DEPARTMENT OF JUSTICE AWARDS TO THE NATIONAL DISTRICT ATTORNEYS ASSOCIATION

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

Audit Report GR-30-10-001
April 2010

REDACTED – FOR PUBLIC RELEASE

This Page Left Intentionally Blank

DEPARTMENT OF JUSTICE AWARDS TO THE NATIONAL DISTRICT ATTORNEYS ASSOCIATION

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of 16 DOJ grants awarded to the National District Attorneys Association (NDAA). The NDAA is a professional organization that represents criminal prosecutors. Its members come from the offices of district attorneys, state's attorneys, attorneys general, and county and city prosecutors. The NDAA provides its services to prosecuting officials through publications, conferences, and training.

During our audit, we reviewed 16 active DOJ grants totaling more than $16 million that were awarded by the Office of Justice Programs (OJP) and the Office on Violence Against Women (OVW). We conducted this audit to determine whether costs claimed under the grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the award. Unless otherwise stated in the report, we applied the OJP Financial Guide (Financial Guide) as our primary criteria.[1]

As a result of our audit, we found that NDAA did not meet important DOJ grant reporting, expenditure tracking, and cost allocation requirements. The audit found that the NDAA submitted financial status reports to OJP and OVW detailing inaccurate expenditure activity, and the NDAA requested excessive grant funds.[2] Further, the NDAA did not follow standard accounting practices and did not maintain adequate internal controls to ensure compliance with grant requirements. For example, at the end of a uniform reporting period (which may be monthly, quarterly, or annually), a standard accounting practice is to "lock" the accounting period to prevent users from recording or modifying financial transactions for that period of time. The NDAA did not lock its accounting system for past accounting periods, which impaired its ability to ensure that it submitted accurate financial status reports, and increased the risk of fraudulent activities going undetected.

---

[1] The Financial Guide serves as a reference manual that assists award recipients in the fiduciary responsibility to safeguard award funds and ensure funds are used appropriately. Both OJP and the OVW require grantees to abide by the requirements in the OJP Financial Guide.

[2] OJP's Minimum Cash On Hand Requirements state that recipients should time their drawdown requests to ensure that federal cash on hand is the minimum needed for disbursements and reimbursements to be made immediately or within 10 days.

In addition to allowing personnel to post transactions after grant reporting periods had ended, NDAA officials told us that the computer server that maintained the general ledger used prior to September 30, 2006 "crashed" in July 2008, and the NDAA was unable retrieve the electronic general ledger. As a result, the NDAA lost a large amount of its financial data, some of which pertained to its DOJ awards.[3]

Our audit also found that NDAA charged to the 16 grants we reviewed over $4 million in costs that we consider to be unsupported or unallowable. These unsupported and unallowable costs included the following:

- NDAA charged DOJ grants over $39,000 in miscellaneous and indirect expenditures that were not included as cost categories on DOJ approved grant budgets.

- For OJP grant 2006-DD-BX-K272, NDAA's supporting payroll documentation did not reconcile to its general ledger resulting in unsupported labor charges of over $3,000.

- NDAA charged almost $15,000 in salaries for positions that either were not in its approved budgets or were identified in approved budgets as "in-kind," and consequently, should not have been paid for with grant funds.[4]

- NDAA had neither policies nor a method or formula for calculating the percentage of time its employees should charge to DOJ grants for holiday or personal leave. Therefore, we were unable to verify the accuracy or determine the reasonableness of over $134,000 in charges for holiday and personnel leave.

---

[3] The seven grants impacted by the server crash were: (1) 2001-GP-CX-K050, (2) 2004-WT-AX-K047, (3) 2004-DN-BX-K017, (4) 2005-MU-FX-K012, (5) 2006-DD-BX-K272, (6) 2006-CP-BX-K002, and (7) 2007-DD-BX-K042.

[4] According to the Financial Guide, in-kind is the value of something received or provided that does not have a cost associated with it.

- NDAA allocated over $9,000 in computer charges to two awards whose budgets did not include any approval to purchase computers with grant funds. The OJP Financial Guide states that computers are costs that require prior approval from the granting agency. NDAA was authorized two computers under grant number 2001-GP-CX-K050, but purchased five. NDAA was not authorized for computer purchases under grant number 2007-CI-FX-K005, but one computer was charged to the grant.

- NDAA's travel transactions totaling more than $250,000 were not supported with adequate documentation, such as written travel authorizations, vouchers, or receipts and invoices. NDAA officials explained that many of the approvals for travel were given verbally. However, without written approval documenting the reason for travel, the potential for abusing grant funds increases. For instance, without written authorizations, we do not know whether the traveler was permitted to incur the expense on behalf of NDAA or if the travel was for an official grant purpose.

- NDAA appears to have misapplied and miscalculated its indirect cost rates, resulting in unsupported indirect expenses totaling nearly $1.5 million.

- NDAA's pre-award costs for grant 2007-DD-BX-K042 did not correspond to costs approved by OJP. For example, the pre-award cost agreement specified $38,900 in "Contractual" costs, but the actual pre-agreement contractual expenditures charged to the grant were over $300,000. Additionally, although NDAA did not request approval for any overhead costs in the approved pre-award costs, we found that NDAA charged over $47,000 for overhead expenses. NDAA further could not explain its basis for charging the grant 67.2 percent of all travel incurred during the pre-award time period. As a result, we could not confirm the validity of the pre-award travel charges, nor could we determine whether they were appropriate and within the scope of the grant's objectives. As a result of these irregularities, we questioned $665,000 in pre-award costs charged to the grant as unsupported.

Our report contains 29 recommendations. We discussed the results of our audit with NDAA officials and have included their comments in the report as applicable.

Table of Contents

PAGE

INTRODUCTION 1

DOJ Awards to the NDAA 2

Audit Approach 3

FINDINGS AND RECOMMENDATIONS 5

Reporting 5

Financial Status Reports 6

Progress Reports 8

Drawdowns 9

Budget Management and Control 13

Grant Expenditures 14

Personnel Costs 15

Accountable Property 24

Travel Costs 26

Indirect Costs 32

Grant 2007-DD-BX-K042 Pre-Agreement Costs 37

Program Income 40

Recommendations 42

SCHEDULE OF DOLLAR-RELATED FINDINGS 45

APPENDIX I - OBJECTIVES, SCOPE, AND METHODOLOGY 46

APPENDIX II - Detail by Reporting Period of Variances between FSR Amounts and Accounting System Reported Amounts 51

APPENDIX III - Detail by Award of Individual Variances between Drawdown Request and General Ledger Expenditures 58

APPENDIX IV - Unallowable Salary Charges by Award 62

APPENDIX V - AUDITEE RESPONSE TO THE DRAFT REPORT 65

APPENDIX VI - OJP RESPONSE TO THE DRAFT REPORT 72

APPENDIX VII - OVW RESPONSE TO THE DRAFT REPORT 79

APPENDIX VIII - ACTIONS NECESSARY TO CLOSE THE REPORT 83

INTRODUCTION

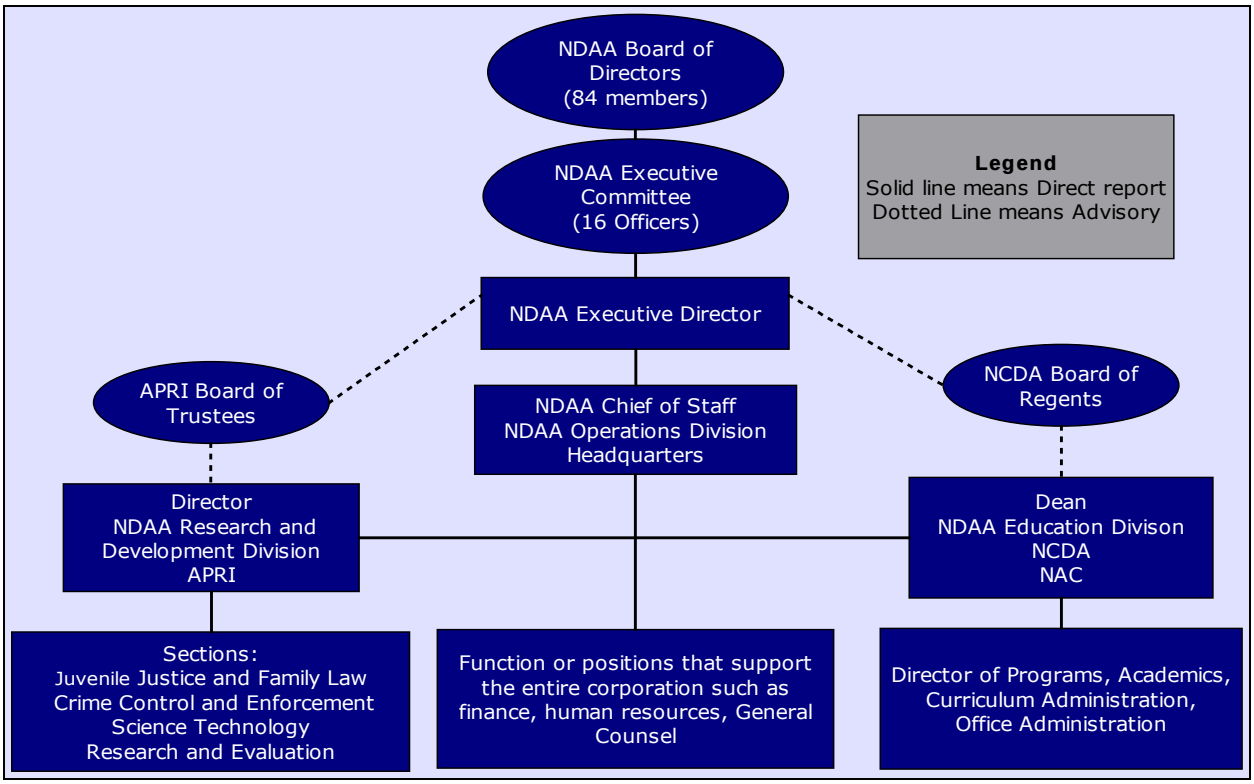
The National District Attorneys Association (NDAA) was formed in 1950, and represents itself as the oldest and largest professional organization for criminal prosecutors in the world. Its members come from offices of district attorneys, state's attorneys, attorneys general, and county and city prosecutors with responsibility for prosecuting criminal violations in every state and territory in the United States. Its purposes are to:

