

**TOP MANAGEMENT CHALLENGES:
GRANT MANAGEMENT AT
THE U.S. DEPARTMENT OF JUSTICE**

HEARING

BEFORE THE

SUBCOMMITTEE ON CRIME, TERRORISM,
HOMELAND SECURITY, AND INVESTIGATIONS
OF THE

COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

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**TOP MANAGEMENT CHALLENGES:
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TUESDAY, JANUARY 28, 2014

HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON CRIME, TERRORISM,
HOMELAND SECURITY, AND INVESTIGATIONS

COMMITTEE ON THE JUDICIARY

Washington, DC.

The Subcommittee met, pursuant to call, at 10 a.m., in room 2141, Rayburn Office Building, the Honorable F. James Sensenbrenner, Jr. (Chairman of the Subcommittee) presiding.

Present: Representatives Sensenbrenner, Goodlatte, Gohmert, Coble, Scott, and Richmond.

Staff present: (Majority) Allison Halataei, Parliamentarian and General Counsel; Sarah Allen, Counsel; and (Minority) Ron Le Grand, Counsel.

Mr. SENSENBRENNER. The Subcommittee will come to order.

Without objection, the Chair is authorized to declare recesses of the Subcommittee at any time.

Last year, the Subcommittee held a hearing on waste, duplicative spending and inefficient operations at the Department of Justice. At that hearing, we questioned why the Department had spent \$165 million on a prison in Illinois despite opposition from Members of this Committee and the House Appropriations Committee, a prison which remains largely empty.

We also questioned the Department's exorbitant conference-related expenses, including \$600,000 for event planners.

Unfortunately, these are only two examples of the Department's inability to act as a responsible steward of taxpayer dollars.

Today's hearing continues the Subcommittee's focus on wasteful and unnecessary spending at the Department by focusing on one important aspect of the problem, how the Department manages its grant programs. Since 1998, the Justice Department's Inspector General has compiled an annual list of the top management and performance challenges facing the Department every year since 1999. The issue of grant management has been included. The IG's most recent list, released in December 2013, is no different. This means that for over a decade the Department has recognized that the effective grant oversight is a major challenge and, despite that,

has been unable to resolve the problems repeatedly outlined by the IG.

We are honored to have Inspector General Horowitz here today to help us understand why an issue as important as grant oversight remains a challenge for the Department. From Fiscal Years 2009 to 2013, the Department awarded approximately \$17 billion of grant funding to state, local, and non-governmental recipients. In Fiscal Year 2014 alone, the Department's three grant-making offices received \$2.2 billion in funding, which is a \$32 million increase over 2013 levels.

No doubt, the large number of grant programs created by Congress and administered by the Department only exacerbates this problem. The Justice Department administers over 200 grant programs and other forms of direct Federal assistance through three separate offices: the Office of Justice Programs, OJP; the Office of Violence Against Women, OVW; and the COPS Office. As the IG and the Government Accountability Office have noted, there is a significant amount of overlap between these offices and their many grant programs. Most of these grants are used to support important law enforcement needs across the country, including assistance to states to develop more robust sex offender registry systems, improve the recidivism and rehabilitation of convicted felons, and address the crisis of the mentally ill in our criminal justice systems.

These programs are all laudable and worthwhile. However, in light of the current economic environment in which our Nation faces a national debt of \$17 trillion, it is critical that Congress and the Department closely scrutinize how every dollar is spent.

A number of developments over the past year have given me great concern about how the Department is managing grant programs. For example, the Office on Violence Against Women recently announced that for its current grant solicitation period, only previous grant recipients will be allowed to apply for certain competitive grants, and some of these programs will not actually be competitive. This is in direct conflict of Congress' intent when it created competitive grants, not to mention the Department's stated commitment to promoting new and innovative programs. This sort of special treatment for those grantees already on the Department's "preferred list" also opens these programs up to potential corruption and malfeasance.

I look forward to hearing Mr. Horowitz's view on this and whether his office is looking into these changes.

I am also greatly concerned by recent changes to the Public Safety Officer's Benefit Program which provides a \$330,000 lump sum payment to survivors of fallen law enforcement officers, fire fighters and other first responders, and disability benefits to officers catastrophically injured in the line of duty.

Through the history of PSOB, the OJP General Counsel has always been required to review each case to ascertain whether the claimant is legally entitled to benefits. However, last summer the Department announced it would stop requiring the General Counsel's Office to individually review all approvals or denials of PSOB claims. I sent a letter to the Department on June 4 of last year asking for clarification on these changes, including whether every

payment would continue to receive individual legal concurrence under the new system, and I have yet to receive a response.

It is my understanding that the IG's office is currently reviewing the PSOB program, and I look forward to hearing his views on this change.

Finally, I hope to hear Mr. Horowitz's suggestions for ways that the Department and Congress, if necessary, can help streamline the bureaucratic operations at the Justice Department. It goes without saying that every dollar that is wasted in Washington due to unnecessary waste and duplication of resources is a dollar that could be better spent in the field or returned to taxpayers.

It is now my pleasure to recognize for his opening statement the gentleman from Virginia, Mr. Scott, the Ranking Member of the Subcommittee.

Mr. SCOTT. Thank you, Mr. Chairman, and I welcome this hearing and discussion about spending at the Department of Justice and ways of ensuring that taxpayer dollars are being spent in a manner that is both efficient and effective.

