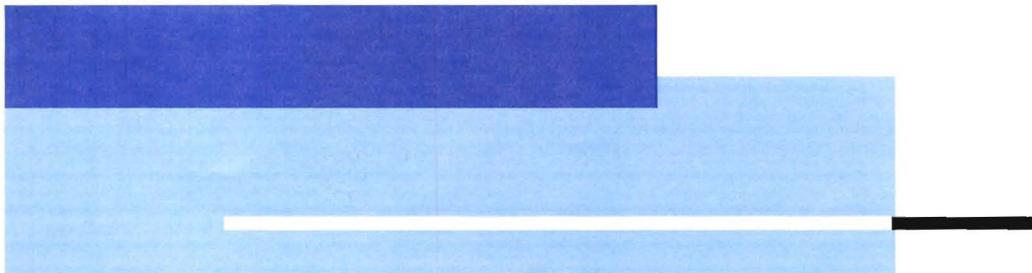


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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY
PREVENTION AWARDS TO THE
EDUCATION DEVELOPMENT CENTER, INC
NEWTON, MASSACHUSETTS**

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

Audit Report GR-70-11-002
January 2011

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
AWARDS TO THE EDUCATION DEVELOPMENT CENTER, INC
NEWTON, MASSACHUSETTS**

EXECUTIVE SUMMARY¹

The U.S. Department of Justice (DOJ) Office of the Inspector General, Audit Division, has completed an audit of the grant for the Training and Technical Assistance Program for Monitoring System Involved Youth (MSIY), grant number 2006-JU-FX-0161, and the cooperative agreement for the Tribal Youth Program Training and Technical Assistance (TYP), agreement number 2007-MU-FX-K002, awarded to the Education Development Center, Inc. (EDC) in Newton, Massachusetts.² The Office of Justice Program's (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded both the MSIY grant and the TYP agreement. In total, EDC received \$3,093,400 through the grant award, the agreement award, and each awards' supplements.³

The MSIY grant provided a total award of \$947,433, including an initial award of \$499,996 in September 2006, a supplemental award of \$197,437 in September 2007, and a second supplemental award of \$250,000 in September 2008. The purpose of the MSIY grant was to provide training and technical assistance to support the development, enhancement, or expansion of mentoring strategies and programs designed for foster care, reentry, and juvenile justice system involved youth.

The TYP agreement provided a total award of \$2,145,967, including an initial award of \$599,967 in September 2007, a supplemental award of \$600,000 in September 2008, and a second supplemental award of \$946,000 in September 2009.⁴ The purpose of the TYP agreement was to provide training and technical assistance to Indian Tribes and Alaskan Native communities that received grants under OJJDP's Tribal Juvenile

¹ The full version of this report includes information that the OIG considered to be sensitive, and therefore could not be publicly released. To create this public version of the report, the OIG redacted the portions of the full report that are considered sensitive and indicated where those redactions were made.

² Cooperative agreements are used when the awarding agency expects to be substantially involved with the award's activities.

³ In the sections of the report where we discuss both the grant and the cooperative agreement together, they are referred to as awards.

⁴ This report refers to the initial and supplementary awards as one award.

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Accountability discretionary grant program. The training and technical assistance was to include the development of programs designed to increase safety within the tribal communities by reducing juvenile delinquency, violence, and child victimization.

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

We determined that EDC did not fully comply with the award requirements we tested. We reviewed the EDC's compliance with nine essential conditions and found weaknesses in six of the nine areas we tested: (1) internal controls, (2) award expenditures, (3) budget management and control, (4) compliance with award special conditions, (5) monitoring contractors and sub-grantees, and (6) program performance and accomplishments. We did not find weaknesses related to financial and progress reporting, drawdown of funds, or indirect cost expenditures. Because of the deficiencies identified, we are questioning \$286,698 or about 9 percent of the funding spent on the award-related projects.⁵

In performing our fieldwork, we found EDC did not comply with the essential requirements of the awards. We found EDC's: (1) written internal control procedures were not uniformly applied resulting in both questioned and unsupported costs for transactions tested related to conference, travel, and consulting expenditures; (2) budget management controls were inadequate; (3) compliance with the award special conditions was inadequate; (4) monitoring of consultants and subcontractors was incomplete; and (5) performance metrics related to award funded publications, technical assistance, and the number of site visits provided to grantees remained incomplete at the time of our field work.

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

We discussed the results of our audit with EDC officials and have included their comments in the report, as applicable. Additionally, we requested a response to our draft report from EDC and OJP, and their

⁵ The Inspector General Act of 1978, as amended, contains our reporting requirements for questioned costs. However, not all findings are dollar-related. See Appendix II for a breakdown of our dollar-related findings and for definitions of questioned costs.

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responses are appended to this report as Appendix III and IV, respectively. Our analysis of both responses, as well as a summary of the actions necessary to close the recommendations can be found in Appendix V of this report.

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INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General, Audit Division, has completed an audit of two awards from the Office of Justice Program's (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP) to the Education Development Center, Inc. (EDC) located in Newton, Massachusetts. The awards included a grant for the Training and Technical Assistance Program for Monitoring System Involved Youth (MSIY), grant number 2006-JU-FX-0161, and a cooperative agreement for the Tribal Youth Program Training and Technical Assistance (TYP), agreement number 2007-MU-FX-K002.⁶ Collectively, these two OJJDP awards including all supplemental funding totaled \$3,093,400.

The MSIY grant provided a total award of \$947,433 that included an initial award of \$499,996 in September 2006, a supplemental award of \$197,437 in September 2007, and a second supplemental award of \$250,000 in September 2008. The purpose of the MSIY grant was to provide training and technical assistance to support the development, enhancement, or expansion of mentoring strategies and programs designed for foster care, reentry, and juvenile justice system involved youth.

The TYP agreement provided a total award of \$2,145,967 that included an initial award of \$599,967 in September 2007, a supplemental award of \$600,000 in September 2008, and a second supplemental award of \$946,000 in September 2009. The purpose of the TYP agreement was to provide training and technical assistance to Indian Tribes and Alaskan Native communities that received grants under OJJDP's Tribal Juvenile Accountability discretionary grant program. The training and technical assistance included developing programs designed to increase safety within the tribal communities by reducing juvenile delinquency, violence, and child victimization.

The objective of our audit was to determine whether reimbursements claimed for costs under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards. We also assessed EDC's program performance in meeting award objectives and overall accomplishments. The following table shows the total funding period for the awards.

⁶ We audited a cooperative agreement and a grant award. However, for purposes of this audit we will refer to these as awards throughout the report.

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**OFFICE OF JUVINELLE JUSTICE AND DELINQUENCY PREVENTION
AWARDS TO THE EDUCATION DEVELOPMENT CENTER, INC.**

AWARD	PROJECT START DATE	PROJECT END DATE	AWARD AMOUNT
TECHNICAL ASISSTANCE PROGRAM FOR MONITORING SYSTEM INVOLVED YOUTH:			
2006-JU-FX-0161	10/1/2006	9/30/2008	\$499,996
Supplement 1	9/11/2007	6/30/2009	197,437
Supplement 2	9/23/2008	6/30/2010	250,000
Total 2006 Grant			\$947,433
TRIBAL YOUTH PROGRAM TRAINING AND TECHNICAL ASSISTANCE:			
2007-MU-FX-K002	7/1/2007	6/30/2008	\$599,967
Supplement 1	9/23/2008	8/31/2009	600,000
Supplement 2	9/24/2009	8/31/2010	946,000
Total 2007 Agreement			\$2,145,967
Total All Awards			\$3,093,400

Source: Office of Justice Programs.

Office of Justice Programs

The Office of Justice Programs (OJP), within the U.S. Department of Justice, provides the primary management and oversight of the awards we audited. Through the programs developed and funded by its bureaus and offices, the OJP works to form partnerships among federal, state, and local government officials in an effort to improve criminal justice systems, increase knowledge about crime, assist crime victims, and improve the administration of justice in America.

Office of Juvenile Justice and Delinquency Programs

The Office of Juvenile Justice and Delinquency Prevention (OJJDP) is located within OJP. The mission of the OJJDP is to provide national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization. The OJJDP supports states and communities in their efforts to develop and implement effective and coordinated prevention and intervention programs and to improve the juvenile justice

system so that it protects public safety, holds offenders accountable, and provides treatment and rehabilitative services tailored to the needs of juveniles and their families.

Education Development Center, Inc.

According to Education Development Center, Inc.'s (EDC) website, the organization is a global nonprofit that designs, delivers, and evaluates programs which address challenges in education, health, and economic opportunity. The site goes on to say that working with both public-sector and private partners EDC conducts 350 projects in 35 countries around the world. EDC's services include research, training, and development of educational materials and strategy, with activities ranging from seed projects to large-scale national and international initiatives. EDC's work is funded through grants and contracts from a variety of sources, including U.S. and foreign government agencies, private foundations, nonprofit organizations, universities, and corporations.

Training and Technical Assistance Program for Monitoring System Involved Youth

EDC's award document noted the MSIY project would support the development, enhancement, or expansion of mentoring strategies and programs designed for foster care, reentry, and juvenile justice system involved youth. By accepting the award, officials agreed to provide training and technical assistance to improve the quality of mentoring programs for system involved youth.

Officials established a series of deliverables designed to measure the progress of the program. A list of EDC's key deliverables includes, to:

- Develop a national mentoring inventory to identify programs serving system involved youth;
- Conduct a planning meeting and orientation for the four mentoring sites receiving awards under OJJDP's Mentoring Initiative for System Involved Youth;
- Maintain an information sharing database to facilitate communication between the four demonstration sites;
- Conduct at least eight cross-site training visits to share the innovations and accomplishments achieved by other mentoring programs;

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- Conduct two regional training sessions dedicated to implementing and enhancing mentoring programs for system involved youth; and
- Publish three technical assistance bulletins and three technical assistance briefs addressing each of the three categories of system involved youth.

Tribal Youth Program Training and Technical Assistance

EDC received OJJDP funding to provide training and technical assistance to tribal entities and Tribal Youth Program grantees. To achieve this, EDC established a Tribal Youth Training and Technical Assistance Center that was designed to strengthen American Indian and Alaska Native juvenile justice, education, mental health social services, culture, recreation and employment programs. EDC believed that the activities of the assistance center would support OJJDP's mission of reducing juvenile delinquency, violence, child victimization, and increase the safety of tribal communities. EDC planned to provide technical assistance through a team of Technical Assistance Specialists from across Indian country. These specialists were to provide expertise in juvenile justice reform, risk reduction strategies for tribal youth, capacity building, and systems change, evaluation, and sustainability.

EDC designed the assistance center based on its experiences demonstrating the importance of relationships with grantees. The nine specialists and the EDC assistance center project director were to provide technical assistance to fourteen sites. The specialists and project director planned to collaborate in teams and share problem-solving and capacity building strategies with the sites. To establish a close working relationship with the grantees it supported, EDC's assistance center staff planned to carry out a variety of award-funded activities including: (1) strategic planning meetings, (2) regional conferences, (3) site visits, (4) peer learning, and (5) phone and web consultations. In addition, the assistance center staff planned to create new products and adapt EDC's existing products and resources to the program.

Our Audit Approach

We tested compliance with what we considered to be the most important conditions of the awards. The criteria we audited against are found in the current version of the OJP Financial Guide, which serves as a reference manual assisting award recipients in their fiduciary responsibility

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to safeguard award funds and ensure funds are used appropriately. We also relied on the General Service Administration's Travel Regulations in conjunction with our compliance testing. We tested EDC's:

- **Internal control environment** to determine whether the financial accounting system and related internal controls were adequate to safeguard award funds and ensure compliance with the terms and conditions of the awards.
- **Award expenditures** to determine whether the costs charged to the awards were allowable and supported.
- **Reporting** to determine if the required periodic Financial Status Reports and Progress Reports were submitted on time and accurately reflected award activity.
- **Drawdowns** to determine if EDC adequately supported its requests for funding and managed its award receipts in accordance with federal requirements.
- **Budget management and control** to determine the overall acceptability of budgeted costs by identifying any budget deviations between the amounts authorized in the budget and the actual costs incurred for each budget category.
- **Indirect costs** to determine EDC's procedures and charges related to indirect costs.
- **Compliance with award special conditions** to determine if EDC complied with special conditions or criteria specified in the award documents.
- **Monitoring contractors and subgrantees** to determine EDC's procedures and performance in monitoring contractors and subgrantees.
- **Program performance and accomplishments** to determine whether EDC achieved award objectives and to assess performance and award accomplishments.

When applicable, we also test for compliance in the areas of matching costs, program income, and accountable property. For both of EDC's awards, we found no evidence of matching costs, program income, or accountable property.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

We determined that EDC did not fully comply with the award requirements in the areas tested. Specifically, we found: (1) unallowable and unsupported costs related to conference food and beverage, room, travel, and consulting expenditures; (2) budget management controls were inadequate because EDC's accounting system could not track award expenditures based on approved budget categories; (3) noncompliance with award special conditions for the 2006 grant; (4) monitoring of consultants was incomplete because EDC did not properly document all of the work performed by its consultants; and (5) selected performance metrics remained incomplete at the time of our field work. As a result of these deficiencies, we question \$286,698 in award expenditures representing about 9 percent of the combined total award budget. These conditions, including the underlying causes and potential effects on both awards, are further discussed in the body of the report.