- foster and maintain the integrity of prosecuting attorneys;
- improve and facilitate the administration of justice;
- publish and distribute reports and other literary works on legal subjects; and
- promote the study of the law and the continuing education of prosecuting attorneys, lawyers, and law enforcement personnel by arranging seminars, conventions, training, or meetings for the discussion and solution of legal problems affecting the public interest in the administration of justice.

The NDAA provides its services through publications, hosting conferences, and offering training courses and seminars to prosecuting officials.

In November 2005, the NDAA merged with the National College of District Attorneys (NCDA), and with the American Prosecutors Research Institute (APRI) in October 2006. As shown by Exhibit 1, an independent Board of Directors governs NDAA and appoints executive committee-level members and other officers that administer its day-to-day activities.

Exhibit 1: NDAA Organizational Structure



Source: NDAA

The NDAA hosts many of its instructional seminars and classes at the National Advocacy Center (NAC) in Columbia, South Carolina. The NAC is the educational arm of the Department of Justice (DOJ) Executive Office for United States Attorneys (EOUSA), which allows NDAA to use its classrooms and lecture halls free of charge. The NAC facility also includes guest rooms where instructors and participants stay overnight while attending NDAA courses. The EOUSA charges the NDAA for costs associated with providing lodging to its classroom participants.

DOJ Awards to the NDAA

During our audit, the NDAA had 16 active DOJ awards totaling more than $16 million from two different DOJ awarding agencies, the Office of Justice Programs (OJP) and Office on Violence Against Women (OVW). NDAA's OJP awards were administered by different OJP program offices or bureaus including the Bureau of Justice Assistance, the Office of Juvenile Justice and Delinquency Prevention, the National Institute of Justice, and the Office for Victims of Crime. Exhibit 2 details each of the 16 NDAA awards reviewed by this audit.

Exhibit 2: NDAA Grants Audited

Award Number	Award Start Date	Award End Date	Award Amount ($)
Bureau of Justice Assistance			
2001-GP-CX-K050	8/1/2001	6/30/2008	3,457,187
2006-DD-BX-K272	9/1/2006	3/31/2010	394,893
2006-CP-BX-K002	9/1/2006	9/30/2008	310,000
2007-DD-BX-K042	3/1/2007	4/30/2009	2,000,000
2007-DD-BX-K173	10/1/2007	1/31/2010	475,000
2007-GP-CX-K004	10/1/2007	9/30/2009	250,000
2007-CP-BX-K002	10/1/2007	8/31/2010	110,000
Office of Juvenile Justice and Delinquency Prevention			
2005-MU-FX-0012*	10/1/2005	10/31/2008	800,000
2007-CI-FX-K005	8/1/2007	6/30/2009	1,289,355
2007-JL-FX-K005	10/1/2007	3/31/2010	700,000
National Institute of Justice			
2004-DN-BX-K017	7/1/2004	7/31/2008	1,300,000
2007-DN-BX-0011*	10/1/2007	9/30/2010	406,343
Office for Victims of Crime			
2007-VF-GX-K012	8/1/2007	10/31/2009	75,000
Office on Violence Against Women			
2004-WT-AX-K047	1/1/2005	2/28/2010	3,385,151
2005-EW-AX-K002	6/1/2005	6/30/2010	867,861
2007-TA-AX-K027	5/1/2007	4/30/2009	500,000
		Total Awards Audited	**$16,320,790**

Source: OJP
* Two awards, 2005-MU-FX-0012 and 2007-DN-BX-0011, are grants. The remaining 14 awards are cooperative agreements. The DOJ uses cooperative agreements as an award vehicle when it anticipates substantial collaboration between itself and the award recipient. Cooperative agreements are subject to the same rules and regulations as grants. Therefore, for the purposes of this report, cooperative agreements and grants are used interchangeably.

The overall purpose of the 16 awards was to support various programs by offering training and technical assistance to state and local prosecutors.

Audit Approach

We conducted this audit to determine whether costs claimed under the grants are allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. To accomplish this objective, we tested compliance with what we considered the most important conditions of the award. Unless otherwise stated in the

report, we used the OJP Financial Guide (Financial Guide) to assess NDAA performance and compliance with grant requirements.[1]

Specifically, we tested what we believed to be critical grant requirements necessary to meet the objectives of the audit, including:

- **Reporting** to determine if the required financial status and progress reports were submitted timely and accurately reflected grant activity;

- **Drawdowns** to determine whether grant drawdowns were adequately supported and if the grantee was managing grant receipts in accordance with federal requirements;

- **Budget Management and Control** to ensure that NDAA appropriately tracked costs to approved budget categories;

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

- **Program Income** to ensure that any program income generated by DOJ-funded grant activity was used in accordance with the Financial Guide.

The audited awards did not require that the NDAA provide matching funds or monitor subgrantees or contractors. Although we reviewed grant progress reports, interviewed NDAA officials and employees, and verified a sample of deliverables to supporting documentation, we did not assess the overall performance of the programs supported by the DOJ grants. As part of our audit, we interviewed DOJ grant managers, who expressed concerns with NDAA's financial management practices. Therefore, our audit concentrated on NDAA's financial management of the 16 grants. Appendix I contains additional information on our objective, scope, and methodology.

[1] The Financial Guide serves as a reference manual that assists award recipients in the fiduciary responsibility to safeguard award funds and ensure funds are used appropriately.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

Although the NDAA received 16 DOJ grants worth over $16 million, the NDAA had not met important DOJ grant reporting, expenditure tracking, and cost allocation requirements. The audit found that the NDAA submitted financial status reports detailing inaccurate expenditure activity and potentially requested excessive grant funds. Further, the NDAA did not follow standard accounting practices and did not maintain rigorous internal controls to ensure compliance with grant requirements. The audit also found that the NDAA lost years of important grant financial data because it could not retrieve its electronic accounting records prior to September 30, 2006.

Although all grant costs must be supported with adequate documentation and allowable under approved grant budgets, the audit identified over $4 million in costs that the NDAA inappropriately charged to DOJ grants. Examples of these costs include: (1) almost $15,000 in unallowable salaries for unapproved personnel or "in kind" work, (2) $665,000 in undocumented pre-agreement costs, (3) almost $3 million in fringe benefit and indirect costs based on inconsistently or erroneously calculated fringe benefit or indirect rates, and (4) over $250,000 in unsupported travel and lodging costs.

Reporting

The special conditions of each of the 16 awards we audited require that the NDAA comply with administrative and financial requirements outlined in the Financial Guide and comply with the requirements of Office of Management and Budget (OMB) Circular A-133 entitled *Audits of States, Local Governments and Non-Profit Organizations* (OMB Circular A-133).[2] The Financial Guide requires that grantees submit both financial and program progress reports to inform awarding agencies on the status of each award.

[2] OMB A-133 requires that the auditor determine whether the financial statements of the auditee are presented fairly in all material respects in conformity with generally accepted accounting principles and whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the auditee's financial statements taken as a whole.

Financial Status Reports (FSRs) should detail the actual expenditures incurred for each quarterly reporting period, while progress reports should be submitted semiannually and describe the activities, obstacles, and achievements of the project supported by each award.

Because accurate and timely FSRs and progress reports are necessary to ensure that DOJ awarding agencies can effectively monitor grant activities and expenditures, we reviewed NDAA-submitted reports for the 16 grants under review. As detailed by the following sections, we found that the NDAA did not timely submit all required FSRs and progress reports. In addition, we found that FSRs did not accurately report grant expenditure activity.

