



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
NATIONAL INSTITUTE OF JUSTICE
COOPERATIVE AGREEMENT AWARDED TO
OCCUPATIONAL RESEARCH AND
ASSESSMENT, INCORPORATED
BIG RAPIDS, MICHIGAN**

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

Audit Report GR-50-11-004
July 2011

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
NATIONAL INSTITUTE OF JUSTICE
COOPERATIVE AGREEMENT AWARDED TO
OCCUPATIONAL RESEARCH AND ASSESSMENT, INCORPORATED
BIG RAPIDS, MICHIGAN**

EXECUTIVE SUMMARY

The Office of the Inspector General, Audit Division, has completed an audit of an Office of Justice Programs (OJP), National Institute of Justice (NIJ), cooperative agreement awarded to Occupational Research and Assessment, Incorporated (ORA).¹ ORA is located in Big Rapids, Michigan, about 60 miles north of Grand Rapids, Michigan. ORA is an S-corporation whose Chief Executive Officer is the sole member of its board of directors and the grant Project Director. ORA was awarded \$898,349 under grant number 2009-DN-BX-K207 for a forensic science training development and delivery program. The purpose of the program is to: (1) develop curriculum and training for the National Missing and Unidentified Persons System (NamUs); (2) plan, execute, and follow-up on national NamUs training academies; and (3) evaluate the national training program's effectiveness.²

The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel costs; (4) budget management and control; (5) matching costs; (6) accountable property; (7) indirect costs; (8) program income; (9) financial status and progress reports; (10) grant requirements; (11) program performance and accomplishments; and (12) monitoring of sub-grantees and contractors. We determined that local match, property management, indirect costs, program income, and oversight of sub-grantees were not applicable to this grant.

As of September 30, 2010, the grantee had drawn down \$220,552 in grant funds and had recorded total expenditures of \$82,242 in the grant accounting records. We examined ORA's accounting records, required reports, and operating policies and procedures. In total we identified

¹ We use the term "cooperative agreement" interchangeably with "grant" throughout this report.

² National Missing and Unidentified Persons System (NamUs) is a web-based, publicly accessible system to assist in the investigation of both unidentified deceased persons and assumed alive missing persons. The system could facilitate the location of missing persons who have died and the identification of deceased persons whose names and identities are unknown.

\$138,310 in questioned costs and identified internal control, accounting, and reporting deficiencies. Specifically, we found:

- The grantee's grant accounting records were incomplete because grantee personnel costs, as well as expenditures for supplies and other expenses, were not recorded in the official grant ledgers.
- The grantee's drawdowns of \$220,552 exceeded the amount of expenditures that the grantee had recorded in its official accounting ledgers, which amounted to \$82,242. This occurred because the grantee's reimbursement requests and financial activity reports were based in part on pro-rated amounts of the total funds awarded for personnel, supplies, and other expenses. As these estimated amounts did not reconcile with the grantee's accounting ledgers, we are questioning \$138,310 in unsupported costs reimbursed by the grant.
- The *OJP Financial Guide* requires grantees to maintain documentation supporting employee activities. Specifically, for employees whose time is attributable to multiple activities or cost objectives, the grantee must maintain a distribution of their salaries or wages and this distribution should be supported by time and effort reports or equivalent documentation. Although the grantee's timesheets tracked both hours and the projects worked on, the Grant Accountant stated that ORA employees frequently did not attribute any or all of the time spent on the grant on their timesheets. Consequently, the calculation of employee time spent on the grant using the timesheets would not be accurate or substantiate grant employee personnel costs that should be billed to the grant.
- Although the financial activity reports were generally filed on a timely basis, progress reports for the periods ended December 31, 2009, and June 30, 2010, were filed 16 and 5 days late, respectively.

Our report contains six recommendations to address the preceding issues, which are discussed in detail in the Findings and Recommendations section of the report. Our audit objective, scope, and methodology are discussed in Appendix I of the report.

TABLE OF CONTENTS

INTRODUCTION.....	1
Background.....	1
Our Audit Approach.....	2
FINDINGS AND RECOMMENDATIONS	4
Accounting and Internal Controls	4
Grant Drawdowns	6
Grant Expenditures	7
Budget Management and Control	9
Grant Reporting.....	9
Compliance with Grant Requirements	11
Program Performance and Accomplishments	11
Monitoring Contractors and Sub-grantees	12
Views of Responsible Officials	12
Recommendations	12
 APPENDICES	
I. OBJECTIVES, SCOPE, AND METHODOLOGY.....	14
II. SCHEDULE OF DOLLAR-RELATED FINDINGS	16
III. AUDITEE RESPONSE.....	17
IV. U.S. DEPARTMENT OF JUSTICE RESPONSE	19
V. OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE REPORT	22

INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG), Audit Division, has completed an audit of an Office of Justice Programs (OJP), National Institute of Justice (NIJ), cooperative agreement awarded to Occupational Research and Assessment, Incorporated (ORA). ORA was awarded \$898,349 under grant number 2009-DN-BX-K207 for a forensic science training development and delivery program.