Internal Control Environment

Our audit included a review of EDC's accounting and financial management system and Single Audit Reports to assess the risk of noncompliance with laws, regulations, guidelines, and the terms and conditions of the awards. We also interviewed management staff from the organization, observed accounting activities, and performed transaction testing to further assess risk.

According to the OJP Financial Guide, award recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost and property controls to ensure optimal use of funds. Award recipients must adequately safeguard funds and assure they are used solely for authorized purposes.

While our audit did not assess EDC's overall system of internal controls, we did review the internal controls of EDC's financial management system specific to the administration of DOJ award funds during the periods under review. From our review we identified internal control weaknesses in some of the areas we tested. EDC officials told us they believed an adequate system of internal controls was in place and offered no further

explanation. However, our review of transaction testing, budget controls, compliance with special conditions, the monitoring of award-funded consultants, and performance metrics demonstrated inconsistent application of EDC's internal controls. Specifically, we determined that while EDC had written internal control procedures, it did not uniformly apply the procedures to ensure that controls were working as intended. From our review and testing, we concluded that this condition contributed to noncompliance with some award requirements. These internal control deficiencies that we identified are discussed in greater detail in the body of the report. The absence of an adequate and effectively functioning internal control environment places award funds at risk and undermines the ability of the recipient to ensure that federal funds are being adequately safeguarded and spent accurately and properly in accordance with the award objectives. In our judgment, EDC management should correct the internal control deficiencies we identified.

Award Expenditures

We tested a judgmental sample of EDC's expenditures to determine if they were allowable and supported. To determine if expenditures were allowable, we compared the expenditures to the award budget and permissible uses of funds outlined in the OJP Financial Guide and incorporated in the terms and conditions of the awards. To determine if expenditures were supported, we reviewed purchase documents, invoices, and accompanying accounting system data. We also tested personnel expenditures charged to the awards by reviewing accounting records for two non-consecutive pay periods.

In the most recent Federal Financial Reports for the quarter ending in December 2009, EDC reported total expenditures of \$776,668 and \$1,460,990 for the 2006 and 2007 awards, respectively.⁷ For both awards, EDC expended \$2,237,658 on award-related projects related to indirect administrative costs, conferences, personnel, travel, and outside consultants.

EDC officials told us that they created a unique project code within their accounting system to segregate and specifically track expenditures made under the awards. Using the unique project codes, EDC officials provided us with a transaction list of award-funded expenditures totaling \$786,604 for the 2006 grant and \$1,455,004 for the 2007 agreement. The

⁷ In October 2009, the financial reporting form was changed from the Financial Status Report to the Federal Financial Report. Because most of the forms we reviewed were Financial Status Reports, that is how we refer to them in our report.

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primary transactions included expenditures for travel, consultants, and EDC-sponsored conferences. We tested a judgmental sample of 100 invoices totaling \$220,798, or 28 percent, of the 2006 funds, and 125 invoices totaling \$780,487, or 54 percent, of the 2007 funds expended at the time of our on-site field work.

We initially sampled 25 detailed expenditures from the each of the two awards. However, after we noted a trend concerning potentially excessive conference food and beverage expenditures, we expanded our sample to include a total of 100 expenditures for the 2006 award and 125 expenditures for the 2007 award. Because the 2007 award included a larger number of food and beverage expenditures, we sampled more transactions from the 2007 award.

After sampling 225 transactions for both awards, we found unallowable expenditures related to conference food, beverage, and room expenditures totaling \$47,980, unsupported costs for consultant expenditures totaling \$111,381, unsupported travel expenditures totaling \$991 and other unallowable expenditures totaling \$1,375. Collectively, these expenditures totaled \$161,727.

Conference Food, Beverage, and Room Expenditures

We tested the expenditures made in support of 11 conferences with significant food and beverage expenditures – 3 from the 2006 award and 8 from the 2007 award. To determine the allowable food and beverage rates for each conference, we relied on the guidance outlined in the OJP Financial Guide. We calculated meal rates based on the General Services Administration's (GSA) Travel Regulations covering Meals and Incidental Expense (M&IE) rates in effect at the time and location of each conference.⁸

Because OJP recognizes that the cost of meals consumed during conferences may exceed the normal GSA allowable meal costs, the Financial Guide permits meals consumed during a conference to exceed normal rates by up to 50 percent per meal when all hotel service charges are included. The Financial Guide also provides an allowance for light refreshments of up to 23 percent above the normal GSA daily meal charges. We calculated a value for each conference-provided meal that included the normal meal rate plus an additional 50 percent. We also included an additional 23 percent above the normal daily meal rate for light refreshments. We multiplied our

⁸ According to GSA travel regulations, approximately nine percent of a locations total M&IE is allocated to incidental expenses.

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meal rates by the number of attendees for each day of the conference to determine the total allowable conference food and beverage expenditures.

We compared allowable food and beverage expenditures to the invoiced conference expenditures we received from EDC. We found actual food and beverage expenditures exceeded allowable expenditures in 10 of the 11 conferences tested resulting in questioned costs totaling \$46,149. We summarized the results of our conference food and beverage testing in the following table.

Conference Food and Beverage Testing

Location	Date	Attendees	Allowable Food & Beverage	Actual Food & Beverage	Questioned Costs
New Orleans, LA	Dec 2006	24	\$2,690	\$6,814	\$4,124
New Orleans, LA	Sept 2008	24	4,609	14,230	9,620
Newton, MA	Nov 2009	23	3,359	8,252	4,893
Total 2006		71	\$10,658	\$29,296	\$18,637
Santa Fe, NM	Jan 2008	47	\$3,910	\$5,121	\$1,211
Squamish, WA	Feb 2008	53	2,157	1,120	0
New Orleans, LA	April 2008	29	2,019	5,952	3,933
Minneapolis, MN	July 2008	69	4,151	7,526	3,375
Albuquerque, MN	Jan 2009	95	6,564	9,493	2,929
San Diego, CA	Mar 2009	0	4,211	5,903	1,692
Oklahoma City, OK	April 2009	65	5,180	6,091	911
Crystal City, VA	Nov 2009	117	15,991	29,452	13,461
Total 2007		545	\$44,183	\$70,658	\$27,512
Total Both Awards		616	\$54,841	\$99,954	\$46,149

Source: EDC accounting records and OIG Analysis.

For a 3-day conference held in New Orleans, LA, during September 2008, which was attended by 24 people, we determined actual food and beverage expenditures exceeded allowable expenditures by \$9,620, or \$401 per person. The conference schedule included light refreshment breaks each day totaling \$3,386, or \$47 per day per person. During the first day of the conference, light refreshment cost averaged \$64 per person. On the date the conference was held, the GSA rate for M&IE in New Orleans totaled only \$59. Based on the GSA M&IE rate of \$59, we calculated light refreshment rates equal to \$14 per day per person. The following table provides a summary of both the dollar and the percent that actual light refreshment expenditures exceeded allowable for the 3-day conference.

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**September 2008 New Orleans, LA Conference
Actual Light Refreshment Compared to Allowable For 24 Attendees**

Session	Actual Break Cost	Actual Cost Per Person	Allowable Break Cost	Allowable Cost Per Person	Actual Exceeds Allowable
Day - 1	\$1,526	\$64	\$336	\$14	457%
Day - 2	1,128	47	336	14	336%
Day - 3	732	31	336	14	221%
Total/Avg	\$3,386	\$47	\$336	\$14	336%
.					

Sources: EDC Accounting Records and GSA Travel Regulations.

In 10 of the 11 cases tested, we found conference food and beverage expenditures exceeded allowable rates for either conference provided meals or light refreshments. We asked EDC officials about the excessive food and beverage charges in New Orleans and they told us OJP’s Program Manager approved a large conference in New Orleans totaling 450 rooms and \$25,000 in food and beverage costs. However, when we questioned EDC officials further on this issue, they were not able to provide us with any documentation supporting their position that OJP gave specific approval for this conference. EDC officials told us that after they signed a binding contract with the hotel, OJP’s Program Manager cancelled the conference. However, the hotel held EDC liable for the original 450 contracted rooms and the \$25,000 committed to food and beverage expenditures. EDC officials said they had to conduct numerous conferences at the New Orleans hotel to meet the terms of the original contract.

We asked both EDC and OJP officials to document the circumstances surrounding commitments to the hotel in New Orleans. However, neither EDC nor OJP provided an explanation to support the original commitment for such a large amount of award funding or the excessive food and beverage expenditures we found at each succeeding conference in New Orleans. We were unable to discuss the matter with the EDC and OJP Program Managers who we were told made the initial decisions related to the cancelled conference because the program managers were no longer employed by their respective organizations. We were also told in our discussions with EDC and OJP that there was no supporting documentation in writing that would have explained the basis for the decisions.

For each conference tested, we found EDC entered into contracts describing services the hotels would provide. We examined the contracts and found evidence of management review in each contract tested.

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However, in five conferences tested, we found unallowable room charges totaling \$1,831. Four of the conferences tested included no-show room charges or unallowable alcoholic beverage charges of \$831 and in one case we found a duplicate bill paid to a hotel totaling \$1,000.

Unless a traveler can demonstrate exceptional circumstances, GSA government travel regulations place the responsibility for no-show room charges with the traveler. As part of our review, we found no evidence that EDC followed up with the travelers to determine the causes for the no-show room charges.

Because we found management controls inadequate for most of the conferences we tested and because we found unallowable room charges, we questioned \$47,980 in conference-related expenditures.

Consultant Expenditures

For both awards, EDC officials frequently provided technical assistance using outside consultants functioning as independent contractors. For the 2006 grant, our review showed that EDC's consultants had experience dealing with troubled youth. For the 2007 award, we determined that EDC employed individuals with experience related to Native American youth and sensitivity to Native American culture. We found evidence of management review in many of the consultant transactions we tested. Additionally, we confirmed that consultants provided detailed descriptions of their specialized experiences, and included vendor agreements that were reviewed by EDC management and signed. However, our testing also disclosed that EDC officials did not always have supporting documentation for the work performed and invoiced by award-funded consultants, and the consultants did not always complete their work. As a result, we questioned unsupported award-funded consultant expenditures of \$111,381 in total.

During our testing, we found 15 cases where consultants documented their work performed with only an incomplete sentence saying they worked on a project for a specific number of hours or days. In addition, in 3 cases tested we found incomplete consultant work. The work was incomplete because the consultants provided the work in a draft format and we did not find finalized work. In our view, EDC's consultants should have completed all required projects and submitted detailed invoices with supporting documentation specifying the days and hours worked on each project. Moreover, because of the limited evidence supporting contracted consultant work, we could not determine the level of technical assistance provided by EDC officials to its consultants. As we discuss later in the report, EDC

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receives an indirect cost reimbursement to manage the work completed by its consultants.

Our unsupported consultant expenditures also included one \$79,000 contractor payment with limited supporting documentation and no evidence of a signed contract. The payment involved consultant services in support of a national conference for Native American youth. In September 2009, the consultant submitted an incomplete invoice that EDC's accounting officials correctly questioned. However, EDC paid the invoice based on a one page document describing services provided in only general terms. Moreover, we found no documentation of the work performed by the consultant in the progress report EDC submitted for the period, and no evidence of management's oversight of the consultant's work.

Travel Expenditures

Most of the travel vouchers we reviewed demonstrated significant management scrutiny by EDC officials. Travelers submitted authorizations to EDC officials for approval and EDC officials reviewed the authorizations, insured the non-conference travel costs conformed to government travel regulations, and documented supporting invoices for award-funded travel payments. However, from our sample testing, we questioned a single travel expenditure totaling \$991 because of incomplete supporting documentation.

The incomplete travel documentation concerned a trip made by an EDC employee who drove 1,708 miles between Minnesota and Oklahoma to attend a 2007 award-funded meeting. The mileage expenditure totaled \$991, but we found no evidence that EDC officials conducted a cost benefit analysis to determine the most cost-effective method of travel. Documentation supporting the trip did not adequately explain the reasons for the long auto trip or the total costs incurred.

Other Unallowable Expenditures

We questioned as unallowable two 2006 award-funded expenditures totaling \$904 because the project codes were incorrect. EDC officials did not provide supporting documentation for an additional 2006 award-funded expenditure totaling \$471, and we questioned it as unallowable.

Our review of 225 expenditures resulted in \$161,727 in questioned costs. Our results are summarized in the following table.

Expenditure Testing Results

Expenditure Category	Unallowable Cost	Unsupported Cost	Total Questioned Costs
Food & Beverage	\$46,149	-	\$46,149
Conference Hotel	1,831	-	1,831
Consultant & Contractor	-	\$111,381	111,381
Travel	-	991	991
Other	1,375	-	1,375
Total	\$49,355	\$112,372	\$161,727

Source: EDC accounting records and OIG analysis.

Personnel Expenditures

For both awards, we tested a judgmental sample of personnel expenditures during two non-consecutive pay periods. For the 2006 award, we sampled salaries for four employees totaling \$3,721 of \$218,328, or 2 percent of the award’s personnel expenditures. For the 2007 award we sampled salaries for six employees totaling \$6,596 of \$203,348, or 3 percent of the award’s personnel expenditures.