Financial Status Reports

DOJ awarding agencies monitor the financial performance of each grant via FSRs. According to the Financial Guide, FSRs should be submitted within 45 days after the end of each quarterly reporting period. Even when there have been no outlays of grant funds, a report containing zeroes must be submitted. Awarding agencies may withhold funds or future awards may be withheld if reports are not submitted or are excessively late.

To verify the timeliness of the FSRs, we tested the last four reports the NDAA submitted for each audited grant. We compared the submission date of each report to the date each report was due and found that the NDAA generally submitted the tested FSRs on time.

The Financial Guide also states that FSRs should be accurate and detail expenditures and unliquidated obligations at the lowest funding level.[3] Our audit found that NDAA maintained no written policies or procedures to ensure that its FSRs are accurate. NDAA officials stated that they determine current FSR reported outlays by deducting the cumulative outlays reported on the previous FSR from total grant expenditures extracted from the accounting system.

To verify the accuracy of FSRs, we compared all FSRs completed as of July 2008 for the 16 awards to expenditures recorded in NDAA's accounting records. In total, we tested the accuracy of a total of 132 FSRs and determined that for 13 of the 16 grants we reviewed, the FSRs did not accurately report expenses as required by the Financial Guide. As shown by Exhibit 3, these FSR discrepancies ranged from the FSRs for one grant

[3] Unliquidated obligations on a cash basis are obligations incurred, but not yet paid. On an accrual basis, they are obligations incurred, but for which an outlay has not yet been recorded.

potentially under-reporting more than $328,000 in grant expenditures while FSRs for another grant were potentially over-reporting $27,185 in grant financial activity.

Exhibit 3: Comparison of Expenses per FSR to Actual Grant Expenses per NDAA Accounting System[4]

Award Number	FSR Reporting Period	Cumulative Reported Outlays		
		Per FSR ($)	Per Accounting System ($)	Variance ($)
Bureau of Justice Assistance				
2001-GP-CX-K050	7/1/2001 - 6/30/2008	3,422,716	3,395,531	27,185
2006-DD-BX-K272	9/1/2006 – 6/30/2008	272,568	271,544	1,024
2006-CP-BX-K002	9/1/2006 – 6/30/2008	294,848	294,848	-
2007-DD-BX-K042	3/1/2007 – 6/30/2008	1,487,821	1,487,821	-
2007-DD-BX-K173	10/1/2007 – 6/30/2008	163,923	176,841	(12,918)
2007-GP-CX-K004	10/1/2007 – 6/30/2008	31,467	38,227	(6,760)
2007-CP-BX-K002	10/1/2007 – 6/30/2008	-	-	-
Office of Juvenile Justice and Delinquency Prevention				
2005-MU-FX-0012	10/1/2005 – 6/30/2008	774,785	780,473	(5,688)
2007-CI-FX-K005	8/1/2007-6/30/2008	502,995	806,635	(303,640)
2007-JL-FX-K005	10/1/2007 – 6/30/2008	20,507	26,838	(6,331)
National Institute of Justice				
2004-DN-BX-K017	7/1/2004 – 6/30/2008	1,199,470	1,204,960	(5,490)
2007-DN-BX-0011	10/1/2007 – 6/30/2008	26,720	30,428	(3,708)
Office for Victims of Crime				
2007-VF-GX-K012	8/1/2007 – 6/30/2008	3,271	3,853	(582)
Office on Violence Against Women				
2004-WT-AX-K047	1/1/2005 – 6/30/2008	2,538,508	2,866,729	(328,221)
2005-EW-AX-K002	6/1/2005-6/30/2008	490,390	512,100	(21,710)
2007-TA-AX-K027	5/1/2007 – 6/30/2008	237,576	232,412	5,164

Source: OIG analysis of NDAA FSRs and accounting records

We determined that the FSR misstatements were caused by weak NDAA accounting procedures that allow personnel to post expenditure charges or entries to prior months. At the end of a uniform reporting period (which may be monthly, quarterly, or annually) a standard accounting practice is to "lock" the accounting period to prevent users from recording or modifying financial transactions for that period of time. The NDAA did not "lock" its accounting system for past accounting periods, which allowed its personnel to post entries to accounting periods that already reported FSR

[4] For detail by reporting period of variances between FSR reported amounts and accounting system reported amounts see Appendix II.

expenditures.[5] In our opinion, the lack of adequate internal accounting controls impaired our ability to reconcile NDAA's general ledger to submitted FSRs, NDAA's ability to ensure that its submitted FSRs are accurate, and increases the risk of fraudulent activities going undetected. Therefore, we recommend that OJP require that the NDAA develop and implement written policies and procedures that ensure award expenses are accurately reported on its FSRs.

Progress Reports

While FSRs report grant financial activity, progress reports describe the project status and accomplishments of the DOJ-grant supported program or project. Progress reports should also describe the status of the project and compare actual accomplishments to anticipated grant objectives. According to the Financial Guide, grantees are required to submit progress reports every six months during the performance period of the award. Progress reports are due 30 days after the end of each semi-annual reporting period, June 30 and December 31. DOJ awarding agencies may withhold grant funds if grantees fail to submit accurate progress reports on time.

To assess whether the NDAA submitted progress reports on time, we reviewed progress report submission dates for each of the 16 grants and compared these dates to the due date for each progress report. During a 2-year period ending June 2008, we found that the NDAA submitted progress reports for 13 of its awards on time. However, three OVW grants had four late progress reports, as shown in Exhibit 4.

Exhibit 4: Late Progress Reports

Progress Report Due Date	Date Report Received	Number of Days Late
2004-WT-AX-K047		
1/30/2007	4/17/2007	77
7/30/2007	9/12/2007	44
2005-EW-AX-K002		
1/30/2007	4/4/2007	64
2007-TA-AX-K027		
9/30/2007	10/8/2007	8

Source: OIG analysis of progress report timeliness

[5] According to NDAA, corrective action has been implemented and NDAA will ensure that once a reporting period is closed, the system will be locked to prevent a user from posting entries to a closed period.

Because untimely progress reports hinder OVW's ability to monitor grant activity effectively, we recommend that OVW require that the NDAA develops and implements procedures that ensure it timely submits progress reports.

Drawdowns

To obtain DOJ award money, grant recipients must electronically request grant funds via drawdowns. The Financial Guide states that grant recipients should only request federal award funds when they incur or anticipate project costs. Therefore, recipients should time their requests for grant funds to ensure that they will have only the minimum federal cash on hand required to pay for actual or anticipated costs within 10 days.

To ensure that the NDAA requested funds properly and kept minimum federal cash on hand, we analyzed NDAA's drawdowns for the 16 awards from the beginning of each grant period through June 2008. As shown in Exhibit 5, by June 30, 2008, the NDAA had drawn down $11 million of the over $16 million it had received from the 16 audited DOJ grants.

Exhibit 5: Drawdowns Received as of June 2008

Award Number	Drawdowns as of June 2008 ($)	Award Amount ($)	Percentage of Dollars Received (%)
Bureau of Justice Assistance			
2001-GP-CX-K050	3,381,488	3,457,187	98
2006-DD-BX-K272	267,421	394,893	68
2006-CP-BX-K002	291,849	310,000	94
2007-DD-BX-K042	1,299,300	2,000,000	65
2007-DD-BX-K173	94,400	475,000	20
2007-GP-CX-K004	28,200	250,000	11
2007-CP-BX-K002	0	110,000	0
Office of Juvenile Justice and Delinquency Prevention			
2005-MU-FX-0012	767,098	800,000	96
2007-CI-FX-K005	486,100	1,289,355	38
2007-JL-FX-K005	13,300	700,000	2
National Institute of Justice			
2004-DN-BX-K017	1,173,625	1,300,000	90
2007-DN-BX-0011	24,330	406,343	6
Office for Victims of Crime			
2007-VF-GX-K012	3,100	75,000	4
Office on Violence Against Women			
2004-WT-AX-K047	2,497,675	3,385,151	74
2005-EW-AX-K002	454,719	867,861	52
2007-TA-AX-K027	230,676	500,000	46
Total	**$11,013,281**	**$16,320,790**	**67 %**

Sources: OIG analysis of NDAA accounting system records and OJP and OVW draw down records

NDAA officials stated that they determined drawdown requests by deducting the cumulative previous drawdown requests from total grant expenditures extracted from the accounting system.[6] However, NDAA officials could not identify the specific dates drawdown requests were prepared, which is critical to know when assessing the accuracy of the drawdown process. Further, as discussed in the prior section, the accounting system practices used by the NDAA failed to "lock" what should have been closed accounting periods. Because its accounting system lacked adequate controls, NDAA personnel were able to post transactions to NDAA's general ledger for time periods in which the NDAA had already prepared a drawdown request. As a result, a subsequent comparison of NDAA accounting records to grant drawdowns cannot ascertain whether the NDAA

[6] When we interviewed NDAA personnel on how drawdowns were calculated the current personnel did not know the procedures their predecessors used and provided their belief on how the drawdowns were calculated.

actually complied with the Financial Guide's minimum cash-on-hand requirement.

