



**OFFICE ON VIOLENCE AGAINST WOMEN
LEGAL ASSISTANCE FOR VICTIMS GRANT PROGRAM
ADMINISTERED BY THE
COMMUNITY LEGAL AID SOCIETY, INC.
WILMINGTON, DELAWARE**

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

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EXECUTIVE SUMMARY

The Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of an Office on Violence Against Women (OVW) Legal Assistance for Victims Grant Program award, grant number 2005-WL-AX-0056, awarded to the Community Legal Aid Society, Inc. (CLASI). Between July 2005 and September 2007, OVW awarded CLASI a total of \$891,422 distributed through a grant and two supplements. The purpose of the OVW grant program was to provide legal services to victims of domestic violence, sexual assault, and/or stalking. The objective of the CLASI grant was to provide legal representation to victims in family court matters, including divorce and divorce-related matters, and other matters related to domestic violence.

The objective of our audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant.¹ We also evaluated CLASI's program performance in meeting grant objectives and overall accomplishments.

We determined that CLASI was in material non-compliance with the grant requirements we tested. Specifically, we reviewed CLASI's compliance with eight essential grant conditions and found material weaknesses with its internal control environment, grant expenditures, monitoring of contractors, and budget management and control. Because of the deficiencies identified, we are questioning \$829,340 of grant funded expenditures, or 93 percent of the grant award, as unsupported and unallowable expenditures.

In addition to the questioned costs, we also identified several areas where management improvements were warranted and these included implementing changes to the existing accounting system, strengthening the overhead application methodology, instituting a documented and formalized drawdown process, enhancing financial reporting, and adhering to prudent budget management and control practices.

¹ While we audited the grant and two supplemental awards provided by OVW, we will refer to the grant and its supplements as a grant throughout this report.

These items are discussed in detail in the Findings and Recommendations section of this report. Our audit objectives, scope, and methodology appear in Appendix I.

We discussed the results of our audit with CLASI officials and have included their comments in the report, as applicable. Additionally, we requested a response to our draft report from CLASI and OVW, and their responses are appended to this report as Appendix IV and V, respectively. Our analysis of both responses, as well as a summary of the actions necessary to close the recommendations can be found in Appendix VI of this report.

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INTRODUCTION

The Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of the Office on Violence Against Women (OVW) Legal Assistance for Victims Grant Program grant awarded to the Community Legal Aid Society, Inc. (CLASI). In addition, we audited two supplements to the grant awarded by OVW. The purpose of the grant was to provide legal services to victims of domestic violence, sexual assault, and/or stalking.² The objective of the grant was to provide legal representation to victims in family court matters, including divorce and divorce-related matters, and other matters related to domestic violence.

The purpose of our audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also evaluated CLASI's overall program performance and accomplishments in meeting grant objectives for the funded programs. Our audit covered the start of the initial grant award period in July 2005 to the closure of the final grant in September 2009. As shown in the table below, CLASI was awarded a total of \$891,422 to implement the grant award. CLASI received a third supplement on September 25, 2009; however, this supplement was not in the scope of our audit because CLASI had not drawn down any of the supplement's funds at the time of our audit.

Office on Violence Against Women Grant to Community Legal Aid Society, Inc.

Grant Award Number	Award Start Date	Award End Date	Award Amount
2005-WL-AX-0056	7/1/05	6/30/07	\$216,422
Supplement 1	7/1/05	6/30/08	\$225,000
Supplement 2	7/1/05	9/30/09	\$450,000
Total			\$891,422

Source: OVW grant files.

Office on Violence Against Women

The Office on Violence Against Women (OVW), within the Department of Justice, provides primary management and oversight of the grant we

² Throughout this report we will refer to the grant and its two supplements as the grant.

audited. OVW's stated mission is to provide national leadership in developing the nation's capacity to reduce violence against women through the implementation of the Violence Against Women Act. OVW administers financial and technical assistance to communities across the country that are developing programs, policies, and practices aimed at ending domestic violence, dating violence, sexual assault, and stalking. Currently, OVW administers 2 formula grant programs and 17 discretionary grant programs, all of which were established under the Violence Against Women Act and subsequent legislation. By forging state, local, and tribal partnerships among police, prosecutors, victim advocates, health care providers, faith leaders, and others, OVW grant programs intend to help provide victims with the protection and services they need to pursue safe and healthy lives, while simultaneously enabling communities to hold offenders accountable for their violence.

Legal Assistance for Victims Grant Program

The Legal Assistance for Victims Grant Program was designed to strengthen civil and criminal legal assistance for victims of sexual assault, stalking, domestic violence, and dating violence through innovative, collaborative programs. These programs are to provide victims with representation and legal advocacy in family, immigration, administrative agency or housing matters, protection or stay-away order proceedings, and other similar matters. The Legal Assistance Program was intended to increase the availability of civil and criminal legal assistance in order to provide effective aid to victims who are seeking relief in legal matters arising as a consequence of abuse or violence.

The Legal Assistance Program provides an opportunity for communities to examine how the legal needs of victims of domestic violence, dating violence, sexual assault, and stalking are met. By statute, funds may be used:

- To implement, expand, and establish cooperative efforts and projects between domestic violence and sexual assault victim services organizations with legal assistance providers to provide legal assistance for victims of sexual assault, stalking, domestic violence, and dating violence.
- To implement, expand, and establish efforts and projects to provide legal assistance for victims of domestic violence, dating violence, stalking, and sexual assault by organizations with a demonstrated history of providing direct legal or advocacy services on behalf of these victims.

- To provide training, technical assistance, and data collection to improve the capacity of grantees and other entities to offer legal assistance to victims of domestic violence, dating violence, stalking, and sexual assault.

Community Legal Aid Society, Inc.

Community Legal Aid Society, Inc. (CLASI) is a private, non-profit law firm with a mission of providing equal justice for all. Additionally, CLASI works to provide civil legal services to assist clients in becoming self-sufficient and in meeting basic needs with dignity. CLASI's clients include members of the Delaware community who have low incomes, disabilities, or are age 60 and over.

CLASI provides free (non-criminal) legal services to eligible Delawareans. CLASI maintains offices in New Castle, Kent, and Sussex counties in the state of Delaware. The organization seeks to provide equal access to justice for Delawareans regardless of their ability to pay or despite the physical or age-related difficulties they may face.

Our Audit Approach

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 (OJP) Financial Guide as our primary criteria during our audit. The OJP Financial Guide serves as a reference manual assisting award recipients in their fiduciary responsibility to safeguard grant funds and ensure that funds are used appropriately and within the terms and conditions of the award. We tested CLASI's:

- **Internal control environment** to determine whether the financial accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant.
- **Expenditures** to determine whether the costs charged to the grant were allowable and supported.
- **Monitoring of contractors** to determine whether CLASI had taken appropriate steps to ensure that contractors complied with grant requirements.
- **Drawdowns (requests for grant funding)** to determine whether requests for reimbursement, or advances, were adequately

supported, and if CLASI managed grant receipts in accordance with federal requirements.

