



# **AUDIT OF THE FEDERAL BUREAU OF INVESTIGATION'S ACCOUNTING AND REPORTING OF FUNDS DISTRIBUTED FROM THE CRIME VICTIMS FUND**

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# AUDIT OF THE FEDERAL BUREAU OF INVESTIGATION'S ACCOUNTING AND REPORTING OF FUNDS DISTRIBUTED FROM THE CRIME VICTIMS FUND

## EXECUTIVE SUMMARY

The Crime Victims Fund (CVF), established by the Victims of Crime Act of 1984 (VOCA), is a major funding source for victim services throughout the nation.<sup>1</sup> Funding for the CVF is generated from criminal fines, forfeited bail bonds, penalties, and special assessments collected from offenders convicted of federal crimes. The Office for Victims of Crime (OVC), within the Department of Justice Office of Justice Programs (OJP), is responsible for the administration of the CVF.

Each year Congress establishes a cap on the amount of CVF funds that the OVC can distribute.<sup>2</sup> Once the cap is established, the OVC distributes CVF funds in accordance with the statutory distribution authorized by the VOCA to the Federal Bureau of Investigation (FBI), the U.S. Attorneys' Offices and to state and local programs. The total funding available to the FBI based on the CVF statutory distribution was approximately \$14.6 million in FY 2009, \$16.1 million in FY 2010, \$17.6 million in FY 2011, and \$17.1 million in FY 2012.

The FBI administers its CVF funds through an interagency agreement with the OVC under which OVC provides CVF funds to the FBI through reimbursements for approved program expenditures. FBI uses these funds to support 134 Victim Specialists assigned to divisions and field offices across the country to assist victims in coping with the immediate aftermath of a crisis and to facilitate their cooperation with investigators and prosecutors throughout the investigation of a federal crime.<sup>3</sup> Victim Specialists are responsible for ensuring that victims who choose to receive notification are informed of important case events and receive assistance in obtaining victim services in their location, such as state crime victim compensation programs, rape crisis centers, homicide bereavement support groups, mental health counseling, and special services for child victims.

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<sup>1</sup> 42 U.S.C. § 10601 (2006).

<sup>2</sup> The cap is established in the Commerce, Justice and Science appropriations enacted annually by Congress.

<sup>3</sup> In FY 2009, the FBI's CVF funds supported 122 Victim Specialist positions. In FYs 2010 and 2011, the FBI's CVF funds supported 134 Victim Specialist positions.

Our review encompassed the FBI's accounting of CVF funds for FYs 2009 through 2011, although due to limitations in the accounting records maintained by the FBI, we did not perform a complete analysis of FYs 2010 and 2011.<sup>4</sup>

We found that the FBI did not have adequate internal controls over CVF funds to ensure compliance with all rules, regulations, and guidelines. Specifically, we found that the system implemented by the FBI to track and document CVF expenditures was insufficient and unreliable. We were unable to reconcile the supporting documentation maintained by the FBI with the quarterly totals provided in the FBI's expenditure tracking spreadsheets, and we identified approximately \$249,000 in transactions that lacked sufficient documentation to support the expenses. We therefore concluded that for the information reviewed, and although we did not identify significant misuse of funds, the FBI's expenditure tracking spreadsheets were not accurately supported by the documentation provided.

We also found other deficiencies in the FBI's accounting and administration of CVF funds. We found that the FBI had not implemented adequate year-end procedures to ensure that all unspent CVF funds were returned to the FBI's CVF account, and as a result, approximately \$527,000 in CVF funds were left idle at the FBI for 2 years instead of being used to fund victim services, and \$4,000 was mistakenly placed in other FBI program accounts where it could have been used for unrelated purposes.<sup>5</sup> We found that the FBI did not accurately request reimbursement from the OVC for expenses incurred to support its Victim Specialist positions, including approximately \$631,000 in Victim Specialist expenses during FY 2009. Insufficient coordination between FBI officials to ensure CVF accounting records were accurate contributed to this problem.

In addition, we found that the FBI did not accurately report its total expenditures of CVF funds or the amount of unspent CVF funds to the OVC, or provide sufficient financial accounting to the OVC detailing its expenditures of CVF funds as required under the interagency agreement between the FBI and the OVC. Specifically, we found that the FBI underreported the amount of funding that remained unspent to the OVC by approximately \$354,000 in FY 2009, which resulted in the OVC mistakenly

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<sup>4</sup> Appendix I contains a detailed explanation of the analysis performed.

<sup>5</sup> Amounts presented in the report are rounded to the nearest thousand.

awarding the FBI that same amount in additional new CVF funds in FY 2010.<sup>6</sup>

The FBI's inadequate accounting, administration, and reporting of CVF expenditures resulted in an increased risk for the misuse of CVF funds, the failure to pursue appropriate reimbursements for expenditures from OVC, and potential for material misstatements of total expenditures in the future that could prompt OVC to award the FBI additional CVF funds beyond what the FBI would otherwise receive. In addition, the VOCA's statutory distribution system prescribes that state and local programs receive their annual CVF funding levels after all other program areas are funded, including the FBI's CVF funds. Therefore, the deficiencies we identified also have the potential to affect the amount of CVF funding received by the state and local programs, and consequently to affect the services available to victims.

In FY 2012, after the close of our audit period, the FBI implemented a new tracking system that allows for more detailed recording of expenses and therefore could allow more accurate tracking and documenting of CVF expenditures, more accurate requests for reimbursement from OVC, and more accurate annual reporting of CVF expenditures and unspent CVF funds to the OVC.<sup>7</sup>

Our audit resulted in three recommendations to the FBI to improve the effectiveness of its internal controls over CVF funds. These recommendations include conducting analysis for FYs 2010 and 2011 to identify and remedy unspent CVF funds, unbilled CVF expenses, and improperly transferred CVF funds; implementing internal controls to ensure the FBI is in compliance with all rules, regulations, and guidelines related to the administration of CVF funds; and enhancing coordination efforts within the FBI and with the OVC to ensure CVF funds are properly accounted for and accurately reported.

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<sup>6</sup> The carryover amount is an estimate based on the accounting records at the time of reporting. The OVC approves the funding level requested by the FBI for the year and generally subtracts any unspent funding from the previous year's funding level, known as carryover funding, from the total requested amount. The difference represents new funding from the CVF awarded to the FBI.

<sup>7</sup> Because a complete year of accounting data from the new system was not available at the time of our audit, we did not perform an evaluation of the new system.

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## INTRODUCTION

The Crime Victims Fund (CVF), established by the Victims of Crime Act of 1984 (VOCA), is a major funding source for victim services throughout the nation.<sup>1</sup> Funding for the CVF is generated from criminal fines, forfeited bail bonds, penalties, and special assessments collected from offenders convicted of federal crimes. Through an amendment to the VOCA in 1988, the Office for Victims of Crime (OVC) was established within the Department of Justice Office of Justice Programs (OJP) to administer the CVF.<sup>2</sup> CVF funds support a wide range of victim services and assistance, including assistance with medical care and mental health counseling, support during criminal justice proceedings, and emergency financial assistance.

Each year during the appropriations process, Congress places a cap on the funds available from the CVF for distribution in order to maintain the CVF as a stable source of support for future services.<sup>3</sup> The CVF caps enacted by Congress were \$635 million in fiscal year (FY) 2009 and \$705 million each year from FYs 2010 through 2012.

Once the cap is established, the OVC distributes the funds to each authorized program area in accordance with the statutory distribution authorized by the VOCA. First, \$10 to \$20 million is used for grants to states to improve the investigation and prosecution of child abuse (Children's Justice Act).<sup>4</sup> Additional funds are then set aside for 3 programs to support federal victim services: (1) a program to support Victim Witness Coordinator full-time equivalent (FTE) positions in the 94 U.S. Attorneys' Offices; (2) a program to support Victim Specialist FTE positions in the Federal Bureau of Investigation (FBI); and (3) a program to support the Federal Victim Notification System (VNS).<sup>5</sup>

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<sup>1</sup> 42 U.S.C. § 10601 (2006).

<sup>2</sup> 42 U.S.C. § 10605 (2006).

<sup>3</sup> The cap is established in the Commerce, Justice and Science appropriations enacted annually by Congress.

<sup>4</sup> 42 U.S.C. § 10603a (2006). For these grants, the term "state" includes each state, the District of Columbia, and the Commonwealth of Puerto Rico.

<sup>5</sup> When Congress created these programs it made available "such sums as may be necessary" to improve services to federal crime victims. Each year the OVC, as the administrator of the CVF, approves the amount of new funding each program receives. In FY 2011, these programs supported 170 FTE positions in the U.S. Attorneys' Offices and 134 FTE positions at the FBI, and provided approximately \$4.8 million in support to the VNS.

Of the amount remaining after the above allocations, 5 percent is used for discretionary grants administered by the OVC for demonstration projects, training and technical assistance, and services to victims of federal crimes; 47.5 percent is available for state crime victim compensation grants; and 47.5 percent plus any amount not used for state crime victim compensation grants is allocated for grants to states to support direct assistance services to victims of crime.<sup>6</sup>

Exhibit 1 below shows the distribution of CVF funds to each program area for FYs 2009 through 2012.