In addition to allowing personnel to post transactions after grant reporting periods, NDAA officials told us that the computer server that maintained the general ledger used prior to September 30, 2006 "crashed" in July 2008. As a result, the NDAA lost a large amount of its financial data, some of which pertained to its DOJ awards. Specifically, we found that financial data relating to 7 of the 16 awards under review were affected in some way by the server crash.[7] Due to the unrecoverable loss of data and the failure to not lock closed accounting periods, we could not reconcile individual drawdown requests to supporting documents, or otherwise determine whether NDAA requested funds in excess of what it required to pay for incurred or anticipated grant expenses.

As shown in Exhibit 6, our comparison of NDAA accounting records to OJP and OVW drawdown records found that as of June 2008, the NDAA requested excessive drawdowns totaling $221,433 for 6 of the 16 grants we reviewed.[8]

---

[7] The seven grants impacted by the server crash were: (1) 2001-GP-CX-K050, (2) 2004-WT-AX-K047, (3) 2004-DN-BX-K017, (4) 2005-MU-FX-K012, (5) 2006-DD-BX-K272, (6) 2006-CP-BX-K002, and (7) 2007-DD-BX-K042.

[8] NDAA had not requested any drawdowns for award 2007-CP-BX-K002 as of July 2008.

Exhibit 6: Excessive Drawdowns as of June 2008[9]

Award Number	Amount Drawn per OJP or OVW records ($)	Expenses per NDAA Accounting Records ($)	Amount of excessive draw downs ($)
Bureau of Justice Assistance			
2007-GP-CX-K004	28,200	19,830	8,370
Office of Juvenile Justice and Delinquency Prevention			
2007-CI-FX-K005	486,100	325,793	204,434*
2007-JL-FX-K005	13,300	12,988	312
National Institute of Justice			
2007-DN-BX-0011	24,330	21,747	2,583
Office for Victims of Crime			
2007-VF-GX-K012	3,100	2,530	570
Office on Violence Against Women			
2007-TA-AX-K027	230,676	225,512	5,164
		Total Excessive Drawdowns	**$ 221,433**

Sources: OJP and OVW drawdown records and NDAA accounting records.
Note: For award 2007-CI-FX-K005, $44,127 of the $204,434 excess in drawdown expenses was the result of an unsupported adjustment; $160,307 is the difference between the total OJP drawn down amount and the grantee accounting records.

DOJ awarding agencies rely on grantees to report costs accurately so that they are aware of the progress on grant awards. By overdrawing on grant funds, the NDAA is not adhering to the minimum cash-on-hand requirement.

The NDAA's lack of internal controls that allow its employees to post transactions to closed grant reporting periods, coupled with the loss of financial data caused by its accounting system crash, prevented us from reconciling many of the NDAA's individual drawdown requests to supporting documentation. We therefore recommend that OJP require that the NDAA develop and implement: (1) accounting system backup procedures that, at the very minimum, regularly replicate, store off-site, and otherwise safeguard all financial data related to DOJ grants; and (2) drawdown procedures that ensure NDAA personnel request the minimum amount of federal funds necessary to pay for actual or anticipated costs within 10 days.

[9] See Appendix III for detail by award individual variances between drawdown requests and general ledger expenditures.

Budget Management and Control

The Financial Guide states that grantees should expend grant funds according to the budget approved by the awarding agency and included in the final award. Approved grant budgets document how much the grantee is authorized to spend in high-level budget categories, such as personnel, travel, program income, and contractors.

To ascertain the adequacy of the NDAA's budget management and control process, we compared the actual costs the NDAA charged against each grant's approved budget. As a result of this comparison, we found that the NDAA spent $39,772 in miscellaneous and indirect expenditures that were not included as cost categories on approved grant budgets, as shown in Exhibit 7.

Exhibit 7: Expenditures Charged to Unapproved Budget Categories

Award Number	Expense Category	Grant Charges
Bureau of Justice Assistance		
2001-GP-CX-K050	Miscellaneous	$ 56
2006-CP-BX-K002	Miscellaneous	52
2007-DD-BX-K042	Miscellaneous	6,595
2007-GP-CX-K004	Indirect	6,760
Office of Juvenile Justice and Delinquency Prevention		
2005-MU-FX-0012	Miscellaneous	253
2007-CI-FX-K005	Miscellaneous	398
2007-JL-FX-K005	Indirect	4,502
National Institute of Justice		
2004-DN-BX-K017	Miscellaneous	61
Office for Victims of Crime		
2007-VF-GX-K012	Indirect	581
Office on Violence Against Women		
2004-WT-AX-K047	Miscellaneous	98
2005-EW-AX-K002	Indirect	20,416
	Subtotal for OJP Grants	**19,258**
	Subtotal for OVW Grants	**20,514**
	Total	**$ 39,772**

Source: NDAA's accounting records from grant inception through June 2008

According to an NDAA grant manager, the miscellaneous expense category – where NDAA captured most of the charges listed in Exhibit 7 – no longer exists. Nevertheless, because the Financial Guide requires that NDAA receive approval before charging costs to unapproved categories, the NDAA should not have charged miscellaneous costs to these grants. Consequently, because these charges are not allowable grant expenditures, we recommend that OJP remedy $19,258 and OVW remedy the $20,514 in questioned costs.[10]

Grant Expenditures

According to the Financial Guide, allowable costs are those identified by the applicable OMB circulars and a grant program's authorizing legislation. Costs charged to grants must be reasonable, allocable, necessary to the project, and comply with funding statute requirements. As of June 30, 2008, the NDAA reported $11,930,139 in project costs associated with the 16 audited awards. We reviewed the direct costs charged to the 16 grants by sampling transactions in certain cost categories, including personnel, accountable property, travel, and indirect costs. In addition, because we identified $665,000 charged to award number 2007-DD-BX-K042 that were incurred before the beginning of the award period, we included these costs as part of our expenditure sampling.[11]

We tested the NDAA's grant expenditures to ensure that they were allowable and supported. As a result of our testing, we identified over $4 million in questioned costs. Exhibit 8 displays by type of sampled cost, the total value of the expenditures in each category, and the amount of questioned costs our testing identified.

[10] 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.

[11] NDAA received approval to include $665,000 of pre-agreement costs on award number 2007-DD-BX-K042.

Exhibit 8: Summary of Dollar-Related Findings

Type of Cost	Total Costs Claimed by Type	Questioned Costs
Personnel Costs	$5,185,156	$1,649,477
Accountable Property	19,349	9,903
Travel	2,553,590	253,871
Indirect Costs	1,478,505	1,478,505
Pre-Agreement Costs (2007-DD-BX-K042 only)	665,000	665,000
Totals	**$9,901,600**	**$4,056,756**

Source: OIG

The $4 million in questioned costs we identified were either unallowable or unsupported by appropriate documentation. The following sections detail our findings by each sampled cost category.

Personnel Costs

We reviewed the NDAA's policies for timekeeping and charging costs associated with salaries earned by its personnel. The NDAA's March 2005 Employee Handbook notes that employees should record their time worked in a time management system. According to NDAA officials, employee time should be recorded electronically using computer spreadsheet or database applications.[12] At the end of a pay period, NDAA employees should submit their time records to their supervisor with an electronic signature to certify completion and accuracy. The employee's supervisor then reviews and approves time charges prior to the charges being processed and paid. If any timesheet requires corrections or modifications, both the employee and supervisor must verify the accuracy of the changes. NDAA officials told us that the employee's direct supervisor, the Executive Director, or the Dean of Education generally approves each timesheet. All timesheets should be subsequently reviewed by the NDAA's staff accountant and Finance Director should certify final approval of payroll.

[12] The NDAA used Oracle Corporation's Oracle database system for timekeeping through May 2009.

However, we found that when employees work on more than one project, only the employee's direct supervisor signs off on the hours charged and not the supervisor of the other projects. We are concerned by this practice because if an employee is working on multiple grants for different supervisors, the direct supervisor for one grant's project may not be aware of the work performed by the employee on another project. Because NDAA receives multiple DOJ grants, it should ensure that time charged to each grant project is reviewed by pertinent supervisors and project managers. Without requiring the supervisor of each project to review time charged by each employee, supervisors risk authorizing timesheets that they cannot readily validate.

In our opinion, this practice is especially of concern considering NDAA's program managers or supervisors are responsible for tracking labor costs associated with their respective DOJ-funded projects. Although NDAA program managers receive a summary of salary expenditures by project from NDAA financial staff, individual program managers told us that they cannot validate labor charges recorded on these sheets because they only list salaries as a total expense and not as charged by each employee. Indeed, our review of how the NDAA tracks and accounts for personnel costs found that the NDAA employs no process to validate the hours each employee charges to its DOJ grant projects.