The purpose of the program is to: (1) develop curriculum and training for the National Missing and Unidentified Persons System (NamUs); (2) plan, execute, and follow-up on national NamUs training academies; and (3) evaluate the national training program's effectiveness.³

As shown in the table below, ORA was awarded a total of \$898,349 to implement the grant program.

TABLE 1. OFFICE OF JUSTICE PROGRAMS GRANT TO OCCUPATIONAL RESEARCH AND ASSESSMENT, INCORPORATED

GRANT AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
2009-DN-BX-K207	10/01/09	12/31/11	\$898,349
Total:			\$898,349

Source: Office of Justice Programs

Background

Since 1984, OJP has provided federal leadership in developing the nation's capacity to prevent and control crime, improve the criminal and juvenile justice systems, increase knowledge about crime and related issues, and assist crime victims. NIJ was created in 1969 and is the research, development, and evaluation agency of DOJ. NIJ is organized to: (1) emphasize outcomes and cost-benefit evaluations of criminal justice programs and technologies; (2) keep the social and physical sciences together under one research agency to maximize collaborations, cost-effectiveness, and benefits to the field; (3) evaluate the forensic sciences;

³ National Missing and Unidentified Persons System (NamUs) is a web-based, publicly accessible system to assist in the investigation of both unidentified deceased persons and assumed alive missing persons. The system could facilitate the location of missing persons who have died and the identification of deceased persons whose names and identities are unknown.

and (4) group the core organizational functions under autonomous offices that report directly to a Deputy Director.

ORA is located in Big Rapids, Michigan, about 60 miles north of Grand Rapids, Michigan. ORA is an S-corporation whose Chief Executive Officer is the sole member of its board of directors and the grant Project Director. ORA employs six staff members (two research assistants and four project assistants) who develop specialized software programs for the corporation's clients.

There are many electronic data systems collecting information about missing and unidentified deceased persons, such as the National Crime Information Center, that are not readily accessible to, or searchable by persons such as medical examiners, coroners, and other members of the public who need the information. NamUs is a web-based, publicly accessible system that was established to provide a "one-stop" data system for all participants in investigations of missing and unidentified deceased persons. The grant given to ORA was to identify and provide NamUs training to selected medical examiner and coroner offices, post-secondary institutions, and local and state law enforcement agencies and to offer five national train-the-trainer academies. The train-the-trainer academies were to be presented in five different regions of the United States. By creating regional stakeholders with mentoring responsibilities, the grant hopes to promote and facilitate consistent data collection and sharing protocols along with an understanding of the potential benefits associated with solving missing and unidentified persons cases nationally.

Our Audit Approach

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide*, the Code of Federal Regulations, Office of Management and Budget (OMB) Circulars, and the award documents. We tested ORA's:

- **Accounting and Internal Controls** to determine whether the grantee had sufficient accounting and internal controls in place for the processing and payment of funds and controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant;
- **Grant Drawdowns** to determine whether grant drawdowns were adequately supported in accordance with federal requirements;

- **Grant Expenditures** to determine the accuracy and allowability of costs charged to the grant;
- **Budget Management and Control** to examine the amounts budgeted and the actual costs for each approved cost category and determine if the grantee deviated from the approved budget, and if so, if the grantee received the necessary approval;
- **Financial Status Reports and Progress Reports** to determine whether the required reports were submitted on time and accurately reflected grant activity; and
- **Accomplishment of Grant Requirements and Objectives** to determine if the grantee met or is capable of meeting the grant's objectives and whether the grantee collected data and developed performance measures to assess accomplishment of the intended objectives.

We also performed limited work and confirmed that ORA did not receive reimbursement for indirect costs, did not generate or receive program income, was not required to contribute any local matching funds, and did not sub-award DOJ grant funds to sub-grantees. We therefore performed no testing in these areas.

FINDINGS AND RECOMMENDATIONS

We determined that ORA was accomplishing or making adequate progress in fulfilling the objectives of the grant. However, our audit revealed internal control weaknesses as well as accounting and reporting deficiencies. Specifically, we found insufficient documentation to support grant payroll activity and identified that two required progress reports were filed late. The grantee also pro-rated the amounts budgeted for several cost categories and reported the pro-rated amounts as actual expenditures in its reimbursement requests and financial status reports. As a result, we questioned \$138,310 in unsupported expenditures.

