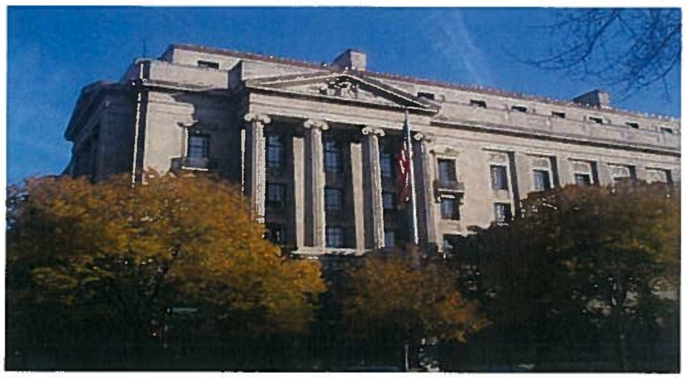

OFFICE FOR JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELIQUENCY PREVENTION
CAL RIPKEN SR. FOUNDATION
COMMUNITY BASEBALL/SOFTBALL PROGRAM
BALTIMORE, MARYLAND

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

Audit Report GR-30-07-003
June 2007

REDACTED – FOR PUBLIC RELEASE

OFFICE OF JUSTICE PROGRAMS
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CAL RIPKEN SR. FOUNDATION
COMMUNITY BASEBALL/SOFTBALL PROGRAM
BALTIMORE, MARYLAND

EXECUTIVE SUMMARY[1]

The Office of Juvenile Justice and Delinquency Prevention (OJJDP) provides national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization. The OJJDP supports states and communities in their efforts to develop and implement effective and coordinated prevention and intervention programs and to improve the juvenile justice system so that it protects public safety, holds offenders accountable, and provides treatment and rehabilitative services tailored to the needs of juveniles and their families. To accomplish this, OJJDP administers financial and technical assistance to communities across the country.

The Office of the Inspector General has completed an audit of grant number 2004-JL-FX-0024 awarded by OJJDP to the Cal Ripken Sr. Foundation (Foundation) under the Juvenile Justice Delinquency Prevention Congressional Earmark Program. The Foundation is a non-profit organization formed in 2001 to create programs (baseball and softball) and facilities that positively impact disadvantaged youth. The OJJDP awarded the grant to the Foundation on September 20, 2004, in the amount of $2,968,350 for 1-year to provide youth with character building, leadership training, and resistance to drugs using baseball as a means to instill the values of responsibility, respect, integrity, and hard work. OJJDP provided two, 1-year supplemental awards dated September 6, 2005, and August 31, 2006, for $2,959,930 and $2,961,964, respectively.

We conducted our audit to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. Additionally, we measured the Foundation's performance against pre-determined benchmarks and evaluated the quantity of the services that the grantee was to provide using the federal funds.

[1] The grantee's response to this report contains the identity of some individuals that may implicate the privacy rights of those individuals. Therefore, the Office of the Inspector General redacted those names to create this public version of the report.

Our audit found that the Foundation generally complied with grant requirements. We determined that the Foundation is in the process of achieving the grant objectives of increasing team sports and expanding physical activity and physical education opportunities for youth; reducing the appeal of drugs, alcohol, and tobacco; and promoting activities that engage and connect youth to their communities. However, the Foundation charged to the grant over $152,000 in either unsupported or unallowable costs:

- The grantee's method of allocating indirect costs to the grant resulted in the grantee claiming over $55,000 in excess indirect costs.

- The grantee included over $90,000 for property that was not included in the approved grant budgets. The most prominent item is an $80,000 Museum Display at Ripken Stadium.

- The grantee charged over $6,400 for dental, vision and long term disability fringe benefits that were not specified in the approved budget.

In addition, the Foundation overestimated its budgeted fringe benefits by more than $18,000. Our report contains 9 recommendations. We discussed the results of our audit with the Foundation officials and have included their comments in the report as applicable.

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INTRODUCTION

The mission of the Office of Juvenile Justice and Delinquency Prevention (OJJDP) is to provide national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization. OJJDP supports states and communities in their efforts to develop and implement effective and coordinated prevention and intervention programs and to improve the juvenile justice system so that it protects public safety, holds offenders accountable, and provides treatment and rehabilitative services tailored to the needs of juveniles and their families. To accomplish this, OJJDP administers financial and technical assistance to communities across the country.

OJJDP awarded the 1-year grant 2004-JL-FX-0024 to the Cal Ripken Sr. Foundation (Foundation) under the Juvenile Justice Delinquency Prevention Congressional Earmark Program. The initial grant was awarded on September 20, 2004, in the amount of $2,968,350. OJJDP provided two supplemental awards dated September 6, 2005, and August 31, 2006, for $2,959,930 and $2,961,964, respectively. The purpose of the grant is to provide youth with character building, leadership training, and resistance to drugs using baseball as a means to instill the values of responsibility, respect, integrity, and hard work.

Background

Today, more than 7 million American youth struggle with poverty, obesity, poor quality of education, the lack of adult role models, or the persistent presence of drugs and violence. The Foundation is a non-profit organization formed in 2001 to create programs (baseball and softball) and facilities that positively impact disadvantaged youth. The Foundation uses baseball and softball taught "The Ripken Way" to develop character and give disadvantaged youth opportunities to succeed. The Foundation works with youth in need to instill leadership qualities, a strong work ethic, sportsmanship, and healthy habits by: (1) providing baseball and softball-themed programs; (2) supplying equipment, funds, and support to organizations and communities seeking to promote youth baseball; (3) training youth coaches; and (4) building "Cal Sr.'s Yard" as the country's finest youth baseball facility in Aberdeen, Maryland.