To determine if timesheets were properly authorized, we judgmentally selected two non-consecutive pay periods that encompassed the 16 audited grants and reviewed employee-submitted timesheets for each of these sampled pay periods. Out of the total 179 timesheets we tested, 149 had proper employee and supervisory signatures. However, as shown in Exhibit 9, we found that 30 timesheets lacked signatures evidencing supervisory review and approval.

Exhibit 9: Timesheets Reviewed for Supervisory Approval

Award Number	Number of Timesheets Reviewed[13]	Supervisory Approval	
		Yes	No
Bureau of Justice Assistance			
2001-GP-CX-K050	15	10	5
2006-DD-BX-K272	17	16	1
2006-CP-BX-K002	7	3	2
2007-DD-BX-K042	24	23	1
2007-DD-BX-K173	9	7	2
2007-GP-CX-K004	6	3	3
2007-CP-BX-K002	-	-	-
Office of Juvenile Justice and Delinquency Prevention			
2005-MU-FX-0012	15	9	6
2007-CI-FX-K005	32	27	5
2007-JL-FX-K005	4	2	-
National Institute of Justice			
2004-DN-BX-K017	21	15	3
2007-DN-BX-0011	8	6	-
Office of Victims of Crime			
2007-VF-GX-K012	4	1	-
Office on Violence Against Women			
2004-WT-AX-K047	19	17	2
2005-EW-AX-K002	7	7	-
2007-TA-AX-K027	3	3	-
Subtotal for OJP	**150**	**122**	**28**
Subtotal for OVW	**29**	**27**	**2**
Total	**179**	**149**	**30**

Source: OIG Analysis of NDAA Timesheets

Of the 30 timesheets we identified that lacked proper supervisory approval, we noted 19 instances where employees approved their own timesheet. For example, in both pay periods ending 11/2/2007 and 3/7/2008, three individuals signed off on their own timesheets as both the employee and the supervisor. Without a policy that prevents employees from signing their own timesheets or ensuring that supervisors sign off on grant-related timesheets, the NDAA risks inaccurately recording the time its employees charge to DOJ grants. We therefore recommend that OJP ensures that the NDAA implements a timekeeping approval process that requires supervisors to sign off on work done by employees for each individual project.

As of June 2008 the NDAA allocated $5,050,504 of personnel related costs to the 16 awards we reviewed. We tested a judgmental sample of labor transactions in order to determine if the NDAA personnel costs were

[13] We reviewed a total of 191 timesheets. However, 12 timesheets were found across several grants for the same pay period. Therefore, we analyzed them once.

allocable and supported by adequate documentation. As illustrated in Exhibit 10, we identified approximately $1.65 million in questioned costs.

Exhibit 10: Summary of Review of NDAA Personnel Charges on Audited DOJ Awards

Personnel Charges	Grant Costs	Questioned Costs
Salaries	3,419,068	
Unsupported salaries		3,083
Unallowable Salary		14,958
Personal and Holiday	134,198	134,198
Fringe Benefits	1,497,238	1,497,238
Total	**$5,050,504**	**$1,649,477**

Source: Based on NDAA's accounting records from inception of the grants through June 2008 and results of OIG testing.

Unsupported and Unallowable Salaries

We sampled various labor transactions to determine whether the NDAA's personnel costs were supported by adequate documentation and allowable based on the purpose of each grant. The NDAA provided us with labor distribution worksheets that detailed the method for charging grants for direct time, fringe, and overhead costs. The distribution worksheets provided by the NDAA contained codes for each grant that employees used to record their time worked on their individual timesheet. The NDAA then used these codes in a distribution worksheet for each grant. General ledger entries for salaries, labor, and fringe benefits were entered based on the information in the labor distribution worksheets.

We initially tested two non-consecutive pay periods in OJP grant 2006-DD-BX-K272. The dollar amounts listed in the general ledger could not be reconciled to the NDAA labor distribution worksheets, as shown in Exhibit 11.

Exhibit 11: Initial Testing of Grant 2006-DD-BX-K272

Pay Period Date	General Ledger	Distribution Worksheet	Difference
01/12/07	$ 1,600	$ 188	$ 1,412
02/23/07	2,730	1,059	1,671
Total	**$4,330**	**$1,247**	**$3,083**

Source: NDAA financial records

NDAA officials were unable to explain the differences between its general ledger and the labor distribution worksheets. Because we found differences in both periods we tested, we expanded our testing to include the pay periods ending on 6/15/2007 and 5/16/2008. We reviewed the labor distribution worksheets for accuracy and the associated timesheets for approval. Further, we compared labor charges to the general ledger. We found no differences between the general ledger and the distribution worksheets for the additional periods we selected for testing. However, because there were differences in the first two periods tested and the NDAA was unable to explain the differences, we question the $3,083 in general ledger charges for grant 2006-DD-BX-K272 as unsupported costs. Therefore, we recommend that OJP remedy the $3,083 in unsupported charges associated with grant 2006-DD-BX-K272.

In addition, each approved grant budget details individual employees allowed to work and charge time to each project. Our comparison of each grant's approved budget to personnel time records also found that the NDAA deviated from approved grant budgets with regard to employees that were permitted to work on and charge costs to 8 of its 16 grant projects. In these instances, some positions were being charged to grants that were not in the approved budgets or were identified in approved budgets as "in-kind," and consequently, should not have been charged to a specific grant.[14] For example, the approved grant budget for award number 2006-CP-BX-K002, specified that costs associated with time spent on the project by the NDAA Dean and the Director of Education were to be "in-kind" and therefore not charged to the grant. Nonetheless, based on our review of the salaries charged to this grant, NDAA charged both the salaries of the Dean and the Director of Education to the grant.

[14] According to the Financial Guide, in-kind is the value of something received or provided that does not have a cost associated with it.

Exhibit 12 shows the amount of salary costs we identified as unallowable because the positions charging costs to the grant were not approved in the grant budget for each award.[15]

Exhibit 12: Unallowable Salary Charged to DOJ Grants through June 2008

Award Number	Unallowable Salary
Bureau of Justice Assistance	
2001-GP-CX-K050	$ 410
2006-CP-BX-K002	4,023
2007-DD-BX-K042	5,391
2007-GP-CX-K004	13
Office of Juvenile Justice and Delinquency Prevention	
2005-MU-FX-0012	67
2007-CI-FX-K005	921
National Institute of Justice	
2004-DN-BX-K017	3,214
Office on Violence Against Women	
2004-WT-AX-K047	919
OJP Total	**$14,039**
OVW Total	**$ 919**
Total	**$14,958**

Source: OIG analysis NDAA accounting and labor records

Because the NDAA used grant funds to pay for labor costs associated with personnel who have not been approved to work on grant projects, we recommend that OJP remedy the $14,039 in unallowable salary charges and OVW remedy the $919 in unallowable salary charges as questioned costs.

Personal and Holiday Leave

According to the NDAA, vacation and sick time are components of the fringe allocation, while personal and holiday leave are direct charges to a grant. Because the NDAA treats costs associated with providing personal and holiday time off as direct charges, the NDAA needs to use a consistent and verifiable method, such as a pro-rata distribution based on direct time worked, to support allocating these costs to a grant.[16] However, the NDAA

[15] For the eight grants that we determined had unallowable salary charges, see Appendix IV for the detail by award of the individual salary charges.

[16] OMB Circular A-122 states that regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable, provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.

had neither policies in place nor a method or formula for calculating the percentage of time its employees should charge to DOJ grants for holiday or personal time. Exhibit 13 details charges for holiday and personal time through the period under review.

Exhibit 13: Holiday and Personal Charges through June 2008

Award Number	Holiday	Personal
Bureau of Justice Assistance		
2001-GP-CX-K050	$ 5,229	$ 1,314
2006-DD-BX-K272	5,979	622
2006-CP-BX-K002	388	237
2007-DD-BX-K042	34,939	8,732
2007-DD-BX-K173	256	253
2007-GP-CX-K004	454	-
2007-CP-BX-K002	-	-
Office of Juvenile Justice and Delinquency Prevention		
2005-MU-FX-0012	6,132	1,302
2007-CI-FX-K005	19,903	4,122
2007-JL-FX-K005	-	-
National Institute of Justice		
2004-DN-BX-K017	12,120	1,901
2007-DN-BX-0011	136	-
Office for Victims of Crime		
2007-VF-GX-K012	-	-
Office on Violence Against Women		
2004-WT-AX-K047	14,894	4,089
2005-EW-AX-K002	9,247	1,949
2007-TA-AX-K027	-	-
Subtotal for OJP	**$85,536**	**$18,483**
Subtotal for OVW	**$24,141**	**$6,038**
Total	**$109,677**	**$24,521**

Source: NDAA personnel records

NDAA employees charged a total of $109,677 for holiday time and $24,521 in personal time through June 2008 for the 16 grants. Because the NDAA did not have a policy in place for charging or allocating such time or a method for determining the amount of time an employee should charge for holiday or personal leave, we were unable to verify the accuracy of these charges. In addition, we could not determine whether the personal or holiday leave charged to grants was reasonable, considering the amount of direct time each employee worked on grant projects. For example, we noted instances where employees charged personal or holiday time to an award, but had not charged any regular time. Therefore, we recommend that OJP remedy $85,536 in unsupported holiday charges and $18,483 in unsupported personal leave charges, and OVW remedy $24,141 in unsupported holiday charges and $6,038 in unsupported personal leave charges.