**EXHIBIT 1: FYs 2009 THROUGH 2012 CVF DISTRIBUTION OF FUNDS FOR EACH PROGRAM AREA (IN MILLIONS)**

| <b>PROGRAM AREA</b>                                 | <b>FY 2009</b> | <b>FY 2010</b> | <b>FY 2011</b> | <b>FY 2012</b>    |
|---|----------------|----------------|----------------|-------------------|
| CHILDREN'S JUSTICE ACT                              | \$20.0         | \$19.4         | \$20.0         | \$20.0            |
| U.S. ATTORNEYS' OFFICES VICTIM WITNESS COORDINATORS | 21.4           | 22.9           | 23.4           | 21.5              |
| FBI VICTIM SPECIALISTS                              | 14.1           | 14.6           | 15.8           | 16.2              |
| VICTIM NOTIFICATION SYSTEM                          | 5.0            | 5.5            | 4.8            | 4.5               |
| OVC DISCRETIONARY GRANTS                            | 28.7           | 32.1           | 32.1           | 29.4              |
| STATE VICTIM COMPENSATION GRANTS                    | 182.0          | 198.0          | 180.9          | 178.1             |
| STATE VICTIM ASSISTANCE GRANTS                      | 363.8          | 412.1          | 428.1          | 379.7             |
| MANAGEMENT AND ADMINISTRATIVE COSTS                 |                |                |                | 55.6 <sup>7</sup> |
| <b>TOTAL DISTRIBUTION OF CVF FUNDS</b>              | <b>\$635</b>   | <b>\$705</b>   | <b>\$705</b>   | <b>\$705</b>      |

Source: The National Association of VOCA Assistance Administrators, the OVC, and OJP

According to the OVC, the sequence in which CVF funds are distributed annually can have a significant impact on the amount of funding available for victim services supported by compensation and assistance formula grants. Because the distribution of CVF funds for the state victim assistance grants is calculated after all other program areas, an increase in any of the other

<sup>6</sup> In addition, up to 5 percent of amounts remaining in the CVF, after the annual distribution, may be used to replenish the \$50 million Antiterrorism Emergency Reserve. These funds are available to assist victims of international and domestic terrorism or mass violence and compensation to international terrorism victims.

<sup>7</sup> For FY 2012 and subsequent years, Congress directed the Department of Justice to use program funds for grant offices' management and administrative costs. In FY 2012, OJP's management and administrative costs assessment averaged 8.1 percent of its grant program funding; the actual amount assessed against the CVF was approximately \$55.6 million. Congress made a separate appropriation for OJP's management and administrative costs for FYs 2009 through 2011.

program areas, including the FBI program, reduces the amount that remains available for state victim assistance grants.

## **Office of the Inspector General Audit Approach**

The objectives of our audit were to: (1) evaluate whether the CVF funds distributed to the FBI were used in accordance with applicable guidelines; and (2) evaluate the adequacy of current internal controls, policies and procedures, and coordination efforts of the FBI and the OVC to ensure the funds from the CVF were completely and appropriately accounted for. Our review encompassed the FBI's accounting of CVF funds for FYs 2009 through 2011; although due to limitations in the accounting records maintained by the FBI detailed in the following sections, we did not perform a complete analysis of FYs 2010 and 2011.

To accomplish these objectives, we analyzed the FBI's accounting records to determine the reliability, completeness, and accuracy of the data. We also conducted interviews with officials at the FBI and the OVC to determine how CVF funds are accounted for and reported to the OVC as well as what policies and procedures exist to ensure CVF funds were used in accordance with applicable guidelines. Appendix I contains a detailed description of our audit objectives, scope, and methodology.

## **FBI Administration of the CVF Funds and Services Provided with CVF Funds**

The FBI's Office for Victim Assistance (OVA) was established in 2001 and is located at the FBI headquarters in Washington, D.C. The FBI OVA is responsible for managing the daily operational aspects of its Victim Assistance Program in 56 FBI field offices and international offices, and for providing direction to 134 Victim Specialists. The total funding available to the FBI from the CVF, which includes any remaining funding from the previous year's distribution amounts, was approximately \$14,641,000 in FY 2009, \$16,133,000 in FY 2010, \$17,641,000 in FY 2011, and \$17,062,000 in FY 2012.

The FBI Victim Specialists are assigned to divisions and field offices throughout the country to assist victims in coping with the immediate aftermath of a crisis and to facilitate their cooperation with investigators and prosecutors throughout the investigation of a federal crime. Victim Specialists are responsible for ensuring that victims who choose to receive notification are informed of case developments and proceedings prior to the filing of charges, and to direct victims to appropriate victim assistance

services in his or her location in accordance with the Attorney General Guidelines for Victim and Witness Assistance, October 2011.<sup>8</sup> These services include state crime victim compensation programs, rape crisis centers, homicide bereavement support groups, mental health counseling, and special services for child victims. Victim Specialists are on call 24 hours a day to provide direct services to victims at crime scenes, hospitals, and other locations. Since FY 2001, the number of Victim Specialist positions within the FBI has grown from 112 to 134.<sup>9</sup>

## **OVERVIEW OF THE FBI SYSTEM FOR TRACKING AND DOCUMENTING CVF FUNDS**

Once Congress establishes the annual funding cap on the CVF, the FBI OVA submits its annual request for funding to the OVC to support its Victim Specialists. The OVC approves the FBI's funding level for the year and generally subtracts any unspent funding from the previous year's funding level, known as carryover funding, from the total requested amount. The difference represents new funding from the CVF awarded to the FBI OVA.<sup>10</sup> The CVF funds are provided to the FBI on a reimbursement basis throughout the year, meaning that the FBI initially allocates its own resources up to the annual amount to support Victim Specialists, and the FBI Finance Division requests reimbursement from the OVC as expenses are incurred.<sup>11</sup>

According to the interagency agreement between the OVC and the FBI, the FBI must track and document CVF expenditures. Each quarter, the FBI must submit quarterly reports with supporting documentation of expenditures to the OVC for reimbursement. At the end of the fiscal year, the final accounting, detailing the expenditure of funds and the remaining funding figure, must be submitted to the OVC, which uses it to determine

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<sup>8</sup> Once charges are filed, victim notification becomes the responsibility of the U.S. Attorneys' Office in the district where the prosecution is pending.

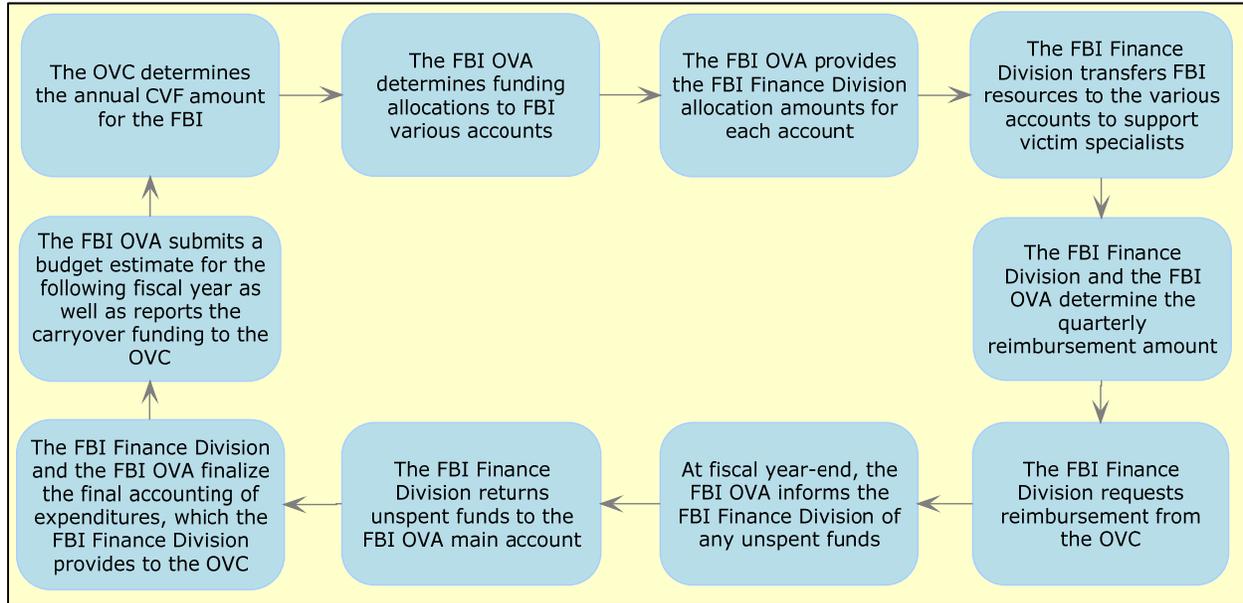
<sup>9</sup> In FY 2009, the FBI's CVF funds supported 122 Victim Specialist positions. In FYs 2010 and 2011, the FBI's CVF funds supported 134 Victim Specialist positions.

<sup>10</sup> For FYs 2009 through 2011, the carryover funding reduced the amount of new CVF funding to the FBI OVA. However, in FY 2012 the OVC did not subtract the carryover funding from the total CVF distribution amount in an effort to compensate the FBI for an 8.1 percent assessment for OJP's management and administrative costs that had reduced the FBI's funding.