We tested personnel transactions to determine if salary and benefit expenditures were computed correctly, properly authorized, and accurately recorded in EDC’s accounting system. To determine if the expenditures were computed correctly we compared the payments made to EDC employees to their hourly rate and verified the payments matched the number of hours worked on award funded projects. To determine if the expenditures were properly authorized, we reviewed them for evidence of supervisory approval. To determine if the transactions were properly recorded, we verified that EDC officials accurately recorded each personnel transaction in their accounting system. We determined that EDC correctly computed, properly authorized, and properly recorded each personnel transaction tested.

Reporting

Financial Status Reports

The financial aspects of OJP agreements are monitored through Financial Status Reports (FSR). According to the OJP Financial Guide, FSRs are designed to describe the status of the program’s funds and should be

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submitted within 45 days of the end of the most recent quarterly reporting period. For periods when there have been no program outlays, a report to that effect must be submitted. Funds for the current award or future awards may be withheld if reports are not submitted or are excessively late.

For both awards, EDC officials told us they complete the FSR using a report called the Project Status Report (PSR). The PSR is based on a project code EDC assigns to each award and EDC enters expenditures in its accounting system using the project's assigned code. To determine each project's expenditures for a specific period, EDC produces a PSR summarizing the expenditures by the date ranges specified for each respective FSR. We tested the four most recent FSR's that EDC submitted prior to our field work for both awards. We concluded each of the eight reports tested were accurate because each project's total expenditures reported in the FSR agreed with the totals reported in EDC's accounting records PSR.

We also tested each FSR for timeliness using the criteria noted above and we found EDC submitted seven of its eight FSR's within the time period specified by OJP. We found one report was submitted two days late but we considered this tardy filing immaterial. Because each of the FSR's we tested was accurate and submitted in a timely manner, we concluded EDC met OJP's financial reporting standards.

Progress Reports

Progress reports provide information relevant to the performance of an award-funded program and the accomplishment of objectives as set forth in the approved award application. According to the OJP Financial Guide, these reports must be submitted twice yearly, within 30 days after the end of the reporting periods of June 30 and December 31, for the life of the award. If an award recipient does not provide reports or include full details of the funded program's implementation, OJP's ability to monitor award activity is impaired and there is an increased risk that a project will be delayed or not completed as intended. Additionally, this may cause funds to be wasted or used for unallowable purposes.

For both awards, we tested the timeliness of the four most recent progress reports. According to OJP's Grant Management System (GMS), EDC submitted four of the eight required reports on time. However, because the four reports EDC submitted late ranged from only 1 to 18 days late, we did not consider the lateness a material finding.

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To measure the accuracy and completeness of the progress reports for both awards, we tested each report to determine if the reports contained statistical data, included accomplishments related to the program's objectives, and accurately reported the data.

For the 2006 Monitoring System Involved Youth grant we found each report included statistical data that related to the program's objectives and accurately reported the data. For example in its report ending December 31, 2009, EDC reported progress on the following objectives:

- Provide Training and Technical Assistance – EDC completed at least one onsite visit to each targeted OJJDP-funded mentoring program;
- Develop a National Inventory of Mentoring Organizations – EDC staff continued developing a national database based on survey responses from over 400 organizations serving system-involved youth; and
- Strengthen Communication and Information Sharing Among Targeted Sites – EDC staff published a monthly newsletter addressing cross-cultural issues in mentoring relationships and evaluation and preparation for site visits, and distributed it to over 50 individuals including all targeted grantees.

For the 2007 Tribal Youth Program agreement we found each report included statistical data that related to the program's objectives and accurately reported the data. For example in its report ending June 30, 2009, EDC reported:

- OJJDP Strategic Planning Meeting – EDC's program manager planned and coordinated a meeting that included tribal cultural presentations, was attended by 88 participants representing 21 tribes, and 89 percent of the attendees rated positively;
- Northwest & Southwest Tribal Youth Regional Meeting – EDC's program manager planned and coordinated a regional meeting that included training presented by experts in American Indian and Alaskan cultures, was attended by 48 participants representing 29 tribes, and 89 percent of the attendees rated positively;
- East & Midwest Tribal Youth Program Regional Training – EDC officials planned and coordinated regional training that included training in suicide prevention and Tribal Youth Program Video

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Screening, was attended by 40 participants representing 26 tribes, and 89 percent of the attendees rated positively; and

- Tribal Youth Training and Technical Assistance Center Web-Based Training – EDC staff presented 2 web-based training sessions related interviewing and writing skills that reached 35 grant participants.

From our review of the progress reports, we determined that EDC officials generally submitted the reports in a timely manner. We considered the reports technically correct because they accurately described work accomplished to meet each program's objectives, and the reports also included statistical data describing EDC's progress towards meeting the program's objectives. However, for the 2006 award we noted several key program objectives that were either incomplete or not addressed at all. We discuss these concerns in the Program Performance and Accomplishments section of the report.

Drawdowns

Drawdown is a term used by OJP to describe when a recipient requests funding for expenditures associated with an award program. The OJP Financial Guide establishes the methods by which DOJ makes payments to awardees. The methods and procedures for payment are designed to minimize the time between the transfer of funds by the government and the disbursement of funds by the awardees. Awardees may be paid in advance, provided they maintain procedures to minimize the time between the transfer of funds by the government and the disbursement of funds by the recipient. The Financial Guide recommends that drawdowns completed in advance of expenditures be expended immediately or within 10 days of the drawdown date.

At the time of our field work, EDC had drawn down \$748,354 for the 2006 award and \$1,348,697 for the 2007 award, for a total of \$2,097,051. An EDC official told us that EDC had not requested any advances during the award periods and we found no evidence of advance payments. This same official said drawdowns were calculated for each period based on the expenditures found in a transaction detail report obtained from EDC's accounting system. The transaction detail report provided a summary of the award-funded expenditures by project code for each award. The results of the drawdown calculations were provided to an accounting manager who prepared the invoice used to request funds for each EDC project code. Award-funded expenditures were reimbursed by OJP through electronic fund transfer to EDC's account at its designated financial institution.

Because we found EDC had adequate procedures in place to calculate the required amount of the drawdown, and because EDC's procedures were working as intended and minimized that the time between the drawdown and disbursement of funds, we concluded that EDC met OJP's drawdown standards. However, we did find an inconsistency between EDC's drawdown amounts and its compliance with the award's special conditions. We discuss this issue later in the report.

Budget Management and Control

The OJP Financial Guide addresses budget controls surrounding the financial management systems of award recipients. According to the Financial Guide, awardees are permitted to make changes to their approved budgets to meet unanticipated program requirements. However, the movement of funds between approved budget categories in excess of 10 percent of the total award must be approved in advance by OJP. In addition, the Financial Guide requires that all award recipients establish and maintain program accounts which will enable separate identification and accounting for funds applied to each budget category included in the approved award.

In making each award, OJP provided EDC with an approved itemized budget for both awards. OJP later approved revised EDC budgets after providing additional funding through two supplements for each award. EDC officials told us that the budgets they maintained in their accounting system were not based on the applications submitted to OJP. As a result, EDC could not provide a report based on the OJP approved budget for each award that would allow for a budget versus actual expenditure comparison by individual budget category. EDC officials told us they believed that their method of accounting for award funding based on the application was more comprehensive because it included more budget categories than OJP's approved budget, and in their view was a more meaningful management tool. After completing our field work, EDC officials agreed to provide us with a budget management report, supported by detailed expenditures, based on OJP's approved budget categories for each award. Our intention was to use this report for expenditure testing purposes and to make an independent budget versus actual expenditure comparison. However, after completing our field work, EDC never provided a budget management report that we could reconcile to the expenditures reported in EDC's accounting system.

As part of our audit we compared the total expenditures by the approved budget category to the award funded expenditures found in the grantee's accounting system. However, because EDC did not maintain

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financial records based on OJP's approved budget categories, we could not determine if EDC's budget management practices were adequate. In our judgment, when recipients do not track expenditures by approved budget categories or monitor the budget verses actual, effective award management is potentially undermined and the ability to adequately safeguard award funds is compromised.

Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. The cost of operating and maintaining facilities, depreciation, and administrative salaries are examples of the types of costs that are usually treated as indirect. The OJP Financial Guide stipulates that recipient's may use current indirect cost rates approved by another federal agency.

EDC provided us with its current approved indirect cost rate from the United States Agency International Development (USAID). USAID approved EDC's indirect costs for overhead indirect (33.5 percent) and sub-award or contractor indirect (5.0 percent) cost rates.

EDC officials told us they used the Project Status report from their accounting system to calculate total indirect cost expenditures for each award on a quarterly basis. To verify EDC's indirect cost calculations for both awards, we selected the five fiscal quarters ending between December 2008 and December 2009, and computed the total indirect cost expenditures for both the overhead and sub-award cost categories. For each quarter tested, we calculated indirect cost expenditures that agreed with EDC's calculated indirect cost expenditures.

Because EDC used an indirect cost rate approved by another federal agency and because we determined EDC's methodology for calculating indirect costs was accurate, we concluded EDC met the indirect cost requirements for both awards.

Compliance with Award Special Conditions

Award special conditions are included in the terms and conditions for each award and are provided in the accompanying award documentation. The special conditions may also include special provisions unique to the award. We reviewed the special conditions found in the award documents and the accompanying adjustment notices for both awards. While we determined from our review that EDC met the special condition requirements

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for the 2007 award, we also identified several instances where EDC did not meet all of the special condition requirements for the 2006 award. Because EDC officials made funding requests (drawdowns) during a period when they were not in compliance with all mandated special conditions, we question \$124,971 as unallowable award-funded expenditures.

Our independent review of OJP's Grant Management System (GMS) showed that EDC did not comply with six special conditions included in the 2006 grant award documentation. We summarized those instances of noncompliance with award special conditions below:

- The recipient shall submit one copy to OJJDP, including an electronic copy, of any final reports, publications, video, compact disk (CD), or digital video discs (DVD) developed with funds awarded by OJJDP;
- Deviations from the project's approved timeline must receive prior approval from OJJDP;
- The recipient agrees to submit data, based on performance measurements approved by OJJDP, to OJJDP's Performance Measures Website;
- Prior to publication, the recipient must submit all reports and written products developed from award funding to OJJDP for review and comment;
- The recipient agrees to comply with all confidentiality and privacy requirements noted in the Consolidated Federal Regulations, Part 22; and
- The recipient agrees to utilize OJJDP Protocols as minimum standards in developing curricula, delivery of technical assistance, and evaluation of training.

We asked EDC officials and OJP's Program manager to provide evidence that EDC complied with the special conditions noted above but we received no response to our repeated requests for information. Because we did not receive responses to our inquiries, we concluded that EDC did not comply with the six award special conditions.

We also tested additional award special conditions for the 2006 and 2007 awards that restricted EDC's ability to drawdown award funding. Those special conditions related to two issues: (1) final OJP approval of

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EDC's budget, and (2) submission of implementation plans or milestones to OJP. From prior audit experience, we have seen that OJP generally provides a Grant Adjustment Notice (GAN) to remove the funding restrictions once the award recipient meets the terms of the special conditions.

In testing compliance with special conditions for the 2007 award, we determined that EDC funding requests (drawdowns) were made only after receiving a GAN from OJP that removed all funding restrictions because EDC had satisfied all of the terms of the special conditions. In reviewing the 2006 grant, we identified under the first supplemental award funding specific to Special Condition 16, EDC was required by OJP to submit a strategic implementation plan before making any funding requests (drawdowns). However, we found EDC made funding requests beginning in April 2009 even though OJP had not issued a GAN removing all funding restrictions until September 2009. Moreover, during the period between EDC's initial April 2009 funding request until it received and OJP approved GAN removing all funding restrictions, a total of \$124,971 in award funding was requested. As a result we question this amount as unallowable award-funded expenditures.

EDC officials told us they believed they had submitted their strategic implementation plan before making any award funding requests. Furthermore, these officials believed they met all of the award special conditions because OJP's financial management system allowed them to continue making funding requests without imposing any restrictions. In reviewing the award documentation we determined that failure to comply with the award's special conditions can lead to termination of the award. Noncompliance with this requirement not only places award funds at risk for misspending but also increases the possibility that the achievement of award-funded goals and objectives will be compromised.

Monitoring Contractors and Subgrantees

According to the OJP Financial Guide, award recipients should monitor organizations under contract in a manner that ensures compliance with the awardees' overall financial management requirements. As noted earlier in the report under expenditure testing, we determined that EDC officials did not adequately document the work performed by their consultants and that award-funded expenditures for food and beverages at EDC sponsored conferences did not always conform the terms and conditions of the awards. During our review of EDC's contracts for under both awards, we found evidence that EDC officials completed detailed contracts for each award-funded event and EDC's consultant's completed contracts describing both the payments to be made to contractors and the scope of the contractor's work.

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We tested 10 executed contracts supporting award-funded events and found that each of the contracts included detailed information describing the support services provided by each conference hosting facility (hotel) that included a lodging rate equal to the General Services Administration approved per diem rate for the time period the event occurred and the geographic location of the facility. However, because our award-funded expenditure transaction testing described earlier in the report revealed weaknesses in both contractor work-related monitoring and unallowable food and beverage expenditures, we determined EDC's monitoring of its contracted work needs improvement.