Fringe Benefits

When NDAA employees work on grant projects, the NDAA incurs costs associated with providing its employees fringe benefits such as health insurance, pensions, parking, vacation leave, and sick leave. To allocate the cost of fringe benefits to DOJ grants, the NDAA has calculated and OJP has approved a fringe benefit rate that the NDAA can apply to direct costs.

As shown by Exhibit 14, the NDAA charged nearly $1.5 million to the audited DOJ grants based on provisional and final fringe benefit rates.

Exhibit 14: NDAA Fringe Benefit Charges to DOJ Grants

Award Number	Fringe Benefit Charges
Bureau of Justice Assistance	
2001-GP-CX-K050	$330,708
2006-DD-BX-K272	48,760
2006-CP-BX-K002	16,426
2007-DD-BX-K042	140,761
2007-DD-BX-K173	15,997
2007-GP-CX-K004	8,371
2007-CP-BX-K002	-
Office of Juvenile Justice and Delinquency Prevention	
2005-MU-FX-0012	126,842
2007-CI-FX-K005	164,059
2007-JL-FX-K005	5,575
National Institute of Justice	
2004-DN-BX-K017	184,877
2007-DN-BX-0011	4,592
Office for Victims of Crime	
2007-VF-GX-K012	720
Office on Violence Against Women	
2004-WT-AX-K047	368,687
2005-EW-AX-K002	80,863
2007-TA-AX-K027	-
Total	$1,497,238

Source: OIG review of NDAA's financial records from the inception of each grant through June 2008

We analyzed the final and provisional fringe rate calculations submitted by the NDAA and approved by OJP, and found math errors in the rate calculation. Our analysis of the costs included in the pool of expenses used to calculate the fringe benefit rate revealed that the NDAA inconsistently classified parking expenses, either as a direct charge, as part of its fringe allocation, and sometimes as both direct charges and through the fringe rate. For the FY 2009 provisional rates, the NDAA categorized parking expenses as an "overhead" cost rather than a fringe benefit cost. In addition, in FY 2006, the NDAA included personal and holiday time in the expense pool it used to calculate its fringe rate, even though NDAA officials told us that costs associated with personal and holiday leave were direct expenses.

OMB Circular A-122 states that a cost is allocable to a federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances. The irregularities we noted with regard to the costs in the NDAA's fringe benefit pool adversely affect the accuracy of its final and provisional fringe rate calculations. Due to the discrepancies and inconsistent types of charges, we do not believe it reasonable for NDAA to allocate fringe benefits costs to the DOJ awards using the OJP approved fringe benefit rates. We consequently consider any charges made to DOJ grants based on the OJP approved fringe benefit rates as unsupportable costs. Therefore, we recommend that OJP remedy $1,047,688 and OVW remedy the $449,550, the amounts NDAA charged to each awarding agency's grants based on its erroneous fringe benefit rate.

Accountable Property

The Financial Guide requires that property purchased with federal funds be adequately protected from loss, maintained via serial number or other identification number, inventoried at least once every 2 years, labeled with the source of the funding, and recorded as to indicate the use and condition of the property. Additionally, the Financial Guide specifies that allowable costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements. These requirements help ensure that accountable property purchased with federal funds are being used for grant purposes, and not for private or personal use.

Prior to 2008, the NDAA maintained an electronic spreadsheet that listed accountable property items such as desktop and laptop computers. Beginning with its 2008 inventory, the NDAA used a computer program to inventory accountable property. We found that NDAA was conducting inventories every 2 years, and maintained a database of the property it purchased. However, the NDAA did not differentiate between accountable property purchased with federal funds and property purchased with other funding sources. In addition, the NDAA had no policies that ensured that its employees used accountable property purchased with federal funds properly for grant-related purposes. Without these controls, the likelihood that NDAA employees may misuse federally funded accountable property increases. Therefore, we recommend that OJP ensure that NDAA implements accountable property procedures that adequately tracks and safeguards items purchased with DOJ grant funds.

The Financial Guide states that grantees can use awards to purchase computers, but that computer purchases require prior approval from the granting agency. In reviewing the approved budgets of the 16 awards, only 4 budgets permitted the NDAA to use DOJ funds to buy desktop and laptop computers. As illustrated in Exhibit 15, we found that the NDAA allocated computer charges to two awards whose budgets did not include any approval to purchase computers with grant funds.

Exhibit 15: Tested Accountable Property by Award

Number of Computers	Did Budget Approve Accountable Property Purchases? (Yes/No)	Was Accountable property able to be physically verified? (Yes/No)	Purchase Price of Accountable Property	Questioned Cost
Bureau of Justice Assistance Award: 2001-GP-CX-K050				
1	Yes	Yes	1,975	-
2	Yes	Yes	2,397	-
3	No	No	3,501	3,501
4	No	No	2,884	2,884
5	No	No	1,996	1,996
		Subtotal for BJA	**$12,753**	**$8,381**
Office of Juvenile Justice and Delinquency Prevention Award: 2007-CI-FX-K005				
1	No	Yes	1,522	1,522
Office of Juvenile Justice and Delinquency Prevention Award: 2007-JL-FX-K005				
1	Yes	Yes	1,522	-
2	Yes	N/A*	-	
		Subtotal for OJJDP Awards	**$3,044**	**$1,522**
Office on Violence Against Women Award: 2005-EW-AX-K002				
1	Yes	Yes	1,856	-
2	Yes	Yes	848	-
3	Yes	Yes	848	-
Office on Violence Against Women Award: 2005-EW-AX-K002				
1	Yes	N/A*	-	
		Subtotal for OVW Award	**$3,552**	
		Subtotal for OJP Award	**$15,797**	**$9,903**
		Total	**$19,349**	**$9,903**

Source: OIG analysis of accountable property budgets and expenditures
* Computers not purchased.

The accounting records for grant 2001-GP-CX-K050 indicate that the NDAA purchased five computers; however, the NDAA was only approved to purchase two computers with grant funds. This meant that NDAA did not have the required approval to purchase the remaining three computers. In addition, we could only physically verify two of the five computers the NDAA purchased with grant funds because the NDAA could not locate the remaining three during audit fieldwork. Since the NDAA does not follow procedures to track or account for property purchased with federal funds separately, the NDAA could not determine which computers it purchased under grant 2001-GP-CX-K050. As a result, the audit team could not determine if the computers were reasonable or necessary to the grant's project. Therefore, we recommend OJP remedy the $8,381 cost of computers NDAA purchased without approval and could not locate for physical inspection by OIG auditors.

Similarly, the approved budget for grant 2007-CI-FX-K005 did not include award agency approval to purchase a computer. Our review of this grant's general ledger identified that NDAA used grant funds to buy one computer that cost $1,522. While we physically verified this computer and ensured that it was being used on grant-related projects, the purchase of this computer was not allowed because the NDAA did not receive prior approval from OJP. Therefore, we recommend that OJP remedy the cost of the computer as unallowable costs totaling $1,522.

Travel Costs

The Financial Guide categorizes travel costs as allowable so long as the travel is for official, award-related business. Grantees must also incur and track travel costs charged to grants in accordance with federal or organizationally approved travel policies. According to NDAA's employee handbook, employees must receive authorization to incur grant-related travel costs. To receive reimbursement for authorized travel costs, employees need to prepare a travel voucher that itemizes travel-related expenses after they have completed their trip. Supervisors and executives then review each travel voucher for accuracy and completeness and submit the vouchers for payment.

To determine whether NDAA ensured that its travel costs were properly authorized and adequately documented, we judgmentally selected a sample of travel expenditures charged to each grant. For each sampled transaction, we determined whether the employee incurring the cost received written authorization to be on travel, whether a travel voucher was prepared, and whether the cost was adequately supported.[17]

As shown by Exhibit 16, we tested 70 transactions totaling $255,222 and identified $253,871 in travel transactions that lacked either an authorization, travel voucher, or adequate documentation.

[17] We selected 5 travel transactions from each grant. If the grant did not have at least 5 travel transactions, we tested all of the applicable travel transactions. In one case, we expanded testing for grant 2007-DD-BX-K042 to include the five highest-dollar transactions.

