



United States Department of Justice
Office of the Inspector General
Audit Division

AUDIT REPORT

MISSING CHILDREN'S ASSISTANCE
GRANT NUMBER 2000-MC-CX-K021
ADMINISTERED BY THE
NATIONAL CENTER FOR MISSING AND
EXPLOITED CHILDREN
ALEXANDRIA, VIRGINIA

GR-30-04-002

January 20, 2004

OFFICE OF THE INSPECTOR GENERAL
WASHINGTON REGIONAL AUDIT OFFICE
1425 NEW YORK AVENUE, NW, SUITE 6100
WASHINGTON, DC 20530

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EXECUTIVE SUMMARY

The Office of the Inspector General, Audit Division, has completed an audit of the Missing Children's Assistance, School Resource Officer, grant awarded by the U.S. Department of Justice, Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention to the National Center for Missing and Exploited Children (NCMEC). The purpose of this grant is to develop standards for School Resource Officers (SRO) and develop and conduct SRO training nationwide. Between June 26, 2000 and August 14, 2002, the NCMEC was awarded a total of \$10,993,363 of which Fox Valley Technical College was authorized to receive \$8,411,398 as a single-source provider.

We reviewed the NCMEC's accounting records to determine whether the grantee adhered to all financial and administrative conditions of the grant award and if costs charged to the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the agreement.

We found that the NCMEC complied with the OJP grant requirements. Our audit revealed that adequate controls were taken over the accounting process and records relating to the grant. We determined that costs claimed for reimbursement were allowable, supported, and in accordance with applicable laws, regulations, guidelines and terms and conditions of the grant.

Our audit objectives, scope, and methodology appear in Appendix I.

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INTRODUCTION

The Office of the Inspector General, Audit Division, has completed an audit of the Missing Children's Assistance, School Resource Officer, grant awarded by the U.S. Department of Justice (DOJ), Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP) to the National Center for Missing and Exploited Children (NCMEC) located in Alexandria, Virginia. The purpose of this grant is to develop standards for School Resource Officers (SRO) and develop and conduct SRO training nationwide. Between June 26, 2000 and August 14, 2002, the NCMEC was awarded a total of \$10,993,363 to ensure that SROs have the necessary tools, resources, and skills to perform their functions and duties in a comprehensive and effective manner.

We performed audit work at the NCMEC where we obtained an understanding of the NCMEC's accounting and procurement systems, and we reviewed grant expenditures. In addition, we reviewed grant documents including the application, grant awards, budgets, financial status reports, and progress reports. We also interviewed key individuals regarding grant activities, and determined the NCMEC has no program income or matching fund requirement. As of July 31, 2003, the NCMEC's records showed a total of \$6,211,075 in grant related costs, of which the OJP reimbursed \$6,114,000 (98.4 percent) through July 31, 2003.

Background

One response to the recent increase in school violence and crime as well as increased concern about the safety of students, teachers, and school administrators is the proliferation of law enforcement officers on schools and campuses throughout the country. The SRO programs have been established nationwide to provide increased security to schools, prevent or reduce the incidence of school crime and violence, and improve police-youth relations. These programs have resulted in the assignment of thousands of SROs to schools and campuses across the country. Many of these SROs are not familiar with, adequately trained in, or fully equipped to work in school settings or in the larger juvenile-justice and community settings.

To ensure that SROs have the necessary tools, resources, and skills to perform their functions and duties in a comprehensive and effective manner, the U.S. Congress provided funding to the NCMEC to establish SRO standards, and develop and conduct SRO training nationwide. Congress appropriated \$5 million to NCMEC in the FY 2000 appropriation bill per Public Law 106-71 to accomplish these goals under the direction of the Office of Community Oriented Policing Services (COPS). The COPS Office transferred

\$5 million to the OJJDP for the NCMEC. According to the NCMEC management, the NCMEC did not request the appropriation, and they were unprepared to perform the initiatives of the grant when the Center was notified of the appropriation. The NCMEC prepared the grant application after the \$5 million was appropriated by Congress. In FY 2001, Congress again funded the program under COPS, but the NCMEC did not expend funds for the project. Due to the NCMEC receiving the initial grant award at mid-year and the time required to develop the training courses, the NCMEC was appropriated more funds than activity at the time required. In FY 2002, Congress appropriated another \$3 million for the SRO program; however, responsibility was transferred to OJJDP from the COPS office at the request of NCMEC with the concurrent approval of OJJDP and COPS.