Program Performance and Accomplishments

EDC received award funding to provide Training and Technical Assistance for the Monitoring System Involved Youth and Tribal Youth Program Training and Technical Assistance Agreement. The MSIY award supported the enhancement and implementation of mentoring organizations to serve youth involved in the juvenile justice system and the foster care system. The TYP award's objectives included strengthening American Indian and Alaska Native programs critical to OJJDP's mission of reducing juvenile delinquency, violence, child victimization, and increasing safety in tribal communities. We found evidence EDC made adequate progress towards achieving TYP program objectives and OJJDP's program manager told us she was satisfied with the award's progress. However, because EDC did not complete all deliverables identified in the MSIY award we expanded our testing and found incomplete program objectives.

Tribal Youth Program Training and Technical Assistance

Between July 2007 and August 2010, EDC received \$2,145,967 to provide technical assistance to federally recognized Indian tribes. The assistance included grant management training for new grantees, grant management training for existing grantees, and program monitoring training for both new and existing grantees. EDC's OJJDP program manager reviewed specific examples of technical assistance provided to the Indian tribes including: (1) strategic planning, (2) regional training, and (3) individual site visits. She noted that EDC received positive feedback from users for all of the technical assistance provided. Based on our review of the progress reports and the feedback provided by the OJJDP program manager, we concluded that EDC was making satisfactory progress towards achieving TYP program objectives.

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Training and Technical Assistance Program for Monitoring System Involved Youth

Between October 2006 and September 2008, EDC received \$947,433 to provide training and technical assistance to the four mentoring sites that received OJJDP funded mentoring program awards.⁹ The MSIY award included 13 deliverables designed to measure program progress. We verified the deliverables listed in the award against to those contained in the Progress Report for the period ending December 31, 2009, and found no discrepancies.

We judgmentally selected 4 of the 13 deliverables for expanded testing and we asked EDC officials to provide evidence to support the completion of those deliverables. We analyzed the supporting documentation obtained and compared the content to the deliverable requirement. We found EDC did not meet each deliverable requirement and we summarized the four deficiencies below.

**MSIY AWARD PROGRESS
As of June 2010**

Deliverable Description	Results	Deliverable Achieved
Conduct not less than eight onsite technical assistance visits	Six of eight onsite technical assistance visits conducted	No
Write, edit, print, and disseminate three TA bulletins and three TA briefs	Three TA bulletins and three TA briefs remained in draft	No
Conduct two regional training sessions	No regional training conducted	No
Conduct not less than eight cross site training visits	Three of the eight cross site training visits conducted	No

Source: EDC Program Support and OIG analysis.

EDC officials told us they did not meet the award’s deliverables because:

⁹ The four sites include Chicago, Illinois; Oakland, California; Richmond, Virginia; and Portland, Oregon.

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- Budget shortfalls and layoffs of site managers taking place at two sites caused delays in the required technical assistance visits, and EDC official were waiting for OJJDP to approve the revised visit schedule;
- Officials completed three draft copies of Technical Assistance Bulletins and Technical Assistance Briefs and were waiting for OJJDP to approve the draft documents;
- EDC revised the deliverable schedule and they conducted one national conference instead of the two regional training sessions noted in the award;
- Officials modified the cross site visit program to substitute two conferences for five required visits;

We asked EDC officials to document their correspondence with OJJDP regarding these issues. An official told us they could not document the correspondence because the following events occurred during the award period:

- EDC's original OJJDP Program Manager no longer worked at OJJDP,
- The next OJJDP Program Manager revised the MSIY program's initial objectives,
- EDC's Project Director unexpectedly passed away and was replaced by a new Project Director, and
- The project's limited resources made it difficult to accomplish the program's objectives.

We asked an OJJDP official to comment on EDC's progress. The OJJDP official told us EDC was required to: (1) perform an assessment of each site to determine its requirements, (2) develop a Technical Assistance Plan (TAP) to meet each site's requirements, and (3) conduct follow-up with each site to determine the TAP's effectiveness.

The OJJDP official told us that although EDC developed a TAP for each site, they did not complete a site assessment to determine each site's unique needs prior to completing the TAP. In our view, to successfully accomplish the award's terms and conditions, EDC should have completed the site assessment prior to developing the TAP.

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The OJJDP official also told us that the four mentoring sites were selected because the sites exhibited complex problems related to system involved youth, and the sites found it was difficult to establish OJJDP grant-funded mentoring programs. We were told that EDC should have provided the sites with the expertise required to establish the mentoring programs. Moreover, EDC's site visit reports did not provide any new information about any of the four mentoring sites that would help the sites address their complex mentoring issues. The OJJDP official said EDC focused on a more national or global approach to mentoring when they should have focused on the four sites identified in the award.

We found that EDC's site visit reports contained well documented observations made during the two site visits. However, in our opinion the reports did not provide any recommendations or solutions to the problems documented in the site visit reports. EDC could provide no documentary evidence to support EDC's claims that OJJDP approved the site visit, conference, or training schedule changes nor did we receive evidence indicating EDC developed all required reports in the final format. EDC believed that OJJDP approved all program changes and officials told us they provided draft reports to OJJDP for approval.

In summary, we found no evidence to indicate EDC conducted the initial assessments of the four mentoring sites and we could not document the schedule changes and substitutions EDC officials claimed OJJDP approved. Moreover, the site visit reports we reviewed did not contain recommendations or solutions to the deficiencies identified in the reports. As a result, we determined that the EDC did not meet the MSYI award's deliverables we tested. If a recipient materially fails to comply with the terms and conditions of an award, OJJDP may take action including terminating the current award or withholding future awards.

Conclusions

We determined EDC did not fully comply with award requirements in the areas we tested. We found weaknesses in EDC's implementation of its internal control procedures resulting in questioned costs for conference food and beverage charges, travel, and consultant expenditures. We found that while EDC officials used a comprehensive financial management and accounting system, they could not track award expenditures by each of the approved budget categories as required by OJP's Financial Guide. EDC officials established procedures for calculating award drawdowns; however, the procedures were incomplete because they did not always consider funding restrictions imposed by the awards' special conditions. We also

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could not determine if EDC officials complied with all of the special conditions noted in the award.

We found EDC's consultants executed detailed vendor agreements describing the award-funded work to be performed, but EDC officials did not always effectively monitor the consultant's time charges to the award-funded projects. We found several key performance metrics related to award-funded publications, technical assistance, and the number of site visits EDC provided to grantees remain incomplete. As a result of these deficiencies, we question \$112,372 in unsupported expenditures and \$175,326 in unallowable expenditures. The total dollar-related findings of \$286,698 represent about 9 percent of all funding under the awards.

Recommendations

We recommend that OJP:

1. Remedy the \$46,149 in questioned costs resulting from unallowable conference food and beverage expenditures.
2. Remedy the \$1,831 in questioned costs resulting from unallowable conference lodging charges.
3. Remedy the \$111,381 in questioned costs resulting from unsupported consultant charges.
4. Remedy the \$991 in unsupported travel costs and the \$1,375 in unallowable costs for other miscellaneous expenditures.
5. Ensure EDC officials establish adequate internal controls for budget management to include the design and implementation of procedures that enable separate identification and accounting for each budget category described in the award, and allow for an ongoing budget versus actual cost comparison.
6. Ensure EDC complies with all of the Training and Technical Assistance Program for Monitoring System Involved Youth grant award's special conditions.
7. Remedy the \$124,971 in unallowable costs resulting from EDC's drawdown of Monitoring System Involved Youth grant funds during a period of non-compliance with the award's special conditions.

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8. Ensure EDC officials develop internal control procedures to adequately monitor the work performed by its consultants.
9. Ensure EDC officials design performance measures and collect data to achieve the Training and Technical Assistance Program for Monitoring System Involved Youth program objectives.
10. Ensure EDC completes each of its assigned deliverables and meets all of the objectives established by the Training and Technical Assistance Program for Monitoring System Involved Youth award.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to determine whether reimbursements claimed for costs under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal controls, (2) award expenditures, (3) progress and financial reporting, (4) drawdowns, (5) budget management and control, (6) indirect costs, (7) compliance with special conditions, (8) monitoring contractors and subgrantees, and (9) program performance and accomplishments.

We conducted this performance audit in accordance with generally accepted government auditing standards. These 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.

We audited a total of \$3,093,400 in Tribal Youth Program Training and Technical Assistance grant funding and Training and Technical Assistance Program for Monitoring System Involved Youth grant funding awarded to the Education Development Center, Inc. Our audit concentrated on, but was not limited to, the initial award of the 2006 grant in July 2007, through the end of our additional field work in June 2010.

We tested compliance with what we consider to be the most important conditions of the awards. Unless otherwise stated in our report, the criteria we audited against are contained in the Office of Justice Programs Financial Guide, the GSA Travel Regulations, and the award documents.

In conducting our audit, we tested EDC's award activities in the following areas: award expenditures, progress and financial reporting, drawdowns, indirect costs, budget management and control, compliance with award special conditions, monitoring contractors and subgrantees, and program performance and accomplishments. In addition, we reviewed the internal controls of EDC's financial management system specific to the management of DOJ funds during the award period under review. However, we did not test the reliability of the financial management system as a whole. We also performed limited tests of source documents to assess the accuracy and completeness of reimbursement requests and financial status reports. These tests were expanded when conditions warranted.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS	AMOUNT	PAGE
Unallowable Expenditures - Travel and Other	\$ 49,355	13
Unsupported Expenditures	112,372	13
Unallowable Expenditures – Noncompliance with Special Conditions	124,971	19
Total Dollar Related Findings	\$286,698	

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.

EDUCATION DEVELOPMENT CORPORATION, INC.
RESPONSE TO THE DRAFT AUDIT REPORT



Education Development Center, Inc.

October 29, 2010

Mr. Thomas Puerzer
Office of the Inspector General
Philadelphia Regional Audit Office
701 Market St., Suite 201
Philadelphia, PA 19106

Via FedEx

Dear Mr. Puerzer,

Enclosed please find the hard copy of EDC's response to the Audit of the Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Awards to Education Development Center, Inc. These materials were also sent to you via email. Please let me know if you have any questions.

Sincerely,


Cheryl Hoffman-Bray
Vice President and Chief Financial Officer

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**Education Development Center, Inc.
Response to Draft Audit Report for Grants 2006-JU-FX-OI61
and 2007-MU-FX-K002**

The Office of the Inspector General of the U.S. Department of Justice (DOJ) recently conducted an audit of two projects funded by the DOJ's Office of Juvenile Justice and Delinquency Prevention (OJJDP) and conducted by Education Development Center, Inc. (EDC). The two awards are a 2006 grant (the Technical Assistance and Training Program for Mentoring System-Involved Youth-MSIY: 2006-JU-FX-0161) and a 2007 cooperative agreement (the Tribal Youth Program Training and Technical Assistance Center-TYP: 2007-MU-FX-K002).

EDC received the draft audit report on September 30, 2010. In some instances we agree with the auditor's findings and recommendations. However, there are several inaccuracies in the audit report which EDC would like to clarify and have corrected.

A recurring theme of the audit report is that EDC did not receive prior approvals. EDC works closely with the OJJDP Project Managers and did in fact receive prior approvals when we were required to do so, but not always in writing. We recognize the importance of close and frequent contact between the OJJDP and EDC. The extensive communication required in a Cooperative Agreement is frequently done in the form of telephone and email. We have been particularly attentive to special condition 12 of the cooperative agreement, which states, "...OJJDP's participatory role in the project is as follows:

- a) Review and approve major work plans, including changes to such plans, and key decisions pertaining to project operations.
- b) ... Provide guidance in significant project planning meetings, and participate in project sponsored training events or conferences."

EDC believes that it was following proper protocol by working in such a collaborative manner.

The following addresses the specific recommendations. Following the responses to the ten recommendations, we have noted other sections of the report that should be removed or amended.

EDC's responses to the ten recommendations contained in the draft report follow.

Recommendation 1. Remedy the \$46,149 in questioned costs resulting from unallowable conference food and beverage expenditures.

EDC Management Response: Of the \$46,149 in questioned costs related to conference good and beverages, \$27,512 is associated with meetings that the 2006 grant (i.e., the Tribal Youth

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Program Training and Technical Assistance Center-TYP) carried out with OJJDP approval. For almost all of the TYP meetings, OJJDP's process did not enable EDC to select meeting locations or foods and beverages that were most cost effective. The following describes the standard process by which the meeting space and foods and beverages were selected for TYP meetings:

- The OJJDP Tribal Youth Coordinator decided and informed EDC staff of the dates and the city in which an upcoming meeting was to be held. (TYP grantee meetings are rotated from region to region). EDC followed the instruction given in special condition 12, as noted above, that states, "OJJDP is to provide guidance in significant project planning meetings ..."
- The EDC project director contacted a wide variety of hotels in that city to determine which had suitable meeting room and sleeping room accommodations for the meeting. In many instances, including the meetings indicated below, there was only one hotel in the city that had sufficient meeting and sleeping rooms available on the required dates. EDC had no choice but to schedule the meeting at that location.
- OJJDP required that TYP provide all meeting participants with a continental breakfast, beverages, and snacks for every day of every meeting. None of the hotels in question would allow EDC to provide food through an external caterer; thus, we were obliged to pay what the hotel's catering service charged for continental breakfast, beverages, and snacks.

The following issues related to meals and snacks at the TYP meetings also bear noting:

- As American Indians themselves, EDC's TYP staff know that in order to earn the trust of American Indian grantees and to engage them in the content of a training event-essential components of providing effective TTA-it was crucial to provide participants with a reasonable breakfast. At no point did EDC staff order excessive or extravagant food or beverages for the TYP meetings. Breakfast was generally continental and at times included other breakfast items like eggs, fruit, granola bars.
- All of the participants at the TYP meetings were American Indian. Because American Indian people suffer from disproportionately high rates of diabetes, EDC took care to serve vegetables and fruit at meeting breaks rather than sugar-laden, high-fat foods. Hotels charge much more for fruit and vegetables than they do for cookies, brownies, and other such dessert foods served at meeting breaks.