The lack of physical education or activity opportunities; the appeal of drugs, alcohol, and tobacco; and the lack of positive peer companionship and social interaction are some of the accepted indicators for juvenile delinquency, youth victimization, and crime. In an effort to address these indicators, the Foundation proposed grant objectives to: (1) increase team sports and expand physical activity and physical education opportunities for youth; (2) reduce the appeal of drugs, alcohol, and tobacco; and (3) promote activities that engage and connect youth to their communities. In an effort to meet the grant goals, the Foundation awards numerous sub-awards to various organizations. Specifically the Foundation provides cash awards, equipment grants, Ripken quickball® grants, tournament awards, facility upgrade awards, pass-through awards, and league development awards.[2] Additionally the Foundation holds numerous baseball and softball camps for disadvantaged youth.

Audit Approach

We conducted our audit to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, we applied the Office of Justice Programs Financial Guide (Financial Guide). The Financial Guide serves as a reference manual that assists grant award recipients in their fiduciary responsibility to safeguard awarded funds and ensure funds are used appropriately. We tested:

- **Financial Status and Progress Reports** to determine if the required Financial Status Reports (FSR) and Progress Reports were submitted on time and accurately reflected grant activity.
- **Grant Drawdowns** to determine whether grant drawdowns were adequately supported and if the grantee was managing grant receipts in accordance with federal requirements.

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[2] Equipment grants are donations of baseball or softball equipment by the grantee to qualifying organizations and quickball® grants are donations of up to three quickball sets per grant. Tournament awards are typically small grants to cover registration fees and transportation costs for several days. Facility upgrade awards typically are for $30,000 and are grants to refurbish baseball fields, while pass-through awards typically are for $15,000 and can cover a variety of expenses, but normally cover the salary and fringe benefits of personnel engaged in baseball or softball activity. League development grants are typically awarded for $5,000 or less.

- **Budget Management and Control** to determine if the grantee deviated from the approved budget, and if so, if the grantee received the necessary approval.

- **Grant Expenditures** to determine the accuracy and allowability of costs charged to the grant.

- **Program Income** to ensure that program income generated was used in accordance with the Financial Guide.

- **Monitoring Subrecipients** to determine the adequacy of the sub-grant monitoring policies and procedures.

- **Achievement of Project Objectives** to determine if the agency was able to accomplish its planned programmatic goals using the grant funds.

Our audit objective, scope, and methodology are presented in Appendix I.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

> The Foundation generally complied with the grant requirements. The Foundation is in the process of achieving the grant objectives of increasing team sports and expanding physical activity and physical education opportunities for youth; reducing the appeal of drugs, alcohol, and tobacco; and promoting activities that engage and connect youth to their communities. However, the Foundation charged to the grant over $152,000 in either unsupported or unallowable costs, and overestimated its fringe benefits by more than $18,000.

We performed audit work at the Cal Ripken Sr. Foundation in Baltimore, Maryland, where we obtained an understanding of the accounting and inventory systems and reviewed grant expenditures. In addition, we reviewed grant documents including the application, award, budgets, FSRs, and progress reports. We interviewed key personnel and reviewed the procurement process as well as the grantee's efforts in accomplishing the stated grant objectives. As of September 2006, the grantee requested drawdowns totaling $5.7 million in grant funds, which represents approximately 64 percent of the total federal funds awarded under the grant.

Financial Status and Progress Reports

The Financial Guide states that grantees are to submit both financial and program reports to keep Department of Justice (DOJ) grant monitors abreast of the grantee's financial status and program achievements. These reports describe the status of the funds, the status of the project, comparison of actual accomplishments to the objectives, or other pertinent information. The financial reports contain the actual expenditures and unliquidated obligations as incurred for the reporting period and cumulative for the award. The progress reports, however, present information relevant to the status performance of a plan, program, or project.

Financial Status Reports

The OJP Office of the Controller monitors the financial aspects of the grant through FSRs. According to the Financial Guide, FSRs should be submitted within 45 days of the end of each quarterly reporting period. The Foundation was required to submit a total of nine FSRs from November 2004 to September 2006. We tested the last four required quarterly reporting periods by reviewing the submission date and comparing the reported financial activity to the grantee's accounting records. We determined that the reports were generally submitted timely; however, we determined that the FSRs as of September 30, 2006, were understated by approximately $3,742.

Progress Reports

Progress reports describe the performance of activities or accomplishment of objectives as set forth in the approved grant application. Progress reports are prepared twice a year and are to be submitted within 30 days after the end of the reporting periods, which are June 30 and December 31, for the life of the grant award. The Financial Guide also states that noncompliance with the submission timelines will result in fund draw downs and grant adjustments being withheld. As of September 30, 2006, the Foundation was required to submit a total of four semi-annual progress reports. We confirmed that all four reports were submitted in a timely manner.

We reviewed the most recent 6-month progress report and its supporting documentation in order to determine if the grantee was accurately reporting grantee activity in its progress reports. Source documentation consisted primarily of automated database files which set forth the: (1) numbers of youth organizations, youth, and coaches impacted by grant activities, events, and sub-grant funding; and (2) number and amount of sub-grant awards made. We also reviewed the various application kits and files developed to select disadvantaged youth to attend various grant-funded events. Finally, we reviewed final reports prepared by Foundation staff that set forth the results of grant sponsored events in terms of youth organizations and youth impacted. We found that the grantee generally was accurate in its claim of the number of grant sponsored events, youth organizations participating, and youth impacted.

Grant Drawdowns

The Financial Guide required the Foundation to request funds when project costs are incurred or anticipated. Recipients should time drawdown requests to ensure that federal cash on hand is only the minimum needed to pay for actual or anticipated costs within 10 days. We interviewed the Foundation official responsible for requesting drawdowns and reconciled drawdown requests to actual expenditures.

As of October 2, 2006, the Foundation made 37 drawdown requests totaling $5,660,879. To determine if the Foundation complied with the minimum cash-on-hand requirement, we compared the drawdowns for the grant to the total expenses recorded in the accounting records. Our comparison found that the Foundation generally drew down less than the minimum needed to pay for actual or anticipated costs within 10 days.

Budget Management and Control

The Financial Guide states that when the cumulative changes in approved budget categories exceed 10 percent of the total Foundation grant amount or change the scope of the project, prior approval from the granting agency is required. We compared the Foundation's actual costs to the approved budget and found that the cumulative transfers among budget categories were less than 10 percent.