<sup>11</sup> Ultimately, CVF funds cover each Victim Specialist's expenses despite the initial use of the FBI resources. Therefore, we have classified the transfers between the accounts as CVF funds.

subsequent year CVF distribution amounts. Exhibit 2 below provides a general overview of the lifecycle for the FBI’s annual CVF distribution amounts.

**EXHIBIT 2: THE LIFECYCLE OF THE  
FBI’S ANNUAL DISTRIBUTION FROM THE CVF**



Source: The FBI Finance Division and the FBI OVA

FBI OVA officials told the Office of the Inspector General (OIG) that the FBI Financial Management System (FMS) cannot track CVF expenditures separately from other expenditures. According to FBI officials, the FBI FMS is comprised of accounts that correspond to various budget categories, such as compensation and benefits, training, travel, and overhead. Each FBI program office and field office also has an account to support daily operations. The FBI’s CVF funds are transferred to the various FBI accounts to support Victim Specialists. However, there is no unique identifier within the FBI FMS to distinguish CVF funds from other sources of funding.

To obtain financial data for a specific program or funding source, each account in the system must be accessed to obtain expenditure information. Additionally, each purchase order must be accessed to obtain specific line item expenditure information. Occasionally, purchase orders are established for the entire Department of Justice, therefore only certain line items may correspond to CVF funds. Because there is no way to extract financial data from the FBI FMS through one data call, during the OIG’s audit period, the FBI OVA tracked CVF expenses using a spreadsheet that provided quarterly

summary totals of expenditures by budget category.<sup>12</sup> The expenditure tracking spreadsheets did not include specific line item transactions with dates, descriptions, and amounts; rather, most of the data to support the summary totals was in hardcopy form rather than electronic form.

Moreover, the FBI OVA does not have access to the FBI FMS and therefore must coordinate with the FBI Finance Division to complete all transfers between FBI accounts and to request reimbursement from the OVC. At the end of the year, the FBI OVA identifies any remaining funds in each of the accounts and requests the FBI Finance Division transfer the unspent money back to the FBI OVA account. To assist in identifying remaining funds, the FBI Finance Division provides the FBI OVA with a report at the end of the fiscal year that shows the total amount of CVF funds available in each field office account. However, because the report generated by the FBI Finance Division does not provide any details related to the expenditures incurred by each field office or expenditures expected to be incurred in the near future, the FBI OVA must coordinate with field offices to ensure CVF funds are properly tracked and accounted for. Also, at year-end the FBI OVA must contact each field office to determine how much of the total amount of funds available is attributable to unspent CVF funds. After the field office identifies the unspent CVF funds, the FBI OVA provides the information to the FBI Finance Division to transfer the unspent CVF funds back to the FBI OVA account. In addition, the FBI Finance Division runs reports for travel expenditures relating to the Victim Specialist positions and provides them to the FBI OVA to verify their accuracy. Therefore, the FBI OVA must properly track the available balance and incurred expenses to ensure all CVF funds are accurately accounted for and reported.

## **INADEQUATE FBI SYSTEM FOR TRACKING CVF EXPENDITURES**

To determine whether the FBI was in compliance with the interagency agreement tracking requirements, we requested the CVF accounting records for FYs 2009 through 2011. The FBI OVA provided the expenditure tracking spreadsheets with quarterly totals for each budget category as well as documentation to support the totals. The documentation included receipts, reports from the FBI FMS, purchase order documents, and e-mails.

Because there was no list of transactions provided to support the summary totals in the expenditure tracking spreadsheets, we were unable to reconcile the documentation to the expenditure tracking spreadsheets which

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<sup>12</sup> The expenditure tracking spreadsheet templates were developed in FY 2006 by an FBI Special Agent who, according to the FBI, was a forensic accountant.

are used to account for total CVF expenditures and remaining CVF funding to determine subsequent year funding levels and request reimbursement from the OVC. As such, we determined that accounting records were not adequate for us to conduct our audit work. As a result, for FYs 2009 through 2011, we used the supporting documentation provided by the FBI OVA to compile detailed accounting data and compare the totals listed in the spreadsheets to line item transactions. We conducted site work at the FBI OVA to discuss the detailed accounting data for FY 2009, which consisted of 338 transactions.

Based on our accounting records and discussions with FBI OVA officials, we identified three control deficiencies. First, unspent CVF funds for FY 2009 were not transferred back to the FBI OVA account at year-end. Since the FBI OVA does not have access to the FBI FMS, FBI OVA officials must coordinate with the FBI Finance Division to complete all transfers between FBI accounts. It appears that the FBI OVA either did not perform adequate year-end reconciliations to identify the unspent funding that had been transferred into the various FBI FMS accounts to support the Victim Specialist positions, or was not properly monitoring the funds from the CVF to ensure that the appropriate account transfers took place. Therefore, CVF funds were not transferred back into the FBI OVA account at year-end.<sup>13</sup>

Second, overtime hours paid from CVF funds were not correctly calculated and accounted for during FYs 2009 through 2011. While reviewing the FBI OVA documented overtime, we found inconsistencies regarding the use of compensatory time off and overtime. According to FBI OVA officials, the OVC allows Victim Specialists to be paid overtime when Victim Specialists are called to provide services to victims after regular working hours. However, FBI OVA officials told us that the OVC has never made a distinction between the time it takes a Victim Specialist to travel to where the victim is located and the time spent actually working with the victim.

The FBI OVA therefore sought guidance from the FBI Office of the General Council on whether the Victim Specialists travel time is eligible for overtime or compensatory time off and subsequently issued a policy for Victim Specialists addressing different scenarios in which compensatory time off and overtime should be used. That policy states that employees who are required to work on a day when work was not scheduled, or who are required to return to work after having worked their scheduled hours, must be compensated for at least 2 hours of overtime. Our review of the

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<sup>13</sup> This unspent funding is discussed in more detail below.

accounting records found that 48 of the 298 overtime payments in FY 2009 were for less than 2 hours. Of the 48 overtime payments, 19 occurred when an employee was required to work on an unscheduled work day, or was required to return to work after completing scheduled work hours. Fourteen of the 48 overtime payments did not contain adequate documentation for the OIG to determine if the Victim Specialist was called back to work. Fifteen of the 48 overtime payments did not meet the requirements of the policy to receive 2 hours of overtime. Also, during our review of FY 2009 accounting records, we found 9 overtime payments that showed the FBI OVA recorded overtime in the tracking spreadsheet for more or less time than what was requested by the Victim Specialist, and 5 overtime payments were recorded in the wrong fiscal year.

Third, although the interagency agreement that was established between the OVC and the FBI to administer the CVF funds requires the FBI to track and document CVF expenditures, for FY 2009 we identified 47 of 338 transactions totaling \$249,000 that were not supported with sufficient documentation.<sup>14</sup> Thirty-five of the 47 transactions were related to field office expenses even though the FBI OVA requires field offices to submit receipts for all expenses in order to receive CVF funds.<sup>15</sup> The remaining 12 transactions related to expenses incurred centrally by the FBI OVA. Four of these 12 transactions related to a purchase order for which no support was provided to show what goods or services were purchased. Three transactions related to expenses for which the FBI OVA did not provide an adequate justification. Five transactions did not have proper receipts to support the transaction. Taken together, these findings indicate that FBI OVA officials were not properly documenting CVF expenses.

While compiling the accounting records, we also reviewed CVF expenses for allowability. Based on our review of the supporting documentation provided, we did not identify any significant misuse of the FY 2009 CVF funds with regard to the rules, regulations, and guidelines governing such expenditures.

### **The FBI OVA Creation of Accounting Records to More Accurately Account for FY 2009 CVF Expenses**

FBI OVA officials stated that while they were reviewing the detailed data we compiled, they became aware that the tracking spreadsheets

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<sup>14</sup> Amounts presented in the report are rounded to the nearest thousand.

<sup>15</sup> We were unable to determine whether these receipts were missing because they were not submitted by the field offices or because the FBI OVA did not maintain them.

previously provided to the OIG were inaccurate. FBI OVA officials told us that when the expenditure tracking spreadsheets were initially implemented in FY 2006, they felt the spreadsheets were complex and consequently difficult to use and understand, but that the spreadsheets were the only method of tracking expenditures available at the time. After the FBI OVA officials reviewed the accounting records during our audit, they told us that the complexity and lack of understandability had led to the inaccuracy of the tracking spreadsheets, and they said they had concluded that the spreadsheets were unreliable.

FBI OVA officials also told us that because of the inconsistencies identified with the expenditure tracking spreadsheets, they had used the supporting documentation and reports from the FBI FMS to create FY 2009 records to more accurately account for the CVF expenditures. As shown in Exhibit 3, the FBI OVA records identified: (1) CVF expenses for which the FBI OVA never requested reimbursement from the OVC; (2) unspent CVF funds that were not transferred back to the FBI OVA account at year-end; and (3) CVF funds that were transferred into other FBI program accounts rather than the FBI OVA account.