- **Reporting** to determine whether the required Financial Status Reports and progress reports were filed on time and accurately reflected grant activity.
- **Budget management and control** to determine whether CLASI adhered to the OVW-approved budget for the expenditure of grant funds.
- **Program performance and accomplishments** to determine whether CLASI achieved grant objectives, and to assess performance and grant accomplishments.
- **Compliance with other grant requirements** to determine whether CLASI complied with the terms and conditions specified in the individual grant award documents.

When applicable, we also test for compliance in the areas of matching funds, accountable property, indirect costs, program income, and monitoring subgrantees. For this grant, we determined that CLASI charged no indirect costs, did not obtain accountable property, matching funds were not required, the grant-funded program generated no program income, and there were no subgrantees.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

From our audit, we determined that CLASI was in material non-compliance with essential grant requirements. Specifically, we found: (1) an inadequate system of internal controls; (2) expenditures made with grant funds that were unsupported because of inadequate documentation and unallowable because they were not determined to be in the approved budget; (3) a lack of contractor monitoring; (4) weaknesses in grant reporting, including late financial status reports; and (5) weaknesses in budget management and control. As a result of these deficiencies, we questioned \$829,340 in unsupported and unallowable expenditures. These conditions, including the underlying causes and potential effects on the OVW program, are further discussed in the body of the report.

Internal Control Environment

We began this audit by reviewing CLASI's accounting and financial management system, relevant grant related policies and procedures, and Single Audit Reports to assess CLASI's risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the grant. We also interviewed management staff from the organization, observed accounting activities, and attempted to perform transaction testing to further assess risk. As discussed below, we noted that there were several significant findings contained within the most recent Single Audit report that were specific to the administration and accounting for our grant award, and that the Fiscal Year (FY) 2008 Single Audit report was not yet issued at the close of our fieldwork in February 2010.³

Additionally, we found that CLASI's accounting and financial management policies and procedures used to document and account for the expenditure of grant funds were not being adequately implemented, contractors were not being afforded sufficient monitoring and oversight, and grant funding requests in the form of drawdowns were not adequately supported. According to the OJP Financial Guide, the recipient of a grant award is responsible for establishing and maintaining an adequate system of accounting and internal controls. We determined that CLASI's existing system of internal controls was inadequate to safeguard, document, and properly account for grant funds. The absence of an adequate and

³ The FY 2008 Single Audit report was issued in March 2010.

effectively functioning internal control environment places grant funds at risk and undermines the ability of the grant recipient to ensure that federal funds are being adequately safeguarded and spent accurately and properly in accordance with the grant objectives.

Single Audit

According to the Office of Management and Budget (OMB) Circular A-133, CLASI was required to engage independent auditors to perform an annual Single Audit. The due date for the Single Audit report was no later than 9 months after the end of CLASI's fiscal year, and CLASI's fiscal year runs concurrent with the calendar year from January 1 through December 31. We found that CLASI's FY 2007 Single Audit report was issued on May 19, 2009, over 8 months late, and the FY 2008 Single Audit report was issued on March 5, 2010, about 5 months late.

CLASI officials told us that the FY 2007 Single Audit was late because CLASI was behind on transaction postings and account reconciliations. For the 2007 Single Audit, CLASI also changed the independent auditing firm it used to perform the Single Audit. Moreover, we were told the auditing firm found issues which required further testing. For the 2008 Single Audit, CLASI officials said the auditing firm told them the Single Audit would be completed by November 2009. However, according to CLASI officials, the firm performing the audit had issues in scheduling its work causing the audit to be delayed until March 2010. More importantly, from our review of the 2007 and 2008 Single Audit reports, there were several findings that had potential ramifications to Department of Justice (DOJ) grants. CLASI officials told us they were working to adequately address and resolve all of the Single Audit findings. See Appendix III for the FY 2007 Single Audit report findings.

Expenditures

As of September 11, 2009, CLASI had incurred expenditures and made funding requests (drawdowns) for \$829,340, or 93 percent of the \$891,422 original grant award and its two accompanying supplements. CLASI used these funds primarily to make payments to outside contractors, reimburse for personnel costs and associated fringe benefit charges, fund travel expenses, and cover miscellaneous supplies. In response to our request for the accounting records in support of these expenditures, we were provided with multiple sets of accounting records that we ultimately determined could not be used to readily support what CLASI had actually spent specific to the grant award. The accounting records we received contained transactions that were comingled with expenditures from other DOJ grant awards,

duplicate accounting entries, and expenditures charged to the grant award in error. After affording CLASI an opportunity to correct the errors in the records and provide us with correct and reliable accounting data that we could use in performing transaction testing, CLASI was unable to do so. As a result, we were unable to perform any transaction testing of the accounting records and we questioned the entire funding amount of \$829,340 received by CLASI as unsupported because the accounting records were unreliable and did not provide a means to readily identify what was spent using DOJ grant funds.

According to the OJP Financial Guide, a grantee is responsible for establishing and maintaining an adequate financial system and accounting records to accurately account for funds awarded. Due to the lack of reliable accounting records, we could not determine what was spent in each budget category. As a result, we could not complete transaction testing. In our view, when an organization cannot provide their accounting methodology and their accounting system cannot completely and accurately report the data for the grant, it is difficult to determine if the stated objectives of the grant were being met. In addition, there is a potential for fraud, waste, and abuse of the grant award funds.

Supplies and Overhead

CLASI charged the grant for miscellaneous supplies and overhead charges. Miscellaneous supplies and overhead charges consisted of postage, water charges, computer equipment under \$1,000, and other various expenses. As previously stated under the expenditures section, we could not readily determine what was spent on supplies and overhead because the accounting records that CLASI provided proved to be unreliable. Additionally, we found that CLASI had a very complex methodology for charging supplies and overhead charges to the grant. Specifically, a CLASI official told us it used an allocation methodology for these supplies and overhead charges that resulted in allocations to numerous grants and funding sources.

We were unable to verify many of the amounts charged to the DOJ grant for supplies and overhead, and in asking CLASI for assistance in demonstrating how these costs were ultimately allocated and actually charged, CLASI staff could not recreate how the charges were made and lacked any documentation to support the actual amount allocated to the DOJ grant. We also found that CLASI did not have key internal controls in place to ensure that charges against the grant for these categories were not over the actual amount of expenditures incurred for that month.

Personnel and Fringe Benefits

The OJP Financial Guide requires that time and attendance records support payroll records and associated fringe benefit charges. Additionally, this requirement includes that such records show evidence of supervisory review. CLASI contracted with a third-party payroll processor to process its payroll using an internet based application. The same payroll processor provided services for the period covered by our audit. CLASI's office manager was responsible for compiling time and attendance reports and allocating the time charged to the grant, while CLASI's accountant entered the payroll data into the payroll processor's system. Additionally, CLASI officials told us that supervisors approved time and attendance sheets and verified an employee's actual work performed through their case management system.

We found that CLASI paid salaries and fringe benefits for attorneys and paralegals with grant funds and that these employees' submitted their time and attendance sheets with billable hours to CLASI's accountant. The accountant then entered these billable hours into a spreadsheet on a monthly basis. CLASI then charged the grant based on an undocumented percentage of the total billable hours worked for a given month.