We performed audit work at the ORA office in Big Rapids, Michigan, where we obtained an understanding of the accounting system and reviewed a sample of grant expenditures. We reviewed the criteria governing grant activities, including the *OJP Financial Guide* and relevant OMB Circulars and the Code of Federal Regulations. In addition, we reviewed grant documents, including the application, award, budgets, and financial and progress reports. We also interviewed key personnel at ORA's office.

Accounting and Internal Controls

According to the *OJP Financial Guide*, grant recipients are required to establish and maintain accounting and internal control systems to account accurately for funds awarded to them. Further, the accounting system should ensure, among other things, the identification and accounting for receipt and disposition of all funds, funds applied to each budget category included in the approved award, expenditures governed by any special and general provisions, and non-federal matching contributions.

We reviewed ORA's financial management system and its policies and procedures to assess ORA's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. To further assess risk, we obtained an understanding of the reporting process, examined grant records and reports prepared by ORA, and interviewed ORA personnel regarding award charges. We did not test the entirety of the internal control system or the financial management system for ORA as a whole. Our testing revealed internal control, accounting, and reporting deficiencies that are explained in more detail in the following sections.

Financial Management System

The *OJP Financial Guide* requires grantees to establish and maintain a system of accounting and internal controls that adequately identifies and classifies grant costs. The system must include controls to ensure that funds and other resources are used optimally and expenditures of funds are in conformance with the general and special conditions applicable to the recipient. Further, the *OJP Financial Guide* states that grantees should establish and maintain program accounts that will enable, on an individual basis, the separate identification and accounting of the receipt and disposition of all funds and the application of all funds to each budget category included within the approved award.

We did not test the overall financial management system for ORA as a whole, but conducted a limited review and performed testing in areas related to the NIJ award. We also interviewed staff and management as well as observed accounting activities and processes to further assess risk. The grantee operates under procedures that it promulgates in a policy and procedures manual that covers ethics and basic business procedures. Each new employee receives a copy of the manual.

Our review of ORA's financial management system indicated that the internal controls over the accounting system were weak due to a lack of separation of duties. Specifically, the Grant Accountant posted and maintained the financial and budget records, compiled payroll information, processed all of the grant's expenditures, prepared checks for the manager's signature, had access to an electronic signature stamp, and prepared the required reports that were submitted to OJP and NIJ. The grant Project Director acknowledged that he was aware of the risks faced by a small organization and routinely reviewed the work product of the Grant Accountant, and he was very involved with ORA's day-to-day operations. In addition to using an outside payroll firm, the Project Director also had an outside accounting firm receive the checking account statement directly from the bank and had the firm perform the monthly bank account reconciliations.

In addition to the lack of separation of duties discussed above, we noted several other internal control weaknesses, which are discussed in the Grant Drawdowns, Grant Expenditures, and Grant Reporting sections of this report. The weaknesses include excess drawdowns as a result of not recording all expenditures in the grant accounting records, basing drawdown requests on pro-rated award amounts, and filing reports in an untimely manner.

Audit

According to Office of Management and Budget (OMB) Circular A-133, non-federal entities that expend \$500,000 or more in federal awards during the year shall have a single audit conducted. ORA did not expend \$500,000 or more in federal awards during 2009 and, as a result, was not required and did not have a financial and compliance audit performed.

Grant Drawdowns

We reviewed ORA's process for requesting reimbursement for its grant-related costs to ensure that the reimbursement requests were adequately supported by official accounting records and were in accordance with federal requirements. We noted that as of September 16, 2010, ORA had \$82,242 recorded in its grant accounting records but had drawn down \$220,552, as shown in the following table.

TABLE 2. COMPARISON OF DRAWDOWNS TO ACCOUNTING RECORDS

DATE OF DRAWDOWN PER OJP	AMOUNT DRAWN PER OJP	GRANT EXPENDITURES PER ACCOUNTING RECORDS FOR DRAWDOWN PERIOD	CUMULATIVE DRAWDOWNS PER OJP	CUMULATIVE EXPENDITURES PER ACCOUNTING RECORDS
4/19/2010	\$83,210	\$0	\$83,210	\$0
7/19/2010	120,134	56,328	203,344	56,328
9/1/2010	17,208	25,914	220,552	82,242

Source: Office of Justice Programs and Occupational Research and Assessment, Inc.