Each of us on this panel, regardless of party, is committed to eliminating wasteful spending and unnecessary duplication or overlapping funding. In the last 13 years, the Department of Justice Office of the Inspector General has issued its memorandum entitled, "Top Management Challenges." In 12 of those memos, grant management has consistently been cited as one of those challenges. The 2013 memo cites protecting taxpayer funds from mismanagement and abuse as a challenge and addresses the risks for mismanagement of taxpayer funds that are distributed to grant recipients and contractors.

Last year alone, the Department's three major grant-awarding agencies mentioned by the Chairman awarded over \$2.2 billion in grants to state, local, and tribal private organizations to conduct research, law enforcement activities, provide training and technical assistance, and implement criminal justice-related programs. To put it another way, the grants awarded by these three major grant-making agencies within the Department constitute a very significant part of the budget of the Department of Justice.

The distribution of such large sums of taxpayer dollars necessitates constant scrutiny in order to identify areas of waste, fraud and abuse, and unnecessary duplication. Then we have to take corrective action. It is only through such oversight that the Department of Justice will be assured that funds awarded to grantees are being managed appropriately and in compliance with established guidelines.

That oversight reveals significant issues pertaining to grantees, one of which was Big Brothers Big Sisters had a significant portion of their grant questioned. But upon learning of these issues and while the audit was ongoing, it is my understanding that Big Brothers Big Sisters retained compliance counsel and a forensic accounting firm to begin bringing them back into accord with the grant requirements, and it has since submitted a corrective action plan to continue working with the Department of Justice to resolve the recommendations on questioned costs.

We cannot turn a blind eye to the fact that despite these issues, Big Brothers Big Sisters actually exceeded their grant program

goals by engaging 16,000 at-risk and tribal youth in their mentoring program, significantly more than was their original goal. Since the goals were achieved, we need to consider the taxpayer dollars saved. If Big Brothers Big Sisters targets their money and prevents 10,000 children from potentially going to jail, we could save hundreds of millions of dollars in terms of avoided incarceration costs.

If the program just saves 10 percent of the 16,000 newly-mentored youth from prison, that would save \$50 million a year in incarceration costs. Remember, we are only talking about \$20 million in expenditures.

So as we consider the possible impropriety of millions of dollars as currently and technically unallowed, we also need to measure the grants in terms of goals achieved and long-term savings that result. So let's include that as part of the discussion, the benefits of prevention that result from an organization such as Big Brothers Big Sisters using the money effectively and saving money.

I am pleased to have the Department of Justice's Inspector General here to shed light on these issues and look forward to see what progress has been made, and I hope that he will also recommend what Congress can do to help.

So, thank you, Mr. Chairman. I look forward to his testimony.

Mr. SENSENBRENNER. Thank you.

The gentleman from Virginia, Mr. Goodlatte, the Chairman of the full Committee, is recognized for an opening statement.

Mr. GOODLATTE. Thank you, Chairman Sensenbrenner. I am pleased to take part in this hearing on oversight of the Justice Department grant programs. The Judiciary Committee plays an important role in examining how the Department spends taxpayer dollars, and this hearing is part of those efforts.

Starting in 1999, the Office of the Inspector General has included grant management in its annual list of the Department's top management challenges. In 2013, grant management was again included in this list under "Protecting Taxpayer Funds from Mismanagement and Misuse." The continued listing of grant management as a top management challenge reflects the size, scope, complexity, and associated risks of mismanagement of the numerous grant programs administered by the Department.

A review of recent IG audits and reports reveals some of the challenges facing grant administrators at the Department. These include the identification and management of high-risk grantees, the implementation of appropriate training and testing methods for grantees, the establishment of procedures to verify information provided on grant applications, and improving coordination and thereby reducing duplication among the Department's many grant programs.

In a recent and particularly noteworthy matter, the Inspector General audit last year questioned more than \$19 million of the \$23 million in youth mentoring grants awarded to Big Brothers Big Sisters of America, and suggested that the remaining \$4 million of unused funds should be put to better use. The Justice Department announced in response to this audit that it would freeze funds to Big Brothers Big Sisters, but I am concerned that a short-term freeze does not address the underlying problem. This is particularly

true given that just weeks later, the IG issued a second report questioning another grantee's use of almost \$1 million in youth mentoring grant money.

I am greatly concerned that the problems with these grantees, and many others, went unnoticed by the Department for years, despite periodic audit reviews and oversight. I look forward to hearing today whether these IG reports are indicative of systemic issues within OJP's grant management procedures and what Congress can do to help solve the problem.

America continues to face difficult fiscal times. Law enforcement agencies are not immune from this. There is little doubt that the financial support the Federal Government provides to state and local law enforcement agencies through Byrne JAG and other grants is oftentimes critical. As with many other aspects of government, these grant programs are not always designed or administered as efficiently as they should be, which means that less money is actually spent to help the boots on the ground.

I am committed to finding ways to streamline these programs to minimize waste to ensure that they run as efficiently as possible and with less of an administrative burden on law enforcement agencies. I look forward to hearing from the Inspector General on ways in which we can address these challenges while maintaining an efficient process to provide needed support to law enforcement agencies around the country.

Thank you, Mr. Chairman. I yield back.