The remaining \$18, 637 in questioned conference food and beverage costs are associated with three meetings that the 2007 grant (Mentoring System-Involved Youth-MSIY) conducted. The majority of questioned food and beverage costs for MSIY are associated with a meeting that the project conducted in September 2008 at the Hotel Monteleone in New Orleans. We explained the circumstances behind this meeting several times to the auditors. The following describes the factors that contributed to the food and beverage costs at this meeting:

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The first OJJDP Program Manager (PM) assigned to the MSIY grant instructed EDC staff to carry out a national meeting for 100 or more mentoring practitioners from across the U.S. rather than several small meetings for the four OJJDP-funded MSIY grantees that EDC committed to carrying out in its application. The PM required that participants in the national meeting be mentoring practitioners that were not funded by OJJDP and that the meeting be held in September 2007 in New Orleans at a hotel that the PM selected-the Hotel Monteleone.

In March 2007, we were informed by OJJDP that a new PM had been assigned to MSIY. We had several discussions with the new PM over the next several months. In December 2007, the new PM conducted a two-day site visit to EDC to learn more about MSIY and to discuss the budget, timelines, deliverables, etc. At that meeting, the new PM and EDC staff agreed that it would be inappropriate to move ahead with the large national meeting that the first PM had. Additionally, the new PM stated that EDC should focus its training efforts on the four OJJDP-funded mentoring grantees that our application was designed to serve, and not a national audience of mentoring practitioners.

EDC staff consulted with EDC's General Counsel and the Hotel Monteleone to explore cancelling the contract that the first PM had required us to sign. Both parties confirmed that EDC was liable for the entire amount of the contract. Then:

- The new OJJDP PM conferred with the original PM to determine if the original PM had another project that could hold a meeting at the Hotel Monteleone and assume the costs associated with the contract. The answer was no.
- OJJDP Training and TA Coordinator contacted EDC to discuss whether there might be any other OJJDP-funded projects that could hold a meeting at the hotel and assume the costs associated with the contract. There were none.
- The new PM encouraged EDC staff to identify other groups willing to hold a large meeting at the hotel and willing to assume the costs associated with the contract. As a result of much hard work on the part of EDC staff, we were able to replace the originally proposed national meeting for 100 participants with the following four smaller meetings at the Hotel Monteleone:

√ A Tribal Youth Programs grantee meeting held in May 2008
(the meeting was supported with OJJDP TYP grant funds)

√ Two Safe Schools/Healthy Students grantee meetings held in
April 2008 (the meetings were supported with HHS/SAMHSA
grant funds).

√ A small meeting for the four MSIY grantees served through the
EDC MSIY project (the meeting was supported with OJJDP
MSIY grant funds)

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According to EDC's existing contract with the hotel, these four replacement meetings had to use a total of 450 guest room nights and \$25,000 in food and beverage costs (amounts that the first PM had determined). The hotel required that if fewer guest room nights were used or less was spent on food and beverages, EDC would be responsible for the difference. **EDC presented this plan to our OJJDP Program Manager, who verbally agreed that replacing the one large meeting with four small meetings (three of which were not associated with the MSIY project) was the best available option.**

EDC was able to meet the contract's required 450 guest room nights across the four meetings. However, prior to the final meeting (the MSIY September 2008 meeting), **there was approximately \$14,000 in food and beverage costs remaining that had to be spent at that meeting or the hotel would simply charge EDC that amount.** Given the size of the September MSIY grantee meeting (29 participants), **we would not have met the minimum food and beverage cost requirement without providing full meals and plentiful snacks throughout the meeting.** We do not dispute the fact that EDC exceeded allowable food costs for this meeting. Our doing so was an effort to mitigate the significant financial penalties that EDC would have faced had we reneged on this hotel contract-which our first OJJDP PM required that EDC sign, even though it was not in keeping with the project's goals and objectives. This explains why the food and beverage costs for September 2008 MSIY meeting at the Hotel Monteleone were significantly higher than customary.

It should be noted that there are errors in the auditors' calculations of EDC's conference food and beverage expenditures. On page 10 of the draft audit report, there is a table outlining a sample of EDC's conference food and beverage expenditures against allowable costs. EDC tested some of these calculations using the same EDC accounting records that we provided to the auditors, established GSA daily meal rates, and the OJP Financial Guide guidance on allowable conference meal costs. Our calculations (see Exhibit 1) reflect \$38,515 in questioned costs, not the \$46,149 stated in the report.

For the reasons cited above, EDC requests that the \$46,149 in questioned conference food and beverage costs be allowed and that the charts that appear on pages 10 and 11 be removed from the audit report.

Recommendation 2. Remedy the \$1,831 in questioned costs resulting from unallowable conference lodging charges.

EDC Management Response: It is EDC policy that all costs charged to a project must be allowable and adequately documented. EDC disagrees with the auditors' assessment related to \$1,831 in unallowable conference lodging charges, for the following reasons:

- 1) \$499.29 is associated with a meeting sponsored by the 2006 (MSIY) grantee at the Hotel Indigo in October 2009. When the hotel invoiced EDC for the meeting, they mistakenly charged EDC an additional \$499.29. We notified the hotel about this overcharge. In August 2010, EDC received and deposited a check from the hotel in the amount of \$499.29. We credited the 2006 award for this amount,

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thereby completely eliminating the \$499.29 overcharge. A copy of the check and a printout of the general ledger are attached as Exhibit 2a and 2b

2) It is our understanding that the remainder of the \$1,831 is associated with "no shows," i.e., participants who registered for a meeting sponsored by EDC but did not attend at the last minute due to illness or a medical condition. We have only been able to identify two instances of no-shows, totaling \$705.90. Below we describe the events surrounding these two no-shows.

- In one case, a participant did not attend the meeting because of a lastminute health emergency. The participant's doctor advised her on the day she was supposed to travel to the meeting that she was too ill to make the trip. EDC was able to cancel the final two nights of her hotel stay, but it was too late to cancel the first night's reservation. The original charge for the lodging was \$352.95. EDC received a credit from the hotel for \$235.30, and was charged a no-show balance of \$117.65. Please see Exhibit 3.
- The second case involved a meeting participant who is partially paralyzed and needs crutches to walk. This individual was booked on a flight that ended up not having a seat available to accommodate his physical needs. He was rebooked onto another flight later that same day. Because he arrived at the hotel very late at night, the hotel considered him a "no show" and charged EDC a no-show fee for his lodging that day, when in fact he was there. Please see Exhibit 4.

As stated in the draft audit report, "Unless a traveler can demonstrate exceptional circumstances, GSA government travel regulations place the responsibility for no-show room charges with the traveler." We believe these two situations clearly qualify as exceptional circumstances.

For the reasons cited above, EDC requests that the \$1,831 in questioned costs be allowed.

Recommendation 3. Remedy the \$111,381 in questioned costs resulting from unsupported consultant charges.

EDC Management Response: In EDC's judgment, all of the \$111,381 in consultant costs are allowable, supported, and well-documented. EDC has the following process in place to determine if the invoices received are accurate before processing payments.

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When a consultant submits an invoice, the EDC Project Director reviews it to determine if it is consistent with the work the consultant was engaged in. The PDs and consultants are in constant contact and the PO is always aware of the work the consultant is performing. If the Project Director agrees that the consultant has completed the work noted in the invoice, he or she signs or tells the Center Financial Manager to approve the invoice and forwards it to EDC's Accounting department. Before processing a consultant invoice, EDC's Accounting staff checks the remaining funds on the consultant's contract. If sufficient funds are not currently available, the invoice is held and not processed until an amendment to the consultant's contract is fully executed and updated in EDC's vendor consultant agreement system.

Below we address each of the questioned consultant charges.

2006 Grant:

- [REDACTED]: questioned amount: \$4,725. EDC contracted with [REDACTED] (a consultant) to develop a draft of three MSIY written products. [REDACTED] completed all three draft documents and submitted them to EDC. The documents were reviewed by the EDC Project Director and found completely satisfactory. Copies of the products were provided to the auditors.

2007 Grant:

Note that the work performed by consultants [REDACTED] (mentioned below) is documented in EDC's TYP TTA database. In 2007, EDC developed and implemented a customized TTA database that tracks all consultant TTA services and the amount of time spent on each TTA service. This TTA database is checked by the Project Director before signing any invoices for these consultants. The TYP consultants are also paid to participate in weekly meetings with the EDC project director to review TTA services carried out and plan future ITA services to be provided. For the amount in question for each of these consultants, we have attached documents from the ITA databases that detail the work that the consultant performed prior to invoicing EDC. Because of the process outlined above, EDC is confident that the payments were appropriate and in accordance with the contract terms and that the staff has a system in place to determine if invoices are accurate. However, EDC acknowledges that the process may not be clear to an external auditor. We plan to modify our procedures so that in the future it will be easier for an auditor to reconcile.

- [REDACTED]: two questioned invoices totaling \$6,398.45. See in Exhibits 5 and 6 the documents from the database that detail [REDACTED] work during the time period in question.
- [REDACTED]: three questioned invoices totaling \$5,690.32. See in Exhibit 7 the documents from the database that detail [REDACTED] work during the time period in question.

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- [REDACTED]: five questioned invoices totaling \$9,506.26. See in Exhibits 8, 9 and 10 the documents from the database that detail [REDACTED] work during the time period in question.
- [REDACTED] two questioned invoices totaling \$2,967.50. See in Exhibits 10 and 11 the documents from the database that detail [REDACTED] work during the time period in question.
- [REDACTED] one questioned invoice totaling \$1,800.00. See in Exhibit 12 the memo from [REDACTED] documenting his work during the time period in question.
- [REDACTED]: one questioned invoice totaling \$1,293.75. See in Exhibit 13 the document from the database that details [REDACTED] work during the time period in question. National Indian Youth Leadership Project: one questioned invoice totaling \$79,000. Please see Exhibits 14, 15 and 16 which document the work carried out by the NIYLP (in the form of the subcontract agreement, the NIYLP evaluations, and the post conference report.

In addition, on page 13 of the Draft Audit Report it states that NIYLP was paid and there "was no evidence of a signed contract." This is not true. The contract was fully executed on October 7, 2009. NIYLP was not paid until after the contract was signed by both parties. EDC has systems in place to ensure contractors are not paid before a contract is fully signed. On February 22, 2010 the auditors received in hard copy and via email a copy of the signed contract between EDC and NIYLP.

EDC requests, as a result of the documentation we have provided, that the \$111,381 in questioned consultant costs be considered allowable.

Recommendation 4. Remedy the \$991 in unsupported travel costs resulting from unsupported consultant charges.

EDC Management Response: EDC agrees that all travel costs should be adequately supported and documented. The \$991 in travel costs were associated with round-trip automobile travel for an EDC employee between Minnesota and Oklahoma for an authorized TTA site visit. Prior to the site visit, EDC staff carried out a cost-benefit analysis of the most cost-effective method for making this trip and determined that travelling by automobile rather than by airplane would result in a savings of over \$600 for the 2006 grant.

Although the audit report states that the travel costs were incurred by a consultant, they were, in fact, incurred by an EDC employee. Also to clarify, page 13 of the draft audit report states that the travel costs were for "a 2007 award funding planning conference," but the travel costs were actually for the project director of the 2006 grant (TYP) to travel to and from an onsite TTA visit to the Ponca Tribe of Oklahoma, one of the grantees we serve.

The TYP project director investigated round trip airfare costs between Minneapolis, Minnesota and Ponca City, Oklahoma and car rental rates between the closest Oklahoma airport and Ponca

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City (a two-hour trip). The least expensive roundtrip airfare was \$1,200 and the cost of the car rental for the three-day visit was \$420, resulting in total travel costs of \$1,620 by air. In contrast, the project director determined that driving her own car to and from the site visit would cost less than \$1,000 (in fact it cost \$991). Thus, by driving over 1,700 miles instead of flying, this EDC staff member saved the 2006 grant more than \$600. Please see the documentation of the site visit in Exhibit 17.

EDC requests that the \$991 be considered allowable, supported costs.

Recommendation 5. Ensure EDC officials establish adequate internal controls for budget management to include the design and implementation of procedures that enable separate identification and accounting for each budget category described in the award, and allow for an ongoing budget versus actual cost comparison.

EDC Management Response: Pages 18 and 19 of the audit report address budget management and control. EDC strongly disagrees with the auditor's misunderstanding that the budgets maintained in the accounting system were not based on the applications submitted to OJP. EDC tracks its expenditures by approved OJP budget categories and EDC monitors the budget versus actual expenses. In fact, we provided the auditors with testimony and evidence confirming that EDC is compliant in both areas.