We found that the grantee's reimbursement requests were based upon estimated rather than actual amounts and that the accounting records did not reflect all grant activity. Rather than ensuring reimbursements did not exceed incurred expenses or disbursements to be made within 10 days as required by the *OJP Financial Guide*, for several budget categories (personnel, supplies, and other), the grantee divided the amount awarded evenly among the grant quarters and reported the quarterly approximation as actual expenditures in its reimbursement requests. Consequently, when we reviewed the accounting records and compared expenditures to the amounts drawn down, we found that the drawdowns did not match the recorded expenditures because of the grantee's methodology for calculating its reimbursement requests. Our reconciliation attempts were also hampered by the fact that the grantee's accounting records did not include its costs for salary and fringe benefits, as well as expenditures for general office supplies and various other items. As a result of these accounting discrepancies, the grant accounting records were materially incomplete.

This issue is discussed in more detail in the Grant Expenditures section of this report.

We believe that ORA should establish procedures to ensure that all grant-related expenditures are recorded in the grant accounting records and that its drawdown requests are based only on actual grant expenditures.

Grant Expenditures

The *OJP Financial Guide* serves as a primary manual to assist grantees in fulfilling their fiduciary responsibility to safeguard grant funds and ensure funds are used for the purposes for which they were awarded. It also serves as a day-to-day management tool for award recipients in administering grant programs. The *OJP Financial Guide* requires that expenditures be accounted for and adequately supported.

To determine the accuracy and allowability of costs charged to the grant, we reviewed a sample of direct expenditures totaling \$44,540. ORA's approved grant budget included the following:

**TABLE 3.
OCCUPATIONAL RESEARCH AND ASSESSMENT, INCORPORATED
APPROVED GRANT BUDGET AMOUNTS AND DESCRIPTION OF COSTS**

COST CATEGORY	APPROVED REVISED BUDGET	DESCRIPTION OF PLANNED EXPENDITURES
Personnel	\$340,000	ORA staff involved in NamUs Project
Fringe Benefits	54,510	ORA staff involved in NamUs Project
Travel	16,650	ORA staff members attending training academies
Supplies	20,950	General office and training academy supplies
Contract/Consultant	456,300	Training academy costs, including travel, for faculty and trainees.
Other	9,939	ORA telephone, postage, fax, and website costs
Equipment	0	None planned
Construction	0	None planned
Indirect Costs	0	None planned
FEDERAL FUNDS	\$898,349	
LOCAL MATCH	\$0	
TOTAL PROJECT Cost	\$898,349	

Source: Office of Justice Programs and Occupational Research and Assessment, Inc.

We reviewed the general ledger account designated for grant activity and verified 25 transactions. Our sample of expenditures totaled \$44,540, or 54 percent of the \$82,242 in recorded grant expenditures through September 30, 2010. Expenditures recorded in the ledger related directly to the first NamUs Training Academy seminar that had been held in St. Louis, Missouri. We found that generally the transactions we reviewed were properly authorized, classified, supported, and charged to the grant.

As previously mentioned, reimbursement requests for payroll expenses and fringe benefits, as well as supplies and other costs, were based on pro-rated amounts. Expenditures for these budget categories were not recorded in the grant accounting ledger. We determined that the Grant Accountant was maintaining unofficial grant spreadsheets that included actual training academy costs along with the pro-rated, estimated amounts that were used to calculate reimbursement requests. We determined that the grantee also used the spreadsheet information to prepare the Financial Status Reports (FSR) and the FSR-reported expenditures totaled \$262,852, while drawdowns during the period totaled \$220,552.⁴ However, the official grant accounting records identified only \$82,242 in expenditures. Therefore, we question the difference between the amount received (\$220,552) and the amount supported by the accounting records (\$82,242), which equals \$138,310 in unsupported costs. Subsequent to our review, the Grant Accountant stated that she had been in contact with OJP and she will work with OJP on this issue.

In addition, we found that the grantee did not have adequate documentation to support employee time charges. According to the *OJP Financial Guide*, grantees must maintain documentation supporting employee activities. Specifically, for employees whose time is attributable to multiple activities or cost objectives, the grantee must maintain a distribution of their salaries or wages, and this distribution should be supported by time and effort reports or equivalent documentation. Although the grantee's timesheets tracked both hours and the projects worked on, the Grant Accountant stated that ORA employees frequently did not correctly attribute all of the time spent working on the NamUs Training Academies on their timesheets. Consequently, the calculation of employee time spent on the grant using the timesheets would not be accurate and would not substantiate grant employee personnel costs that should be billed to the grant. Because we were told the reimbursed pro-rated personnel costs lacked adequate and specific support, we did not conduct further testing in

⁴ The grantee filed Financial Status Reports to report its grant expenditures. These reports have now been replaced by Federal Financial Reports and were required by special condition 9 in the grant award document.

this area. Subsequent to our review, the Grant Accountant stated that the importance of accurate time reporting was discussed with staff and that she is closely monitoring the accuracy of currently submitted timesheets.