Grant Expenditures

According to the Financial Guide, allowable costs are those identified in applicable Office of Management and Budget Circulars and the grant program's authorizing legislation. In addition, costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements. As of September 30, 2006, the Foundation reported $5.7 million as the total project costs for the grant. We reviewed direct costs charged to the grant by sampling transactions in three categories – personnel, accountable property, and all other direct costs. We also reviewed indirect costs by verifying the application of the approved indirect rate to the allowable grant costs. We found that the total grant costs included $152,403 in unallowable or unsupported costs. A summary of our testing is noted below.

Summary of Questioned Costs

Category	Grant Costs	Questioned Costs
Personnel costs	$ 651,355	$ -
Dental, Vision and LTD		6,411
Accountable Property	93,417	
Various		90,937
All Other Direct Costs	4,402,506	-
Indirect Costs	546,137	55,055
Total	$ 5,693,415	$ 152,403

Source: Based on Foundation accounting records from inception of grant through September 2006 and results of OIG testing.

Personnel Costs

We reviewed Foundation personnel charges to determine if they were supported and allowable according to the grant requirements. We obtained a listing of all personnel who had labor charged to the grant and compared that listing to the names, positions, and salaries in the approved grant budget. We determined that the grantee had not made any changes to the key personnel without approval from OJP; however, we noted the grantee had made personnel changes to two non-key positions without notifying OJP. According to the Special Conditions in Supplement 1, changes in program personnel, other than key personnel, require notification to OJP and submission of resumes. Therefore, because the Foundation did not submit the required notification and resumes required for the substitutions, they are not in compliance with the Special Conditions of Supplement 1; however, there was no financial impact to the noncompliance.

We selected a random sample consisting of payments for two non-consecutive pay periods totaling $9,884 and $10,054 respectively.[3] We validated the employee time charges to time reports and the hourly rate to supporting documentation provided by human resources. We did not take exception to the tested labor, but during our review we noted that the grantee had included $14,022 of accrued bonuses in the fiscal year (FY) 2005 charges to the grant. We inquired about the accrued bonuses and the Foundation officials stated that charging of bonuses to the grant was an oversight and the transaction would be reversed out of the grant expense general ledger account. The grantee provided copies of journal entries removing the accrued bonus costs from the grant and we were informed by the Foundation that these reversing entries will offset future drawdown requests.

[3] We tested pay periods ending February 3, 2006, and April 28, 2006.

In comparing the estimated fringe benefits in the approved budgets to the incurred fringe benefits listed in the general ledger we noted that the actual charges were significantly lower than the estimates. One of the reasons for the significant difference was calculation errors in the approved budgets. The original and two award supplements overestimated the fringe benefits by $18,646.[4] We recommend OJP deobligate $18,646 due to the calculation error.

Additionally, the approved budget estimated a total 401k contribution of $11,247 and workman's compensation costs of $23,518. As of September 30, 2006, the grantee had not changed any 401k costs to the grant and only charged one payment of $1,038 for workman's compensation. We inquired about the lack of 401k costs and the single workman compensation charge. The Foundation originally stated they chose not to allocate 401k costs to the grant. However, later they provided us a copy of a journal entry that charged $13,156 in 401k costs to the grant for FYs 2004-2006. Further, they originally stated that they had some difficulties getting the proper allocation for the workman's compensation plan and have just recently resolved the allocation issue as part of the 2006 workman's compensation audit. Again the grantee provided us a copy of a journal entry that charged the grant an additional $1,263 in workman's compensation costs to the grant for FYs 2004-2006. We recommend OJP review the charges for the 401k and workman's compensation charges prior to grant closeout.

In determining if the fringe benefits charged to the grant corresponded to the approved fringe benefits, we compared the fringe benefits listed in the approved budget to those fringe benefits included in the grant general ledger account. We found that the Foundation was expensing dental, vision, and long term disability insurance premiums against DOJ grant funding. The original grant budget does not specify dental, vision, or long term disability insurance as allowable fringe benefit costs but specifies only health, life, 401k, workman's compensation, and payroll taxes (FICA and unemployment insurance). The grantee stated that all medical, dental, vision, and long term disability are billed on an invoice from Kelly & Associates and OJJDP approved these benefits and never requested a breakout of the individual fringe benefits. Further, the grantee could not breakout the costs by fringe

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[4] The approved budgets for the original and two supplemental awards contained overestimated fringe benefits of $9,463, $8,903, and $280 respectively for a total of $18,646. The approved budgets applied a 19 percent rate instead of the calculated fringe benefit rate of 18.92 percent to the base labor costs. Additionally for the original award and the first supplemental award, the budget included the fringe benefit costs for the Accountant, Intern, and Event Manager twice.

benefit type (medical, dental vision and long term disability). We estimate that the grant includes $6,411 of dental, vision, and long term disability charges. Based on our review of the approved budget we could not determine if the fringe benefit "health" includes dental, vision and long term disability and recommend that OJP clearly identify what fringe benefits it approved.

Accountable Property

The Financial Guide requires that property acquired with federal funds be adequately protected from loss, maintained via serial number or other identification number, identification of title holder, location of the property and records that indicate the use and condition of the property. Additionally, the Financial Guide specifies allowable costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements.

The Foundation provided a listing of property purchased with grant funds. We physically verified all the listed property except one camera that was stolen. We noted that some computers were labeled with Cal Ripken Baseball, Inc., property numbers, while others were not. We questioned the Foundation accountant, about the property numbers and she indicated the tags were previously used to keep track of the computers; however, they do not tag the computers anymore. Further, the Director of Grants and Programs explained that there is no mechanism for signing portable accountable property like laptop computers and cameras in or out. We believe the absence of property tags and control procedures places grant purchased assets at greater risk of being lost or stolen.