We reviewed the records created by the FBI OVA along with all source documentation. Our review found \$221,000 less in unreimbursed CVF expenses and \$23,000 more in unspent CVF funds than the FBI OVA analysis of the same data.<sup>16</sup> Our results are also shown in Exhibit 3.

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<sup>16</sup> The differences between the OIG's and FBI's analyses of this data were the result of the following errors identified in the FBI's analysis: (1) inappropriately included an FMS travel account that was not for the Victim Specialist positions; (2) errors in the FBI OVA formulas used to calculate total unreimbursed expenses and unspent funding; (3) reimbursed expenses included in the calculation of unreimbursed expenses; and (4) different totals for compensation and benefits incurred, and expenses for, three field office transactions.

**EXHIBIT 3: COMPARISON OF FBI AND OIG  
ANALYSES OF FBI-CREATED RECORDS TO MORE  
ACCURATELY ACCOUNT FOR FY 2009 CVF EXPENDITURES**

|  | <b>FBI RECORDS</b> | <b>OIG REVIEW</b> | <b>DIFFERENCE</b>    |
|--|--------------------|-------------------|----------------------|
| TOTAL UNREIMBURSED CVF EXPENSES                  | \$852,000          | \$631,000         | \$(221,000)          |
| TOTAL UNSPENT CVF FUNDS                          | 503,000            | 527,000           | 23,000 <sup>17</sup> |
| TOTAL IMPROPERLY TRANSFERRED CVF FUNDS (UNSPENT) | \$4,000            | \$4,000           | -                    |

Source: The OVC and the FBI

Our review of the FBI OVA created accounting records identified several internal control deficiencies that resulted in inadequate tracking and accounting of CVF funds by the FBI OVA. For example, of the \$531,000 we identified in FY 2009 unspent CVF funds, the FBI OVA and the FBI Finance Division informed the OIG that, at the end of FY 2011, approximately \$277,000 was transferred out of various FBI accounts. However, according to the Management and Program Analyst at the FBI OVA, all \$531,000 of these funds should have been transferred out at the end of FY 2009 and included in the FBI's CVF carryover figure, which did not appear to have occurred.

Since the FBI OVA does not have access to the FBI FMS, FBI OVA officials must coordinate with the FBI Finance Division to complete all transfers between FBI accounts. At the end of the fiscal year, the FBI OVA identifies any remaining funds in each of the accounts and requests that the FBI Finance Division transfer the unspent money back to the FBI OVA account. Our findings indicate that either the FBI OVA was not properly performing year-end closing procedures to identify unspent CVF funds and requesting that the FBI Finance Division return the CVF funds to the FBI OVA account, or that it was not properly monitoring CVF funds to ensure that it maintained an accurate record of expenditures to ensure that the appropriate account transfers took place. Due to these inadequacies in the FBI OVA's tracking system and the FBI OVA's lack of oversight over the CVF funds, the \$531,000 in unspent CVF funds remained idle in various FBI accounts for 2 years. Additionally, because the unspent \$531,000 in CVF funds were not returned to the FBI OVA account, \$4,000 in CVF funds were mistakenly transferred to other FBI program accounts rather than the FBI OVA account, where they could have been used for unrelated purposes.

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<sup>17</sup> Differences in amounts are due to rounding.

Our review of the FBI OVA-created accounting data also identified an additional \$110,000 in expenses listed in the FBI OVA created accounting data that the FBI OVA had not provided supporting documentation for when we originally requested the accounting records. This includes approximately: (1) \$14,000 paid to UNICOR for equipment, (2) \$26,000 paid centrally by the FBI OVA for supplies under a purchase order, (3) \$3,000 paid for computer equipment, (4) \$7,000 paid for installation and accessories costs, and (5) \$60,000 paid under purchase orders for which it was unclear what services were provided.

FBI OVA officials have indicated that they believe similar issues exist with FYs 2010 and 2011 accounting of CVF funds. We have recommended that the FBI perform similar analyses as in FY 2009 for FYs 2010 and 2011.

### **Accounting Improvements in FY 2012**

In July 2011, the FBI OVA hired a new Management and Program Analyst who has implemented a new tracking system for FY 2012 using a third party accounting software. The new system allows the FBI OVA to record expenses by line item rather than quarterly totals which could allow the FBI OVA to more accurately track and document CVF expenditures.<sup>18</sup> Additionally, the FBI OVA officials informed us that they updated its policy to eliminate transfers to field offices based on estimates; therefore, CVF funds are only dispersed to field offices for costs already incurred. However, according to FBI officials, the FBI will be replacing the FBI FMS with the Unified Financial Management System. The new system will be fully implemented in FY 2014 and will not allow the FBI OVA to pay for travel centrally. As such, the FBI OVA will again have to transfer estimates to the field offices to cover travel expenses.

### **IMPROPER REPORTING OF FBI EXPENSES TO THE OVC FOR REIMBURSEMENT UNDER THE INTERAGENCY AGREEMENT**

As previously mentioned, CVF funds remain at the OVC until the FBI requests reimbursement for expenses incurred by the Victim Specialists. On a quarterly basis, the FBI requests an amount from the budget department within OJP to reimburse the FBI for Victim Specialist expenses.<sup>19</sup> According to the interagency agreement, for each reimbursement request, the FBI

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<sup>18</sup> Because a complete year of accounting data from the new system was not available at the time of our audit, we did not perform an evaluation of the new system.

<sup>19</sup> The OVC is the administrator of the CVF funding. However, OJP facilitates the transfer of funding on behalf of the OVC.

must provide the OVC with supporting documentation that clearly shows a breakdown of expenses that equals the sum of the reimbursement amount. The quarterly reimbursement is then transferred from OJP through the Treasury Department to the FBI.

Our review of the FBI OVA expenditure tracking spreadsheets, source documentation, and the FBI Finance Division reimbursement spreadsheets found that that the total reimbursements requested from the OVC were inaccurate due to the deficiencies in the internal controls over the CVF funds and inadequate coordination between the FBI OVA and FBI Finance Division. Overall, the FBI failed to request reimbursement for \$631,000 in expenses incurred to support the Victim Specialist positions. Of the \$631,000, \$154,000 was related to compensation and benefits expenses. It appears not all Victim Specialists were included for reimbursement.

The FBI Finance Division is responsible for reimbursement requests and all reporting requirements to the OVC under the interagency agreement. According to the accounting analyst within the FBI Finance Division who facilitates the FBI OVA agreement, the FBI Finance Division: (1) reports the total quarterly and annual expenses to the OVC for reimbursement, (2) at the FBI OVA's request, transfers CVF funds from the FBI OVA account to other FBI accounts to support Victim Specialist costs, (3) at the FBI OVA's request, transfers unspent CVF funds from the travel account, training account, overhead accounts, and field offices accounts back to the FBI OVA account at year-end, and (4) rolls over any CVF funds remaining under a purchase order after it is closed, all services are performed, and expenses are incurred. The accounting analyst within the FBI Finance Division also stated that, because the FBI Finance Division is responsible for other reimbursable agreements, it does not have intimate knowledge of each program. Rather, the FBI Finance Division is the liaison between various FBI accounts and the OVC to ensure programs are funded. The analyst stated that the FBI OVA is ultimately responsible for properly tracking program expenses to ensure the FBI Finance Division accurately reports CVF expenses to the OVC.

To meet these obligations, the FBI Finance Division maintains its own spreadsheets to track the total funding available, the total expenses incurred for the year, and the total amount reimbursed by the OVC for each quarter. The information used to create the reimbursement spreadsheets is provided by the FBI OVA, either directly in the case of payroll information, or through the FBI Finance Division's verification with the FBI OVA that the FBI FMS reports accurately reflect incurred expenses. These spreadsheets are provided to the OVC to support each reimbursement request. In addition,

the FBI OVA provides quarterly compensation and benefits amounts to the FBI Finance Division because the FBI Finance Division does not have access to personnel data. The FBI OVA requests this data from the personnel department, which generates a report from the Bureau Personnel Management System (BPMS). The FBI OVA reviews the report to ensure all Victim Specialists are included and provides the report to the FBI Finance Division.

While reviewing the FY 2009 accounting records, we requested and received the Victim Specialists' compensation and benefits data for FY 2009. We compared the total compensation and benefits paid in FY 2009 to the FBI Finance Division's requested reimbursement from the OVC and found that the FBI Finance Division had under requested reimbursement for compensation and benefit expenses to the OVC by approximately \$154,000. Based on our review, it appears that the report generated by the BPMS, which was used to request reimbursement, did not include all Victim Specialists, suggesting that the FBI OVA did not adequately review the BPMS reports, the FBI Finance Division's requests to OVC, or both. In addition, due to deficiencies in internal controls over the CVF funds, including insufficient monitoring of CVF funds and inadequately supported CVF expenses, the accounting and tracking of incurred expenses was inaccurate. As such, the FBI OVA provided the FBI Finance Division inaccurate information. We also found instances where the FBI Finance Division requested less funding than the total actual expenses listed in the reimbursement spreadsheets. FBI Finance Division officials were unable to explain why they would have requested less funding than the incurred expenses.