Mr. SENSENBRENNER. Thank you very much.

Without objection, all Members' opening statements will be placed in the record at this point.

Let me now introduce the Inspector General, Michael E. Horowitz. He was sworn in as the fourth confirmed Inspector General on April 16, 2012. In this capacity, he oversees a nationwide workforce of approximately 450 special agents, auditors, inspectors, attorneys and support staff whose mission is to detect and deter waste, fraud, abuse and misconduct in DOJ programs and personnel, and to promote efficiency in Department of Operations.

Mr. Horowitz most recently worked as a partner at Cadwalader, Wickersham and Taft, LLP, where he focused his practice on white-collar defense, internal investigations and regulatory compliance. He has also served as a commissioner on the U.S. Sentencing Commission, where he was instrumental in rewriting the guidelines for corporate compliance programs, and for fraud, anti-trust, intellectual property, and money laundering offenses.

He previously worked for the DOJ in the Criminal Division of main Justice from 1999 to 2002, first as Deputy Assistant AG and then as Chief of Staff. Prior to joining the Criminal Division, he was an Assistant U.S. Attorney for the Southern District of New York from 1991 to 1999, and from 1997 to 1999 he was the Chief of the Public Corruption Unit; then from 1995 to 1997, Deputy Chief of the Criminal Division.

He received a Bachelor of Arts degree from Brandeis and received his law degree from Harvard Law School.

Without objection, your written statement will be entered into the record in its entirety, and I ask that you summarize your testi-

mony within 5 minutes or less. I do have a canned script about red, yellow and green lights. I think you know all about them.

So, Mr. Horowitz, proceed.

**TESTIMONY OF THE HONORABLE MICHAEL E. HOROWITZ,
INSPECTOR GENERAL, U.S. DEPARTMENT OF JUSTICE**

Mr. HOROWITZ. Thank you, Mr. Chairman, Chairman Goodlatte, Ranking Member Scott, Members of the Subcommittee. Thank you for inviting me to testify today.

Grant management is one of the top management challenges facing the Department of Justice. Over the past 5 fiscal years, my office has issued more than 200 grant-related audit reports making about 1,000 recommendations and nearly \$100 million in dollar-related findings. During that same period we opened 109 grant-related investigations that resulted in 12 criminal convictions and over \$1.6 million in recoveries.

As noted in our recent Top Management Challenges report, the Department has reported taking important steps toward making improvements in its grant-management process, which are highlighted in my written statement. The Department needs to continue to aggressively identify high-risk grantees and place appropriate restrictions on their funds or halt their funding altogether.

The Department's grant-making components also must ensure that their own operations are streamlined to ensure maximum value for the taxpayer. Reports by both my office and the GAO have found that savings could be realized by reducing duplication and improving coordination among the Department's three grant-making components.

Further, the Department should ensure that grantees have the capability to use grant funds in an effective manner, seek to improve data reporting by grantees so that the Department can evaluate a grant's effectiveness, and enhance coordination between its grant-making components and those DOJ components whose operations could be affected by the grants.

Our recent audit highlighting grants to local law enforcement to support the use of drones demonstrated the need for such efforts in each of these areas.

While audits and investigations are vital to our oversight of grant management, the OIG has taken other substantial steps to help prevent and deter misconduct in this area. For example, we have conducted training sessions for grant managers and recipients regarding fraud prevention and deterrence. We published a report summarizing the ideas and best practices derived from the OIG's experiences in grant oversight, and we examined the Department's own efforts to monitor and oversee grants through the Office of Justice Programs, which we found had significantly improved.

Additionally, I chair the Grant Fraud Committee of the Financial Fraud Enforcement Task Force. The committee played a key role in developing grant fraud training for special agents and auditors across the inspector general community.

The committee also provided comments to the Office of Management and Budget on drafts of its proposed grant circular, which was issued this past December. One important and positive change in the new grant circular is the requirement mandating that grant-

ees disclose to the awarding agency or pass-through entity any violations of Federal criminal law involving fraud, bribery, or gratuities.

Finally, a recurring concern in the inspector general community is the lack of visibility absent in OIG audit or investigation as to how grant funds are used by recipients. While existing grant management processes involve detailed pre-award review, and grantees are required to maintain detailed accounting records regarding their use of grant funds, the financial reports they file with the grant-making agencies do not include details on individual transactions that would provide transparency.

Two audit reports we recently issued illustrate this point. Earlier this month, we issued an audit report on \$800,000 in grants awarded to the Philadelphia Safety Net. We questioned nearly \$480,000 of the awarded funds as being unallowable, unsupported or unreasonably spent, including \$276,000 related to the executive director's salary. Last year we issued an audit report questioning more than \$19 million awarded to Big Brothers Big Sisters of America. That recipient was in material non-compliance with the majority of the grant requirements and its management practices were inadequate to safeguard grant funds.

Had my office not conducted these two audits, this misuse of grant funds likely would never have come to light because the reports they submitted to the Department did not, on their face, reveal the improper uses of grant funds that we later uncovered. This is an area where greater transparency is a necessity.

The OIG will continue its efforts to prevent and detect the misuse of Department grant funds, and we appreciate the support of this Committee for our work.

Thank you, and I would be pleased to answer any questions the Committee may have.