We selected two nonconsecutive pay periods for detailed testing to determine if salaries and fringe benefit charges were supported and allowable. For the first pay period we selected, CLASI could not provide the specific calculations for the time allocations charged to the grant. As a result, we selected another pay period for review. For the two nonconsecutive pay periods we ultimately used for testing purposes, we could not verify employee salaries or whether the time associated with those salaries was accurately recorded and charged to the grant. Additionally, for the two pay periods we selected for testing and throughout the life of the grant, we determined that CLASI charged personnel salaries and their associated fringe benefits to the grant that were not specifically approved by OVW and were outside the scope of the grant's budget.

Finally, we found that time and attendance reports were not approved in writing by supervisors. As a result of the deficiencies we identified in the manner by which CLASI documented and allocated personnel salaries to the grant, coupled with internal control shortcomings that did not ensure a process was in place that would provide evidence of supervisory management review and the approval of personnel time charges, we determined that all personnel salaries charged to the grant were not adequately supported nor properly authorized. Because the calculation of fringe benefit charges were based directly on personnel expenditures as

either a percentage or fixed amount for each employee based on time spent working on the grant, together with the fact that time and attendance reports were not properly authorized, we determined fringe benefits were not adequately supported nor properly authorized. As a result, we question as unsupported and unallowable all of the expenditures related to the salaries and fringe benefits charged to the grant. In our judgment, when expenditures are unsupported and not properly authorized, it greatly increases the risk of inappropriate and erroneous grant charges and also potentially undermines the ability of the grantee to satisfactorily accomplish its stated objectives.

Monitoring of Contractors

According to the OJP Financial Guide, as the direct grant recipient, CLASI was responsible for all aspects of the program including proper accounting and financial recordkeeping of all grant funded expenditures made by contractors. Moreover, CLASI was required to ensure that contractors had a system of internal controls in place to safeguard and account for grant funds. Finally, CLASI was required to provide adequate monitoring to ensure that contractors used the grant funds for their intended grant authorized purpose.

During our audit, we found that CLASI made extensive use of contractors throughout the life of the grant. CLASI classified the contractors in their accounting system as legal service providers and domestic violence service providers. According to CLASI officials, contractor monitoring was not performed because CLASI did not have enough employees to do so. In addition, CLASI did not monitor the contractors' fiscal process and procedures to determine if they provided adequate safeguards for grant funds. In instances where contractors are not adequately monitored, it is difficult to determine if the stated objectives of the grant are being met. Additionally, because CLASI could not provide accurate and fully-supported grant-funded charges, we questioned all of the costs associated with the use of contractors for the grant.

Drawdowns

CLASI requested grant funds through 22 separate drawdowns, or funding requests, totaling \$829,340. To determine if drawdowns were completed in advance or on a reimbursement basis, after grant expenditures were incurred, we analyzed the bank statements and supporting documentation for the actual expenditures. To determine if funds were requested based on actual expenditures, we calculated the time difference

between when the grant funds were requested and when the actual reported expenditures were incurred.

CLASI was unable to provide a listing of the supporting documentation for the drawdowns made for the grant. However, after a discussion with CLASI officials, we determined that the undocumented methodology used in making the drawdown requests did ensure that the amount requested for any given period was less than the amount actually used to fund expenditures incurred for grant related purposes. After our fieldwork had ended, CLASI officials told us that they were maintaining supporting documentation and that the drawdowns are now accurate and matched the accounting records.

Additionally, from our review we determined that grant funds were generally requested on a reimbursement basis with two exceptions. For the two incidences where funding was requested in advance, the accounting records showed that grant-related disbursements were made within 12 days from the date of the funding request. Because CLASI could not provide a listing of specific transactions that made up the drawdown requests, we could not readily determine if funds were requested based on the actual expenditures incurred.

Overall, from our limited review, we determined that the drawdown procedures used by CLASI were only marginally adequate because the risk of grant funds being erroneously requested in the absence of grant-related expenditures remains high. This risk is further increased because of a lack of documented procedures and a formalized process that also includes some level of periodic supervisory monitoring and oversight. By strengthening internal controls with the overall drawdown process, CLASI could better ensure that grant funds are not placed at undue risk for fraud, waste, and abuse

Reporting

Financial Status Reports

The financial aspects of OJP grants are monitored through Financial Status Reports (FSRs). According to the OJP Financial Guide, FSRs should be submitted within 45 days of the end of the most recent quarterly reporting period. Even for periods when there have been no program outlays, a report to that effect must be submitted. Funds or future awards may be withheld if reports are not submitted or are excessively late.

Between July 2005 and September 2009, CLASI was required and submitted a total of 17 FSRs for the grant. We reviewed the submitted FSRs for both accuracy and timeliness. While reviewing the FSRs for accuracy, we determined that CLASI's accounting records did not match FSR amounts reported to OJP. CLASI officials said the reason for this was because transactions were added to the accounting records that were never reported on the FSRs. This occurred because of timing differences that arise from the time the report used for the FSRs was generated and the time that charges, such as overhead costs, were posted to the accounting records. Ultimately, we were unable to reconcile the FSRs with the accounting records. Additionally, we found that 12 of the 17 FSRs were submitted late, from 2 to 109 days late. CLASI officials told us the late submissions occurred before the current Chief Financial Officer was hired to fill the vacant position. In this instance we concluded that without accurate and timely FSRs, OVW's ability to evaluate the financial aspects of the ongoing grant program were compromised.

Progress Reports

Progress reports are submitted in order to present information on the performance of a grant and are due to be submitted semiannually. Between January 2006 and July 2009, CLASI submitted eight required progress reports to OVW on time. In their progress reports, CLASI reported the number of victims served, partially served, and not served; victim demographics; victim's relationship to the offender; legal issues; legal outcomes; the status of grant-program goals and objectives; outcomes achieved; areas of remaining need; and what the grant funding has allowed CLASI to do.

We attempted to compare source information provided by CLASI to the progress reports to verify accuracy. However, we were unable to verify the accuracy of this information because CLASI could not provide an accurate account of how the numbers in the progress reports it submitted were determined. Alternatively, we were able to review CLASI case file information and confirmed that CLASI was able to demonstrate that it was working to meet its grant funded goals despite the lack of supporting documentation directly tied to the numbers reported in its progress report submissions.

Budget Management and Control

The OJP Financial Guide requires that grant recipients spend grant funding according to defined budget categories, or request approval for

reprogramming funds if actual spending exceeds certain limits.⁴ The following table presents the OVW approved budgets for the grant and its two supplements.