We compared the listing of property to the grant approved budgets to determine if the property purchased was an approved expenditure. As shown in the following table, the grant budgets approved the purchase of the 2 laptops, but the Foundation was not approved to purchase $90,937 in other property:

Questioned Accountable Property

Accountable Property Purchased with Grant Funds	Verified to Grant Budget	Dollar Amount	Unallowable
Museum Display	No	$ 79,517	$ 79,517
Camera – Stolen	No	776	776
Camera – Replacement[5]	No	384	384
Laptop	Yes	827	
Laptop	Yes	1,653	
Printer – Headquarters	No	205	205
Printer – Aberdeen	No	608	608
Equipment Transport Vehicle	No	6,679	6,679
Program Exhibit Display	No	1,968	1,968
Scoreboard – Aberdeen	No	800	800
Totals		$ 93,417	$ 90,937

Source: Foundation general ledgers for CYs 2004-2006 and Budget detail

The grantee disagreed with the questioned museum display. The Foundation wanted to have a temporary exhibit at Ripken Stadium so that youth can learn some local baseball history, including the heritage of several Maryland athletes that played in the Negro Leagues as well as the Ripken legacy. According to the Foundation, it requested permission from OJJDP to use grant funds to construct a "temporary exhibit" at Ripken Stadium since the Ripken Museum in Aberdeen was closed and the new location for the museum, in the Foundation's youth stadium (Cal Sr.'s Yard), is not complete. However, the grant manager never responded to its request to use grant funds to build the display, and the Foundation interpreted OJJDP's silence as approval to build the exhibit.

While the grantee attempted to secure approval for the museum display, we have no documentation indicating the OJJDP grant manager approved the expenditure. Further, we do not believe that the exhibit should be allocated to the grant. As shown in the below picture, the exhibit appears to be a permanent fixture on the club level of Ripken Stadium rather than a temporary exhibit. Regardless of whether the exhibit will be moved to a new location or remains at Ripken Stadium, we believe the cost should have been allocated to the museum, Cal Sr.'s Yard, or Ripken Stadium, but not the grant given the award's goals and objectives.

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[5] According to the Financial Guide, Part III, Chapter 6, recipients are responsible for replacing or repairing property that is willfully or negligently lost, stolen, damaged, or destroyed. Any loss, damage, or theft of the property must be investigated and fully documented and made part of the official project records.

Display at Ripken Stadium Facility

Source: OIG

As a result of the issues we identified, we are questioning $90,937 in unallowable expenditures, including the $79,517 museum display.

Other Direct costs

The grantee charged $4,402,506 of other direct costs to the grant. Other direct costs included, travel, storage fees, equipment purchases, telecommunications charges, and grants to sub-recipients. We selected a sample of 51 transactions charged to the grant to determine if they were supported, allowable, and in compliance with the terms and conditions of the grant. Twenty-eight items were the highest dollar transactions and the remaining 23 items were randomly selected.[6] The selected sample totaled $1,444,615 of total costs which is 33 percent of the total other direct costs. All the transactions we tested were allowable and supported.

[6] We selected all transactions $30,000 or greater for our high dollar sample and judgmentally selected the remaining 23 transactions.

Indirect Costs

The Financial Guide states that if a recipient does not have an approved indirect cost rate, funds budgeted for indirect costs will not be recoverable until a rate is approved. OJP provided the Foundation with a negotiated agreement that specified final indirect cost rate of 14.40 percent and 12.38 percent for calendar years (CY) 2004 and 2005 respectively, and a provisional rate of 12.38 percent for CY 2006. The negotiated agreement stipulated that the base is total direct costs excluding capitalized equipment, pass-through funds, and the portion of each contract or sub-grant in excess of $25,000.

In reviewing the amount of indirect costs allocated to the grant we noted that the Foundation recorded $546,137 in the general ledger as of September 2006. From our review of the general ledger detail report it appears that the grantee was charging a flat amount of approximately $22,750 per month for indirect costs. We determined the allowable indirect costs by applying the approved final or provisional rates to the appropriate annual allowable direct costs. We excluded capitalized equipment, pass-through funds, and the portion of each contract or sub-grant in excess of $25,000 from the allowable direct costs for each year. We compared the claimed cost of $546,137 to the determined indirect costs and identified $55,055 as questioned indirect cost as shown in the chart below:

Summary of Indirect Costs Review

	Claimed	Determined	Unallowable
CY 2004	$ 0	$ 49,524	$(49,524)
CY 2005	364,000	217,934	146,066
CY 2006	182,137	223,624	(41,487)
Total	$ 546,137	$ 491,082	$ 55,055

Source: Based on grantee accounting records from inception of grant through August 2006 and the negotiated indirect cost agreement

Program Income

The Financial Guide defines program income as income generated as a direct result of an agency-funded project. Therefore, the program income must be used for the purposes and under the conditions applicable to the award. We determined that the Foundation did not earn any program income.

Monitoring Subrecipients

Primary grant recipients are responsible for monitoring subrecipient activities to provide reasonable assurance that federal awards are administered in compliance with federal requirements. We determined that the Foundation did not have reporting requirements for all type of sub-awards and therefore could not ensure that all fiscal and programmatic responsibilities were met. The Foundation's grant manager stated that they were not required to develop reporting requirements for sub-grantees; however, the Foundation instituted financial and progress reporting for certain types of grant awards. The Foundation requires a progress report and final FSR for field upgrade, pass-through, and league development awards. The Foundation also requires a final progress report for equipment grants, but has no reporting requirements for quick ball grants or tournament awards. The Foundation, however, noted that some sub-grantees were not submitting the required FSRs or progress reports. As a result, it recently instituted a policy to withhold at least 15 percent of cash awards until sub-grantees submit the required final FSR and progress report.

Additionally, the Financial Guide requires funds to be disbursed over time as project costs are incurred or anticipated rather than in a lump sum so that federal cash on hand is kept to a minimal balance. We determined that the Foundation was awarding sub-grants as a lump sum payment, which is not in compliance with the Financial Guide. The Foundation awarded 147 cash awards totaling more than $1.4 million during CYs 2005 and 2006.