[The prepared statement of Mr. Horowitz follows:]



Office of the Inspector General
United States Department of Justice

Statement of Michael E. Horowitz
Inspector General, U.S. Department of Justice

before the

U.S. House of Representatives
Committee on the Judiciary
Subcommittee on Crime, Terrorism,
Homeland Security, and Investigations

concerning

The Department of Justice's Management of Grant Programs

January 28, 2014

Mr. Chairman, Congressman Scott, and Members of the Subcommittee:

Thank you for inviting me to testify at today's hearing. The Office of the Inspector General (OIG) has long considered grant management to be one of the top management challenges facing the Department of Justice (DOJ or Department) in light of the amount of taxpayer funds that it distributes to third parties. For example, over the prior 5 fiscal years, the Department has awarded approximately \$17 billion in grants to thousands of governmental and non-governmental recipients. During this same time period, the OIG issued more than 200 grant-related audit reports containing about 1,000 recommendations and nearly \$100 million of "dollar-related" findings, which have included both questioned costs and funds that we found could have been put to better use. In addition, from Fiscal Year (FY) 2009 through FY 2013, the OIG opened 109 grant-related investigations that resulted in 12 convictions, and \$1,620,608.84 in recoveries. The Department and its grant-making components generally have been supportive of and responsive to the recommendations we have made, although corrective actions are not yet complete with respect to about 360 of these recommendations. We will continue to monitor the Department's progress toward implementing these recommendations.

As noted in our most recent Top Management Challenges report, which was released in December, the Department has reported taking important steps toward improving management of its grant making effort. For example, the Associate Attorney General's Office established a Grants Management Challenges Workgroup responsible for developing consistent practices and procedures in a wide variety of grant administration and management areas. In 2012, the Department issued policy and procedures developed by the workgroup to implement the Department-wide high-risk grantee designation program, which allows the Department to place additional restrictions on the use of funds it provides to grantees who are deemed financially unstable or have failed to conform to the terms and conditions of previous awards.

In assessing the top management and performance challenges, we also reported that the Department should continue aggressively identifying high-risk grantees and placing appropriate restrictions on their funds, or halting their funding altogether. Other tools available to mitigate risk include robust subrecipient monitoring systems for pass-through grant recipients; adequate accounting procedures in place for grantees to track use of Department funds; case-specific special conditions for grantees that have difficulty complying with Department grant requirements; suspension or debarment of grantees in appropriate cases to prevent them from receiving additional federal grant funds; and using laws designed to deter smaller-dollar fraud, such as the *Program Fraud Civil Remedies Act*, which can be used for false claims where the alleged liability is less than \$150,000. In light of the significant dollar amounts distributed through grants each year and the large number of grant recipients,

we believe the Department should actively employ each of these strategies to ensure that its grant-making efforts are as efficient and effective as possible.

The Department's grant-making components also must ensure their own operations are streamlined to ensure maximum value for the taxpayer. Recent reports by both the OIG and the Government Accountability Office (GAO) have found that improvements could be realized by reducing duplication and improving coordination among the Department's three grant-making components, the Office of Community Oriented Policing Services (COPS), the Office on Violence Against Women (OVW), and the Office of Justice Programs (OJP). The Department should continue its efforts to consolidate the common function of these three grant-making components. For example, both the OIG and the GAO have noted that COPS continues to maintain a grants management system that OJP and OVW cannot access directly. We agree with the GAO's conclusion that each of the grant-making components needs direct access to a common grant management system so that they can fully and immediately share information regarding grant recipients. We note that the Department recently completed an internal assessment regarding the extent of overlap in grant programs, which we are closely reviewing.

Further, the Department should ensure that entities awarded grants have the capability to use the funds in an effective manner, seek to improve the accuracy and sufficiency of data reported by grant recipients to enable the Department to evaluate the effectiveness of a grant, and enhance coordination between its grant-making components, grant award recipients, and DOJ components whose operations could be affected by a grant. A report we recently issued on the Department's use and support of unmanned aircraft systems (UAS), commonly known as "drones," demonstrates the need for these efforts. Specifically, neither OJP nor COPS required that UAS award recipients demonstrate that they could receive Federal Aviation Administration (FAA) approval to operate UAS or that UAS use was legal in their jurisdiction. In addition, they did not require award recipients to report specific data necessary to measure the success of UAS testing, or to use or share the results of their programs with DOJ. We noted in that report examples of grants to two local law enforcement agencies in 2007, one for \$150,000 was for the sole purpose of purchasing a UAS to test how local law enforcement agencies could use UAS to address high-risk situations in heavily populated areas, and the other award for anti-methamphetamine initiatives spent \$150,000 on UAS-related costs. Although the first grant recipient received approval from the FAA to operate within a testing environment, the other grant recipient never received any type of FAA approval. As of 2013, neither law enforcement agency had used their UAS successfully in operations. Moreover, although UAS supported by DOJ award funds have the potential to be deployed in ways that may overlap or interfere with ongoing DOJ law enforcement operations, we found no evidence that either OJP or COPS coordinated with or notified DOJ law enforcement

components about their UAS awards, either before or after the awards were made.