Budget Management and Control

According to the *OJP Financial Guide*, a grantee may transfer funds between approved budget categories without OJP approval if the total transfers are 10 percent or less than the award amount. Requests for transfers of funds between budget categories of over 10 percent must be submitted to OJP for approval. Because the grant had not yet expired, we could not fully conduct testing in this area. However, we did determine if the budgets were being adhered to, and we compared the amounts charged to each grant category to the OJP-approved budget. The Grant Accountant monitored the grant budget to ensure that overall spending was appropriate and that spending by budget category was proper. As previously stated, the Grant Accountant did this by maintaining a spreadsheet of the pro-rated and actual expenditure amounts charged to the grant. When we compared the OJP-approved grant budget against actual expenditures and pro-rated allocations, we found that expenditures in all categories were under the budgeted amounts.

Grant Reporting

The *OJP Financial Guide* states that two types of reports are to be submitted by the grantee. Financial Status Reports (FSR) provide information on monies spent and the unobligated amounts remaining in the grant. Program progress reports provide information on the status of grant-funded activities and other pertinent information.

Financial Status Reports

The *OJP Financial Guide* states that FSRs filed after October 1, 2009, are due within 30 days after the end of the calendar quarter. We reviewed all four quarters for which a report was required and determined that all four required reports were generally submitted within the required timeframe.

We reviewed all of the submitted FSRs through September 30, 2010, for accuracy and found that FSRs and grant accounting ledgers did not agree due to the reporting of pro-rated grant costs for several budget categories. Our results for all reports reviewed are displayed in the following table.

**TABLE 4. COMPARISON OF AMOUNTS
DRAWN DOWN TO FINANCIAL STATUS REPORTS**

QUARTERLY REPORT PERIOD END DATE	CUMULATIVE EXPENDITURES PER FSR	CUMULATIVE DRAWDOWNS PER OJP	CUMULATIVE EXPENDITURES PER ACCOUNTING LEDGERS
12/31/09	\$44,655	\$0	\$0
03/31/10	83,210	0	0
06/30/10	124,121	83,210	56,328
09/30/10	\$262,852	\$220,552	\$82,242

Source: Office of Justice Programs and ORA

Progress Reports

According to the *OJP Financial Guide* and award documents, progress reports are due semiannually on January 30 and July 30 for the life of the grant. Although the report due dates were also specifically identified in the grant award's special conditions, the Grant Accountant stated that she waited for notification from OJP that a progress report was due before submitting one. Because notification was not made until the report was overdue, the grantee submitted 2 reports between 5 and 16 days late, as seen in the following table.

TABLE 5. TIMELINESS OF PROGRESS REPORTS

RPT NO.	REPORT PERIOD FROM - TO DATES	DUE DATE	DATE SUBMITTED	DAYS LATE
1	10/01/09 - 12/31/09	1/30/10	02/15/10	16
2	01/01/10 - 06/30/10	7/30/10	08/04/10	5

Source: Office of Justice Programs

As a result of our review, the Grant Accountant stated she no longer waits for notification that a report is due but has noted the report due dates on her calendar to ensure timely submission of all required reports.

We reviewed the two progress reports submitted as of September 30, 2010, and determined that the data in the two reports was supported by documentation about the grant-funded activities.

Compliance with Grant Requirements

We reviewed the special conditions of the grant award and identified several key requirements, such as the requirement: (1) to submit quarterly FSRs to OJP within 30 days after the end of each calendar quarter, (2) to submit semiannual progress reports within 30 days after the end of the reporting period, (3) to provide itemized cost information in 45 days after the end of any conference that exceeds \$20,000 in award funds, (4) to include statements about federal funding and disclaimers on any website that is funded in whole or in part under the award, and (5) to not make a profit as a result of this award or to charge a management fee for the performance of this award. We confirmed that the required FSRs, progress reports, and conference cost report were submitted to OJP and that no management fees were recorded in the grant accounting ledgers or in the pro-rated costs billed to the grant. In addition, we observed that there was one grant-funded website that was partially funded with grant funds, and it contained the required statements.

Program Performance and Accomplishments

According to the award documentation, one of the main purposes of the grant was to conduct train-the-trainer courses for the NamUs system. The faculty and staff selected for these events were to be trained and educated not only in the subject-matter they were to teach, but also on the overall goals of the program. The instructors were then to put on NamUs Training Academies in the following regions:

- Midwestern Academy in St. Louis, Missouri
- Southwestern Academy in Albuquerque, New Mexico
- Northeastern Academy in Baltimore, Maryland
- Southeastern Academy in Atlanta, Georgia
- Western Academy in Los Angeles, California

We observed evidence that the first session did take place in St. Louis, Missouri, in July 2010. The Grant Project Director told us that the second training Academy had been held as planned in Albuquerque, New Mexico, and the third was scheduled for May 23, 2011, in Baltimore, Maryland. According to the Project Director, once the Training Academies are completed and the grant expires, the knowledge of the NamUs database should be widespread on a national level. This will address the NIJ goals of: (1) widespread adoption and use of the NamUs system through the education and training of individuals who conduct missing and unidentified persons investigations; and (2) the uniform collection, reporting, and sharing of all essential missing and unidentified persons data by educating

and training those principally responsible for gathering the data used by NamUs.

