ongoing communication directly with grantees, routine review of grantee progress and financial reports, formal programmatic and financial monitoring, grantee audit resolution follow-up, training and technical assistance, and targeted outreach to high-risk or at-risk grantees. OJP consistently exceeds its statutory requirement to conduct comprehensive monitoring of not less than 10% of total award dollars. In FY 2015, OJP completed programmatic in-depth (on-site or remote) monitoring of nearly 800 grants totaling \$1.1 billion, twice the amount required by law. In addition, OJP's Office of the Chief Financial Officer (OCFO) conducted on-site financial

monitoring of 482 grants totaling \$951 million, and 433 financial desk reviews totaling more than \$461 million.

With the challenge of monitoring over 7,000 active grant awards, OJP uses a risk assessment and data analytic approach to oversight. This approach entails analyzing a myriad of risk criteria during both the grant application and post-award phases. In addition, OJP has developed rigorous monitoring standards and procedures, to ensure that all aspects and activities of a grant award are assessed, the information collected is analyzed and determinations are made regarding the grantee's performance on all programmatic, financial and administrative requirements of the award. The following provides specific information on OJP's oversight process.

Pre-Award Risk Process

OJP recognizes that we must consider potential risks before individual grants are awarded. In addition to the peer review of competitive grant applications, OJP has enhanced its comprehensive risk based model to further identify and manage pre-award risk. In fiscal year (FY) 2015 we implemented an enhanced pre-award risk process, as required under the new Office of Management and Budget (OMB) Uniform guidance (2.C.F.R. Part 200). Before OJP makes a grant award, we consider an applicant's history of performance and financial capability. Based on the results of this analysis, OJP's program offices must implement actions to manage or mitigate an identified potential risk to the government, such as increased oversight and required financial training.

Enhanced Risk-Based Model for Oversight and Monitoring

On a quarterly basis, OJP also employs a risk-based, data analytics driven approach to identify active grantees that pose a risk to DOJ. Based on the analysis, OJP prioritizes its grant monitoring activities. OJP assesses grants against more than two dozen risk factors to evaluate the programmatic, financial and administrative characteristics of the grants. To ensure continued improvement of its risk-based conceptual framework, each year OJP uses audit findings and analysis of monitoring data to identify new and/or refine existing risk factors. We are honored that the Association of Government Accountants cited OJP's risk-based model as a best practice and that other federal agencies and the DOJ OIG request OJP's assistance to replicate our risk-based model in other entities.

Programmatic Monitoring

OJP monitors all of its nearly 7,000 active grant awards through annual programmatic desk reviews. These reviews allow grant managers to check for progress towards goals and objectives and compliance with programmatic and administrative requirements. Program managers also use these desk reviews to determine if more training, technical assistance or oversight is needed.

Informed by the annual desk review and quarterly risk-based assessment, OJP conducts in-depth programmatic monitoring, both on-site and remotely, of selected grantees each year. In-depth programmatic monitoring is an extensive review of the grantee's activities. It involves

assessing and verifying, through source documentation, that grant activities are consistent with the proposed project activities, award goals and objectives are being accomplished, and award terms and conditions and other administrative and reporting requirements are being met.

Financial Monitoring

In addition to the programmatic monitoring carried out by the OJP program offices, OJP's Office of the Chief Financial Officer (OCFO) conducts desk reviews of grants to assess key items that may be indicators of non-compliance with the DOJ Financial Guide. OCFO also conducts in-depth monitoring, both on-site and remotely, to examine the grantee's accounting system, internal controls, and related policies and procedures, to ensure that OJP funds are being appropriately tracked and used for the purpose for which the funds were awarded. Additionally, OCFO analyzes samples of grant-related expenditures to ensure costs are allowable, allocable, reasonable, necessary and adequately supported. OCFO uses the results of the risk-based analysis and financial monitoring to provide focused financial training and technical assistance to individual grantees. OCFO also provides comprehensive on-line and in-person grant financial management training to DOJ grantees.

Grantee Audits

In addition to grant monitoring, OJP relies heavily on independent audits of individual grantees. Pursuant to OMB guidance, OJP grantees that expend more than \$750,000 during a fiscal year must have audits performed by an independent Certified Public Accountant firm. Approximately 1,300 OJP grantees (35%) are required to have independent audits. These audits are commonly referred to as single audits.

With respect to the interplay or collaboration between OJP and OIG, the OIG conducts audits of DOJ/OJP grant recipients, and issues reports to document the results of their audits, including any recommendations and questioned costs. Grant audits conducted by the OIG are extensive in scope and, like all government audits, must adhere to detailed methodologies and requirements, as prescribed in the Government Auditing Standards (i.e., GAO's Yellow Book). OJP is not directly involved in conducting OIG audits of its grant recipients. However, the OIG performs program and or grant audits based upon their own risk based selection criteria and referrals from OJP.