While our grant-related audits and investigations that uncover waste, fraud, and misconduct are vital to our oversight of grant management, the OIG also has made substantial efforts to help prevent and deter such conduct. For example, during the past 5 years, we have conducted 76 training sessions for about 6,000 grant managers and recipients regarding the prevention and deterrence of fraud. In 2009, we published a report titled *Improving the Grant Management Process* summarizing ideas and best practices derived from the OIG's experience in grant oversight. In 2011, we issued a report examining the Department's efforts for monitoring and overseeing grants through OJP. We found that OJP had made significant improvements in its monitoring and oversight of grants.

Additionally, the OIG participates actively in broader efforts to improve grant management and reduce fraud across the federal government. I chair the Grant Fraud Committee of the Financial Fraud Enforcement Task Force, which consists of a diverse coalition from across the OIG community that works to improve investigation and prosecution of grant-fraud matters. The Committee has played a key role in developing grant-fraud training for special agents and auditors, and in 2012 we released a framework for grant-fraud training that included suggested information sources, training content, and test questions for grant managers. The framework has broad application to a variety of grant programs and can be tailored to the particular needs of each agency's grant-making processes.

During the past 2 years, Grant Fraud Committee members also worked closely with members of a Council of Inspectors General on Integrity and Efficiency (CIGIE) working group to review and comment on new grant guidance from the Office of Management and Budget (OMB). This guidance, issued in December 2013, significantly reforms federal grant management and consolidates eight regulations into a single policy guide. While we are concerned that the new guidance raises the expenditure threshold triggering an audit under the *Single Audit Act*, one important and positive change in the view of the Grant Fraud Committee is a new requirement mandating that grant recipients disclose to the awarding agency or pass-through entity any violations of federal criminal law involving fraud, bribery, or gratuity prohibitions. This rule, modeled on the successful 2008 mandatory disclosure rule in the Federal Acquisition Regulation, strengthens oversight by requiring both grantees and grant-making entities to be more aggressive regarding the prevention of fraud and misuse.

In considering the new guidance from OMB overhauling the grants process, one recurring theme has been a topic of discussion within the oversight community: by default, there is virtually no visibility on how grant

funds are actually used by recipients. Unless there is an OIG audit or investigation, or the granting agency dedicates resources to collect and analyze accounting information from a recipient, the government and taxpayers are virtually in the dark regarding how grant funds were actually used. Existing grant management processes involve detailed pre-award review by grant-making agencies of budget line items provided by grant applicants. However, after the grant is awarded, recipients typically draw down grant funds as needed and file financial reports on aggregate expenditures. Although grantees are required to maintain and keep in their possession detailed accounting records regarding the use of all grant funds, the financial reports they file with the grant-making agencies do not include details on individual transactions. Consequently, the government cannot evaluate based on these reports how a recipient actually used the grant funds.

Two recently issued audit reports illustrate the government's lack of real-time knowledge regarding recipients' use of grant funds. Earlier this month my office issued an audit report on \$800,000 in grants awarded to the Philadelphia Safety Net to support a gun exchange program. We questioned nearly \$500,000 of the awarded funds as being unallowable, unsupported, or unreasonably spent. This included about \$276,000 in grant funds related to the Executive Director's salary. We also issued an audit report last year that questioned more than \$19 million in grant funds that the Department awarded to Big Brothers Big Sisters of America from FY 2009 through FY 2011 to fund mentoring services. That recipient was in material non-compliance with the majority of grant requirements and its management practices were inadequate to safeguard grant funds. However, had my office not conducted audits of these two organizations, the misuse of grant funds likely would never have come to light because the reports that were submitted to the Department's grant-making agency, on their face, did not reveal any of the improper uses of the grant funds that we uncovered.

The OIG intends to continue its efforts to deter and identify misuse of Department grant funds through our audits, investigations, and other preventative methods. This concludes my prepared statement, and I would be pleased to answer any questions that you may have.

Mr. SENSENBRENNER. Thank you very much.
I recognize myself for 5 minutes.

Mr. Horowitz, I am very concerned about the change in policy by the Justice Department relative to public safety officers' benefits programs. Obviously, somebody who is killed or disabled in the line of duty should be given benefits. I think everybody around here supports that, and everybody around here following 9/11 has supported an expansion of those programs.

But there is a change in how applications have been processed, and instead of an independent legal review, which is what people who apply for Social Security Disability end up having, there is kind of a blanket program that the DOJ has done. I sent a letter over 6 months ago to the DOJ asking for answers to some questions. They have not responded.

Are you looking into this, and can you tell me how far you have gotten and if you have made any at least tentative conclusions?

Mr. HOROWITZ. We are looking into it, Mr. Chairman. We have had an audit ongoing of the PSOB when this change occurred, and so this change has now become part of our review as well, and we hope in the coming months we will be finalizing and issuing our report. I do not have any preliminary conclusions to provide the Committee at this point, but I will certainly keep the Committee updated as we finalize our review.

Mr. SENSENBRENNER. Now, the second question I would like to ask you is we have heard instances from you and from Members of this Committee and others that people who have been nicked for misusing government grant programs seem to be able to go back to the government trough without any type of penalty.

Have you looked into this, and have you any recommendations on whether we should raise the bar a little bit or raise the bar so high that they can not get any more government grants or have a moratorium, some kind of penalty for people who have been found misusing the government grants so that they can not keep on doing business as usual?