EDC's accounting system displays the exact same information as the OJP-approved budget but does so in a slightly different format. When EDC first receives an award, we upload the approved detailed line item budget into our accounting system, which allows for careful management of project budgets. At this point, each of the detailed line item expenditures can be rolled up to the categories that appear in the OJJDP-approved budget (i.e., Personnel, Fringe Benefits, Travel, Supplies, Consultants/Contacts, Other Costs, and Indirect Costs). In a face-to-face meeting with the auditors in the spring of 2010, we explained in detail how the EDC budget corresponds to the OJJDP budget. Additionally, on April 10, 2010, EDC provided the auditors with an example in writing of how we roll-up detailed expenses from the EDC accounting system into the OJJDP budget categories. Exhibit 18 shows a sample of the reports available and the detail and rollup versions. Exhibit 19 is an email string evidencing the difficulty the auditors had with reading the excel spreadsheets into which the financial information was uploaded for their review. The data was available and EDC would be happy to review the information once more, *in person*, to validate this.

Page 18 of the audit report implies that EDC allows awardees to make changes to their budgets without complying with the 10 percent approval requirement. EDC is fully aware that OJJDP requires prior approval before moving funds between approved budget categories in excess of 10 percent of the total award. Our project and accounting staff monitor OJJDP budgets with that understanding; if a line item is overspent or several line items in a category are overspent, the project's Financial Manager reviews the entire category roll-up to determine if there is a need to contact OJJDP to request a budget modification. To ensure compliance, the project's Financial Manager reviews the budget with the Project Director once every month.

Page 19 of the draft audit report states that "EDC never provided a budget management report that we could reconcile to the expenditures reported in EDC's accounting system." This is incorrect. As noted above, EDC provided the auditors with a clear and complete sample report of how we monitor ongoing expenditures against the project budget on April 12, 2010.

EDC requests that this recommendation be removed and pages 18 and 19 be corrected.

Recommendation 6. Ensure EDC complies with all of the Training and Technical Assistance for Mentoring System Involved Youth grant awards' special conditions.

EDC Management Response: Pages 20 and 21 of the draft audit report state that EDC did not comply with six special conditions included in the 2006 (MSIY) grant award. EDC disagrees with this statement; we did comply with all of the MSIY special conditions. Below we list each of the six special conditions and how and when EDC met them.

Special Condition 1: "The recipient shall submit one copy to OJJDP, including an electronic copy, of any final reports, publications, video, compact disc (CD), or digital video discs (DVD) developed with funds awarded by OJJDP. "

EDC's application to OJJDP indicated that we would produce eight products with MSIY grant funds: three briefs (6-12 pages each), three bulletins (1-2 pages each), one monograph describing the experiences of the 4 MSIY grantees and best practices for mentoring system-involved youth, and one inventory listing contact information for U.S. mentoring programs that serve system-involved youth. We delivered final copies (including an electronic copy) of five of the eight products on or before June 15, 2010 (the project was funded through June 30, 2010). Below we describe the timeline by which the remaining three products were completed:

- On April 21, 2010, we submitted the text for the third brief (on mentoring youth in foster care) to the OJJDP Program Manager (PM) for his review and comments. The final version of this brief was submitted to OJJDP on July 6, 2010 less than one week after the conclusion of the grant.
- On June 16, 2010, we submitted the text for the mentoring monograph to the OJJDP PM. The PM shared his feedback on the monograph with our staff on June 29, 2010. We submitted the final version of the monograph to OJJDP on August 10, 2010.
- In our semi-annual progress report submitted in July 2009, we included a document that contained all of the text to be included in the mentoring inventory. On September 29, 2010, we submitted the final version of the inventory to OJJDP.
- It is important to note that although our application indicated that we would produce only three briefs, we suggested to our OJJDP PM that we would like to develop **an additional brief** on mentoring youth reentering the community following detention. Our PM approved the development of this brief. We submitted the text to him on June 30, 2010, and the final version of the brief on July 6, 2010, less than one week after the conclusion of the grant.

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Thus, all eight required products-and one additional product-have been completed and submitted to OJJDP.

Special Condition 2: "Deviations from the project's approved timeline must receive prior approval from OJJDP. "

EDC does not deviate from a project's approved timeline without prior approval from the funding agency. At every point where a modification to the project's approved timeline was needed, **MSIY project staff telephoned the OJJDP PM and received approval before moving ahead with any changes.** EDC always works closely with federal funders when it is necessary to adjust a project timeline or amend the scope and/or nature of a project deliverable. In every case, we seek out and follow the guidance of the Project Officer/Program Manager at the funding organization.

Special Condition 3: "The recipient agrees to submit data, based on performance measurements approved by OJJDP, to OJJDP's Performance Measures Website. "

Please refer to the response to audit recommendation #9 below, which addresses the same issue.

Special Condition 4: "Prior to publication, the recipient must submit all reports and written products developed from award funding to OJJDP for review and comment. "

EDC submitted all reports and written products to the OJJDP PM for his review and comment before publication. As described above in our response to Special Condition 1, EDC created eight products with MSIY grant funds: three briefs, three bulletins, one monograph, and one inventory of mentoring programs that serve system-involved youth. We submitted these products to the OJJDP PM for his review and comment on the following dates:

April 21,2010: Submitted all three draft briefs and all three draft bulletins to the OJJDP PM for his review and comment.

June 17,2010: Submitted the draft monograph to the OJJDP PM for his review and comment.

July 2009: In our semi-annual progress report to OJJDP, we included a document that contained all of the draft text to be included in the mentoring inventory.

EDC met this special condition by submitting all of the OJJDP-funded reports and products to OJJDP prior to publication.

Special Condition 5: "The recipient agrees to comply with all confidentiality and privacy requirements noted in the Consolidated Federal Regulations, Part 22. "

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Consolidated Federal Regulations Part 22 requires the protection of confidentiality and privacy in research that involves youth. Because MSIY collected no data on or about youth, CFR Part 22 does not apply to our work.

Special Condition 6: "The recipient agrees to utilize OJJDP Protocols as minimum standards in developing curricula, delivery of technical assistance, and evaluation of training. "

OJJDP standards for training and technical assistance providers appear in the 1998 publication "Training, Technical Assistance, and Evaluation Protocols: A Primer for OJJDP Training and Technical Assistance Providers." The introduction to this document states:

"These protocols are intended to guide grantees and contractors to develop protocols under OJJDP grants, contracts, and cooperative agreements, as well as to provide training and/or technical assistance. OJJDP further acknowledges that many grantees and contractors have already developed and implemented protocols in these areas. The Primer should be used to assess protocols against professional best practice, which may enhance already established protocols" (p. XI).

10 EDC, an internationally renowned nonprofit research and development organization, has served as a training and technical assistance (TTA) provider in the U.S. and internationally for most of its 50+ years. We currently operate dozens of national TTA centers, many of which are supported by Federal funding; we have served thousands of federally funded grantees that operate at the local level. A pioneer in the field, EDC has developed its own uniquely effectively approach to providing TTA, which is based on research and best practice. Our application to OJJDP for the MSIY grant summarized this approach and our standards for implementing the approach. We have consulted the OJJDP Primer to determine the degree to which EDC TTA standards and protocols align with those of OJJDP. Not surprisingly, EDC's TTA standards and protocols align in spirit and specifics to those contained in the OJJDP Primer. In many instances, EDC's TTA standards and practices exceed the expectations set forth in the Primer.

Correction requested on page 21: The draft audit report states (on page 21): "We asked EDC officials and OJP's Program Manager to provide evidence that EDC complied with the special conditions noted above but we received no response to our repeated requests for information." This statement is incorrect and we ask that it be removed. The auditors asked EDC staff for documentation related only to the first and fourth special condition (related to MSIY publications and reports). EDC provided this documentation in a timely manner, but the auditors appear to have overlooked the documentation. At no time did the auditors ask EDC for documentation related to the other four special conditions.

EDC requests that this recommendation be removed and pages 20 through 22 be corrected.

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Recommendation 7. Remedy the \$124, 971 in unallowable costs resulting from EDC's drawdown of Tribal Youth Program Training and Technical Assistance grant funds during a period of non-compliance with the award's special conditions.

EDC Management Response: To clarify, the questioned drawdown was for the Mentoring System Involved Youth award, not the Tribal Youth Program award.

Page 21 of the draft audit report states "In reviewing special condition 16, EDC was required to submit a strategic implementation plan before making any funding requests (drawdowns). However, we found that EDC made funding requests beginning in April 2009 even though OJP had not issued a GAN removing all funding restrictions until September 2009."

EDC's original Project Director for MSIY was terminally ill and eventually passed away in 2008. We cannot recreate what happened during the Project Director's illness. When the new Project Director took over she had a meeting with the Program Officer to be oriented to the project and she was not told of any outstanding issues related to the strategic plan. We were unaware that the requirement had not been met until notice was received in 2009.

Although, EDC did not submit an official GAN request to OJJDP until September 2009, EDC provided the strategic plan to the Program Manager in July 2009 via email (see Exhibit 20) as soon as we were told it was missing. In this email we ask the Program Manager where he would like us to upload the strategic plan and we did not receive a response for some time. Even though we submitted the plan in July of 2009, the recommendation is to disallow the entire drawdown which includes August and September which is after the date we submitted the plan via email. In addition, during the time period in question (April through September 2009), EDC staff were in regular communication with OJJDP about all aspects of the project, including the strategic implementation plan. No changes were made to project activities or the timeline without the explicit approval of OJJDP. The recommendation to disallow \$124,971 is unreasonable and excessively punitive as these costs were legitimately incurred for carrying out required project tasks. If it is determined that the funds were drawn too early, and without cause, there should be an interest charge for the time they were drawn too early, not a complete disallowance of otherwise allowable costs which were reasonable, allocable and necessary to complete the terms of the grant.

The recommendation to disallow the \$124,971 in legitimate project costs is highly disproportionate. EDC respectfully requests that the funds be considered allowable costs.

Recommendation 8. Ensure EDC officials develop internal control procedures to adequately monitor the work performed by its consultants.

EDC Management Response: EDC agrees that proper internal control procedures are necessary to monitor work performed by consultants. Page 8 of the draft audit report states that "The absence of an adequate and effectively functioning internal control environment places award funds at risk and undermines the ability of the recipient to ensure that federal funds are being

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adequately safeguarded and spent accurately and properly in accordance objectives." We disagree with the implication that this is the case at EDC.

EDC provides project staff and managers with clear guidelines related to engaging consultants and developing consultant agreements. In addition, the 2006 and 2007 OJJDP awards at EDC have numerous mechanisms to track consultants' performance. (Some of this is evidenced in the response to recommendation # 3 above.) EDC Project Directors for both projects are in weekly-if not daily-contact with every consultant, making them very well informed about the work that each consultant is performing. The 2007 award utilized most of its consultants as technical assistance specialists (TASs). EDC TASs contact every grantee they are assigned to at least one a month. They enter detailed information about every contact with a grantee into the TYP T A database. The EDC Project Director reviews the T A database entries and intervenes with and follows up with the consultants as needed. In addition, each week all of the consultants meet by phone with the EDC Project Director to discuss grantee progress, any challenges encountered, and to plan for future TTA services.

When a consultant submits an invoice, the EDC Project Director reviews it to determine if it is consistent with information in the TA database about the consultant's work. When a consultant is involved in additional activities (e.g., facilitating or presenting at a face-to-face training event), the EDC Project Director is always present to monitor the consultant's performance. If the Project Director agrees that the consultant has completed the work noted in the invoice, he or she signs the invoice and forwards it to EDC's Accounting department. Before processing a consultant invoice, EDC's Accounting staff check the remaining funds on the consultant's contract. If sufficient funds are not currently available, the invoice is held and not paid until an amendment to the consultant's contract is fully executed and updated in EDC's vendor consultant agreement system.

Recommendation 9. Ensure EDC officials design performance measures and collect data to achieve the Training and Technical Assistance Program for Monitoring System Involved Youth program objectives.

EDC Management Response: The performance measures for the MSIY project were included in our original application to OJJDP. Tracking of performance measures for OJJDP grantees is carried out through the DCTA T (Data Collection and Technical Assistance Tool) system. Unfortunately, DCTAT does not contain any performance measures that are relevant for training and TA centers such as MSIY; it only contains measures appropriate for grantees that provide direct services to youth.

EDC staff have visited the DCTAT website multiple times during the MSIY project period; at every instance, it was not possible to enter performance data for MSIY. As recommended by our OJJDP PM, EDC conducted outreach multiple times to the OJJDP staff person responsible for grantee performance measures to discuss which performance measures EDC should report on and where we should report the data. Our outreach was to no avail; the issue of performance measures for MSIY was never resolved.

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and revise deliverables until they met OJJDP's expectations for depth, breadth, scope, and quality of study and pertinence.

All relevant performance measures are already in place for MSİY. EDC had collected data for the measures and reported the data in its progress reports to OJJDP. Thus, we request that this recommendation be removed.

Recommendation 10. Ensure EDC completes each of its assigned deliverables and meets all of the objectives established by the Training and Technical Assistance Program for Monitoring System Involved Youth award.

EDC Management Response: EDC has completed all of its assigned deliverables and has met all of the objectives established for the MSİY project. The draft audit report identifies (on page 24) four specific deliverables that the auditors claim EDC did not meet. This chart is not correct. Our description of each of these four deliverables is as follows :

Conduct not less than eight onsite technical assistance visits. MSİY conducted six of the eight onsite TA visits by January 2010. As we were planning the final two site visits (to OJJDP grantees in Portland, OR and Richmond, V A), we learned that the OJJDP-funded project directors in both grant sites had been-or were about to be-laid off because of budget shortfalls. We conferred with the OJJDP PM about the possibility of conducting the site visits with the remaining OJJDP-funded staff at the two grant sites. We agreed with his assessment that such site visits would accomplish little, since only very junior staff were in place in both locations. Thus, with the approval of the OJJDP PM, EDC did not conduct additional site visits beyond the six that were completed by January 2010.