Ultimately, the amounts reported to the OVC were not accurate. Based on the FBI OVA's accounting for the FY 2009 CVF expenditures, we determined that the FBI had approximately \$631,000 in Victim Specialist expenses that were never requested for reimbursement from the OVC.<sup>20</sup> This includes the approximately \$154,000 in compensation and benefits expenses discussed above, as well as an additional \$206,000 in overhead costs; \$47,000 in travel expenses; \$218,000 in miscellaneous services; and \$7,000 in field office expenses. Although the total unreimbursed amount was 4 percent of the overall value of the CVF funding level in FY 2009, we believe that the deficiencies with the accounting system and coordination between the FBI Finance Division and the FBI OVA, if not addressed, create the potential that actual CVF expenditures will be materially misstated in the future.

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<sup>20</sup> The difference in the total amount is due to rounding.

## **Reimbursement System Improvements in FY 2012**

As previously stated, the new Management and Program Analyst in the FBI OVA implemented a new tracking system for use beginning in FY 2012 that allows the FBI OVA to record expenses by line item rather than quarterly total. Using this new system, the FBI OVA provides information directly to the FBI Finance Division on total amounts that need to be reimbursed. The FBI Finance Division, therefore, no longer generates reports from the FBI FMS to verify with the FBI OVA as all reimbursement amounts are now supplied by the FBI OVA. If properly implemented, we believe that this new process could allow the FBI to more accurately request reimbursements from the OVC for CVF expenses incurred.

## **INACCURATE REPORTING OF TOTAL EXPENDITURES TO THE OVC**

In addition to tracking and documenting CVF expenditures, the interagency agreement between the OVC and the FBI also requires the FBI to provide final financial accounting to the OVC detailing the expenditure of funds for the fiscal year, and to report a figure for any remaining funding that will carry over into the next fiscal year.<sup>21</sup> Due to the inadequate internal controls over the CVF funds, we found the FBI over reported total expenditures to the OVC in FY 2009 by approximately \$354,000 and, therefore, under reported the carryover amount to the OVC by the same amount. Because annual accounting of CVF expenses and unspent funding is used to determine subsequent CVF distribution amounts, the FBI's inaccurate reporting of expenses and carryover amounts potentially affected the amount of CVF funding it received in subsequent years, as well as the amount of CVF funding that was allocated to state and local programs after the FBI received its distribution amount.

Reporting accurate total expenditure of funds for the year to the OVC allows the OVC to evaluate the cost of supporting the program for the year and assists the OVC in determining appropriate funding levels to support subsequent year activities. At the end of FY 2009, the FBI OVA reported approximately \$1,498,000 in carryover, which represents the FY 2009 CVF funds that remained unspent at the end of the fiscal year. FBI officials were unable to provide support for the carryover figure reported to the OVC. In order to evaluate the accuracy of the reported figure, we reviewed the records created by the FBI OVA to more accurately account for the FY 2009

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<sup>21</sup> The carryover amount is an estimate based on the accounting records at the time of reporting.

CVF expenditures and found that the FBI's total CVF expenditures in FY 2009 were approximately \$12,790,000. The FBI's total available funding for FY 2009 was approximately \$14,641,000, meaning the carryover reported to the OVC should have been \$1,851,000, not \$1,498,000. By under reporting the carryover amount to the OVC by approximately \$354,000 for FY 2009, the FBI received approximately \$354,000 more in new CVF funds in FY 2010 than they otherwise would have.<sup>22</sup> Additionally, because the OVC uses the total carryover amount from the previous year to determine the funding levels received by the FBI in the subsequent year, and the annual distribution of new CVF funds to the FBI is made before the state and local victim assistance programs, inaccurate reporting by the FBI potentially affects the amount of funding provided to state and local programs in subsequent years. In fact, 21 percent of the states and territories were awarded less than \$354,000 in funding in FY 2010 from the state victim compensation grants.

Although the total amount of carryover reported to the OVC was only under reported by 2 percent of the FBI's total CVF distribution amount, we believe the deficiencies with the accounting system and controls in place at the FBI, if not addressed, create the potential for material misstatements to occur in the future.

We also asked the OVC officials what financial accounting data is provided by the FBI to adhere to the interagency agreement requirements to provide detailed financial accounting of CVF expenses and report a carryover amount for remaining funding. We were informed that the FBI Finance Division's reimbursement spreadsheets are provided to the OVC as the accounting records. We reviewed the reimbursement spreadsheets and found that the spreadsheets provide quarterly expenditures that have been reimbursed by the OVC by budget category without providing adequate details about what expenses comprise those totals. For example, the total expenditures listed under miscellaneous other services for FY 2009 was approximately \$762,000, of which the FBI received approximately \$566,000 in reimbursement, but the spreadsheets offer no detail regarding what the miscellaneous office expenses included. We also found total incurred expenses of approximately \$108,000, which was reimbursed by the OVC, on the reimbursement spreadsheet in FY 2009 that did not have a description other than an FBI accounting code. Without adequate accounting information, the OVC cannot ensure CVF funds are being utilized in accordance with all rules, regulations, and guidelines. We therefore believe

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<sup>22</sup> Differences in amounts are due to rounding.

the OVC should have required the FBI to provide it with more detailed financial accounting records, as required by the interagency agreement.

## **Reporting Improvements in FY 2012**

As previously stated, the FBI OVA now provides reimbursement request amounts directly to the FBI Finance Division which can be reported to the OVC. The amounts are based on the FBI OVA line item accounting records which could more accurately account for the annual CVF expenditures and any remaining CVF funds.

## **CONCLUSION**

Mismanagement, misuse, and non-use of CVF funds decreases the amount of assistance that reaches victims of crime. Our review of the FBI's accounting and reporting of CVF funds found inadequate internal controls to ensure the FBI is in compliance with the requirements under the interagency agreement. Specifically, we found CVF funds that were not properly tracked and documented in FY 2009, which resulted in approximately \$631,000 in CVF expenses for which the FBI never received reimbursement; approximately \$527,000 in unspent CVF funds that remained idle in the FBI accounts for 2 years; and \$4,000 in unspent CVF funds that were improperly transferred to other FBI program accounts. These deficiencies created the potential for CVF funds to be improperly expended either at the field office level or by other sections of the FBI.

As a result of the inadequacies related to the tracking system, quarterly and annual CVF expenses, as well as the annual carryover amounts, were not accurately reported to the OVC. The carryover amount was under reported by approximately \$354,000. Although the total amount of carryover reported to the OVC was under reported by just 2 percent in relation to overall value of the FY 2009 CVF distribution amount, we believe that the deficiencies with the accounting system at the FBI create the potential for material misstatements to occur in the future. Moreover, because annual accounting of CVF expenses and remaining funds are used to determine subsequent year CVF distribution amounts, inaccurate reporting of expenses results in the FBI not receiving the appropriate amount of money from the CVF. In addition, because the VOCA directs that CVF funds be distributed to the state and local programs based on available funding after the FBI receives its annual distribution, the improper accounting of expenses by the FBI potentially affects the funding levels received by state crime victim programs.

In FY 2012, the FBI implemented a new tracking system that we believe could address some of the problems identified in this report. We make three recommendations to the FBI to help ensure the FBI implements adequate internal controls for accurately accounting for and reporting CVF expenses.

## **RECOMMENDATIONS**

We recommend that the FBI:

1. Perform analysis for FYs 2010 and 2011, similar to the analysis conducted for FY 2009, to identify and remedy unspent funds, unbilled expenses, and improperly transferred funds.
2. Implement internal control procedures over the CVF funds to ensure the FBI is in compliance with all rules, regulations, and guidelines related to the administration of CVF funds. This includes developing year-end closure procedures that ensure unspent CVF funds are transferred back to the FBI OVA account and expenditures are properly reported to the OVC.
3. Enhance the coordination efforts between the FBI OVA, FBI Finance Division, and OVC to ensure CVF funds are properly tracked and reported. This includes developing procedures to address any future concerns that arise between the OVC and FBI regarding the FBI's compliance with the interagency agreement requirements.

## STATEMENT ON INTERNAL CONTROLS

As required by the *Government Auditing Standards*, we tested, as appropriate, internal controls significant within the context of our audit objectives. A deficiency in an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect in a timely manner: (1) impairments to the effectiveness and efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations. Our evaluation of the Federal Bureau of Investigation's (FBI) internal controls over funds from the Crime Victims Fund (CVF) was not made for the purpose of providing assurance on their internal control structures as a whole. The FBI's management is responsible for the establishment and maintenance of internal controls.

As discussed in our report, the FBI needs to improve its internal controls to ensure the FBI is in compliance with all rules, regulations, and guidelines related to the administration of CVF funds and to ensure that the FBI accurately and reliably tracks and reports CVF expenditures.