Finally, the grantee is to ensure that all subrecipients comply with the audit requirements outlined in the Financial Guide; specifically, the grantee is responsible for ensuring that subrecipient audit reports are received and audit findings are resolved. We noted that the Foundation requested the sub-grantee applicant's most recent audited financial statements or, if not available, a copy of the most recent IRS Form 990 or 990EZ.[7] However, if a sub-grant applicant did not submit audited financial statements, the Foundation did not make an attempt to determine whether the applicant was required to have such an audit.

[7] In reviewing a sample of subrecipient cash awards we noted 4 of 17 that did not contain audited financial statements but instead used IRS form 990. Of the four that did not file audited financial statements, two were Boys & Girls clubs that filed single audit reports with the Federal Audit Clearinghouse in the year prior to award.

Program Assessment

According to the grant application, youth, especially those from disadvantaged circumstances, must overcome many obstacles on their path to a successful, productive future. To assist in steering youth from crime and violence and onto the path of a productive life, the grant application outlined three goals: (1) increase team sports and expand physical activity and physical education opportunities for youth; (2) reduce the appeal of drugs, alcohol, and tobacco; and (3) promote activities that engage and connect youth to their communities. In reviewing the Foundation progress reports and validating a sample of the data to supporting documentation we verified the Foundation is providing physical education and activity to disadvantaged youth. Further we validated the Foundation is providing literature and discussion to youth on a healthy lifestyle and encouraging positive peer interaction through baseball and softball camps.

In June 2006, OJJDP and the Foundation met to discuss enhancements to the Foundation's performance measurement design that would take effect in 2007.[8] With the creation of an on-line performance measurement reporting system, OJJDP requested that the Foundation develop measurements in regard to grant goals, objectives, and program activities. The goals, objectives, and activities formed the basis for a grant logic model to address the grant's performance components. In response to OJJDP's request, the Foundation is in the process of changing their progress reporting from reporting on the completion of goals and objectives to analyzing the change in program participants' behavior. This development allows OJJDP and the Foundation to attempt to measure the grant awards' impact on juvenile delinquency.

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[8] OJJDP required that earmarked award recipients receiving funds in excess of $250,000 begin performance measurement reporting based upon the award's performance components. Due to the novelty of the performance measurements incorporated by OJJDP and award recipients, OJJDP does not expect to receive extensive data during the first phases of performance reporting, but will examine the reporting for evidence of progress toward recipient's goals, objectives, and program activities.

In light of the newly developed logic model for performance measurement, the grant application stated that the Foundation is developing three tools to evaluate the impact of the grant program. These tools were expected to: (1) measure the impact camps have on participants, (2) examine the effectiveness of training, and (3) develop comprehensive monitoring for sub-grantees.[9] The Foundation has established an agreement with the Center for Applied Research and Technical Assistance (CARTA) in Baltimore, Maryland, to develop survey tools, analyze the data for areas of efficacy and improvement, and produce evaluations concerning changes in participant's social competency. Social competency involves juvenile development in the areas of attitude, confidence, and self-esteem, among others; all factors that potentially influence juvenile delinquency. The Foundation has sought to measure its programs' success in achieving the above mentioned goals, not only with participant surveys, but education program feedback, and statistical analysis of sub-grantee or participant data. To supplement the evaluations, the Foundation works hand-in-hand with sub-grant recipients in the distribution of sub-granted award materials, including equipment or *Ripken Quickball®* sets and baseball or softball coaching guidance materials.[10]

We assessed the Foundation's measurements by: (1) evaluating the scope of the Foundation's surveys by interviewing key personnel; (2) reviewing the distribution of the surveys to program participants via a sample set; (3) speaking with sub-grant recipients and Foundation staff to determine whether or not disadvantaged youth, prone to delinquency, were receiving assistance from the Foundation's programming; and (4) collecting testimony regarding the sub-grant recipient's satisfaction with the Foundation's programming. We determined that the Foundation is satisfactorily monitoring performance in these areas while expressing a commitment to developing best practices in the measurement of juvenile development.

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[9] According to the Foundation's grant award special conditions, the grantee is required to indicate, in qualitative terms, performance measurement results incorporated into the award within semi-annual categorical assistance progress reports. With the approval of the current award supplement on September 7, 2006, the Foundation will be required to submit OJJDP-approved performance measure data via the OJJDP's Performance Measure website.

[10] Ripken Quickball® is a fast-paced game introduced in 1999 that is fun, easy to play, and accessible. Quickball® is played with a QuickWall™ indoor/outdoor stadium fence, lightweight balls and a bat, foul poles, fence stakes, and an AutoUmp. Quickball® can be played inside a gym or outside on a field, and it is appropriate for youth of all ages and skill levels.

Recommendations

We recommend that OJP:

1. Ensure that the Foundation implements procedures for identifying and complying with the grant's Special Conditions (e.g., seeking prior approval for changes to personnel).

2. Ensure the $14,022 in accrued bonuses offset future draw down requests.

3. Deobligate the $18,646 of grant funds based on a fringe benefit calculation error on the original and supplemental award budgets.

4. Ensure the $13,156 401k and $1,263 workman's compensation charges to the grant are accurately calculated.

5. Remedy the $6,411 in questioned vision, dental, and long term disability fringe benefits.

6. Remedy the $90,937 in questioned accountable property costs.

7. Remedy the $55,055 in questioned indirect costs.

8. Require that the Foundation develop procedures for monitoring subrecipients to ensure that all required fiscal and programmatic responsibilities are met, including compliance with cash management and audit requirements.

9. Ensures that the grantee implements adequate procedures to identify and track grant accountable property.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. Additionally, we measured the Foundation's performance against pre-determined benchmarks and evaluated the quantity of the services that the grantee was to provide using the federal funds.

We performed the audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly included such tests of the records and procedures that we considered necessary. Our audit concentrated on, but was not limited to, the inception of the grant through September 30, 2006. The grant audited was numbered 2004-JL-FX-0024.