Write, edit, print, and disseminate three TA bulletins and three TA briefs. As described in the response to Recommendation 6, EDC delivered three bulletins and two final briefs to OJJDP on June 15,2010. We delivered the final third brief to OJJDP on July 6,2010-less than one week after the end of the MSİY project period. All six written products have been finalized and delivered to OJJDP.

Conduct two regional training sessions and Conduct not less than eight cross-site training visits. As was explained multiple times to the auditors, the number and types of MSİY meeting deliverables were revised twice by OJJDP. As described in our response to Recommendation 1, EDC's first OJJDP PM required that EDC replace multiple training sessions for the four MSİY grantees with one large national meeting for 100 mentoring practitioners not funded by OJJDP. The PM did not document this significant change in writing to EDC nor did he inform us that we should request a Grant Adjustment Notification before complying with his instructions. EDC staff followed the PM's directions and signed a large contract with the hotel in New Orleans that the PM selected.

In March 2007, we were informed by OJJDP that a new PM had been assigned to MSİY. We had several discussions with the new PM over the next several months. In December 2007, the new

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PM conducted a two-day site visit to EDC to learn more about MSIY and to discuss the budget, timelines, deliverables, etc. This meeting and several follow-up conference calls with the new PM over the next three months resulted in the following additional change to the MSIY meeting deliverables: Instead of conducting the large national meeting that the first PM had required or the remaining six small "cross-site trainings" and two small regional meetings described in EDC's application, EDC would conduct two small cross-site working meetings for the four OJJDP-funded MSIY grantees—one to be held in the fall of 2008 and another in 2009.

As the OJJDP PM and EDC staff agreed at our meeting in December 2007, because cross-site working meetings involve many more grant site participants than the small cross-site trainings and regional training events outlined in EDC's application, **fewer total events would be conducted than delineated in EDC's application.** The expenses for the cross-site working meetings remained in the travel line of our budget (where the expenses for the cross-site and regional trainings had originally been included). Thus, we did not need to make changes to the budget to accommodate the cross-site working meetings. At no point did the second PM inform EDC that we needed to request that he create a GAN to finalize these changes to MSIY meeting deliverables. EDC noted the changes in our July 2008 semi-annual progress report to OJJDP.

Therefore, the MSIY deliverables depicted in the chart on page 24 of the draft audit report are out-of-date and inaccurate because they do not reflect the changes in deliverables that were agreed upon with OJJDP in December 2007. EDC submits a semi-annual progress report in outlining completed activities for proceeding period of These activities are always discussed and agreed upon on an ongoing with the Program Manager. The Program Manager then approves these reports in GMS which confirms Program Manager is aware of the progress of the approved deliverables. The number and types of meetings that EDC ultimately carried out were in complete accord with our agreements our second OJJDP PM. Indeed, EDC has met all of the project's objectives and completed all project deliverables.

We request that the text on and 25 revised to the facts stated above. In particular, we take exception to the following four statements on pages and 25 and request that be removed or significantly revised:

- "EDC revised the deliverable schedule and they conducted one national conference instead of the two regional training sessions noted in the award (page 24). This implies that EDC made this change of its own accord, without the approval of OJJDP, which is not true.
- "[EDC] officials modified the cross site program to substitute two conferences for five required visits" (page 24). Again, this statement implies that EDC did not have approval modification, which is false.
- "An [EDC] official told us that they could not document the correspondence [re: changes in MSIY deliverables] because..."The project's limited resources made it difficult to accomplish program's objectives (pages 24-25). This statement is untrue and is not something an EDC staff person would have said.
- "EDC could provide no documentary evidence to that OJJDP approved the site visit, conference, or training schedule changes..." As explained above, we secured the OJJDP PM's verbal approval before making any changes to project deliverables—including the schedule of

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site visits, conferences, and trainings. At no point did either PM inform us that we needed to request that they submit a GAN to document and finalize changes to the project's deliverables.

Other sections of the audit report that should be removed or amended.

Many of the inaccuracies and clarifications are addressed above. However there are some other sections of the audit that should be corrected. We respectfully request that the audit report modified to incorporate the following clarifications or corrections:

- 1 Under Findings and Recommendations, on page 7 of the audit report, it states "budget management controls were inadequate because EDC's accounting system could not track award expenditures based on approved budget categories." This statement is inaccurate. EDC's Deltek Cost Point is a comprehensive, fully integrated and respected government grant accounting system which allows tracking of actual to budget at all levels and categories, including the approved budget categories. Please see Exhibit 18 for an example of the vs. budget data taken from the system.

Under Internal Control Environment, the report states "we identified internal control weaknesses in some the areas we tested" and "EDC officials told us they believed an adequate system of internal controls was in place and offered no further explanation." It is inaccurate to state that EDC officials offered no further explanation. EDC provided the auditors with the significant amount of policies and procedures which make up its Internal Control System. EDC disagrees with the specific findings of the internal control weaknesses mentioned in the audit report and has addressed the specific issues in the responses to the recommendations above.

- 2 Page 11, last paragraph: "However, neither EDC nor OJP provided an explanation to support the original commitment for such a large amount of award funding or for the excessive food and beverage expenditures we found at each succeeding conference in New Orleans." At multiple points during the audit, EDC staff provided the auditors with verbal explanations of-and written documentation supporting-the costs associated with meetings conducted at the Hotel Monteleone in New Orleans. This issue is clarified under the response to Recommendation #1. EDC requests that this statement be revised or eliminated.
- 3 Pages 12 and 13 of the draft audit report contain inaccurate depictions of EDC's practices regarding consultant monitoring and payment, including a statement that EDC reimburses consultants who have insufficiently documented the work they performed or not completed the work they were hired to do. All of these statements are incorrect. The supporting

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evidence is provided under the response to Recommendation #3. EDC requests this section be removed accordingly.

- 4 Page 24 of the draft audit report reflects a chart that reflects EDC did not complete four significant MSIY deliverables. We describe in our response to Recommendation 10 below why this chart should be removed.
- 5 Page 25 of the draft audit report " they did not complete a site assessment to determine each site's unique needs prior to completing the TAP". This is incorrect. EDC completed a site assessment of each of the four MSIY grantees in December 2006 and submitted it to the first OJJDP PM at that time. See Exhibit 21 TAP Site Assessment Summary. It is possible that the current PM is unaware of the site assessments because they were completed before he was assigned to the MSIY grant. Please correct page 25 accordingly.
- 6 Page 25 -"We were told [by the OJP PM] that EDC should have provided the sites with the expertise required to establish their mentoring programs. Moreover, EDC's site visit reports did not provide any new information about any of the four mentoring sites that would help the sites address their complex mentoring issues. The OJJDP official said EDC focused on a more national or global approach to mentoring when they should have focused on the four sites identified in the award." These statements are incorrect. As the MSIY site visit reports indicate (see Exhibit 22 Sample MSIY Site Visit Reports), at every site visit, MSIY staff provided the four sites with abundant new information and strategies to help them establish and improve their programs. And, as reflected above in EDC's desire to conduct training events for the four grantees rather than for a national audience-which was directed by OJJDP's first PM-the MSIY staffs uppermost concern and efforts have always been directed to supporting the four MSIY grantees funded by OJJDP.

We appreciate the detailed review performed by the auditors and understand the nature of some of their findings and recommendations. However it is critical that the misunderstandings and inaccurate conclusions contained in the draft report be corrected. For more than 50 years, EDC has been known as a responsible partner with the federal government, a partner that always meets-and customarily exceeds-government expectations.

OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

October 28, 2010

MEMORANDUM TO: Thomas O. Puerzer
Regional Audit Manager
Office of the Inspector General
Philadelphia Regional Audit Office

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

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Awards to the Education Development Center, Inc., Newton, MA*

This memorandum is in response to your correspondence, dated September 30, 2010, transmitting the subject draft audit report for the Education Development Center, Inc. (EDC). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **10** recommendations and **\$286,698** 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 remedy the \$46,149 in questioned costs resulting from unallowable conference food and beverage expenditures.**

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We agree with the recommendation. We will coordinate with EDC to remedy the \$46,149 in questioned costs resulting from unallowable conference food and beverage expenditures.

- 2. We recommend that OJP remedy the \$1,831 in questioned costs resulting from unallowable conference lodging charges.**

We agree with the recommendation. We will coordinate with EDC to remedy the \$1,831 in questioned costs resulting from unallowable conference lodging charges.

- 3. We recommend that OJP remedy the \$111,381 in questioned costs resulting from unsupported consultant charges.**

We agree with the recommendation. We will coordinate with EDC to remedy the \$111,381 in questioned costs resulting from unsupported consultant charges.

- 4. We recommend that OJP remedy the \$991 in unsupported travel costs and the \$1,375 in unallowable costs for other miscellaneous expenditures.**

We agree with the recommendation. We will coordinate with EDC to remedy the \$991 in unsupported travel costs and the \$1,375 in unallowable costs for other miscellaneous expenditures.

- 5. We recommend that OJP ensure EDC officials establish adequate internal controls for budget management to include the design and implementation of procedures that enable separate identification and accounting for each budget category described in the award, and allow for an ongoing budget versus actual cost comparison.**

We agree with the recommendation. We will coordinate with EDC to obtain a copy of implemented procedures to ensure that EDC officials establish adequate internal controls for budget management to include the design and implementation of

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procedures that enable separate identification and accounting for each budget category described in the award, and allow for an ongoing budget versus actual cost comparison.

- 6. We recommend that OJP ensure EDC complies with all of the Training and Technical Assistance Program for Monitoring System Involved Youth grant award's special conditions.**

We agree with the recommendation. We will coordinate with EDC to obtain a copy of implemented procedures to ensure that EDC complies with all of the Training and Technical Assistance Program for Monitoring System Involved Youth grant award's special conditions.

- 7. We recommend that OJP remedy the \$124,971 in unallowable costs resulting from EDC's drawdown of Tribal Youth Program Training and Technical Assistance grant funds during a period of non-compliance with the award's special conditions.**

We agree with the recommendation. We will coordinate with EDC to remedy the \$124,971 in unallowable costs resulting from EDC's drawdown of Tribal Youth Program Training and Technical Assistance grant funds during a period of non-compliance with the award's special conditions.

- 8. We recommend that OJP ensure EDC officials develop internal control procedures to adequately monitor the work performed by its consultants.**

We agree with the recommendation. We will coordinate with EDC to obtain a copy of implemented procedures to ensure that EDC officials adequately monitor the work performed by its consultants.

- 9. We recommend that OJP ensure EDC officials design performance measures and collect data to achieve the Training and Technical Assistance Program for Monitoring System Involved Youth program objectives.**

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We agree with the recommendation. We will coordinate with EDC to obtain a copy of implemented procedures to ensure that EDC officials design performance measures and collect data to achieve the Training and Technical Assistance Program for Monitoring System Involved Youth program objectives.

- 10. We recommend that OJP ensure EDC completes each of its assigned deliverables and meets all of the objectives established by the Training and Technical Assistance Program for Monitoring System Involved Youth award.**

We agree with the recommendation. We will coordinate with EDC to obtain a copy of implemented procedures to ensure that EDC completes each of its assigned deliverables and meets all of the objectives established by the Training and Technical Assistance Program for Monitoring System Involved Youth award.

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

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Control Number 20101958

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

We provided the draft report to the Educational Development Center (EDC) and the Office of Justice Programs (OJP) for review and comment. EDC's response is included as Appendix III of this report, and OJP's response is included as Appendix IV.

Analysis of EDC and OJP Responses

In its response, EDC disagreed with all 10 recommendations and also requested that sections of the audit report be removed or amended because of inaccuracies and necessary clarifications. EDC requested that we: (1) delete food and beverage tables in the report because they were inaccurate, (2) remove or correct findings from the report because they were based on misunderstandings and inaccurate conclusions, and (3) remove or reduce questioned costs for grant-funded expenditures that were identified as unallowable and unsupported. In addition, the EDC response said that a recurring theme of the report was that EDC did not receive prior approvals from the Office of Juvenile Justice and Delinquency Prevention (OJJDP) within the OJP. The response further stated that EDC did receive prior OJJDP approvals, although not always in writing, and that it did follow the proper protocol and maintained close and frequent contact with OJJDP.

We reviewed and fully considered each of the issues raised by EDC in its response to our report. After conducting our analysis, we determined that the report was factually accurate and the issues were clearly stated without the need for any changes to the final report except for three edits. Specifically, on page 12 of the final report, we added "unallowable alcoholic beverage charges" to clarify that one of the unallowable hotel charges was related to alcohol served at a grant-funded meal. On page 13, we changed consultant to employee to reflect that an EDC employee, not a consultant, incurred unsupported travel costs while travelling to a grant-funded meeting. Lastly, on page 26, we revised recommendation number 7 to refer to the Monitoring System Involved Youth grant.

In response to our report, OJP agreed with all ten recommendations. We consider all 10 recommendations resolved based on OJP's agreement. The status and actions necessary to close each recommendation, along with a discussion of the responses from EDC and OJP, are provided below.

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1. **Resolved.** Remedy the \$46,149 in questioned costs resulting from unallowable conference food and beverage expenditures.