As of August 14, 2002, the OJP/OJJDP awarded the NCMEC a total of \$10,993,363, as follows:

**AMOUNTS AWARDED TO THE NATIONAL CENTER
FOR MISSING AND EXPLOITED CHILDREN
UNDER GRANT NO. 2000-MC-CX-K021**

Award		
Date	Amount	Description
6/26/00	\$ 4,999,963	Initial Award
8/14/02	5,993,400	Supplemental Award
Total	\$10,993,363	

Source: OJP

The OJP/OJJDP awarded the NCMEC the grant to:

- Enable all organizations in the community, schools, and the juvenile justice system to take the initiative and leadership for establishing or improving their SRO program.
- Assist organizations in building organizational capacity and competence for establishing and maintaining an SRO program.
- Assist agencies and organizations in developing policies, legislation, and procedures for an improved SRO program.
- Demonstrate best practices and develop national standards for improving services to children and protecting children, families, schools, and the community through interagency collaboration and partnerships.

The grantee's award authorized single-source utilization of Fox Valley Technical College (FVTC), located in Appleton, Wisconsin, as its contractor for curriculum development, administrative support of logistics, and delivery of training for the SRO Training and Technical Assistance Program. Of the \$10,993,363 grant, FVTC's approved budget was \$8,411,398, or 77 percent of the total award amount.

We reviewed grant funds expended directly by the NCMEC. We excluded grant funds expended by FVTC since the focus of our audit was to review grant expenditures under the direct control of the prime grantee, the NCMEC. A Single Audit of FVTC was conducted in accordance with the Office of Management and Budget (OMB) Circular A-133 and revealed there were no internal control weaknesses or instances of noncompliance with laws and regulations reported by the independent auditor.

The objective of the audit was to determine whether the grantee adhered to all financial and administrative conditions of the grant award and if costs charged to the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the agreement.

We provided the draft report to OJP and NCMEC for comments. OJP's response appears in Appendix II and NCMEC's response appears in Appendix III. After discussion with NCMEC management, we have incorporated the revisions to the budget categories as agreed upon.

AUDIT RESULTS

For the items tested, the grantee adhered to all financial and administrative conditions of the grant award. Further, we found that the costs charged to the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the agreement. Expenditures were properly accounted for, supported, and allowable under the terms and conditions of the grant. We found no weaknesses in the NCMEC's accounting records.

Financial Status and Progress Reports

For the period April 1, 2000 through June 30, 2003, we reviewed financial and progress reports for timeliness and accuracy. Following are the results of our review.

Financial Status Reports – The grantee prepares the Financial Status Reports (Standard Form (SF) 269A) from the Trial Balance that is generated from the NCMEC accounting system. Once the report is reviewed and signed by Vice President and Chief Financial Officer, the report is forwarded to OJP, normally within 45 days after the end of the quarter. Based on the period of performance of the grants, the NCMEC was required to submit 13 reports covering the period April 1, 2000 through June 30, 2003. According to the OJP Financial Guide, the grantee is required to submit the SF 269As to the OJP within 45 days of the end of each calendar quarter. We found that the NCMEC submitted to the OJP all 13 of the required SF 269As within the 45-day deadline, and that all 13 reports were accurate, as follows:

Based on OJP guidance, grantees are permitted to transfer among budget categories no more than 10 percent of the total grant budget, or \$1,099,336, without prior approval from OJP. As demonstrated by the amounts above, the NCMEC expended \$1,424 beyond the budgeted amount for equipment and \$4,165 for the "other" category for a total of \$5,589. The amount is within the budget transfer authority permitted by OJP; therefore, we take no exception to the method of budget transfer used by the NCMEC.