Mr. HOROWITZ. I think there are a couple of things that are important to do in that regard. One is we are trying to make greater efforts to use the suspension and debarment tools that we have been given by the Congress. But I think one of the things that both the agencies need to do and IGs need to do is share information more effectively across agencies and across IGs, and that is perhaps one area where some ability needs to be given to the IGs, for example, in order to share data about grant recipients so that when we make a finding in our agency, that a grant recipient is not able to go to other agencies and not have them be aware of what we have done.

Mr. SENSENBRENNER. Finally, relative to the Office of Violence Against Women, I have always been a big supporter of the competitive grant program. When I was the Chair of the Science Committee, then Ranking Member George Brown and I really imposed competitive grants on the scientific agencies that help finance basic research. The Office of Violence Against Women, Congress created competitive grants, and the DOJ has been kind of going back on that. They said that new organizations that had not received competitive grants really can not apply for, I think, up to six of the pro-

grams, which I think stifles innovation and new ways to deal with this problem.

What have you been able to find on that, and what can we do as a Congress to continue to urge the competitive grant program to stay in place?

Mr. HOROWITZ. We are aware of that change and we are looking at that change for the reasons you indicate. There is an importance to making sure that grant giving is like contract giving, considered competitively, considered for a variety of reasons, done fairly, and that is something we are looking at. Again, I do not have anything immediately to report to the Committee, but I will certainly keep you and the Committee updated.

Mr. SENSENBRENNER. Thank you very much.

I yield back.

The gentleman from Virginia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. Horowitz, you mentioned drones. What was the problem there?

Mr. HOROWITZ. Well, among many issues that we found in the grant area, we identified two grants the Department had given to local law enforcement agencies, each for \$150,000. The grant recipients did as they were expected to when they bought the drones, so there was no misuse of funds. But what we found was 6 years later, the drones had not been used. So our concern was that the Department never followed up, never determined whether the use of the money was, in fact, effective.

Mr. SCOTT. So what should happen to those grant funds?

Mr. HOROWITZ. Well, in situations like that, the Department should not in the first instance be awarding grant funds to recipients who can not put them to good use. But it should certainly learn from its mistakes and go forward and understand what grants can be effective, what grants perhaps are not effective.

Mr. SCOTT. Is there any evaluation of the programs for effect, whether or not the programs, say a mentoring program, actually addresses the problem it is seeking to solve?

Mr. HOROWITZ. From my experience in the 20 months I have been here, I have seen inconsistent efforts at that, and generally when it is done it is at a higher level, not at a more detailed level, to determine whether there is truly a good return on investment.

Mr. SCOTT. Well, you know that there are some prevention programs that can save three, four, five, even ten times the money spent. Other prevention programs do not work. Do you evaluate which is which?

Mr. HOROWITZ. When we do audits, what we do is go to the grant-making agency to see what data they have. So if they have collected the data, we can review that. We do not go out in our audits generally to the grant recipient and try to drill down on their documentation because in that instance we are primarily looking at the financial issues when we get to the grant.

Mr. SCOTT. Do you audit whether or not they are targeting the most at-risk potential clients?

Mr. HOROWITZ. We look, again, to what the Department has done in our audit and whether they have done what we think they

should do, and then we report on, if the Department has failed to do it, where we think they have failed to do that.

Mr. SCOTT. Do you calculate the cost savings generated by the program?

Mr. HOROWITZ. Again, we do not undertake to calculate the cost savings. We are not getting that kind of data and getting that information primarily because the Department grant-making agency generally is not getting that kind of data.

Mr. SCOTT. Should there be a requirement that we do significant evaluations of programs to see if they are effective and see if they are saving money?

Mr. HOROWITZ. I personally think that is of value and importance, that when the government or, frankly, any organization gives out money, it understands not just was the money spent pursuant to rules but what was the value obtained, received from the program.

Mr. SCOTT. And where should that take place? How do we ensure that happens?

Mr. HOROWITZ. Well, I think it has to occur at the grant-making agency or, if there is a component involved, say, at the Department of Justice, the component should be undertaking that effort.

Mr. SCOTT. Now, with Big Brothers Big Sisters, are you aware that there was a private independent audit done over the years that found no difficulties?

Mr. HOROWITZ. I am aware of that.

Mr. SCOTT. Is there any suggestion that money was stolen?

Mr. HOROWITZ. I do not believe we reported on anything like that.

Mr. SCOTT. And you are aware that they are fixing whatever problems there are?

Mr. HOROWITZ. They are in the remediation process is our understanding, and we will be doing a follow-up review.

Mr. SCOTT. Okay, thank you.

I yield back.

Mr. SENSENBRENNER. The gentleman from Virginia, Mr. Goodlatte.

Mr. GOODLATTE. Thank you, Mr. Chairman.

Mr. Horowitz, welcome. We are glad to have you back. We value your work.

Mr. HOROWITZ. Happy to be here.

Mr. GOODLATTE. Approximately what percentage of grant audits each year involve some finding that grant funds were used for unallowable expenses?

Mr. HOROWITZ. I do not know off the top of my head in terms of the numbers, but just anecdotally from my 20 months on the job, many of the grants that we issue have some findings associated with them either with non-compliance of a serious nature or not keeping the records as required, which may or may not be serious.