In its response, EDC requested that we modify our reported food and beverage expenditures for three primary reasons: (1) because of EDC's extensive knowledge of the Native American culture that led officials to procure higher cost low-fat and low-sugar foods, particularly for breakfast and between meeting breaks, (2) because OJJDP Program Managers directed EDC officials to conduct conferences that far exceeded OJP's own standards for conference food and beverage expenditures, and (3) because we incorrectly calculated EDC's food and beverage expenditures.

During our fieldwork and follow-up discussions, we found no evidence EDC requested an exception to OJP's established food and beverage standards. The standards do not, and in our judgment should not, establish meal rates based upon race or ethnic background. Any exception to OJP standards for food and beverage expenditures would require that EDC have prior written approval from the responsible OJJDP Program Manager, and that approval documentation should be readily available for our review.

EDC noted in its response that the excessive conference food and beverage expenditures resulted from guidance provided by OJJDP officials. However, during our audit, EDC officials provided no evidence to document its claim, such as Grant Adjustment Notices (GAN), e-mails, or letters demonstrating OJJDP's involvement. Throughout our audit, EDC officials repeatedly assigned responsibility to OJJDP Program Managers when questioned about potential issues of noncompliance with grant terms and conditions. Moreover, we interviewed OJJDP program officials and they did not support EDC's position and, as noted in our report, no documentary evidence was provided to us to validate that OJJDP officials directed or approved EDC's decision to exceed allowable food and beverage standards.

EDC also stated in its response that our food and beverage calculations were incorrect. To support this, EDC provided an example of a conference held at their location in Newton, Massachusetts, where EDC concluded that our calculations were incorrect because we undervalued OJP's allowable meal costs, thus increasing our reported questioned costs. We compared our food and beverage calculations to the calculations EDC provided to us. We confirmed our calculations were correct. We found EDC's food and beverage calculations were not correct because EDC calculated food and beverage expenditures based upon the

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full Meal and Incidental Expense (M&IE) rate allowed for Newton, Massachusetts. However, footnote 7 of our report clearly states that the General Service Administration (GSA) allocates approximately 9 percent of a location's full M&IE to incidental expenses. Therefore, we based our per meal calculations on the M&IE rate *less approximately 9 percent for incidental expenses*. EDC further asserted that we incorrectly stated conference participation rates and we incorrectly included meeting room costs in our calculations. We based the number of conference participants on data provided to us by EDC and, wherever possible, we verified the number of participants to conference hotel receipts for both the number of meals purchased and the number of rooms provided. Additionally, the OJP Financial Guide considers expenditures such as service charges and meeting room set up fees as part of the food and beverage expenditure.

In its response, OJP agreed with our recommendation and said that it will coordinate with EDC to remedy the \$46,149 in unallowable conference food and beverage expenditures.

This recommendation is resolved based on OJP's concurrence and agreement to coordinate with EDC to remedy the unallowable conference food and beverage expenditures. This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$46,149 in unallowable expenditures.

2. **Resolved.** Remedy the \$1,831 in questioned costs resulting from unallowable conference hotel charges.

In its response, EDC said they have collected overcharge fees we identified during our fieldwork and provided an explanation documenting exceptional circumstances for two of the no-show charges we identified in our report.

At the time of our audit, EDC officials were unaware of the hotel overcharges paid with grant funds. From our testing we found evidence at five conferences that included grant no-show charges or unallowable hotel charges paid with grant funds. At the three grant-funded conferences held in Minneapolis, Minnesota (July 2008), New Orleans, Louisiana (April 2008), and Squamish, Washington (February 2008), we found evidence of no-show room charges totaling \$694. Because we found alcoholic beverage charges included in the hotel charges at a fourth conference in New Orleans, Louisiana (December 2006), we questioned \$137 in grant expenditures. At a fifth conference in Newton, Massachusetts (November 2009), we found a \$1,000 unsupported hotel

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bill. However, in its response EDC officials demonstrated that it recovered \$499 in hotel overcharges and provided support for the remaining \$501 of the unsupported \$1,000 hotel bill. Officials also provided an explanation to document exceptional circumstances for \$236 of no-show room charges at a conference in Los Angeles, California. However, we did not test the Los Angeles conference. Therefore, \$831 of our questioned costs, for unallowable hotel charges at four conferences, remains unallowable.

In its response, OJP agreed with our recommendation and said that it will coordinate with EDC to remedy the \$1,831 in unallowable conference hotel charges.

This recommendation is resolved based on OJP's concurrence and agreement to coordinate with EDC to remedy the unallowable conference lodging expenditures. This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the remaining \$831 in unallowable expenditures.

3. **Resolved.** Remedy the \$111,381 in questioned costs resulting from unsupported consultant charges.

In its response, EDC said it believed consultant costs are allowable, supported, and well documented. However, EDC also acknowledged that it plans to modify its procedures to allow for easier reconciliation of consultant charges.

The EDC response provided a detailed explanation of the procedures in place that were used to monitor the work of its contractors and consultants. To support one consultant invoice we questioned totaling \$79,000, EDC provided a contract with a start date on July 1, 2009. However, we determined the contract was not executed until October 9, 2009. Moreover, we found that the consultant invoiced EDC for the full amount of the contract on September 30, 2009, more than a week before the contract had been executed. We found no evidence to demonstrate EDC provided oversight of the consultant's work, nor did we find any mention in the progress report to document the project the consultant worked on. As we note in our report, we found the remaining \$32,381 in questioned consultant charges to be supported by only a short and incomplete sentence that did not adequately document the work performed.

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In its response, OJP agreed with our recommendation and said that it will coordinate with EDC to remedy the \$111,381 in questioned costs resulting from unsupported consultant charges.

This recommendation is resolved based on OJP's concurrence and agreement to coordinate with EDC to remedy the \$111,381 in questioned costs resulting from unsupported consultant charges. This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$111,381 in unsupported charges.

4. **Resolved.** Remedy the \$991 in unsupported travel costs and the \$1,375 in unallowable costs for other miscellaneous expenditures.

In its response, EDC said that before incurring travel costs associated with the grant-funded trip in question, it conducted a cost benefit analysis to ensure the most cost-effective method for making the trip. To document the support for the cost benefit analysis, EDC provided a request for assistance from the Native American group requesting the visit, not a detailed cost benefit analysis. Additionally, the EDC response was silent on the \$1,375 in unallowable costs for other miscellaneous expenditures.

At the time of our audit fieldwork, EDC could not provide a cost benefit analysis to us. The cost benefit analysis EDC provided with its response was an updated statement that it conducted the analysis. The support for the analysis included with the EDC response was a request for service from a Native American group that included no evidence related to travel costs. Moreover, the documentation provided to us during fieldwork showed the travel costs incurred by the employee were to be used to offset a salary advance.

In its response, OJP agreed with our recommendation and said that it will coordinate with EDC to remedy the \$991 in unsupported travel costs and the \$1,375 in unallowable miscellaneous expenditures.

This recommendation is resolved based on OJP's concurrence and agreement to coordinate with EDC to remedy the \$991 in unsupported travel costs and the \$1,375 in unallowable miscellaneous expenditures. This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$991 in unsupported charges and the \$1,375 in unallowable expenditures.

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5. **Resolved.** Ensure EDC officials establish adequate internal controls for budget management to include the design and implementation of procedures that enable separate identification and accounting for each budget category described in the award, and allow for an ongoing budget versus actual cost comparison.

In its response, EDC disagreed with our assessment of their budget management procedures. EDC believed their budget management system meets OJP standards but they acknowledge that it does so, “. . . in a slightly different format.”

To support its position, EDC included with its response a series of e-mails that end on April 12, 2010, and which describe the difficulties we encountered reconciling the data provided to us. However, the series of e-mails continued until April 14, 2010. In our last e-mail to EDC we acknowledged opening the budget documents provided to us. We found that EDC’s documented budgets did not equal OJP’s approved budgets, and EDC’s actual expenditure data did not reconcile to the budget or other expenditure data provided to us in support of the Financial Status Reports submitted by EDC.

The OJP response agreed with our recommendation. This recommendation is resolved based on OJP’s concurrence and agreement to work with EDC to ensure it establishes appropriate budget management controls. The controls should include the design and implementation of procedures that enable separate identification and accounting for each budget category described in the award. The revised budget controls should allow for ongoing budget versus actual cost comparisons. This recommendation can be closed when we receive documentation demonstrating that EDC developed and implemented adequate budget management controls.

6. **Resolved.** Ensure that EDC complies with all of the Training and Technical Assistance Program for Monitoring System Involved Youth grant award special conditions.

In its response, EDC said that it did comply with all of the grant’s required special conditions. In addition, EDC said it was never asked by us for information specific to four of the special conditions we cited in the report.

EDC’s response noted that it completed some of the special conditions months after our audit fieldwork was completed. In response to special condition number two, that required all deviations from the project’s

approved timeline to have prior OJJDP approval, EDC said it received OJJDP approval over the telephone, but EDC provided no documentary evidence to support their claim.

EDC also said in its response that the audit team never provided it with the list of special conditions that were cited as incomplete. However, the audit team provided copies of the incomplete special conditions to EDC officials during the audit's fieldwork and e-mailed those same incomplete special conditions to OJJDP's Program Manager. Because the Program Manager did not support EDC's claim that the special conditions were changed or fully met, and because EDC officials provided no evidence to support their claim that the special conditions were met, we did not modify our finding.

In its response, OJP agreed with our recommendation. This recommendation is resolved based on OJP's concurrence and agreement to coordinate with EDC to ensure it complies with all of the Training and Technical Assistance Program for Monitoring System Involved Youth grant award's special conditions. This recommendation can be closed when we receive documentation demonstrating that EDC complied with all grant award special conditions.

7. **Resolved.** Remedy the \$124,971 in unallowable costs resulting from EDC's drawdown of Tribal Youth Program Training and Technical Assistance grant funds during a period of non-compliance with the award's special conditions.

In its response, EDC said that a personnel change caused some confusion related to the funding restrictions placed on the grant award by OJJDP. However, EDC also acknowledged that it received grant funds prior to the removal of the special condition noted in our report.

In its response, OJP agreed with our recommendation and said that it will coordinate with EDC to remedy the \$124,971 in unallowable costs resulting from EDC's non-compliance with award special conditions.

This recommendation is resolved based on OJP's concurrence and agreement to coordinate with EDC to remedy the \$124,971 in unallowable costs resulting from EDC's drawdown of grant funds during a period of non-compliance with the award's special conditions. This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$124,971 in unallowable costs.

8. **Resolved.** Ensure EDC officials develop internal control procedures to adequately monitor the work performed by its consultants.

In its response, EDC described procedures for monitoring consultant work. However, as we noted in our report and based on what we encountered during our fieldwork, we found that EDC officials provided little or no oversight of work the consultants performed.

The OJP response agreed with our recommendation. This recommendation is resolved based on OJP's concurrence and agreement to coordinate with EDC to ensure that EDC officials adequately monitor the work performed by its consultants. This recommendation can be closed when we receive documentation demonstrating that EDC implemented procedures to adequately monitor consultant work.

9. **Resolved.** Ensure EDC officials design performance measures and collect data to achieve the Training and Technical Assistance Program for Monitoring System Involved Youth (MSIY) program objectives.

In its response, EDC said that it met MSIY's stated program objectives. EDC noted that in their view the OJJDP performance measurement system was not compatible with the grant's objectives and that EDC provided adequate performance measures in their periodic progress reports.

At the time of our fieldwork, EDC officials were unable to provide the specific performance measurement data required as a condition of accepting the grant award. EDC said, as part of its response, that it requested guidance from OJJDP regarding the performance measurements to report and where to report them. However, EDC did not provide any documentary evidence to support their claim. Moreover, the OJJDP Program Manager told us that although EDC provided lengthy progress reports, OJJDP was not satisfied with EDC's performance because it did not properly support the four mentoring sites targeted by the grant funding.

The OJP response agreed with our recommendation. This recommendation is resolved based on OJP's concurrence and agreement to coordinate with EDC to ensure that EDC officials design performance measures and collect data to achieve the Training and Technical Assistance Program for Monitoring System Involved Youth program objectives. This recommendation can be closed when we receive

documentation demonstrating that EDC developed and implemented procedures designed to ensure grant objectives are achieved.

10. **Resolved.** Ensure EDC completes each of its assigned deliverables and meets all of the objectives established by the Training and Technical Assistance Program for Monitoring System Involved Youth award.

In its response, EDC said that it completed all of their assigned deliverables and met all of the objectives established for the MSYIY project. EDC said its response was supported by a meeting it had with OJJDP in December 2007 when the deliverables for the project were changed.

At the time of our fieldwork, EDC officials were unable to provide any evidence to support its claim that the deliverables for the project had changed. Moreover, EDC's response to the draft report included no evidence to support changes to the deliverables. As previously noted, the OJJDP Program Manager was not satisfied with EDC's performance because it did not properly support the four mentoring sites. Because the Program Manager did not support EDC's claim that the deliverables were changed and EDC provided no evidence to support its claim of program changes, we did not modify our finding.

The OJP response agreed with our recommendation. This recommendation is resolved based on OJP's concurrence and agreement to coordinate with EDC to ensure that EDC completes each of its assigned deliverables and meets all of the objectives established by the Training and Technical Assistance Program for Monitoring System Involved Youth award. This recommendation can be closed when we receive documentation demonstrating that EDC developed and implemented procedures designed to ensure all deliverables have been completed.