Budgets of OVW Grant 2005-WL-AX-0056 Awarded to CLASI

Category	2005-WL-AX-0056	First Supplement	Second Supplement	Total Grant
Personnel	\$ 79,103	\$ 85,350	\$ 173,382	\$ 337,835
Fringe Benefits	\$ 34,673	\$ 40,228	\$ 70,589	\$ 145,590
Travel	\$ 9,146	\$ 6,338	\$ 11,659	\$ 27,143
Equipment	\$ 0	\$ 0	\$ 0	\$ 0
Supplies	\$ 3,875	\$ 3,217	\$ 6,932	\$ 14,024
Contractual	\$ 79,885	\$ 84,323	\$ 175,210	\$ 339,418
Other	\$ 9,740	\$ 5,544	\$ 12,228	\$ 27,512
Total	\$ 216,422	\$ 225,000	\$ 450,000	\$ 891,422

Source: OJP Grant Award documents

We attempted to compare budgeted amounts from the approved financial clearance memorandums to actual expenditures from the grant transactions. CLASI officials stated that they did not track expenditures for the grant by OVW approved budget categories, nor did they monitor the budget versus actual expenditures to ensure they did not transfer more than ten percent of the total award between budget categories and ensure that grant spending was within the scope of the approved budget. CLASI officials said the reason the grant budget was not tracked or monitored was because they did not know they had to track expenditures by budget categories. As a result we question \$829,340 in expenditures that we could not determine whether they were part of the approved budget.

Because CLASI did not track expenditures by approved budget categories, or monitor the budget versus actual expenditures, we could not determine if CLASI spent grant funds according to the defined budget categories. As we discussed earlier in this report, CLASI's inability to provide accurate and reliable accounting records to support its expenditures further lessens the utility of any meaningful budget versus actual comparison as a useful management tool.

⁴ Movement of budget dollars between approved budget categories without a Grant Adjustment Notice is allowable up to ten percent of the total award amount (ten percent rule), provided there is no change in project scope.

When grantees do not track expenditures by approved budget categories or monitor the budget verses actuals, effective grant management is potentially undermined and the ability to adequately safeguard grant funds is compromised.

Program Performance

The objective of the OVW grant was to provide a comprehensive delivery system for civil legal services for victims of domestic violence and sexual assault in Kent and Sussex County, Delaware, free of charge.

The grant's goals included:

- Female victims of domestic violence and sexual assault in Kent and Sussex Counties will continue to have access to an attorney to advise and represent them in their legal efforts to secure safety for themselves and their children.
- Female victims of domestic violence will have access to an attorney to advise and represent them in non-Family Court civil legal matters related to the domestic violence.
- Female immigrant victims of domestic violence and sexual assault will have access to legal information and an attorney to advise and represent them in immigration matters.
- Female victims of domestic violence and sexual assault will have the benefit of a case manager to assist them during the course of their legal representation and to advise and counsel them concerning services available for victims.
- Victims of domestic violence and sexual assault seeking relief in the Family Court will have a court-based advocate to provide moral support, guidance, crisis intervention, and referral services.
- Attorneys and paralegals from the participating legal services providers will better understand victims of domestic violence and their needs by being educated concerning the nature of domestic violence, its impact on the victims, and their roles as advocates for the victim.
- Case managers and staff of the domestic violence services providers will be educated concerning the legal rights of victims of domestic violence.

- Attorneys, paralegals, case managers, and staff of the agencies providing the services under this Project will become aware of special needs of Hispanic victims as a result of cultural awareness training.
- The agencies collaborating in this Project will coordinate their services to the benefit of victims of domestic violence and provide a network of services to enable victims to secure a safe environment in which to live.
- The agencies collaborating in this Project will coordinate their services to the benefit of victims of domestic violence and provide a network of services to enable victims to secure a safe environment in which to live.

Measuring Performance

According to grant documents, CLASI was to measure the effectiveness of meeting these goals by tracking the number of victims served, the number of hours of legal services provided, the outcomes of cases, and the ability of the Project to reach out to the Hispanic community and Spanish speaking victims. The project was also to track the number of persons seeking services that could not be served, and the reasons for non-service as well as victim information. CLASI utilized a computerized case management system to track the demographics of the clients served as well as the outcomes of the individual cases.

In addition to tracking outcomes with the case management system, all clients received a Client Satisfaction Form when their case was closed to provide additional information.

CLASI provided the statistical data used to determine the numbers reported on the progress reports. We were unable to verify the accuracy of this data because CLASI did not provide a methodology detailing how they came up with the numbers reported on progress reports. However, even though we were unable to verify this data, based on the information we reviewed, program outcomes were documented for the legal services that CLASI provided. As a result, we determined there was sufficient evidence to demonstrate that CLASI was achieving the goals and objectives set forth in the program narratives.

Program Sustainability

According to the grant narrative, "The services provided by this Project are part of a comprehensive civil legal services delivery system which is of extreme importance to victims of domestic violence. As they have in the past, CLASI, [and the legal service providers] will make every effort to continue the Project should grant funds no longer be available." During our audit, CLASI received a third supplement from OVW in September 2009 and as a result, we could not readily determine the sustainability aspects of the program. However, from our collective audit work, we believe that the absence of OVW grant funding could potentially disrupt and impair the ability of CLASI to furnish ongoing legal services at the same level currently provided.

Compliance with Other Grant Requirements

In addition to the general grant requirements, we tested for compliance with terms and conditions specified in the grant award documents. The original grant award and its two supplements all contained 27 special conditions. We found that CLASI complied with all of the special conditions.

Other Reportable Matters

Communication with OVW

We asked CLASI officials about whether any incidents of fraud or any other illegal acts or irregularities occurred during the period of the OVW grant we reviewed. We were told about a misappropriation of funds not specific to the OVW grant that involved unauthorized payroll disbursements made by a CLASI employee. CLASI officials identified the fraud and took appropriate actions to address the issue. We discussed this issue with OVW and determined that it was not aware of this misappropriation, nor was CLASI designated as a high-risk grantee as a result of such an issue. According to an OVW official, "OVW is in the process of inquiring as to why CLASI did not make the high-risk list which would have been a factor considered in determining their grant award. At the very least, their award would have contained the high-risk conditions."

Conclusions

CLASI did not fully comply with the key grant requirements we tested. We found material weaknesses in CLASI's expenditures and monitoring of contractors resulting in \$829,340 in questioned costs that could not be

adequately supported. In addition, we found that for these same expenditures, CLASI charged \$829,340 that we consider unallowable questioned costs because it could not be determined whether they were part of the approved award budget.

We also identified several areas where management improvements were warranted, including: implementing changes to the existing accounting system, strengthening the overhead application methodology, improving contractor monitoring, instituting a documented and formalized drawdown process, enhancing financial reporting, and adhering to prudent budget management and control practices. We also determined that while CLASI had evidence of its accomplishments in meeting program goals and objectives, it could enhance program performance by ensuring that the performance data used for progress reporting purposes was subjected to a defined, consistent, and verifiable methodology.

Recommendations

We recommend that OVW:

1. Remedy \$829,340 in unsupported and unallowable expenditures and ensure that CLASI implements an accounting system that can completely and accurately gather, record, and report the data for the OVW grant.
2. Ensure that CLASI develops and implements a reliable, consistent, verifiable, and documented methodology to calculate overhead expenditures that are charged to the OVW grant.
3. Remedy all unsupported and unallowable personnel and fringe benefit expenditures.
4. Ensure that CLASI implements and adheres to procedures to adequately monitor contractors.
5. Ensure that CLASI implements a formalized and written process to ensure that an adequate system is in place to keep track of drawdowns.
6. Ensure that CLASI implements and adheres to procedures that will result in the timely and accurate submission of Financial Status Reports.