Grant Expenditures

To determine the accuracy and allowability of costs charged to the grant, we reviewed the accounting records for personnel costs, direct costs, and accountable property. Personnel costs are comprised of salaries and fringe benefits. Direct costs are all expenditures charged to the grant less personnel costs. Of the \$6,211,075 total project costs as of July 31, 2003, \$4,856,012 (78 percent) was expended by the FVTC and \$1,355,063 (22 percent) was expended by the NCMEC. Following are the results of our review.

Personnel Costs – We reviewed \$276,877 in personnel costs, representing 20 percent of total project costs expended by the NCMEC. Specifically, we selected and reviewed all personnel transactions charged to the grant for two judgmentally selected non-consecutive pay periods (pay periods ending April 19, 2002 and March 7, 2003) totaling \$10,474 (4 percent).

Our review of timesheets disclosed that the Associate Director was paid overtime; however, overtime costs were not pre-approved for this grant. OMB Circular A-122, "Cost Principles for Nonprofit Organizations", allows overtime when lower overall cost to the federal government will result. We determined that the Associate Director was paid a total amount of \$18,576 in overtime pay for the period June 20, 2001 through July 31, 2003. Based on the Associate Director's annual salary, the amount paid in overtime is lower than the NCMEC would have paid to employ another individual to perform the tasks thereby resulting in lower overall cost to the Federal government. Additionally, according to the initial and supplemental grant budget, the salary for the position of Program Legal Assistant was approved for the total amount of \$173,399. However, NCMEC management stated that this position was never filled because program activity was lower than expected. This allowed the NCMEC to remain within budget for the salaries cost category even though overtime was incurred. Therefore, we determined that labor charges were computed correctly,

properly authorized, accurately recorded, and properly allocated to the grant.

Our review of fringe benefit costs disclosed that fringe benefits were billed at a rate of 26 percent for the budget period ending May 31, 2002. As of July 31, 2003, fringe benefits were billed at a rate of 25 percent. We determined that the fringe benefit costs were properly charged to the grant in accordance with the grant budget, and the fringe benefit charges were consistent with charges for other employees.

Direct Costs - We reviewed \$1,078,186 in grant expenditures, representing 80 percent of total project costs expended by the NCMEC. Specifically, we judgmentally selected and tested 50 transactions totaling \$551,931 (51 percent) for travel/mileage, office supplies, computer supplies, postage, telephone, and conferences. We determined all costs charged to the grant were authorized, properly classified, accurately recorded, and properly charged to the grant.

Accountable Property - We reviewed the 37 equipment items purchased with grant funds totaling \$53,324. We judgmentally selected six items totaling \$29,333 (55 percent). We determined that all the sampled items were included in the NCMEC's inventory and identified as property purchased with federal funds. Additionally, we physically verified the property included in the sample and determined that the property is being used for the purposes stated in the grant.

Monitoring of Subgrantee

The grantee's award authorized single-source utilization of FVTC as its contractor for curriculum development, administrative support of logistics, and delivery of training for the SRO Training and Technical Assistance Program. Of the \$10,993,363 grant, the FVTC's approved budget was \$8,411,398, or 77 percent. As of July 31, 2003, the FVTC expended \$4,856,012, or 58 percent of its budgeted funds. We did not review the FVTC's expenditures; however, we did review the NCMEC's monitoring procedures for the FVTC. The NCMEC closely monitors the FVTC's progress and the invoices submitted for services provided by the FVTC. In addition, the NCMEC monitors the FVTC's performance by reviewing their current Single Audit reports for findings and corrective action. We concluded that the NCMEC has taken appropriate steps to ensure that the FVTC complies with audit requirements.

Summary

For the items tested, the grantee adhered to all financial and administrative conditions of the grant award. Specifically, we found:

- the required financial status and progress reports were submitted on time, and all reports were accurate;
- the grant drawdowns are adequately supported, and the grantee is managing grant receipts in accordance with federal requirements;
- no significant deviations between the amount budgeted and the actual costs for each cost category;
- the costs charged to the grant were accurate and allowable; and
- the grantee has taken appropriate steps to ensure the subgrantee complies with audit requirements.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of the audit was to determine whether reimbursement claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.

We conducted our audit in accordance with Government Auditing Standards and included such tests as were necessary to accomplish our objectives. Our audit concentrated on, but was not limited to, the inception of the grant through July 31, 2003. The grant audited was Missing Children's Assistance, School Resource Officer, Award Number 2000-MC-CX-K021.