OJP views the OIG as a critical partner of OJP in identifying fraud, waste and abuse of taxpayer dollars. OJP closely coordinates with grantees and partners with the OIG to address issues identified in grant audits and to timely resolve outstanding audit recommendations. In FY 2015, OJP closed 208 single audit and 23 OIG grant audit reports. This represented the closure of 620 recommendations cited in these reports. Among the closed reports:

- 71 percent of the \$11.1 million in questioned costs identified by the OIG were ultimately supported by grantees or determined to be allowable and/or approved.
- 13 percent, or \$1.4 million, were found to be unallowable or unsupported costs and were returned to DOJ.

- 16 percent were duplicate costs identified in other OIG audit reports, or were not related to direct DOJ awards.

OJP closely reviews and leverages the results of all audits to determine ways to strengthen our own grant monitoring, including improving policies and procedures, grant management training and oversight processes.

High-Risk Grantee Management

DOJ's high-risk grantee process enables OJP to target increased oversight to where it is most needed. DOJ designates grantees as "high-risk" when we identify significant issues through desk reviews, programmatic or financial monitoring or audits. High-risk grantees must make timely changes to address their identified issues. We provide extensive monitoring and, in many cases, intensive technical assistance to the high-risk grantee. When warranted, DOJ will freeze grantee funds or refer the grantee for OIG investigation. Throughout this process, we work with high-risk grantees to make sure they understand the steps they need to take to address their non-compliance with grant conditions. In FY 2015, DOJ worked with 125 grantees designated as high risk. Currently, 116 entities are designated as high-risk, of which 27 have active awards with OJP. DOJ grantees are designated as high-risk of which 27 have active grants with OJP.

Training and Technical Assistance

OJP has broadened its training requirements for grantees to ensure recipients understand administrative, financial and programmatic requirements and types of grant funds misused, and are aware of potential fraud. For example, OJP held three in-person Financial Management Training Seminars for grantees this year, and the fourth training is being held this week. For the first time, OJP will offer advanced grant financial management training, which is scheduled for October and November 2016. DOJ's on-line grants financial management training has further increased the accessibility of such training to DOJ grantees. Key financial and grant management officials are required to take training, particularly in cases when issues are identified through monitoring, auditing, or the high-risk designation process. In FY 2015, 587 participants successfully completed OJP's on-line grant financial management training, 154 participants attended OJP's in-person financial training seminars, and an additional 576 participants attended special ad hoc training sessions customized to their needs. OJP staff also participate in grant fraud prevention and detection training provided bi-annually by the OIG's Fraud Detection Office.

OJP also provides extensive technical assistance to grantees to help address audit issues and establish adequate financial policies and procedures, particularly in small non-profit organizations and local and tribal agencies with limited administrative capacity.

Reducing Duplication

Preventing unnecessary and wasteful duplication in government programs is a critical priority for the Department and OJP. The Department's grant making components – OJP, the Office of Community Oriented Policing Services (COPS Office) and the Office on Violence

Against Women (OVW) – closely collaborate on the development and implementation of grant programs. Prime examples of such coordination among the components, as well as other federal agencies, include the Coordinated Tribal Assistance Solicitation, Defending Childhood Initiative, National Forum on Youth Violence Prevention, Neighborhood Revitalization Initiative, Supportive Schools Discipline Initiative and the Interagency Reentry Council.

Annually, all DOJ grant components conduct an assessment to analyze the extent of overlap among grant programs and examine the risk of duplication at the grant level associated with these programs. Information gained from this examination is used to enhance coordination among complementary programs (such as developing joint programs or consolidating funding solicitations), leverage resources across components and/or collaborate on award decisions to avoid unnecessary duplication.

In an effort to align business processes, eliminate redundancies in grants management system functions and services, and achieve efficiencies across the grant making components, DOJ is implementing the Justice Grants Services Network (GrantsNet) program, which is designed to deliver a shared solution for the DOJ grant management community, supporting both internal and external users. GrantsNet will support the entire lifecycle management of a grant through a combination of shared modules based on enterprise business processes. DOJ has identified eleven modules as being in scope for GrantsNet, with the potential for additional modules to be identified in the future. As DOJ develops the modules in GrantsNet, the components are unifying and aligning their grants processes on a single system. To date, GrantsNet has launched a conference cost reporting module, a grants assessment module, a peer review module and a payment system with a unified vendor table. The next module to be launched is a unified audit module. Additionally, GrantsNet will support a single entry point for applicants and grantees of OJP, OVW and COPS Office, reducing the administrative burden on external users and providing an improved user experience.

OJP's goal is a fair and effective justice system, one that has the confidence of the citizens it serves. We believe strongly that our success ultimately depends on our responsible stewardship of the funds with which we have been entrusted. I look forward to working with the Subcommittee to ensure that our programs and activities meet the high standards that you expect of us and that the American people deserve.

Thank you again for this opportunity, and I look forward to taking your questions.