7. Ensure that CLASI implements and adheres to procedures to track expenditures by budget categories and to monitor budget versus actual spending on a consistent and ongoing basis.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. We also assessed grantee program performance in meeting grant objectives and overall accomplishments. The objective of our audit was to review activities in the following areas: (1) internal control environment, (2) drawdowns (3) grant expenditures, including personnel and indirect costs, (4) budget management and control, (5) matching, (6) property management, (7) program income, (8) financial status and progress reports, (9) grant requirements, (10) program performance and accomplishments, and (11) monitoring of subgrantees and contractors. We determined that program income, accountable property, matching costs, and the monitoring of subgrantees were not applicable to this grant.

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 provided a reasonable basis for our findings and conclusions based on our audit objectives.

In conducting our audit, we performed sample testing in the areas of grant expenditures and compliance with grant requirements. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as high dollar amounts or expenditure category based on the approved grant budget. We identified samples of 50 grant expenditures. This non-statistical sample design does not allow for the projection of the test results to the universes from which the samples were selected.

We audited the Office on Violence Against Women Grant Number 2005-WL-AX-0056. The grantee had made and received a total of \$829,340 in requests for grant funding through September 2009. Our audit concentrated on, but was not limited to, the award of the original grant in July 2005 through September 2009.

We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, the

criteria we audited against are contained in the *Office of Justice Programs Financial Guide* and grant award documents.

In addition, we reviewed the timeliness and accuracy of Financial Status Reports and Progress Reports, evaluated actual program performance to grant objectives, and considered internal control issues. However, we did not test the reliability of the financial management system as a whole.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:	AMOUNT	PAGE
Unsupported Expenditures	\$829,340	7
Unallowable Expenditures	\$829,340	12
TOTAL OF QUESTIONED COSTS:	\$1,658,680	
<i>LESS DUPLICATION</i>	<u>(\$829,340)</u>	
TOTAL DOLLAR-RELATED FINDINGS:	\$829,340	

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.

2007 SINGLE AUDIT REPORT FINDINGS

The following Findings were reported in the FY 2007 Single Audit Report and have potential ramifications to DOJ grants.

- **Finding 07-3 Payroll Reconciliations** – "...the payroll clerk was both recording and preparing the monthly reconciliations. [Because of turnover] during the year, and in response, the payroll clerk assumed greater responsibility. However, if payroll reconciliations are performed by individuals who have the ability to post payroll disbursement activities to the general ledger, the effectiveness of the control may be compromised."
- **Finding 07-4 Management Approval of payroll** – "...the organization did not have a member of management approve the information that was submitted to the payroll company by the payroll clerk. Not having an approval of this information increases the risk of fraudulent activity within the payroll department. This condition was directly related to lack of risk assessment policies and internal control deficiencies within the organization. The ultimate effect of this deficiency was fraudulent activity within the payroll department."
- **Finding 07-5 Misappropriation of Funds** – "...the payroll clerk overpaid herself a gross amount of \$6,860.79. These overpayments were noted in four pay periods, May, July, September and December. In the employee termination-of-employment letter dated April 11, 2008, the organization identified all of the amounts misappropriated, the reasons for misappropriations and the dates of fraudulent activity. [The auditors] reviewed the documentation relating to the pending litigation and noted that the amounts agree to this termination letter. Per discussions with management and review of internal controls, the auditors noted that the reason this was possible was due to a lack of internal control within the business department. During the periods when the business department had appropriate personnel to adhere to internal control policies, the employee was unable to misappropriate funds. During the course of the audit, the former employee was found guilty of five of seven counts for misappropriation of funds."
- **Finding 07-6 Stale Checks** – "...there were several stale checks being reported on the bank reconciliations. Stale checks are payments that have been outstanding for greater than 60 days. This situation occurred because there has been no policy in place during previous years to write off amounts. These outstanding checks complicate the

reconciliation process, potentially understate cash and, if not cashable, potentially could lead to late fines if not followed up.”

- **Finding 07-8 Fraud Risk Assessment** – “...the organization does not have a fraud risk assessment program. Establishing a fraud risk program will provide greater assurance that fraud is not occurring... For small companies, one of the primary fraud risks is the ever-present risk of misappropriation of assets (theft), particularly fraudulent cash disbursements. The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud.”
- **Finding 07-13 Expenditure Internal Controls** – “... [the auditors] tested expenditure internal controls and noted several exceptions. Of the 60 transactions selected, three did not have a purchase order; in four instances, the employee did not sign a check request; in 13 instances, the invoice was not stamped approved; in one instance, the supporting documentation did not match the general ledger; and in four instances, no supporting documentation could be located.”
- **Finding 07-16 Payroll Grant Allocations** – “...the controls surrounding recording payroll were not operating effectively. [The auditors] attempted to match time cards filled out by employees by grant area to the journal entry recorded in the general ledger... In four instances, times recorded per grant were significantly different from the amount recorded by the employee. The reason for this was related to the availability of funding and client error. If these amounts are not properly recorded, they could potentially violate the allowable cost and eligibility requirements set forth in grant contracts.”
- **Finding 07-17 Grant Report Timing** – “...the organization has not been submitting the FSR 269 on a timely basis. ”
- **Finding 07-18 Grant Report Accuracy** – “...the reports submitted to the granting agencies did not tie directly into the trial balance or supporting documentation provided by the organization... The reason for this deficiency was because accounts were not being reconciled.”

Only findings 07-3, 07-4, 07-8, 07-13, 07-16, 07-17, and 07-18 concerning payroll reconciliations, management approval of payroll, fraud risk assessment, expenditure internal controls, payroll grant allocations, grant report timing, and grant report accuracy directly impacted this grant and audit. The other findings had little impact; however, they are

crosscutting to other federal agencies. The following are summaries of the preliminary responses by CLASI concerning these issues.

- **Finding 07-3 Payroll Reconciliations** – “The payroll account will be reconciled by someone other than the individual payroll processes, with the reconciliation reviewed and approved by the Chief Financial Officer or Executive Director effective May 1, 2009.” During fieldwork, we reviewed payroll reconciliations and saw that they are being reviewed and signed off by two different people.
- **Finding 07-4 Management Approval of payroll** – “Prior to submission, payroll will be reviewed by the C.F.O and/or the Executive Director, who will also review the payroll report delivered by the payroll company effective May 1, 2009.” During fieldwork, we reviewed payroll information. The Chief Financial Officer now reviews payroll information before it is sent to the payroll company. Then the Executive Director reviews it when it comes back from the payroll company.
- **Finding 07-8 Fraud Risk Assessment** – “The organization will work with the Finance and Audit Committees to conduct a fraud risk assessment with a targeted completion date of September 1, 2009.” CLASI has not completed the fraud risk assessment due to turnover in their Finance and Audit Committees and they could not give us a target date of when this would be complete.
- **Finding 07-13 Expenditure Internal Controls** – “Management will adhere to the Organization’s internal control policies. New personnel are staffed in the Business Office, providing for stability and competent processing of invoices.” CLASI has not updated their internal control policies since May 2006 and they did not have a plan to do so at the time of fieldwork.
- **Finding 07-16 Payroll Grant Allocations** – “The employee who was performing this process was terminated on April 6, 2008. New Business Office personnel are following the procedure to correctly allocate time reported on timesheets to the grants.”
- **Finding 07-17 Grant Report Timing** – “Effective June 1, 2009, the Business Office will ensure all FSR 269s are filed on a timely basis.”
- **Finding 07-18 Grant Report Accuracy** – “Accounts are being reconciled on a monthly basis. Reporting is current effective April 1,

2009." Due to time constraints, we were unable to verify if this is being done.