Exhibit 16: Summary of NDAA Travel Cost Transaction Testing

Award Number	Travel Transactions Tested		Transactions without Authorization		Transactions without Vouchers		Transactions without Supporting Documentation		Total Questioned Costs*
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
Bureau of Justice Assistance									
2001-GP-CX-K050	5	$14,056	5	$14,056	4	$13,938	3	$13,579	$14,056
2006-DD-BX-K272	5	4,068	5	4,068	1	3,846			4,068
2006-CP-BX-K002	5	13,403	5	13,403	5	13,403			13,403
2007-DD-BX-K042	7	100,636	7	100,636	6	100,261	5	8,439	100,636
2007-DD-BX-K173	5	10,454	5	10,454	2	10,351			10,454
2007-GP-CX-K004	5	990	-	-	1	423			423
2007-CP-BX-K002	-	-	-	-	-	-			-
Office of Juvenile Justice and Delinquency Prevention									
2005-MU-FX-0012	5	3,056	5	3,056	3	2,810	1	222	3,056
2007-CI-FX-K005	5	8,817	4	8,351	2	8,219			8,351
2007-JL-FX-K005	2	1,460	2	1,460	2	1,460			1,460
National Institute of Justice									
2004-DN-BX-K017	5	4,082	5	4,082	3	2,886	2	2,337	4,082
2007-DN-BX-0011	5	2,886	4	2,796	2	2,664			2,796
Office for Victims of Crime									
2007-VF-GX-K012	1	877	1	877	1	877			877
Subtotal for OJP	**55**	**164,785**	**48**	**163,239**	**32**	**161,138**	**11**	**24,577**	**163,662**
Office on Violence Against Women									
2004-WT-AX-K047	5	9,147	4	8,743	3	6,506			9,147
2005-EW-AX-K002	5	1,759	1	221	5	1,759			1,759
2007-TA-AX-K027	5	79,531	2	57,578	4	79,303			79,303
Subtotal for OVW	**15**	**90,437**	**7**	**66,542**	**12**	**87,568**			**90,209**
Totals	**70**	**$255,222**	**55**	**$229,781**	**44**	**$248,706**	**11**	**$24,577**	**$253,871**

Source: OIG analysis of NDAA travel transaction authorizations

* The Exhibit above reflects the results of multiple tests performed and indicates there may be more than one reason why the transaction dollars were questioned; however, the amount of questioned costs only reflects the questioning of transaction dollars once.

The following sections detail the specific types of issues our testing revealed with regard to travel costs the NDAA charged to the audited DOJ grants.

Unauthorized Travel Charges

NDAA's Employee Handbook states that business travel requires prior approval from a supervisor and member of the executive staff before an employee can incur reimbursable travel costs. Additionally, in 13 budget narratives, NDAA explicitly stated that it was their policy to have all staff and consultant travel approved by a member of NDAA's Executive Staff prior to making travel arrangements. We found 55 out of 70 travel transactions, or 79 percent of the tested award-related travel costs, did not have written authorizations. NDAA officials explained that many of the required approvals were provided verbally. However, without written approval that documents the reason for travel and the dates employees are allowed to travel, the potential for abusing grant funds by incurring unnecessary travel expenses increases. For instance, lacking written authorizations that describe the purpose of the trip, per diem costs, and the dates of travel, NDAA cannot ensure its travelers only include actual travel costs related to the project on submitted travel vouchers. Furthermore, without authorizations, we were not able to verify that its travelers were permitted to incur the expense on behalf of NDAA or if the travel was for an official grant purpose.

Unvouchered Travel Charges

Despite the lack of written authorizations, we continued our transaction testing of travel vouchers to ensure the proper reimbursement of expenses. Vouchers are an important part of the travel cost reimbursement not only because vouchers ensure that employees received reimbursement for travel costs, but also because they serve as a method to confirm that official travel actually occurred.

Prior to July 2008, NDAA did not have a written policy for submitting vouchers. According to the Financial Guide, if recipients do not have a written travel policy they must follow the Federal travel policy, which requires the use of authorizations and travel claims or vouchers. We found 44 out of 70 transactions, or 63 percent of tested transactions, were not evidenced on travel vouchers.[22] NDAA officials stated that if someone did not complete the pre-paid travel, then a staff member would be aware of the

[22] NDAA did not require employees to submit vouchers that detail which traveler incurred specific airline or hotel expenses because NDAA paid airline and hotel expenses directly to the vendor and not to an individual.

NOT FOR PUBLIC RELEASE

situation. Nevertheless, this method does not comply with the Federal travel policy and without travel vouchers NDAA members have to rely on the collective memory of staff members to ensure that travel occurred. In our judgment, this method is unreliable and does not provide the documentation necessary for NDAA to perform an accurate reconciliation of travel expenses.

Travel Charges Lacking Supporting Documentation

We also tested travel expenditures for supporting documentation, such as invoices and receipts, to determine whether the travel expense was reasonable, allocable, and allowable. We identified 11 transactions totaling $24,577 that lacked the evidence necessary to support the expenses, as described below.

- 2001-GP-CX-K050. Out of the five travel transactions tested for grant 2001-GP-CX-K050, the NDAA could not provide supporting documentation, such as receipts and invoices, for three transactions totaling $13,579. Without any documentation for these transactions, we could not determine if these expenses were reasonable and allowable.

- 2005-MU-FX-0012. Our review of the transactions for grant 2005-MU-FX-0012 found one transaction for $222 that the NDAA misclassified as travel. The transaction was for a catered lunch and there was no documentation supporting that this lunch was for travel purposes. We asked NDAA officials about this transaction, and they explained that it was most likely a misclassification.

- 2004-DN-BX-K017. Out of the five travel transactions tested for grant 2004-DN-BX-K017, NDAA could not provide us with supporting documentation, such as receipts and invoices, for two transactions totaling $2,337. Without any documentation for these transactions, we could not determine if the expenses were reasonable and allowable.

Our review of the travel transactions also revealed that the NDAA was not able to provide adequate supporting documentation for $8,439 in hotel lodging for five out of seven tested transactions for grant no. 2007-DD-BX-K042.

Although the Department of Justice's Executive Office for U.S. Attorneys (EOUSA) allows the NDAA to use its classrooms and lecture halls at the National Advocacy Center (NAC) free of charge, the NDAA is still required to pay the EOUSA for instructors and participants that stay overnight in lodging rooms at the NAC. The EOUSA sends the NDAA an invoice each month when NDAA personnel and attendees stay overnight at the NAC. Because EOUSA charges NAC lodging costs at a flat rate per room per night, the invoice lists the total number of rooms used by NDAA class participants, the rate charged for each room, and the total amount NDAA owes for lodging. The NDAA maintains a separate accounting of how many rooms listed on each invoice were used by students and how many were for instructors. It subsequently makes two entries on its general ledger to pay for EOUSA lodging invoices – one for student lodging costs and another for faculty lodging costs.

Our travel cost sample found five lodging charges that had differences between what NDAA charged to grant 2007-DD-BX-K042 and the supporting documentation. For example, in one transaction for student lodging, NDAA charged $14,703 for lodging to the grant. Our review of the invoice from EOUSA and student applications found that only $12,615 should have been charged to the grant for lodging. As a result, NDAA charged $2,088 more to the grant than it should have to pay expenses on this invoice. Exhibit 17 lists the five transactions for grant number 2007-DD-BX-K042 we determined did not align to NAC invoices or other supporting documents.

Exhibit 17: Summary of NAC Lodging Charges for Grant 2007-DD-BX-K042

Transaction	Transaction Date	Charged to Grant ($)	Supported By Invoices ($)	Difference ($)
Student Lodging	11/28/2007	14,703	12,615	2,088
Student Lodging	1/23/2008	19,575	16,704	2,871
Student Lodging	1/23/2008	17,748	15,225	2,523
Faculty Lodging	1/31/2008	2,001	8,091	(6,090)
Student Lodging	1/31/2008	45,849	38,802	7,047
	Totals	**$ 99,876**	**$ 91,437**	**$ 8,439**

Source: OIG analysis of student and faculty lodging transactions

NDAA officials explained to us that the difference between the amount it charged to the grant and the amount listed on lodging invoices and supporting documents in these instances was caused by "coding errors" or "miscoding." NDAA officials claimed that personnel had incorrectly calculated the number of nights that faculty or students stayed at the NAC.

As a result of this miscoding, NDAA charged the grant $8,439 in lodging costs that were not invoiced.

Because five out of seven tested transactions associated with lodging costs for this grant were found to be in error, we are concerned with NDAA's tracking of lodging costs it charges to DOJ grants. We believe that NDAA should implement procedures that will ensure that accurate and allowable lodging costs are charged to DOJ grants.

In summary, we recommend that OJP remedy $163,662, and OVW remedy $90,209 for travel transactions as questioned costs because these expenditures were either not authorized, supported by a voucher, or contain the necessary documentation to support the expense. To safeguard DOJ grant funds, we also recommend that OJP ensure that NDAA implements a travel policy that: (1) requires employees to submit and receive approval for travel before incurring travel costs that subsequently are reimbursed with DOJ grant funds; (2) require vouchers to be prepared for all DOJ grant funded travel; and (3) requires retention of all supporting documentation such as receipts and airline tickets. Further, we recommend that OJP require that the NDAA evaluate how it tracks lodging costs charged to DOJ grants, and institute controls that ensure accurate charging of lodging costs.