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the 2005 Office of Justice Program's Financial Guide and specific guidance. We tested the Foundation's grant activities in the following areas: (1) financial status and progress reports, (2) grant drawdowns, (3) budget management and control, (4) grant expenditures, (5) program income, (6) sub-recipient monitoring, and (7) program performance measures.

Stout, Causey, and Horning, P.A., an independent Certified Public Accountant, conducted an audit under the provisions of Office of Management and Budget Circular A-133. The audit was of CY 2005 and was, issued March 9, 2006. We reviewed the independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to the grantee or federal programs. The independent auditor's assessment disclosed no such weaknesses or issues related to the Foundation.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:	**AMOUNT**	**PAGE**
Fringe Benefits	6,411	7
Accountable Property	90,937	7
Indirect Cost	55,055	7
TOTAL QUESTIONED COSTS	**$152,403**	
FUNDS TO BETTER USE		
Overestimated Fringe Benefits	$18,646	8

QUESTIONED COSTS are expenditures that do not comply with legal, regulatory or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

FUNDS TO BETTER USE are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations.

GRANTEE RESPONSE TO THE DRAFT REPORT

CAL RIPKEN, SR. Foundation

June 1, 2007

Troy Meyer, Regional Audit Manager
Washington Regional Audit Office
US Department of Justice
Office of Inspector General
1300 North 17th Street, Suite 3400
Arlington, VA 22209

Dear Mr. Meyer:

As requested in your May 8, 2007 letter, the Cal Ripken Sr. Foundation (Grant Number 2004-JL-FX-0024) is responding to the draft audit report within the 21 business days.

As indicated in the report, there are three main areas of under findings and recommendations that the auditors have noted as either unsupported or unallowable costs.

- Method of allocating indirect costs to the grant, \$55,055
- Questioned property charged to grant, \$90,937
- Dental, vision and long term disability fringe benefits charged to grant, \$6,411

The specific audit recommendations from Inspector General's auditors are below followed by the Foundation's response with actions taken or justifications.

1. **Recommendation:** Ensure that the Foundation implements procedures for identifying and complying with the grant's Special Condition number 9 (e.g., seeking prior approval for changes to personnel).
   Response: As of April 24, 2007, the Foundation met this requirement to comply with Special Condition number 9 in the document sent to [redacted] Program Manager, by [redacted], Director of Grants and Programs. In the document, all personnel changes that had occurred since November 2004 were outlined with names, positions and dates of service. (See copy attached)

2. **Recommendation:** Ensure the \$14,022 in accrued bonuses offset future draw down requests.
   Response: In January 2007, \$12,999.82 was reversed out of grant salary expense with the remainder of \$1,021.74 being reversed in March 2007. (Copy of JE's attached) All grant draw down requests are on a cumulative basis; therefore, the reversal of the expense reduced the draw down accordingly.

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3. **Recommendation:** Deobligate the $18,646 of grant funds based on a fringe benefit calculation error on the original and supplemental award budgets.
Response: As part of the Foundation's monthly review of actual expenditures to budget, the Foundation reallocated funds from the fringe benefits line to programmatic cost categories, within the approved budget. All reallocations have been less than the 10% allowable budget adjustments. Therefore, these funds have been obligated in different cost categories as allowable costs.

4. **Recommendation:** Ensure the $13,156 401k and $1,263 workman's compensation charges to the grant are accurately calculated.
Response: In an email to [redacted], dated April 5, 2006, [redacted], the Foundation Accountant, provided all the appropriate documentation and recorded these costs to the grant in March 2007. (Copy of email and JE attached) All grant draw down requests are on a cumulative basis; therefore, the proper calculation of the expense increased the draw down accordingly.

5. **Recommendation:** Remedy the $6,411 in questioned vision, dental and long term disability fringe benefits.
Response: Included in health benefits, although not articulated in detail in the budget narrative, these costs are assumed as part of the Foundation's health care coverage benefits. During the budget review, OJP never questioned nor requested further detail of the health benefits line which stated (4.11%) of salaries as the budgeted amount. This line was approved by OJP as submitted.

6. **Recommendation:** Remedy the $90,937 in questioned accountable property costs.
Response: The most significant item that is being questioned is a **museum display worth $79,517**. The budget narrative that was included in with the 2005 grant application included the following language, "Partner with the Ripken Museum, Aberdeen Ironbirds and local schools to teach 100 elementary and middle school students the history of baseball with an element on the Negro League and the role of African Americans in the game; learn about running a minor league stadium, and career opportunities through sports through tours of Ripken stadium and museum exhibits". In addition to the language in the grant application, [redacted] Director of Grants and Programming also requested direct approval through the Foundation's OJJDP Program Manager, [redacted] via email dated January 4, 2005, indicating if no response was provided, the Foundation would move forward with this program and building of the educational exhibit. (Copy of email attached).
The Foundation continues to use this educational display with disadvantaged youth attending Foundation character development camps in Aberdeen. The Boys and Girls Clubs of Harford and Cecil County also have access to this display to provide educational and career development workshops for their youth members.
The questioned **costs of the camera and camera replacement** in the amount of $1,160 were a necessary cost to document camp and program activities in Aberdeen and remote locations. The second camera was to replace the original camera which was stolen during a camp in Philadelphia. The Foundation believes that in this age of digital

information and web-based information sharing that this was a reasonable and allowable cost.
Included in the Foundation budget, is a category for computers from which funds were used to purchase **two printers**. The Foundation interpreted this line item to include the accessories, i.e. printers, needed to allow complete functionality for program staff in the main office in Baltimore as well as the satellite office at our camp facility in Aberdeen. The Foundation feels this cost of $813 to be reasonable and allowable computer related expenditure.
In 2005, The Foundation realized that there was a significant need for an **equipment transport vehicle** to carry camp supplies and equipment from the storage facility; which is kept locked in order to secure the equipment and supplies utilized for program operations and are located at Ripken Stadium approximately ¼ mile from the field. Prior to 2005, The Foundation borrowed equipment transport vehicle from Ripken Amateur Baseball; however, as their programs expanded, the opportunity of their transport vehicle became unavailable. Due to the clear program related nature of this need as well as the small dollar amount $6,679 (under 10%), we did not request prior approval for this purchase. The Foundation feels this is a reasonable and allowable program expenditure.
The Foundation purchased a **program exhibit display** for $1,968 with grant funds that was not specifically requested in the grant budget. This display is used at educational conferences to provide information regarding the Foundation programming as well as during other youth related events and conferences to further the mission of the Foundation to expand and reach more disadvantaged youth. The Foundation feels this is a reasonable and allowable expenditure.
The last item under questioned accountable property is an $800 **scoreboard** used in Aberdeen. This was not a grant related expenditure and has been removed from the grant records. (Copy of JE attached).
In summary, the Foundation feels that $90,137 of the $90,937 questioned costs are reasonable and allowable as grant expenditures.