COMMUNITY LEGAL AID SOCIETY, INC.
RESPONSE TO THE DRAFT AUDIT REPORT



COMMUNITY LEGAL AID SOCIETY, INC.
100 W. 10th Street, Suite 801
Wilmington, Delaware 19801
(302) 575-0660 Fax (302) 575-0840
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July 9, 2010

Thomas O. Puerzer
Regional Audit Manager
U.S. Department of Justice
Office of Inspector General
701 Market Street, Suite 201
Philadelphia, PA 19106

Dear Mr. Puerzer:

Enclosed please find Community Legal Aid Society, Inc.'s (CLASI) response to the audit of the Office on Violence Against Women, Legal Assistance for Victims grant award number 2005-WL-AX-0056 and its supplements. CLASI is working closely with OVW to remedy the findings in the audit report.

If you have any questions regarding this response, please feel free to contact me at (302) 575-0660 ext. 244.

Sincerely,



William J. Dunne
Interim Executive Director

Enclosure

cc: Shannon Gaskins
Legal Assistance for Victims Program Specialist
Office on Violence Against Women



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Community Legal Aid Society, Inc. (CLASI) Responses to the Office of the Inspector General's (OIG) Audit Report of the Office of Violence Against Women(OVW), Legal Assistance for Victims Grant – 2005-WL-AX-0056.

Internal Control Environment and Single Audit

As is alluded to in the OIG Draft Audit report, both of these findings relate to the findings in Community Legal Aid Society Inc.'s A-133 Audit reports for 2007 and 2008. As the draft audit report indicates the audits were completed late, with the 2008 audit completed in March 2010. The OIG draft report includes the findings included in our 2007 audit in Appendix III. Those findings have been resolved. In the 2008 A-133 Audit report those findings are "no longer applicable".

Expenditures

With regard to the sub contractor expenditures, each of those expenditures is supported by a detailed invoice from the sub-grantee identifying the work performed for which they were reimbursed. With the remainder of the expenditures we are currently able to show that the funds expended for the grant were justified. As we previously said, while some internal controls were weak during the early part of the grant those controls have been remedied, and we can show that the funds earned and drawn down from the grant were justified, and we deny any potential for fraud waste or misuse for any of the grant funds.

Supplies and Overhead

Once again the OIG reiterates the inadequacy with the internal controls. As we have responded to the previous OIG findings, the A-133 audit findings are "no longer applicable" effective with the 2008 internal audit. While those control deficiencies led to some difficulty in recreating some records in the early part of the grant, those deficiencies have been corrected, and we can justify the total funds expended on the grant. Our overhead allocation method is an approved allocation method by the Office of Management and Budget and has been used throughout the latter part of the grant.



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Personnel and Fringe Benefits

CLASI disagrees with the OIG assessment that the employee salaries and time associated with those salaries were not adequately recorded and charged to the grant. CLASI allocates salary and fringe benefits using the following method.

Salary & Fringe Benefits Allocation Methodology

Legal Staff – Including such positions as paralegal, attorney, supervising attorney, managing attorney and project directors.

Legal staff salaries and fringe benefits are allocated to CLASI funding sources based on the percentage of the total chargeable time that is worked for each funding source.

Legal staff submit Time Records each month reporting three types of time:

1. **Chargeable Client Hours** – Hours spent on activities related to a specific client including drafting letters, research, fact investigation, conference with client, court appearances, mediation, etc.
2. **Chargeable Matter (Non-Case) Hours** – Hours spent on activities other than those related to a specific client including community outreach activities, training, community education, reporting, research, etc.
3. **Non-Chargeable Hours** - Vacation, Holidays, Personal Leave, Sick Time, other administrative time.

The time (billable hours) billed for each funding source is based on the sum of the Chargeable Client Hours and Chargeable Matter worked for each funding source. The percentage of billable hours for each funding source to the total billable hours of all the funding sources is calculated. This percentage is then applied to the Legal Staff person's monthly salary to determine the amount of salary to be allocated to each funding source. The amount of the Legal Staff Person's monthly Fringe Benefits are allocated to each funding source by the same percentage.

The amount of Salary and Fringes attributable to Leave Time and Other Administrative time is allocated amongst the funding sources at the percentage of billed hours for each funding source.

This allocation methodology is consistent with what is allowable under OMB Circular A-122 – Selected Items of Cost. See example below:

Example:

					Attorney: Smith	Total Monthly Salary	\$4,000.00
						Total Monthly Fringe Benefits	\$1,200.00
						Total Distributed Grant Salary	Total Distributed Grant Fringe
						\$4,000.00	\$1,200.00
<u>Grant</u>	<u>Chargeable Client Hours</u>	<u>Chargeable Matter</u>	<u>Total Billable Hours</u>	<u>% Billed Grant Hours</u>	<u>Distributed Salary Charged</u>	<u>Distributed Fringe Benefits Charged</u>	
A	40	5	45	34.35%	\$1,374.05	412.21	
B	47	4	51	38.93%	\$1,557.25	467.18	
C	21		21	16.03%	\$641.22	192.37	
D	14		14	10.69%	\$427.48	128.24	
			Total Billed Grant Hours	131	\$4,000.00	\$1,200.00	
			Leave/ Adm Time	28			
			Total Time	159			

Since 2008 Paralegals have been included in the submitted budgets. While paralegals were not included in earlier budgets their contribution to the effectiveness of the grant cannot be overstated. As the OIG acknowledges in its draft report, the grant goals were accomplished. Our paralegals are an integral and necessary ingredient to achieving the stated goals of the grant.

Monitoring of Contactors

CLASI has reviewed the sub-grantee monitoring procedures required by OJP and put together a regimen to monitor sub-grantees to meet the requirements of the Financial Guide of the Department of Justice Office of Justice Programs.

Since the inception of the program funded with Legal Assistance for Victims funds, CLASI has monitored program compliance of its sub-grantees by meeting with all sub-grantees each quarter to review caseloads and coordination of services. CLASI and its sub-grantees share common clients and work together on a daily basis. CLASI prepares detailed semi-annual reports to the OVW reporting the outcomes of each of the sub-grantees. To compile the reports CLASI communicates telephonically and electronically with the sub-grantees. CLASI paid financial draws to sub-grantees upon the submission of detailed invoices indicating the work performed under the program.

Drawdowns

We agree with the assessment of the OIG that drawdown requests were made for amounts that were less than the amount actually used to fund the expenditures incurred for grant related purposes. CLASI has in place procedures and documentation supporting the funds requested, and that those requests match our accounting records.