We made observations, reviewed documentation, and interviewed ORA staff to determine whether the grant objectives that were identified in the grant applications were being met. Overall, we found that ORA was accomplishing or making progress in fulfilling the goals and objectives of the grant. We also confirmed that the first Academy was held.

Monitoring Contractors and Sub-grantees

There were no sub-grantee awards, and the contracts associated with the transactions tested did not require ongoing ORA oversight. We found that ORA had entered into contracts with hotels and single service contractors to teach the 1-week academy classes. Because we tested 54 percent of ORA's training academy costs and did not identify any material issues, we determined that it was not necessary to perform additional testing of ORA's management of contractors. In addition, for the transactions tested we found that the daily consultant fee paid was within federal guideline limits and specifically approved by OJP.

Views of Responsible Officials

We discussed the results of our review with grantee officials throughout the audit and at a formal exit conference, and we have included their comments as appropriate. The Grant Accountant stated that due to her lack of training and limited knowledge about grants and record keeping procedures, she relied on staff at OJP to identify problems and planned to contact OJP for training assistance.

Recommendations

We recommend that the Office of Justice Programs:

1. Require the grantee to ensure that drawdowns are based on actual expenditures as recorded in the grant accounting records, and to not include pro-rated budget amounts.
2. Ensure that the grantee implements appropriate accounting procedures that adhere to federal grant accounting requirements and records all grant-related financial activity in the official accounting records.

3. Require that the grantee submit corrected Financial Status Reports based upon actual recorded and supported expenditures.
4. Remedy the \$138,310 in unsupported questioned costs charged to the grant for salary and fringe benefits, supplies, and other costs that were based on pro-rated budget amounts.
5. Require the grantee to ensure that employees track all time on their timesheets, including by project and the hours worked.
6. Ensure that the grantee submits progress reports in a timely manner.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments.

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

Our audit concentrated on, but was not limited to, the inception of the grant on October 1, 2009, through September 30, 2010. This was an audit of NIJ grant number 2009-DN-BX-K207, for which ORA was awarded a total of \$898,349. In conducting our audit, we reviewed FSRs and progress reports, as well as performed sample testing of grant expenditures. In total, the grantee had drawn down \$220,552, and recorded grant expenditures of \$82,242 as of September 30, 2010. Our testing was conducted by judgmentally selecting a sample of expenditures, along with a review of internal controls and procedures for the grant that we audited. Judgmental sampling design was applied to obtain broad exposure to numerous facets of the grant reviewed, such as dollar amounts, expenditure category, or risk. This non-statistical sample design does not allow for projection of the test results to all grant expenditures or internal controls and procedures. We identified a sample of 25 transactions; 10 were the highest dollar amount and the remaining 15 were randomly selected. These transactions totaled \$44,540, or 54 percent of the total recorded grant expenditures.

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide* and the award documents. We reviewed ORA's grant activities and performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel; (4) budget management and control; (5) financial status and progress reports; (6) grant requirements;

(7) program performance and accomplishments; and (8) monitoring of contractors. In addition, we reviewed the timeliness and accuracy of FSRs and progress reports, and evaluated performance to grant objectives. We determined that matching, property management, program income, indirect costs, and oversight of sub-grantees were not applicable to this grant.

A financial and compliance audit was not performed because ORA had not expended \$500,000 in federal funds in a year. Additionally, no other independent annual financial report was performed on ORA. We performed limited testing of source documents to assess the timeliness and accuracy of FSRs, reimbursement requests, expenditures, and progress reports; evaluated performance to grant objectives; and reviewed the grant-related internal controls over the financial management system. We tested invoices as of September 30, 2010. However, we did not test the reliability of the financial management system as a whole and reliance on computer-based data was not significant to our objectives.

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS</u>	<u>AMOUNT</u>	<u>PAGE</u>
Unsupported Costs Based on Award Pro-ration	\$138,310	8
TOTAL QUESTIONED COSTS	\$138,310	
TOTAL DOLLAR-RELATED FINDINGS	\$138,310	

Questioned costs are monies spent that, at the time of the audit, do not comply with legal requirements, or are unsupported, or are unnecessary or unreasonable. They can be recoverable or non-recoverable.