Mr. GOODLATTE. My understanding is your office puts out dozens of audits each year in which the Department is entirely unaware that a grantee is mispending money, sometimes for years until your office discovers it. What else needs to be done by these various Department of Justice agencies to identify the problem sooner, and what additional review can Congress mandate to deal with this?

Mr. HOROWITZ. I think a very important part of this is transparency around the expenditures that are going on with grant-making agencies, and we are not talking about additional burdens on the grant recipient because they are already required to keep those kinds of records internally.

The reports to the Department—and I think if you had my colleagues up here in the IG community they would be saying the same thing for their agencies. Have the same kind of reporting that they are doing internally, not adding burdens to them because it is already being done, have that information going to the agencies, and I think consider whether it should be public on websites such as USSpending.gov.

Mr. GOODLATTE. And it is also my understanding that the Department of Justice does not always automatically cut off existing or future funding to grantees like they did freeze those funds for Big Brothers and Big Sisters, which is, of course, a very important organization and we welcome their good work. But that seems to be because it was highlighted an exception rather than a rule. I think most of our constituents would be surprised that an entity can be subject to a negative Inspector General's report and still be eligible for more taxpayer money.

Can you speak to that? How do we address that problem?

Mr. HOROWITZ. That is a significant concern again across the IG community. I think I can speak for my other Inspector General colleagues in this, which is the importance of making sure that, first of all, as we do, we put out our reports transparently, but also as we are doing our work, as agencies are learning of problems within their own grants, that other agencies also become aware of the issue so that there is the awareness of problems across the Federal Government, not just within, say, the Department of Justice.

Mr. GOODLATTE. This problem has been on the Department of Justice's list of management challenges for at least a dozen years, and it implies to me that the Department has not been taking the issue very seriously. What steps does the Department need to take to get this challenge under control so the issue can come off the list?

Mr. HOROWITZ. Well, I think there are a number of issues. One is if those reports could go—the grant agencies, the grant recipients are keeping about their individual expenditures would come to the Department, that would help immeasurably with oversight by the agency. The Justice Department and the Office of Justice Programs has made important steps, and Congress authorized in 2005 the Office of Audit Assessment and Management that has made a number of improvements that have occurred within the Office of Justice Programs.

Having more rigorous oversight within the grant-making agency itself, were they obviously to do these audits, to do the independent reviews, but the agencies themselves need to police the grant recipients to make sure they are using the money wisely and, as Congressman Scott indicated, doing a better job evaluating what is the taxpayer benefit for the funds being given out so that they know going forward what is the best use of the money, particularly as the limits are coming now.

Mr. GOODLATTE. Let me get in one more question before my time expires to follow up on that. Have you made those recommendations to the Department in the past? And if so, how have they reacted to those recommendations?

Mr. HOROWITZ. We have made certainly some of those, usually in the context of the individual grants. The Department has generally been responsive to our requests, but larger changes such as having information about individual expenditures going to the Department, that really cuts across. It is not just a Justice Department issue. So I think that is a bigger change that the IG community needs to think about, Congress needs to think about, and I think that is an important issue to consider. It is not just an OJP or an OVW or a COPS issue.

Mr. GOODLATTE. Thank you very much.

Thank you, Mr. Chairman.

Mr. SENSENBRENNER. The gentleman's time has expired.

The gentleman from Louisiana.

Mr. RICHMOND. Thank you, Mr. Chairman.

I guess I will start where Congressman Scott left off, and that is we do not do a return-on-investment, a cost/benefit analysis of grant performance at the end?

Mr. HOROWITZ. There is a very high-level, in some instances, evaluation of that, but not what I think you probably have in mind.

Mr. RICHMOND. So that does not happen in the beginning? I would assume it happens in the awarding process to make sure that we are giving them out to, at least on paper, the most effective and efficient of the applicants.

Mr. HOROWITZ. Right. In the pre-award processes, we have generally found very rigorous.

Mr. RICHMOND. But we do not have a back-end process, or you are not sure of that?

Mr. HOROWITZ. We do not have what I would consider a rigorous back-end process. There is a general review of the performance metrics that have come in, but nothing much beyond that, beyond what the grant recipient sends in.

Mr. RICHMOND. Now, if we had that performance metric on the back end, would you suggest that that should come from an independent office, or should it come from within the Justice Department to see if those metrics were met satisfactorily?

Mr. HOROWITZ. I think probably every department is going to be different here. Given the Department gives out a lot of small-dollar grants, it probably is something that should be done within the grant-making agency itself, subject to our independent oversight, GAO's independent oversight at this point. Institutions with big-dollar grants, perhaps it is a different story. But the Department gives out so many grants, it is probably hard to have it done entirely outside and independently.

Mr. RICHMOND. And I guess if my information is correct, it says that grant management has been a challenge, an articulated challenge within the Department for at least the last 12 years.

Mr. HOROWITZ. Correct.

Mr. RICHMOND. How do we get it off there? It is easy to give those recommendations and say that the agency is following them. What are they not doing? Why can not we get this off of center?

I just do not understand why, if it is a focus, we can not get past this being one of our top 10 management challenges.

Mr. HOROWITZ. Well, again, the recent examples we have on the drone report, the example I cited there, the Big Brothers Big Sisters of America, the Philadelphia Safety Net, a couple of others that I have referenced, you still see the problems where given the high-level reporting that comes back, for example, it is simply not possible for the grant-making agencies, without our audits, to know in detail how the money is being spent, and that is a primary problem.