Because we are not expressing an opinion on the internal control structure of the FBI as a whole, this statement is intended solely for the information and use of the auditee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

## STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the *Government Auditing Standards*, we tested, as appropriate given our audit scope and objectives, selected transactions, records, procedures, and practices to obtain reasonable assurance that the FBI's management complied with federal laws and regulations for which noncompliance, in our judgment, could have a material effect on the results of our audit. The FBI's management is responsible for ensuring compliance with federal laws and regulations applicable to the Department of Justice. In planning our audit, we identified the following laws and regulations that concerned the operations of the auditee and that were significant within the context of the audit objectives:

- 42 U.S.C. §§ 10601-10607 (2006)
- 18 U.S.C. § 3771 (2006)
- 28 C.F.R. §45.10 (2012)

Our audit included examining, on a test basis, the FBI's compliance with the aforementioned laws and regulations, and whether non-compliance could have a material effect on the FBI's operations. We did so by interviewing auditee personnel, assessing internal control procedures, and examining accounting records. Except for the instances of noncompliance identified in this report, we did not identify any other instances of noncompliance with the laws and guidelines we reviewed.

## APPENDIX I

### OBJECTIVES, SCOPE, AND METHODOLOGY

#### Objectives

The objectives of this audit were to: (1) evaluate whether the Federal Bureau of Investigation's (FBI) CVF funds were used in accordance with applicable guidelines; and (2) evaluate the adequacy of current internal controls, policies and procedures, and coordination efforts of the FBI and the Office for Victims of Crime (OVC) to ensure the funds from the CVF were completely and appropriately accounted for.

#### Scope and Methodology Section

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To assess the design and implementation of the FBI's internal controls over the CVF funds, we identified applicable rules, regulations, and guidelines, reviewed the FBI's policies and procedures for administering the funds, and interviewed officials at FBI Headquarters, the FBI's Denver Field Office, and the OVC. We also tested those internal controls that we considered significant within the context of our audit objectives.

Our audit generally covered, but was not limited to, fiscal year (FY) 2009 and included the FBI and the OVC. During our preliminary audit work, our scope covered FYs 2009 through 2011. Based on the initial accounting information provided by the FBI Office for Victim Assistance (OVA) for FYs 2009 through 2011, we determined that accounting records were not adequate for us to conduct our audit work. As a result, for FYs 2009 through 2011, we used the supporting documentation provided by the FBI and compiled detailed accounting data. We conducted site work at the FBI to discuss the FY 2009 detailed accounting data. The FBI OVA and the Office of the Inspector General (OIG) determined that the accounting records initially provided by the FBI were unreliable. At that time, we

refocused our audit work on the issues identified during our review of the FY 2009 accounting records, which, according to FBI OVA officials would likely be present in the FYs 2010 and 2011 account records as well.

Our analyses used the FBI OVA expenditure tracking spreadsheets with quarterly totals for each budget category as well as documentation to support the totals and the FBI Finance Division reimbursement spreadsheets. The documentation included receipts, reports from the FBI Financial Management System (FMS), purchase order documents, and e-mails.

### **Inadequate FBI System for Tracking CVF Expenditures**

To ensure the FBI was in compliance with the accounting and reporting requirements of the agreement between the OVC and the FBI, we requested accounting records for all CVF funds for FYs 2009 through 2011. As described in the Overview of the FBI System for Tracking and Documenting CVF Funds section of this report, the FBI OVA tracked CVF expenses using a spreadsheet that provides quarterly summary totals of expenditures by budget category that did not include specific line item transactions with dates, descriptions, and amounts. Most of the data to support the summary totals is in hardcopy form rather than electronic form. For FYs 2009 through 2011, we were provided spreadsheets with quarterly expenditure totals by budget categories. To support the totals we were also provided supporting documentation in the form of receipts, e-mails, purchase order documents, transfer forms, reports from the FBI FMS for various applicable FBI accounts, and compensation and benefit data from the FBI's Bureau Personnel Management System (BPMS).

We attempted to compare the supporting documentation provided to the tracking spreadsheets. However, the lump sum amounts listed for each budget category and quarter did not include a list of individual transactions that were included in the total amount. Therefore, we were unable to determine what supporting documentation corresponded to each lump sum amount. In order to verify that the FBI was administering the CVF funds in accordance with all applicable criteria, we needed detailed accounting records showing each expense incurred. We determined that the FBI's accounting records were not adequate to conduct the necessary audit work. Therefore, we used the supporting documentation provided by the FBI OVA and compiled detailed accounting data, which included, for each transaction, the date the expense was incurred, the amount, and a description of the expense.

For the transfers made to the FBI accounts for travel, training, the Safeguard Program, and overhead expenses, the only support provided was a transfer request form for an estimated amount to cover Victim Specialist costs. For these budget categories, we entered the transfer amount into our accounting records. For transfers made to the field offices, we found that the transfers were either for estimated amounts or to reimburse the field office for actual amounts. For the estimated amounts transferred, no additional support was provided documenting the actual amount incurred; therefore, we entered the estimated transfer amount into our spreadsheet. For Victim Specialist overtime, we were provided spreadsheets detailing the name of the Victim Specialist, the date of overtime, the amount of overtime, the description of services provided. To support the spreadsheets we were provided e-mail correspondence between the Victim Specialist requesting overtime for hours worked in addition to regular work hours and approval from management. Once we compiled the records with the support provided by the FBI OVA, we provided the FY 2009 records to the FBI and conducted site work at the FBI OVA to discuss the detailed accounting data and to address questions that arose during our review. Based on discussions with the FBI OVA during our site work, the FBI OVA and OIG determined that the tracking spreadsheets were unreliable.

FBI OVA officials also told us that because of the inconsistencies identified with the tracking spreadsheets, they used the supporting documentation and reports from the FBI FMS to create FY 2009 records that more accurately accounted for the CVF expenditures. These records provided for each budget category and FBI account quarterly totals of expenditures incurred, the total amount reimbursed by the OVC, expenses that the FBI had never requested reimbursement, the total CVF funds that remained unspent, and the amount of CVF funds mistakenly returned to the wrong FBI account. We reviewed records created by the FBI OVA along with all source documentation provided by the FBI OVA to verify the amounts.

### **Improper Reporting of FBI Expenses to the OVC for Reimbursement under the Interagency Agreement**

To determine if the FBI was properly reported CVF expenses for reimbursement from the OVC, we compared the total expenditures for FY 2009 per the verified records created by the FBI OVA to more accurately account for the FY 2009 CVF expenditures with the amount the FBI had been reimbursed from the OVC. From data received during our review of FY 2009 accounting records, we compared the total compensation and benefits paid in FY 2009 to what the FBI Finance Division had requested reimbursement

from the OVC to ensure all Victim Specialist positions compensation and benefits had been reimbursed.

### **Inaccurate Reporting of Total Expenditures to the OVC**

To determine if the FBI had properly reported total expenditure of funds to the OVC, we compared the remaining funding figure, or carryover amount, reported to the OVC for FY 2009 with the carryover amount reflected in the FY 2009 records created by the FBI OVA to more accurately account for the FY 2009 CVF expenditures. The carryover amount for FY 2009 represents the difference between the total CVF funding available to the FBI for FY 2009 and the total expenditures for FY 2009 reflected in the verified records created by the FBI OVA.

## APPENDIX II

# THE FEDERAL BUREAU OF INVESTIGATION'S RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice  
Federal Bureau of Investigation

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Washington, D. C. 20535-0001

September 17, 2013

The Honorable Michael E. Horowitz  
Inspector General  
Office of the Inspector General  
U. S. Department of Justice  
950 Pennsylvania Avenue, N.W.  
Washington, DC 20530

Dear Mr. Horowitz:

The Federal Bureau of Investigation (FBI) appreciates the opportunity to review and respond to your office's report entitled, *Audit of the Federal Bureau of Investigation's Accounting and Reporting of Funds Distributed From the Crime Victims Fund*.

While we acknowledge there are areas of financial accounting and reporting that needed improvement, we are pleased your Report did not find any evidence or intentional misuse by the FBI of the Crimes Victims Fund (CVF). Rather, as determined by your auditors, "In FY 2012, after the close of our audit period, the FBI implemented a new tracking system that allows for more detailed recording of expenses...." In that regard, we concur with your three recommendations and have already taken steps to implement remedial actions.

Although your report briefly mentions the broad responsibilities of the FBI's 134 Victim Specialists, it does not mention nor highlight the accomplishments of the FBI's Office of Victim Assistance (OVA) for a reader to fully grasp the magnitude of what the FBI has accomplished with the CVF.

The FBI's OVA was established in December 2001 to ensure an operationally robust and timely response to victims identified as part of investigations conducted by the FBI. These investigations include but are not limited to: violent crimes, crimes on government installations and Indian reservations, sexual assault, criminal civil rights violations, extortion, child abuse and exploitation, kidnapping, crimes aboard aircraft and criminal aviation and rail disasters, hostage-taking, torture, international parental kidnapping, murder for hire, carjacking, Internet child exploitation, human trafficking, computer intrusion, Medicaid fraud and other financial crimes, interstate stalking, international and domestic terrorism, and violent bank robberies. A

Government Accountability Office study indicated that the FBI assists 50 percent more victims than do all of the other federal investigative agencies combined.

FBI Victim Specialists, located throughout our 56 field offices, respond to crime scenes to provide crisis intervention, arrange for emergency services, keep victims informed, assist them with accessing resources such as State crime victims compensation programs and mental health counseling, and provide support victims at trial. Five Child/Adolescent Forensic Interviewers are regionally dispersed to conduct legally sound, trauma-informed, and developmentally appropriate interviews with child victims and witnesses in some of the most difficult and complex investigations. Two of these individuals work almost exclusively in Indian Country.