7. **Recommendation:** Remedy the $55,055 in questioned indirect costs.
Response: The largest portion of the questioned indirect costs relates to the sub-grant funds that are given to various Boys & Girls Clubs for ongoing local character development programming with disadvantaged youth, all of which are under $25,000. The Foundation is taking the position that these are sub-grant awards and are allowable up to $25,000 as direct costs of the grant to be included in the indirect cost calculation as defined in the letter from [redacted] dated 11/6/06. The OJP recommendation treated all of these grants as pass-thru contract and as such entirely excluded them from the direct costs base in the indirect cost calculation. The first indirect cost negotiated agreement the Foundation received April 15, 2005 contained language under Section I: RATES that excluded "capitalized equipment and subcontracts." The Foundation disagreed with that language as the program grants were mistakenly characterized as pass through subcontracts when in actuality the subgrants provided were directly associated with programming. The Foundation asked OJP to reconsider the language and revise the negotiated agreement, which they did. On September 15, 2006, OJP issued a new Indirect Cost Negotiated Agreement with a Filing Ref. stating the "This document replaces the negotiated agreement dated April 15, 2005. In the September 15th agreement

the new language under Section I: RATES reads as follows: "Total direct costs excluding capitalized equipment, pass through funds and the portion of each contracts/subgrant in excess of $25,000.
Please see the attached detailed spreadsheet for calculations of the questioned indirect costs and the Foundation's response. The Foundation believes the $55,055 in questioned indirect costs as unallowable is actually an additional $136,700 of indirect costs that could be charged to the grant.

8. **Recommendation:** Require that the Foundation develop procedures for monitoring subrecipients to ensure that all required fiscal and programmatic responsibilities are met, including compliance with cash management and audit requirements.
Response: The Foundation has developed a new policy to address compliance with cash management and audit requirements as a result of the 2006 audit and preliminary exit interview. The new policy ensures that subrecipients are compliant with all required fiscal and programmatic reports before they are issued final payment/reimbursement of grant funds. (See copy of policy attached.)

9. **Recommendation:** Ensures that the grantee implements adequate procedures to identify and track grant accountable property.
Response: As a result of the 2006 audit, the Foundation implemented a new procedure to ensure that grant accountable property is adequately tracked. The responsibility of the new tracking system is housed under the job function of the Foundation's Administrative Assistant who monitors program staff use of said property. (See copy of policy attached.)

Thank you for allowing the Foundation to respond in good faith to the recommendations put forth as a result of the Inspector General's audit. Please feel to contact me if there are any questions or concerns, or if further documentation is required.

Sincerely,

Steve Salem
Executive Director

Cc: [redacted]
Robbie Callaway, Chair

APPENDIX IV

OJP RESPONSE TO THE DRAFT REPORT

U.S. Department of Justice

Office of Justice Programs

Office of the Chief Financial Officer

JUN 0 7 2007

Washington, D.C. 20531

MEMORANDUM TO: Troy M. Meyer
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

FROM: Marcia K. Paull
Chief Financial Officer

SUBJECT: Response to the Draft Audit Report of the Office of Justice Programs – Office of Juvenile Justice and Delinquency Prevention (OJJDP) Grant awarded to the Cal Ripken Sr. Foundation Community Baseball/Softball Program, Baltimore, Maryland-Grant Number 2004-JL-FX-0024

This memorandum is in reference to your correspondence dated May 8, 2007, transmitting the above referenced draft audit report for the Cal Ripken, Sr. Foundation Community Baseball/Softball Program (the Foundation). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **nine** recommendations, **$152,403** in questioned costs and **$18,646** in funds to better use. The following is our analysis of the audit recommendations.

1. **Ensure that the Foundation implements procedures for identifying and complying with the grant's special conditions (e.g., seeking prior approval for changes to personnel).**

   We agree with this recommendation. We will follow up with the Foundation to ensure they implement procedures for identifying and complying with all future award special conditions. Additionally, the OJJDP provided a response stating that the Foundation has submitted a Grant Adjustment Notice (GAN) seeking approval for the changes in the personnel category. The GAN is currently being processed.

2. **Ensure the $14,022 in accrued bonuses offset future draw down requests.**

   We agree with this recommendation. We will follow up with the Foundation to ensure they offset future draw down requests by $14,022.

3. **Deobligate the $18,646 of grant funds based on a fringe benefit calculation error on the original and supplemental award budgets.**

   We agree with this recommendation. We will coordinate with the Foundation to determine the correct fringe benefit amounts for the original and supplemental award budgets. After a review of the fringe benefit calculation, we will deobligate the incorrect amount.

4. **Ensure the $13,156 401k and $1,263 workman's compensation charges to the grant are accurately calculated.**

   We agree with this recommendation. We will follow up with the Foundation to ensure that the $13,156 401k and $1,263 workman's compensation charges to the grant are accurately calculated. Additionally, OJJDP will ensure that the calculations are reviewed prior to closing out the grant.

5. **Remedy the $6,411 in questioned vision, dental, and long term disability fringe benefits.**

   We agree with this recommendation. We will follow up with the Foundation to remedy the $6,411 in questioned vision, dental, and long term disability fringe benefits.