Reporting

During the early part of the grant, some of the Financial Status Reports were late. We have rectified that situation since our new CFO was hired in 2008.

Progress Reports

CLASI disagrees with the OIG assessment that we could not provide accurate support for the numbers in our progress reports. CLASI maintains a clients database with detailed information retained about our clients, outcomes, how they are served and all other relevant information used in reporting to the OVW. Reports are produced through interrogation of this database and results are reported to the OVW. All supporting documentation for the numbers provided to the OVW is retained with our copy of the report provided to the OVW.

Budget Management and Control

While CLASI did not track expenditures by approved budget categories, we can justify the expenditures and funds drawn down throughout life of the grant.

Program Performance

Measuring Performance

We agree with the OIG assessment that CLASI provided sufficient evidence to demonstrate that the goals and objectives set forth in the program narratives were being achieved. CLASI is an effective provider of services required by the victims of Domestic violence, and is the only agency providing those services in Kent and Sussex Counties in Delaware. In achieving those goals, all of the grant funds expended were appropriately spent to meet the needs of the victims.

Program Sustainability

We agree with the OIG assessment that the absence of OVW funding would impair the ability of CLASI to furnish ongoing legal services to victims. CLASI is the only organization providing such services to the victims in Kent and Sussex Counties in the State of Delaware. Without the OVW funding of this grant the victims in the two southern counties in Delaware would be without any legal services to protect and assert their legal remedies against their perpetrators.

Compliance with other Grant Requirements

We agree with the OIG assessment the CLASI was in compliance with each of the 27 special conditions included in the original grant award and its two supplements.

Conclusions

CLASI is the sole provider of Legal Services for Victims in Kent and Sussex counties in the State of Delaware. As the OIG has indicated in its draft report, CLASI is achieving the goals of the grant and has complied with all 27 special conditions included in the grant and its supplements. CLASI has provided effective and efficient services to the victims of domestic violence in Delaware, but, without this finding CLASI could not continue its work protecting the legal interests of victims, and those victims would be without legal assistance. It is therefore, imperative that the OVW continue funding CLASI to ensure the legal rights of victims in Delaware can be asserted.

CLASI has contacted, and is currently working with, the OVW to address the recommendations made by the OIG to OVW and we look forward to resolving those recommendations yet to be implemented.

OFFICE ON VIOLENCE AGAINST WOMEN
RESPONSE TO THE DRAFT AUDIT REPORT

July 23, 2010

MEMORANDUM

TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office

FROM: Susan B. Carbon
Director
Office on Violence Against Women

Rodney Samuels
Audit Liaison
Office on Violence Against Women

SUBJECT: Response to the Draft Audit Report, Office on Violence Against Women
Legal Assistance for Victims Grant Awarded to the Community Legal Aid
Society, Inc. Wilmington, DE
Grant Number 2005-WL-AX-0056 with supplements – Draft Audit
Report.

This memorandum is in response to your correspondence dated May 14, 2010 transmitting the above draft Follow-Up and Review Investigation report for the CLASI. We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **seven** recommendations, **\$829,340** in unsupported and unallowable expenditures. The following is our analysis of the audit recommendations.

- 1) Remedy \$829,340 in unsupported and unallowable expenditures and ensure that CLASI implements an accounting system that can completely and accurately gather, record, and report the data for the OVW grant.**

We agree with this recommendation. We will coordinate with **CLASI** to obtain the necessary documents to ensure that they remedy the \$829,340 in unsupported and unallowable costs.

- 2) **Ensure that CLASI develops and implements a reliable, consistent, verifiable, and documented methodology to calculate overhead expenditures that are charged to the OVW grant.**

We agree with the recommendation. We will coordinate with **CLASI** to ensure that they develop and implement a reliable, consistent, verifiable, and documented methodology to calculate overhead expenditures that are charged to the OVW grant.

- 3) **Remedy all unsupported and unallowable personnel and fringe benefit expenditures.**

We agree with the recommendation. We will coordinate with **CLASI** to obtain a copy of procedures implemented to ensure that they remedy all unsupported and unallowable personnel and fringe benefit expenditures.

- 4) **Ensure that CLASI implements and adheres to procedures to adequately monitor contractors.**

We agree with the recommendation. We will coordinate with **CLASI** to obtain a copy of procedures to ensure that they implement and adhere to those policies as it relates to adequately monitoring contractors.

- 5) **Ensure that CLASI implements a formalized and written process to ensure that an adequate system is in place to keep track of drawdowns.**

We agree with the recommendation. We will coordinate with **CLASI** to obtain a copy of written procedures that will ensure that an adequate system is in place to track drawdowns.

- 6) **Ensure that CLASI implements and adheres to procedures that will result in the timely and accurate submission of Financial Status Reports.**

We agree with the recommendation. We will coordinate with **CLASI** to obtain a copy of procedures to ensure that they implement and adhere to the timely and accurate submission of Financial Status Reports.

- 7) **Ensure that CLASI implements and adheres to procedures to track expenditures by budget categories and to monitor budget versus actual spending on a consistent and ongoing basis.**

We agree with the recommendation. We will coordinate with **CLASI** to obtain a copy of procedures to ensure that they implement and adhere to the procedures that will track expenditures by budget categories and to monitor budget versus actual spending on a consistent and ongoing basis.

We appreciate the opportunity to review and comment on the draft report. If you have any questions or require additional information, please contact Rodney Samuels of my staff at (202) 514-9820.

cc: Kitora Padgett
Accounting Officer
Office on Violence Against Women (OVW)

Richard P. Theis
Assistant Director
Audit Liaison Group
Justice Management Division

William Dunne
Interim Executive Director
Community Legal Aid Society, Inc. (CLASI)

Shannon Gaskins
Program Specialist
Office on Violence Against Women

OIG, AUDIT DIVISION, ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

We provided the draft report to the Community Legal Aid Society, Inc., (CLASI) and the Office on Violence Against Women (OVW) for review and comment. CLASI's response is included as Appendix IV of this report, and OVW's response is included as Appendix V. CLASI agreed with one recommendation, disagreed with one recommendation, and did not state an opinion on the remaining five recommendations. OVW agreed with all seven recommendations. We consider all seven recommendations resolved based on OVW's agreement. The status and actions necessary to close each recommendation, along with a discussion of the responses from CLASI and OVW, are provided below.

During the onsite fieldwork for this audit, the specific questioned costs were discussed in detail with CLASI officials. The status and actions necessary to close each recommendation, along with a discussion of the responses from CLASI and OVW, are provided below.

1. **Resolved.** Remedy \$829,340 in unsupported and unallowable expenditures and ensure CLASI implements an accounting system that can completely and accurately gather, record, and report the data for the OVW grant.

In its response, CLASI said the expenditures are supported by a detailed invoice and that they are able to show that the funds expended for the grant were justified. The CLASI response also acknowledged that while controls were weak during the early part of the grant, those controls have been remedied. Moreover, the CLASI response denied the potential for fraud, waste, and abuse for any of the grant funds. However, throughout our audit we repeatedly requested supporting documentation for these expenditures but CLASI was unable to provide adequate supporting documentation. During the onsite fieldwork, CLASI provided multiple sets of accounting records that proved to be unreliable and precluded us from performing any detailed transaction testing to determine what was actually spent using grant funds. In our judgment, the absence of adequate and reliable supporting documentation as required by the grant award significantly increases the potential for grant funds being at risk for fraud, waste, and misuse.