AUDITEE RESPONSE

June 29, 2011

Carol S. Taraszka
Regional Audit Manager
U.S Department of Justice
Office of the Inspector General
Chicago Regional Audit Office
500 West Madison Street, Suite 1121
Chicago, IL 60661-2590

RE: Response to Draft Audit Report 6/9/2011 of Cooperative Agreement 2009-DN-BX-K207

Dear Carol Taraszka:

Thank you for the opportunity to respond to the six recommendations offered by the auditing team from the Office of the Inspector General (OIG).

Sincerely,

/s/

Steven C. Clark, PhD, Director
Occupational Research and Assessment

cc: Linda J. Taylor
Lead Auditor, Audit Coordination Branch
Office of Justice Programs

Recommendations and Responses

Recommendation 1: Require the grantee to ensure that drawdowns are based on actual expenditures as recorded in the grant accounting records, and to not include pro-rated budget amounts.

Response 1: I concur with the auditors recommendations. We will work with our Program Manager to ensure drawdowns are based on actual expenditures.

Recommendation 2: Ensure that the grantee implements appropriate accounting procedures that adhere to federal grant accounting requirements and records all grant-related financial activity in the official accounting records.

Response 2: I concur with the auditors recommendations. We will work with our Program Manager and the Office of Audit, Assessment, and Management to ensure our bookkeeping personnel are aware of specific grant accounting methodology required by the U.S. Department of Justice.

Recommendation 3: Require that the grantee submit corrected Financial Status Reports based upon actual recorded and supported expenditures.

Response 3: I concur with the auditors recommendations. We will submit a revised Financial Status Report based on Recommendation 1.

Recommendation 4: Remedy the \$138,310 in unsupported questioned costs charged to the grant for salary and fringe benefits, supplies, and other costs that were based on pro-rated budget amounts.

Response 4: I concur with the auditors recommendations, as an accounting method. However, the characterization of charging salary and grant expenses based on percentage of annual time (pro-rated) vs. exact hourly time (actual) as "unsupported," is grammatical. We will work with our Program Manager to remedy this issue.

Recommendation 5: Require the grantee to ensure that employees track all time on their timesheets, including by project and the hours worked.

Response 5: I concur with the auditors recommendations. We will work with our Program Manager to develop and implement a more valid and reliable "time-card" system for employees working on grant related activities.

Recommendation 6: Ensure that the grantee submits progress reports in a timely manner.

Response 6: I concur with the auditors recommendations. We will work with our Program Manager to ensure that reports are submitted in a timely manner.

U.S. DEPARTMENT OF JUSTICE RESPONSE



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

July 8, 2011

MEMORANDUM TO: Carol S. Taraszka
Regional Audit Manager
Office of the Inspector General
Chicago Regional Audit Office

FROM: */s/*
Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, National Institute of Justice Cooperative Agreement Awarded to Occupational Research and Assessment, Inc., Big Rapids, Michigan*

This memorandum is in response to your correspondence, dated June 9, 2011, transmitting the subject draft audit report for the Occupational Research and Assessment, Inc. (ORA). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains six recommendations and \$138,310 in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP require the grantee to ensure that drawdowns are based on actual expenditures as recorded in**

the grant accounting records, and do not include pro-rated budget amounts.

We agree with the recommendation. We will coordinate with ORA to obtain a copy of implemented procedures to ensure that drawdown requests are based on actual expenditures, as recorded in the grant accounting records, and do not include pro-rated budget amounts, and the supporting documentation is maintained for future auditing purposes.

- 2. We recommend that OJP ensure that the grantee implements appropriate accounting procedures that adhere to federal grant accounting requirements and records all grant-related financial activity in the official accounting records.**

We agree with the recommendation. We will coordinate with the ORA to obtain a copy of implemented procedures to ensure that ORA's accounting procedures adhere to Federal grant accounting requirements. We will also coordinate with ORA to obtain a copy of implemented procedures to ensure that all grant-related financial activity is recorded in the ORA's accounting system.

- 3. We recommend that OJP require that the grantee submit corrected Federal Financial Reports (FFRs) based upon actual recorded and supported expenditures.**

We agree with the recommendation. We will coordinate with ORA to obtain a copy of implemented procedures to ensure that Federal expenditures reported on future Federal Financial Reports (FFRs) are based upon actual recorded and supported expenditures.

- 4. We recommend that OJP remedy the \$138,310 in unsupported questioned costs charged to the grant for salary and fringe benefits, supplies, and other costs that were based on pro-rated budget amounts.**

We agree with the recommendation. We will coordinate with ORA to remedy the \$138,310 in unsupported questioned costs charged to award number 2009-DN-BX-K207, related to salary and fringe benefits, supplies, and other costs that were based on pro-rated budgeted amounts.