6. **Remedy the $90,937 in questioned accountable property cost.**

   We agree with this recommendation. We will coordinate with the OJJDP and the Foundation to remedy the $90,937 in questioned accountable property costs. The OJJDP provided a response stating that the questioned accountable property costs are unallowable, given the scope of the project. The costs of construction for a temporary exhibit should not be charged to the grant. We will ensure that the Foundation returns the funds to the Office of Justice Programs (OJP), and adjusts their Financial Status Reports (FSRs) and grant accounting records, accordingly.

7. **Remedy the $55,055 in questioned indirect costs.**

   We agree with this recommendation. We will follow up with the Foundation to remedy the $55,055 in questioned indirect costs.

8. **Require that the Foundation develop procedures for monitoring subrecipients to ensure that all required fiscal and programmatic responsibilities are met, including compliance with cash management and audit requirements.**

   We agree with this recommendation. We will follow up with the Foundation to ensure they develop procedures for monitoring subrecipients to ensure that all required fiscal and programmatic responsibilities are met, including compliance with cash management and audit requirements.

9. **Ensure that the grantee implements adequate procedures to identify and track grant accountable property.**

We agree with this recommendation. We will follow up with the Foundation to ensure they implement adequate procedures for identifying and tracking grant accountable property.

We appreciate the opportunity to review and comment on the draft report. We will continue to work with the grantee to address the recommendations. If you have any questions or require additional information, please contact Crystal Wilkerson of my staff at (202) 616-2928.

cc: Richard P. Theis
Assistant Director
Audit Liaison Group

J. Robert Flores
Administrator
Office of Juvenile Justice and Delinquency Prevention

Marilyn Roberts
Audit Liaison, Deputy Administrator for Programs
Office of Juvenile Justice and Delinquency Prevention

Eric Stansbury
Program Manager
Office of Juvenile Justice and Delinquency Prevention

OJP Executive Secretariat
Control Number 20071390

APPENDIX V

ACTIONS NECESSARY TO CLOSE THE REPORT

The OIG provided a draft of this audit report to the Foundation and OJP for their review and comment and their responses are incorporated as Appendices III and IV of this final report. OJP concurred with all of our nine recommendations, therefore all recommendations are considered resolved. This appendix presents the actions necessary to close the recommendations. Additionally, we closed recommendation number 9 based on the Foundation's submission of adequate procedures for tracking accountable property.

Recommendation Number:

1. **Resolved**. On April 24, 2007, the Foundation notified OJJDP of its personnel changes. In order to close this recommendation, OJP should provide us with the Foundation's procedures for identifying and complying with all future award special conditions.

2. **Resolved**. The Foundation provided a copy of its General Ledger Detail Report reversing out of grant salary expense $14,022. In order to close this recommendation, OJP should provide documentation that shows the $14,022 of accrued bonuses offset future drawdown requests.

3. **Resolved**. In its response, the Foundation stated it reallocated funds from the fringe benefits line to programmatic cost categories, within the approved budget. According to the Foundation, because all reallocations were less than the 10 percent allowable budget adjustments, the funds have been properly obligated in different cost categories. Our audit noted that the Foundation's approved budgets were overstated due to what appears to be a mathematical error. Therefore the $18,646 is not a valid cost of the grant. In order to close this recommendation, OJP should provide documentation that it reviewed the Foundations fringe benefit calculation, and deobligated the incorrect amount.

4. **Resolved**. In its response the grantee provided the journal entries reflecting the charges for 401k and workman's compensation; but since these adjustments occurred after we performed audit work on site, we were not able to validate the dollar amount or allocation of costs to the grant. In order to close this recommendation, please provide us with documentation that the $13,156 of 401k costs and $1,263 of workman's compensation costs were accurately calculated.

5. **Resolved**. In its response, OJP stated it will followup with the Foundation to remedy the $6,411 in questioned vision, dental, and long term disability fringe benefits. In order to close this recommendation, OJP should provide us documentation on how it remedied the $6,411 in questioned vision, dental, and long term disability fringe benefits.

6. **Resolved**. This recommendation pertains to eight property items that we questioned as unallowable, the most significant of which was an $80,000 museum display. In its response, the Foundation stated that it believed that $90,137 of the $90,937 questioned costs are reasonable and allowable as grant expenditures. The Foundation acknowledged that the $800 scoreboard was not a grant expenditure and has removed the cost of the scoreboard from the grant records.

   In its response, OJP stated it will coordinate with OJJDP and the Foundation to remedy the questioned costs. The response indicated that the questioned property costs are unallowable, and that the costs of construction for a temporary exhibit should not have been charged to the grant. OJP stated that it will ensure that the Foundation returns the funds, and adjusts their FSRs and grant accounting records accordingly.

   This recommendation can be closed when we review documentation showing that the Foundation returned to OJP the unallowable grant funds, and made appropriate adjustments to their FSRs and grant accounting records.

7. **Resolved**. In its response the grantee indicated that the grants to Boys & Girl's clubs should not be excluded from the indirect cost base because they are not in reality pass through grants. However, the grantee's own accounting records indicate account *6505-G2-740 Pass-through grants to B&G clubs*. Further, the grantee's calculation of indirect costs includes the OIG questioned cost in the indirect cost base. We believe we have accurately calculated the indirect costs based on the negotiated agreement dated September 15, 2006. In order to close this recommendation, please remedy the $55,055 in questioned indirect costs.

8. **Resolved**. In its response, the Foundation stated that it has developed a new policy to address compliance with cash management and audit requirements as a result of the 2006 audit and preliminary exit interview. However, we are unclear as to whether the policy attached to the Foundation's response was its final policy or just a description of its policy. In order to close this recommendation, please provide us with the Foundation's procedures for monitoring subrecipients to ensure that all required fiscal and programmatic responsibilities are met, including compliance with cash management and audit requirements.

9. **Closed**. We consider this recommendation closed based on the grantee submission of adequate procedures for tracking accountable property.