In addition, the Terrorism and Special Jurisdiction Team (TSJP) based at FBI Headquarters is a cutting edge program that delivers immediate and specialized services to United States citizens who are victims of terrorism, hostage taking, and kidnapping in foreign countries and also to victims of mass violence within the US. Victim Assistance Rapid Deployment Teams, consisting of TSJP employees and the most experienced and highly trained field office Victim Specialists, are able to respond to federal crimes of mass violence and also to support state and local agencies even when the crime is not a federal violation. The FBI has developed extensive experience in assisting with mass casualty cases through the combined experience of its staff and responding to incidents such as the shootings at the Red Lake Reservation, Virginia Tech, Fort Hood, Binghamton Immigration Center, Tucson, and Newtown as well as the recent bombings at the Boston Marathon. Although chronically understaffed for an agency the size of the FBI, the Victim Assistance Program has proven to be highly effective in meeting the needs of victims and is widely viewed as the model for law enforcement-based victim assistance.

In any given year, FBI victim assistance employees deliver an average of 204,000 services to victims. These services include but are not limited to providing crisis intervention at crime scenes, emergency travel and housing, food assistance, death notification, transporting child victims to forensic interviews and for sexual abuse examinations, arranging mental health counseling and other resources, returning personal property to victims, providing updates on the status of the investigation, and accompanying victims to court.

Each year, a handful of FBI Child/Adolescent Forensic Interviews conduct 480-550 interviews with child victims and witnesses in the most serious cases across the country and train thousands of federal, state, local, and tribal criminal justice personnel. They also conduct interviews with developmentally delayed adult victims and with young adults whose sexual victimization as children was discovered years later as the result of the recovery of child pornography images by law enforcement.

The Child Pornography Victim Assistance Program (CPVA) serves as central federal repository and coordinating entity for information pertaining to several thousand identified child victims whose images have been traded on the Internet by criminals across the world. The purpose is to provide mechanisms for victims and their parents to receive notification about cases involving a child's images on their own terms and without being inundated by repetitive contacts

and requests for their basic information from thousands of officials. Additionally, the CPVA ensures that child victims and their parents have access to assistance services to help them cope with the ongoing victimization associated with distribution of images of their sexual abuse.

#### FY 2009 Highlights

- The FBI OVA initiated a pilot project involving its first therapy dog to support child and other vulnerable victims through investigative processes, such as interviews and sexual assault examinations. The therapy dog was a valuable asset during the post-recovery investigation and reunification of a young girl who was kidnapped, held hostage for almost two decades, and bore two children as the result of being raped by her captor.
- The FBI coordinated intensive crisis services to more than 130 US citizens who were directly affected by the terrorist attacks in Mumbai, India, including repatriation of victims' remains, medical evacuation of injured victims, emergency travel and support as victims returned to the US, recovery of personal property left behind, and help in locating relevant counseling.
- The OVA played a key role in the reunification of hostages held by terrorist groups around the world, including the Captain of the pirated ship Maersk Alabama.
- To address victim notification and assistance in the large scale investigations into Bernie Madoff and the Stanford Group, the OVA worked with the FBI Office of Public Affairs to create websites for victims and to solicit information from victims to document their losses.

In preparation for the takedown of a human labor trafficking operation, the OVA worked with the field office Victim Specialist to deploy additional personnel to support victims, worked with a non-governmental organization to arrange housing, and to coordinate services to all 41 victims, to include medical screenings, mental health assessments, and crime victims' compensation.

- As part of the investigation into the long-term sexual, physical, and psychological abuse and interstate transportation of young girls by a religious leader, Victim Specialists across the country coordinated extensive services and support to all of the victims and their parents or guardians. The support continued during the prosecution and trial, ensuring that victims were able to testify and move forward with their lives.
- On-scene assistance by the FBI OVA was sought by the police department immediately following the shooting at the American Civic Association Center in Binghamton, NY (April 3, 2009). Almost all of the victims, both injured and killed, were immigrants whose families needed assistance in traveling to the US or repatriating remains to their

home countries. The FBI OVA made arrangements and provided a total of \$98,998 in emergency assistance services to these families.

#### FY 2010 Highlights

The OVA provided a range of critical services to victims in numerous terrorist attacks, including:

- Victim Specialists in the field played key roles in assisting young victims of domestic sex trafficking, coordinating with state and local agencies to either reunite them with family members or find residential treatment and independent living programs. Victim Specialists helped victims obtain copies of school records so they could enter GED programs, located transportation assistance, helped them access mental health services, and even helped some teenagers with removing tattoos that identified them as belonging to a certain pimp. One victim wrote to the Victim Specialist, *"Thank you for everything you have done for me. If it wasn't for you, I wouldn't be the person I am today. Thank you for your support!"*
- Families of missing/abducted children found immense comfort and support in the presence and assistance of FBI Victim Specialists, even if the outcome was a heartbreaking one. The mother of one victim wrote, *"I can see in your eyes that you really care about us and I find comfort in what you say. Knowing you are close by and have things covered really helps me stay sane."*
- The bombings in Kampala, Uganda on July 11, 2010, severely injured six Americans and killed one. The OVA supported families in the US and victims while they remained in Kampala or in hospital in South Africa. The OVA coordinated and paid for medical evacuation, emergency family travel/lodging, and repatriation of remains, and the international calls, at a cost of \$249,240. A 15-year-old victim required a two-step medical evacuation – first from Kampala to South Africa for stabilization and several weeks later from there to Johns Hopkins in Baltimore, MD. This assistance was instrumental in saving her leg.
- When six people were killed during an attack by the Taliban on missionaries in Badakhshan, Afghanistan, the OVA provided immediate support and assistance to families and assisted with repatriation of victims' remains, travel assistance for family members, and specialized cleaning and decontamination of personal effects.
- The OVA provided ongoing support services to families of several Americans who were taken hostage and tortured in Iraq and Africa and also provided intensive post-recovery support to the victims, including crisis mental health services, specialized medical care, and reintegration services. An OVA clinical social worker traveled to Kenya to provide on-site assistance to one recovered hostage to help him stabilize and support him through investigative interviews.

- The OVA was asked to supplement the Department of Defense (DOD) response to the shootings at Fort Hood by providing Victim Assistance Rapid Deployment Team members and to assist family members with emergency needs not covered by DOD. For instance, DOD would provide assistance to the spouses of service members who were killed or injured but not parents or siblings. As with most military installations the service members and their families are rarely from that area. Outpatient medical care for a severely injured service member was covered by DOD but not his transportation to the treatment facility.
- When a lone gunman entered the lobby at Discovery Communications in Silver Spring, Maryland, and took three employees hostage, the OVA was asked to provide support to managers and employees as well as with the hostages following their release. An OVA Victim Services Manager responded to the scene, provided crisis intervention, and helped executives plan for the next weeks and months.
- The OVA led the victim response when a disgruntled individual flew a private plane into the side of an Internal Revenue Service (IRS) building in Austin, Texas, killing one, damaging the building, and traumatizing over 100 employees. OVA staff provided information on coping to all employees, assisted the family of the deceased employee, and linked the IRS management with a disaster management vendor to assist in cleaning and restoring government property and personal effects within the building.
- OVA employees responded to Santo Domingo to assist the State Department and the Department of Defense with evacuating American victims of the earthquake that devastated Haiti, and also assisted with the identification of deceased victims.

#### FY 2011 Highlights

Victim Specialist and OVA special program employees provided more than 220,000 services to victims. More than a third of these services were provided after the case had been indicted. The following are examples of the types of work performed:

- A Native American infant was brutally shaken by his father resulting in devastating brain injuries. The assault was witnessed by two siblings. The Victim Specialist worked with tribal social services to identify other family members and provided extensive crisis support services to family members at the hospital, including emergency travel and lodging. She also arranged for the two older children to be interviewed and provided with assistance. The Victim Specialist was instrumental in getting the infant victim established in a local nursing home for continued care and maintained communication regarding the investigation and the baby's care. An FBI agent working in Indian Country wrote, *"This year has been a particularly hard with baby deaths and shaken baby cases. Our Victim Specialist has literally lived at hospitals helping the victims, helping me, helping everybody."*