In its response, OVW agreed with our recommendation and said it will coordinate with CLASI to obtain the necessary documents to ensure they remedy the \$829,340 in unsupported and unallowable costs. This recommendation is resolved based on OVW's concurrence and agreement

to remedy the unallowable and unsupported expenditures. This recommendation can be closed when we receive documentation demonstrating that OVW has remedied the \$829,340 in unsupported and unallowable expenditures.

2. **Resolved.** Ensure CLASI develops and implements a reliable, consistent, verifiable, and documented methodology to calculate overhead expenditures that are charged to the OVW grant.

In its response, CLASI agreed that it had some difficulty in recreating some records in the early part of the grant, but reiterated that those internal control deficiencies have been corrected and CLASI can justify the total funds expended on the grant. CLASI also said that their overhead allocation method is an approved method by the Office of Management and Budget and has been used throughout the latter part of the grant. However, during the onsite fieldwork, we reviewed several overhead and supply expenditures and attempted to follow CLASI's methodology to recalculate the expenditures. We were unable to verify many of the amounts charged to the grant for overhead and supplies.

In its response, OVW agreed with our recommendation and said it will coordinate to ensure that CLASI develops and implements a reliable, consistent, verifiable, and documented methodology to calculate overhead expenditures that are charged to the OVW grant. This recommendation is resolved based on OVW's concurrence and agreement to coordinate with CLASI in developing and implementing corrective action. This recommendation can be closed when we receive documentation demonstrating that CLASI has a reliable, consistent, verifiable, and documented methodology to calculate overhead expenditures that are charged to the OVW grant.

3. **Resolved.** Remedy all unsupported and unallowable personnel and fringe benefit expenditures.

In its response, CLASI disagrees with the OIG's assessment that employees' salaries and time associated with those salaries were not adequately recorded and charged to the grant. The CLASI response also included an explanation of its salary and fringe benefits allocation methodology, and an example of how that methodology was applied. CLASI also said paralegals were included in its budget since 2008. However, during the onsite fieldwork, CLASI was unable to provide us supporting documentation or an explanation of its allocation methodology for the time periods we selected for transaction testing. Additionally, the grant award budget that was approved for the second supplement to the

grant, which covered a 2-year period from October 2007 to September 2009, did not include paralegals in any approved budget category. From our review we determined that paralegals were not included in the approved budget until 2009.

In its response, OVW agreed with our recommendation and said it will coordinate with CLASI to obtain a copy of procedures implemented to ensure they remedy all unsupported and unallowed personnel and fringe benefit expenditures. This recommendation is resolved based on OVW's concurrence and agreement to remedy the unallowable and unsupported expenditures. This recommendation can be closed when we receive documentation demonstrating that OVW has remedied the unsupported and unallowed expenditures associated with personnel and fringe benefits.

4. **Resolved.** Ensure that CLASI implements and adheres to procedures to adequately monitor contractors.

In its response, CLASI said it has put together a regimen to monitor subgrantees to meet the requirements of the Office of Justice Programs (OJP) Financial Guide. CLASI further said it monitored program compliance by meeting quarterly with subgrantees to review caseloads and service coordination, and that it paid financial draws to subgrantees upon the submission of detailed invoices indicating the work performed under the program. However, during our onsite fieldwork, we did not identify what we considered sufficient or adequate supporting documentation from the subgrantees. Additionally, in our discussions with CLASI officials we were told that contractor monitoring was not performed because CLASI did not have enough employees to do so.

In its response, OVW agreed with our recommendation and said it will coordinate with CLASI to obtain a copy of procedures to ensure that it implements and adheres to those policies as it relates to adequately monitoring contractors. This recommendation is resolved based on OVW's concurrence and agreement to coordinate with CLASI in taking corrective action for monitoring contractors. This recommendation can be closed when we receive a copy of written procedures developed and implemented to ensure that adequate contractor monitoring is established for future federal awards.

5. **Resolved.** Ensure that CLASI implements a formalized and written process to ensure that an adequate system is in place to keep track of drawdowns.

In its response, CLASI agreed that drawdown requests were made for amounts that were less than the amount actually used to fund expenditures incurred for grant related purposes. CLASI also said they have procedures in place and documentation supporting the funds requested, and that those requests match their accounting records. However, as we stated in the report, CLASI relied on an undocumented methodology in making its funding requests (drawdowns). We were only told by CLASI officials after onsite fieldwork had ended that it was maintaining supporting documentation and that the drawdowns were now accurate and matched the accounting records.

In its response, OVW agreed with our recommendation and said it will coordinate with CLASI to obtain a copy of written procedures that will ensure that an adequate system is in place to track drawdowns. This recommendation is resolved based on OVW's concurrence and agreement to coordinate with CLASI in taking corrective action for systematically keeping track of drawdowns. This recommendation can be closed when we receive documentation demonstrating that CLASI has implemented procedures that ensure an adequate system is in place to keep track of drawdowns.

6. **Resolved.** Ensure that CLASI implements and adheres to procedures that will result in the timely and accurate submission of Financial Status Reports.

In its response, CLASI acknowledged that some of the Financial Status Reports were late early in the grant. CLASI said it has rectified the situation since a new Chief Financial Officer was hired in 2008. The CLASI response was silent about the issue we raised that CLASI's accounting records did not match Financial Status Report amounts reported to the Office of Justice Programs.

In its response, OVW agreed with our recommendation and said it will coordinate with CLASI to obtain a copy of written procedures to ensure that they implement and adhere to the timely and accurate submission of Financial Status Reports (FSR). This recommendation is resolved based on OVW's concurrence and agreement to coordinate with CLASI in taking corrective action for timely and accurate Financial Status Report submissions. This recommendation can be closed when we receive documentation demonstrating that CLASI has implemented procedures to ensure the timely and accurate submission of Financial Status Reports.

7. **Resolved.** Ensure that CLASI implements and adheres to procedures to track expenditures by budget categories and to monitor budget versus actual spending on a consistent basis.

In its response, CLASI said that even though they did not track expenditures by budget categories, they can justify the expenditures and funds drawn down throughout the life of the grant. However, because CLASI did not track costs by approved budget categories, or monitor the budget versus actual expenses, we could not determine if CLASI spent grant funds according to the defined budget categories because the accounting records CLASI provided were unreliable.

In its response, OVW agreed with our recommendation and said it will ensure that CLASI implements and adheres to procedures that will track expenditures by budget category and monitors the budget versus actual spending on a consistent and ongoing basis. This recommendation is resolved based on OVW's concurrence and agreement to coordinate with CLASI in taking corrective action to improve budget management and control. This recommendation can be closed when we receive documentation demonstrating that CLASI has implemented procedures ensuring that grant-related expenditures are being tracked by budget category and that budget versus actual spending is monitored on a consistent and ongoing basis.