- 5. We recommend that OJP require the grantee to ensure that employees track all time on their timesheets, including by project and the hours worked.**

We agree with the recommendation. We will coordinate with ORA to obtain a copy of implemented procedures to ensure that employees' timesheets reflect all time actually worked, both on individual Federal grants and other projects.

- 6. We recommend that OJP ensure that the grantee submits progress reports in a timely manner.**

We agree with the recommendation. We will coordinate with ORA to obtain a copy of implemented procedures ensure that future semi-annual progress reports are timely submitted to the U.S. Department of Justice.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

cc: Jeffery A. Haley
Deputy Director, Audit and Review Division
Office of Audit, Assessment, and Management

Diane Hughes
Office Director, Office of Operations
National Institute of Justice

Brigid O'Brien
Program Manager
National Institute of Justice

Richard Theis
Assistant Director
Audit Liaison Group
Justice Management Division

OJP Executive Secretariat
Control Number 20110975

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

The OIG provided a draft of this audit report to Occupational Research and Assessment, Incorporated (ORA) and the Office of Justice Programs (OJP). ORA's response is incorporated in Appendix III of this final report, and OJP's response is incorporated as Appendix IV.

Recommendation Number

1. **Resolved.** Both ORA and OJP concurred with our recommendation to ensure that drawdowns are based on actual expenditures as recorded in the grant accounting records, and do not include pro-rated budget amounts. OJP stated that it will coordinate with ORA to obtain a copy of implemented procedures to ensure that drawdown requests are based on actual expenditures, as recorded in the grant accounting records, and do not include pro-rated budget amounts, and that supporting documentation is maintained for future auditing purposes.

This recommendation can be closed when we receive a copy of the procedures implemented to ensure that drawdown requests are based on actual expenditures, as recorded in the grant accounting records, and do not include pro-rated budget amounts, and the supporting documentation is maintained for future auditing purposes.

2. **Resolved.** Both ORA and OJP concurred with our recommendation to ensure that ORA implements appropriate accounting procedures that adhere to federal grant accounting requirements and records all grant-related financial activity in the official accounting records. OJP stated that it will coordinate with ORA to obtain a copy of implemented procedures to ensure that ORA's accounting procedures adhere to federal grant accounting requirements. It will also coordinate with ORA to obtain a copy of implemented procedures to ensure that all grant-related financial activity is recorded in ORA's accounting system.

This recommendation can be closed when we receive a copy of the procedures implemented to ensure that ORA's accounting procedures adhere to federal grant accounting requirements as well as ensure that all grant-related financial activity is recorded in ORA's accounting system.

3. **Resolved.** Both ORA and OJP concurred with our recommendation requiring that the grantee submit corrected Federal Financial Reports (FFR) based upon actual recorded and supported expenditures. OJP stated that it will coordinate with ORA to obtain a copy of implemented procedures to ensure that federal expenditures reported on future FFRs are based upon actual recorded and supported expenditures.

This recommendation can be closed when we receive a copy of the procedures implemented to ensure that federal expenditures reported on future FFRs are based upon actual recorded and supported expenditures.

4. **Resolved.** Both ORA and OJP concurred with our recommendation requiring that the grantee remedy the \$138,310 in unsupported questioned costs charged to the grant for salary and fringe benefits, supplies, and other costs that were based on pro-rated budget amounts. OJP stated that it will coordinate with ORA to remedy the \$138,310 in unsupported questioned costs charged to award number 2009-DN-BX-K207, related to salary and fringe benefits, supplies, and other costs that were based on pro-rated budgeted amounts.

This recommendation can be closed when the \$138,310 in unsupported questioned costs charged to the grant related to salary and fringe benefits, supplies, and other costs that were based on pro-rated budgeted amounts have been remedied.

5. **Resolved.** Both ORA and OJP concurred with our recommendation requiring that the grantee ensure that employees track all time on their timesheets, including by project and the hours worked. OJP stated that it will coordinate with ORA to obtain a copy of implemented procedures to ensure that employees' timesheets reflect all time actually worked, both on individual federal grants and other projects.

This recommendation can be closed when we receive a copy of the procedures implemented to ensure that employees' timesheets reflect all time actually worked, both on individual federal grants and other projects.

6. **Resolved.** Both ORA and OJP concurred with our recommendation to ensure that the grantee submits progress reports in a timely manner. OJP stated that it will coordinate with ORA to obtain a copy of implemented procedures to ensure that future semi-annual progress reports are timely submitted to the U.S. Department of Justice.

This recommendation can be closed when we receive a copy of the procedures implemented to ensure that future semi-annual progress reports are timely submitted to the U.S. Department of Justice.