- An 80 year old victim sent over \$100,000 to Jamaican telemarketers in a six month period. An FBI Victim Specialist met with her to educate her about the dynamics of fraud, assisted her in changing her phone number, linked her with Adult Protective Services and other social services to provide her with support and reduce her isolation, and facilitated conversations between the victim and her adult son to make him aware of the situation.
- A Victim Specialist responded to the scene of a child abduction and provided almost continual support and assistance for a six day period. She relocated the family to a hotel for privacy and kept them informed of case developments. When the child was found deceased, the Victim Specialist provided in-person death notification to family members in three locations and autopsy information, transportation assistance, help with applying for crime victims' compensation funds to cover the cost of funeral and burial, support during media interviews, and other crisis support services.
- The OVA led the response to the victims of the shooting at a Safeway in Tucson that involved the assassination and attempted assassination of U.S. government officials, including a federal judge and Congresswoman Giffords. The OVA sent two Victim Assistance Rapid Deployment Teams consisting of 15 victim experts, including a forensic operations manager and an operational psychologist, to provide assistance to families of the deceased and injured in hospitals. The assistance included crisis counseling, emotional support, funeral planning assistance, information and help in attending memorial events, and assistance with investigative case briefings. They also closely coordinated with local agencies and victim service providers. Few of the victims were actually life-long Tucson residents so most had family members living across the country. The FBI OVA provided emergency travel assistance to more than 50 family members. The FBI also paid for the cost of transporting the remains of one victim back to her family home and for processing of a large number of personal effects from the scene and from remains of victims.
- When the American sailing vessel was hijacked by Somali pirates in the Gulf of Aden, the OVA deployed Victim Specialists to support the families of each of the four victims while OVA employees staffed the Command Post. A plan was established for coordinated death notification by FBI personnel and OVA employees worked with DOD to return the victims to Dover Port Mortuary for autopsy, also collecting ante-mortem information needed for identification. Extensive crisis intervention services were provided to families, and hundreds of personal effects from the ship were retrieved by the OVA, sorted, cleaned, and presented to family members.
- Arid Uka opened fire on a bus filled with U.S. Air Force (USAF) service personnel at the Frankfurt Airport, killing two and severely injuring two. OVA worked closely with the USAF casualty assistance officers to assist families and victims. During the German

trial, the OVA linked victims with attorneys provided by the court to represent their interests. The OVA also arranged for the translation of ten court summaries provided by the Germans and ensured that victims/families received the summaries in a timely manner.

- Additionally, the OVA provided extensive support and services to families and recovered victims of overseas kidnap and hostage-taking, including two long-term cases involving minor victims and torture. A Victim Specialist worked closely with the family of an adolescent boy whose finger had been cut off by his captors and sent to his family. The OVA used emergency funds to transport the victim and a family escort back to the U.S. upon his recovery, located medical and mental health specialists with expertise in treating torture victims, and helped the family apply for crime victims' compensation to assist with these expenses.
- FBI Victim Specialists supported 9/11 families during interviews conducted by military commissions prosecutors. One of them wrote, *"The interviews were difficult but successful and could not have been conducted without the assistance of all of you. Your professionalism and kindness was greatly appreciated during the interaction with the families. The families all commented on how well they were treated by the FBI."*

As demonstrated above, the FBI's Victim Specialists are critical to the FBI's mission. No one could have envisioned the volume of tragedies the FBI's Victim Specialists have commendably responded to during the years covered by the audit. As illustrated through our recent acquisition of a new tracking system, the FBI continues to evaluate and strategize on ways to improve the accounting and reporting of the CVF monies.

Should you have any questions, feel free to contact me.

Sincerely,



Kathryn M. Turman  
Assistant Director  
Office for Victim Assistance

THE OFFICE OF JUSTICE PROGRAMS'  
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

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Washington, D.C. 20531

September 13, 2013

MEMORANDUM TO: Michael E. Horowitz  
Inspector General  
United States Department of Justice

THROUGH: Raymond J. Beaudet  
Assistant Inspector General for Audit  
Office of the Inspector General  
United States Department of Justice

FROM: /s/  
Karol V. Mason  
Assistant Attorney General

SUBJECT: Response to the Office of the Inspector General's Draft Audit Report, *The Federal Bureau of Investigation's Accounting and Reporting of Funds Distributed from the Crime Victims Fund*

This memorandum provides a response to the Office of the Inspector General's (OIG's) September 4, 2013 draft audit report, entitled *The Federal Bureau of Investigation's Accounting and Reporting of Funds Distributed from the Crime Victims Fund*. The Office of Justice Programs (OJP) appreciates the opportunity to review and comment on the draft report.

The draft audit report does not contain any recommendations directed towards OJP. However, OJP would like to take this opportunity to provide clarification to a couple areas in the draft audit report. The first is related to the OIG's finding that the Federal Bureau of Investigation (FBI) underreported the amount of funding that remained unspent in fiscal year (FY) 2009, and this underreporting resulted in OJP's Office for Victims of Crime (OVC) awarding more funding from the Crime Victims Fund (CVF) in FY 2010 than it otherwise would have provided to the FBI. The carryover figures provided annually by the FBI to OVC are merely estimates, based on information available at the time they are presented to OVC. This information, to OJP's knowledge, is provided in good faith and is not intended to misrepresent the amount of carryover funding available for the purpose of increasing subsequent years' funding. OVC believes that the new tracking system, implemented by the FBI in FY 2012, as well as the new Management and Program Analyst hired by the FBI's Office for Victim Assistance in 2011, will allow: 1) more accurate tracking and documenting of CVF expenditures; and 2) more accurate annual reporting of CVF expenditures and unspent CVF funds to OVC.

The second point of clarification relates to the OIG's statement that OVC should have required the FBI to provide it with more detailed financial accounting records, as required by the interagency agreement. It should be noted that OVC had previously requested such information, but had not received it. Accordingly, in response to the OIG's request for input into its FY 2012 Workplan for Audits, Evaluations, and Inspections, OJP recommended, on June 21, 2011, that the OIG consider auditing a portion of the CVF to ensure that the funds were properly controlled and expended, specifically because OVC had been unable to obtain complete and adequate accounting data from the FBI and the Executive Office of United States Attorneys. OJP appreciates the OIG's work under this audit and believes the resulting improvements will significantly aid OJP in its oversight of CVF funds.

Thank you for your continued support and assistance. If you have any questions regarding this response, please contact Maureen A. Henneberg, Director, Office of Audit, Assessment, and Management, on (202) 616-3282.

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## APPENDIX IV

### OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The Department of Justice, Office of the Inspector General (OIG) provided a draft of this audit report to the Federal Bureau of Investigation (FBI) and the Office of Justice Programs (OJP). The FBI and OJP responses are incorporated into Appendix II and Appendix III of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

#### **Analysis of FBI and OJP Responses**

The FBI concurred with all three of the OIG's recommendations; as a result, the report is resolved. In its response, the FBI also provided information describing the accomplishments of its Office for Victim Assistance (OVA) during the audit period. While the OIG did not receive any information that suggests the FBI's accounting of these accomplishments is inaccurate, we note here that we did not audit these specific cases and therefore cannot verify the accuracy of the information related to them.

In its response, OJP offered two points of clarification. First, OJP stated that to its knowledge, the FBI provided financial information in good faith without any intention of misrepresenting carryover funding for the purpose of increasing subsequent years' funding. We appreciate OJP's assessment and note that our report does not indicate in any manner that the FBI intended to misrepresent financial reporting to enhance future year's funding. Overall, the OVC believes that a new tracking system and new staffing resources will allow for: (1) more accurate tracking and documenting of CVF expenditures; and (2) more accurate annual reporting of CVF expenditures and unspent CVF funds to OVC.

In its second point of clarification, OJP mentioned the OIG statement that the OVC should have required the FBI to provide it with more detailed financial records, as required by the interagency agreement. OJP indicates that it requested this OIG audit because the OVC had previously requested such information but did not receive it. The OIG statement to which OJP refers was not intended to suggest inaction on the part of the OVC; instead it was intended to highlight the OVC's rights pursuant to the interagency agreement. We acknowledge OJP's request for this audit and greatly

appreciate OJP's continued willingness to offer the OIG work planning ideas annually. We also appreciate OJP's acknowledgement that the OIG's work on this audit will result in improvements that will significantly aid in OJP oversight of CVF funds.

### **Summary of Actions Necessary to Close the Report:**

1. **Resolved.** The FBI concurred with our recommendation to perform analysis for FYs 2010 and 2011, similar to the analysis conducted for FY 2009, to identify and remedy unspent funds, unbilled expenses, and improperly transferred funds and indicated that they have already taken steps to implement remedial actions.

This recommendation can be closed when we receive the completed analysis of FYs 2010 and 2011 accounting information that identifies and remedies unspent funds, unbilled expenses, and improperly transferred funds.

2. **Resolved.** The FBI concurred with our recommendation to implement internal control procedures over the CVF funds to ensure the compliance with all rules, regulations, and guidelines related to the administration of CVF funds. This includes developing year-end closure procedures that ensure unspent CVF funds are transferred back to the FBI OVA account and expenditures are properly reported to the OVC.

This recommendation can be closed when we receive internal control procedures implemented by the FBI that ensure compliance with all rules, regulations, and guidelines related to the administration of CVF funds. This includes developing year-end closure procedures that ensure unspent CVF funds are transferred back to the FBI OVA account and expenditures are properly reported to the OVC.

3. **Resolved.** The FBI concurred with our recommendation to enhance the coordination efforts between the FBI OVA, FBI Finance Division, and OVC to ensure CVF funds are properly tracked and reported. This includes developing procedures to address any future concerns that arise between the OVC and FBI regarding the FBI's compliance with the interagency agreement requirements.

This recommendation can be closed when we receive implemented procedures that enhance the coordination efforts between the FBI OVA, FBI Finance Division, and OVC to ensure CVF funds are properly

tracked and reported. This includes developing procedures to address any future concerns that arise between the OVC and FBI regarding the FBI's compliance with the interagency agreement requirements.