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 audited against is contained in the OJP Financial Guide. We tested the NCMEC's grant activities in the following areas: financial status and progress reports, drawdowns, budget management and control, program income, local match, grant expenditures, monitoring of subgrantees, and compliance with regulations.

We did not test internal controls for the NCMEC as a whole or specifically for the grant, which was included in the audit of the NCMEC conducted by an independent Certified Public Accountant. The results of this audit were reported in the Single Audit Reports that accompanied the Consolidated Financial Statements and Independent Auditor's Report for the year ended December 31, 2002. Additionally, the subcontracted funds to the FVTC were included in the audit of FVTC conducted by an independent Certified Public Accountant. The results of this audit were reported in the Single Audit Reports that accompanied the Comprehensive Annual Financial Report for the year ended June 30, 2002. The Single Audit Reports were prepared under the provisions of OMB Circular A-133. We reviewed the independent auditor's assessments to identify control weaknesses and significant noncompliance issues related to the grantee or Federal programs. The independent auditor's assessments disclosed no control weaknesses or significant noncompliance issues related to the NCMEC grant. In addition, we performed limited testing of source documents to assess the accuracy of reimbursement requests and financial status reports; however, we did not test the reliability of the financial management system as a whole.

OJP'S RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

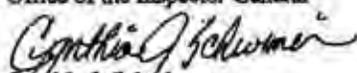
Office of Justice Program

Office of the Comptroller

JAN 16 2004

Washington, D.C. 20531

MEMORANDUM TO: Domenic A. Zazzaro
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

FROM: 
Cynthia J. Schwimer
Comptroller

SUBJECT: Draft Report for the Audit of
Grant Number 2000-MC-CX-K021

This memorandum is in reference to your correspondence dated December 4, 2003, transmitting the above-referenced draft audit report for the National Center for Missing and Exploited Children. The draft audit report did not include any findings or recommendations. We do not have any comments on the draft report.

We appreciate the opportunity to review and comment on the draft report. If you have any questions or require additional information, please contact Alisha M. Holman of my staff on (202) 616-2926.

cc: Vickie L. Sloan
DOJ Audit Liaison

LeToya A. Johnson
OJP Audit Liaison

Ron Laney
Program Manager
Office of Juvenile Justice and Delinquency Prevention

OJP Executive Secretariat
Control Number 20032383

Official File
Grant Number 2000-MC-CX-K021

APPENDIX III

NCMEC'S RESPONSE TO THE DRAFT REPORT



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December 16, 2003

Mr. Domenic A. Zazzaro
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1425 New York Avenue, N.W. Suite 6100
Washington, D.C. 20530

Dear Mr. Zazzaro:

In connection with your audit of the Office of Justice Programs grant number 2000-MC-CX-K021 and supplements thereto to the National Center for Missing & Exploited Children, I have received your letter of December 4, 2003, and the copy attached of the draft audit report. I do appreciate being provided with this draft copy and wish to compliment you and your staff for the very thorough and diligent job performed and the professional and friendly manner of all OIG staff involved. If one can actually "appreciate an audit," then truly this was the bright line for such.

Our Accounting Manager, Dexter Curry, (703.837.6211) has carefully reviewed the auditing detail in the draft report and advises that there are two discrepancies.

1. On page 10, the report indicates \$78,856 in non-food related expenses in "Travel" that NCMEC has recorded in "Other;" and
2. On page 10, the report indicates \$5,000 in accounting fees in "Travel" that NCMEC has recorded in "Consultants/Contracts."

Otherwise, all the accounting detail in the draft report is correct as stated.

Thus, with the above two exceptions noted, the draft report has our full approval and support. Please extend our appreciation to your staff for their excellent, timely work.

Sincerely,

John B. Rabun, Jr.
Vice President &
Chief Operating Officer
(Project Director)

Branches
California
Florida
Kansas City
New York
South Carolina

c.c.: Ron Laney, DJJDP
Mike Lynch, VP & CFO, NCMEC
Dexter Curry, Accounting Manger, NCMEC