A secondary problem is—we have commented on this before and I think it needs to be done—merging back-office operations of the three grant-making agencies at the Justice Department. There are three grant-making agencies that were statutorily created by Congress, but that does not mean that they need different systems or different operations.

Two examples. COPS has a different financial management reporting system than does OVW and OJP, which have one together. We do not see a reason why there would need to be two different systems. They have three different financial guides for grant recipients. So if you are a grant recipient from the Justice Department from the three agencies, you have three different guides to follow.

Mr. RICHMOND. Now, you mentioned Congress played a part in that, at least setting up making sure that it is three different—

Mr. HOROWITZ. Correct. And, in fact, within OJP, they have seven sub-entities that give out grants.

Mr. RICHMOND. Now, have you issued to us in the same way—and maybe you did and I just missed it—actions that Congress can take to help Justice Department simplify, streamline, and become more efficient and get closer to real-time monitoring so that we catch things a little bit earlier than we are doing it now?

Mr. HOROWITZ. I would have to go back and look at my predecessor's testimony, but I believe it has been part of our prior reports to Congress.

Mr. RICHMOND. Okay, and I would just quickly say can you give us a report specifically about what we can do in Congress to help? And with that, I would yield whatever I have left to Congressman Scott.

Mr. SCOTT. You made, apparently, 1,000 recommendations?

Mr. HOROWITZ. I'm sorry.

Mr. SCOTT. You made about 1,000 recommendations?

Mr. HOROWITZ. Yes.

Mr. SCOTT. Could you inform us as to the status of those recommendations?

Mr. HOROWITZ. Yes. About 700 or so have been met. We have about 300-plus still open, and what I have started doing is having every 6 months us compile our open reports and provide them to the Attorney General and the Deputy Attorney General so that they are aware and their staffs are aware—this is now across the Justice Department—of open recommendations so that they can be involved because, frankly, we in the past have sent them to components, but leadership would not necessarily see them, and that is what I am trying to do now and more centralize it.

Mr. SCOTT. Can we get that report?

Mr. HOROWITZ. Let me—I believe they are all public, so I do not think there is an issue with that, but let me just make sure. Some of them could be in classified or other contexts. I just need to double-check that.

Mr. SENSENBRENNER. The gentleman's time has expired.

The gentleman from Texas, Mr. Gohmert.

Mr. GOHMERT. Thank you, Mr. Chairman.

We sure appreciate your being here and even more appreciate your work, Mr. Horowitz.

We do have—and I understand this has been mentioned earlier—different grant programs that do not necessarily communicate or communicate effectively. Do you have any recommendations for how we could go about making sure that there was better communication between the grant programs so that we do not overly fund something that needed one grant and got three, and then not fund something adequately that really needed more help?

Mr. HOROWITZ. I think one of the key issues is transparency. The more there is public about the grants, what they are awarded for and how they are being spent, it gives multiple eyes on the grants. We are more likely to get whistleblower concerns or other concerns where there is misconduct going on. So I think that is an important part of it, and making sure that agencies are aware of what other agencies are awarding grants for, because that is another place for potential overlap, not just within our three components in the Justice Department.

Mr. GOHMERT. I understand, but it has been one of my concerns about other areas of grant programs, not just grant programs but actually where the government makes payments and then turns around later and says wait a minute, we did our review after we gave you the payment and it turns out we gave too much.

It seems like it is better to know before a payment is made whether or not it is a good idea, and if all the agencies are doing is examining what another agency did after the fact, then that money is gone. You are not going to get it back because it has been received, it has been spent, and I am not a fan of going back and demanding communities give back after they have already spent.

So I was looking for a way that we could foster better communications between grant programs so that they could see who had applied, or if there were a requirement on the forms or on applications to say what all else they had applied for, what they had received in the past so that they would not be penalized for applying to more than one, but if there were indications that they were likely to get another grant, then they would not have it tripled up.

Mr. HOROWITZ. Yes, and I agree, Congressman. I think on grant applications, reporting where else you have gotten grants from across the Federal Government, whether you are under suspension or disbarment, whether you are under active investigation, whether criminal or otherwise. That kind of information—if one grant recipient is under investigation by the Justice Department, the components should know that that is occurring. So requiring that information up front under penalty of perjury I think is an important part of the process.

Mr. GOHMERT. So, yes, I would say that if law enforcement is after them, the other law enforcement ought to know that they are investigating the people they are about to give money to.

But do you know, are there any requirements like that in the application process? Did you specifically look at the application process?

Mr. HOROWITZ. I am not aware of any. We are actually looking at that question now.

Mr. GOHMERT. And would you agree, as you say you are looking at it, if you find it is not there, would you agree to make that part of your recommendations that they should make that part of the application process, to identify what grants they have received in the past and what others they have applied for?

Mr. HOROWITZ. Yes.

Mr. GOHMERT. Okay. Thank you so much. I really appreciate it.

Mr. SENSENBRENNER. The gentleman's time has expired.

Mr. Horowitz, when you come here, you always give us all kinds of good ideas on how to help you out. Please keep on doing it, and you will be back.

Without objection, the Subcommittee is adjourned.

[Whereupon, at 10:44 a.m., the Subcommittee was adjourned.]