Indirect Costs

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective such as a grant or contract. The NDAA indicates that their indirect costs include administrative salaries and benefits, printing, telephone, supplies, postage, leases, insurance, rent, audit, and property taxes. Because these indirect costs cannot be easily identified to specific projects or activities, organizations need to establish and seek approval for an indirect cost rate with their cognizant federal agency to receive payment for indirect expenses. However, the Financial Guide states that if a recipient does not have an approved indirect cost rate, funds budgeted for indirect costs cannot be recoverable until a rate is approved.

To obtain an approved indirect cost rate, a grant recipient must first prepare and submit an indirect cost rate proposal to the cognizant Federal agency for approval. This rate proposal outlines what costs encapsulate its indirect cost pool, establishes an estimated percentage it proposes to charge on direct costs to receive payment for its indirect expenses, and a certification stating that the cost plan includes only allowable costs. According to the limitations listed in the indirect cost agreement template, DOJ's acceptance of the indirect cost rates is predicated on whether:

(1) indirect costs are not claimed as direct costs, and (2) the grantee's proposal accords consistent accounting treatment to similar types of costs. Further, the agreement letter provides that, once agreed to, the organization can apply the indirect cost to all locations and all programs.

Our audit found that the NDAA charged a total of $1,478,505 to the audited DOJ grants based on provisional and final indirect cost rates approved by OJP. Exhibit 18 details the indirect costs the NDAA charged to each grant.

Exhibit 18: Summary of Indirect Cost Review

Award Number	Indirect Cost Claimed[23]
Bureau of Justice Assistance	
2001-GP-CX-K050	$434,976
2006-DD-BX-K272	39,827
2006-CP-BX-K002	12,779
2007-DD-BX-K042	117,067
2007-DD-BX-K173	12,919
2007-GP-CX-K004	6,760
2007-CP-BX-K002	-
Office of Juvenile Justice and Delinquency Prevention	
2005-MU-FX-0012	125,784
2007-CI-FX-K005	132,498
2007-JL-FX-K005	4,502
National Institute of Justice	
2004-DN-BX-K017	191,480
2007-DN-BX-0011	3,709
Office for Victims of Crime	
2007-VF-GX-K012	581
Office on Violence Against Women	
2004-WT-AX-K047	407,466
2005-EW-AX-K002	20,416
2007-TA-AX-K027	-
Subtotal for OJP Awards	**$1,071,039**
Subtotal for OVW Awards	**407,466**
Overall Total	**$1,478,505**

Source: NDAA's financial records from the grant inception to June 2008 and the negotiated indirect cost agreement.

As detailed in the following sections, we found that the NDAA did not submit proposals for indirect cost rates in a timely manner, and the calculation and application of the indirect rate appears to be flawed.

[23] The indirect charges expended on grants, 2007-GP-CX-K004, 2007-JL-FX-K005, 2007-VF-GX-K012 and 2005-EW-AX-K002 are questioned costs under the budget management and control section of the report.

Untimely Indirect Cost Rate Proposal Submissions

The Financial Guide states that grantees requesting payment for indirect costs should submit provisional indirect rate proposals in a timely manner (within 6 months after the end of the grantee's fiscal year) to assure recovery of the full amount of allowable indirect costs. Once approved by an awarding agency, the agency can charge its indirect cost rate against costs incurred by performing award-related activities.

The NDAA merged with the National College of District Attorneys (NCDA) in November 2005 and the American Prosecutors' Research Institute (APRI) in October 2006. Prior to these mergers, the APRI, NCDA, and NDAA were separate entities and therefore would have required separate indirect cost rates. Following the merger, the NDAA's FYs 2007 and 2008 OMB Circular A-133 single audits found that the NDAA needed to calculate and submit a new indirect rate proposal to OJP to recover indirect costs. [24]

Instead of calculating and submitting a new indirect rate proposal after these mergers, the NDAA continued to use the APRI's provisional FY 2005 indirect rates for its DOJ awards until August 2008. We found that NDAA did not submit its FYs 2006, 2007 and 2008 provisional indirect rate proposals until September 2008 - 21 months late for 2006, 18 months late for 2007, and 6 months late for 2008. OJP-approved NDAA provisional rates for FYs 2006 and 2007 in December 2008, and approved final rates for these FYs in January 2009. However, even though it did not have an approved provisional or final indirect cost rate, the NDAA continued to charge indirect costs to three of its DOJ grants – 2007-DD-BX-K173, 2007-CI-FX-K005, 2007-DN-BX-0011.

Analysis of NDAA Indirect Cost Rate Proposals

We reviewed the supporting documents provided by the NDAA to calculate its final or provisional indirect cost rate for FYs 2004 through 2009. Exhibit 19 summarizes our concerns with the NDAA's indirect cost rate proposals.

[24] The single audit further highlighted that NDAA grant projects lacked managerial oversight over the accounting process and recommended that NDAA establish and maintain an effective accounting system that ensures compliance with indirect cost requirements. Additional information on the NDAA's single audit is presented in Appendix I.

Exhibit 19: Summary of Indirect Rate Issues

Possible Error	Final 2004	Final 2005	Final 2006	Final 2007	Provisional 2008	Provisional 2009
Indirect Cost Rate based on only APRI costs.	N/A	N/A	✓	✓	✓	✓
Inconsistent treatment of like and similar costs.	✓	✓	✓	✓	✓	✓
Error in fringe rate calculation that impacts indirect cost pool.	✓	✓	✓			✓
Single audit had findings - cannot verify these were taken into consideration with the rate calculation.		✓	✓	✓	✓	
Based on the documentation provided to support the rate we cannot validate many of the costs.					✓	✓

Source: OIG Review of FYs 2004 – 2009 fringe and indirect cost rate submissions

The following sections details the specific types of issues our audit revealed with regard to NDAA's indirect costs.

Indirect cost rate based on only APRI costs. The NDAA received approval from OJP to apply a single indirect cost rate for all its programs or awards.[25] However, the NDAA's use of a single indirect rate does not appear to be equitable because: (1) the NDAA's "units" do not benefit from its indirect costs to the same degree, and (2) one unit of NDAA – the NAC – has a Memorandum of Understanding (MOU) with DOJ that states the NDAA may not allocate indirect costs to that DOJ funding partly because DOJ furnishes some personnel and operating costs for the facility.[26] As depicted in Exhibit 20, the FY 2008 provisional indirect rate documentation illustrates that the individual unit indirect cost rates varied considerably. Further the approved

[25] According to OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, a non-profit organization may compute its indirect cost rate using simplified allocation procedures if it has only one major unit, or if all its major units benefit from its indirect costs to approximately the same degree. Simplified allocation procedures are described as identifying the organization's total indirect costs for a period and then dividing the total allowable indirect costs by an equitable distribution base (in this case direct salaries and associated fringe benefits). In some instances a single indirect cost rate may not be appropriate since it would not take into consideration different factors that may substantially affect the indirect costs.

[26] On July 22, 1996, DOJ and NDAA signed a MOU that provided DOJ funding for and defined DOJ's and NDAA's roles and responsibilities in providing legal education and training to prosecutors and litigation staff. DOJ provides funds for personnel compensation, travel and per diem for instructors and students, operating expenses and other direct expenses, for programs presented at the NAC.

indirect rate was not calculated on total indirect costs divided by total direct salaries and fringe benefits, but appears to be based on the indirect costs and direct salaries and fringe benefits of only one unit - APRI.

Exhibit 20 Comparison of FY 2008 Provisional Indirect Rates by NDAA Units vs. Approved Indirect Rate

Unit of NDAA	Calculated Rate	Approved Rate
APRI	39.23%	39.23%
NDAA	65.24%	39.23%
NCDA	51.67%	39.23%
NAC	29.13%	39.23%
Composite Rate	41.40%	39.23%

Source: FY 2008 Indirect Cost Rate for NDAA

Inconsistent treatment of like and similar costs. Our review of the indirect cost rates noted instances where like and similar costs were inconsistently treated. For example:

- The FY 2009 provisional indirect cost rate calculation included employee parking in the indirect pool rather than the fringe benefit pool where it was historically.

- In the Budget Narrative of 2007- DD-BX-K042 and 2007-VF-GX-K012, the NDAA requested as direct charges routine printing, postage, and supplies; telephone, equipment maintenance, rent; audit; payroll processing; depreciation; and insurance. However, these costs are also included in the NDAA's indirect rate.

- In the budget narrative of 2007-DD-BX-K173 and 2004-WT-AX-K047, the NDAA requested as direct costs routine postage, printing, and supplies; telephone; equipment maintenance; and equipment lease. These costs are also listed in the NDAA's budget description as indirect expenditures.

Errors in the calculation of indirect costs. In reviewing the NDAA provisional or final indirect rates, we noted what appears to be calculation errors in the supporting documentation. For example, the provisional indirect rate data provided by the NDAA for FYs 2009, 2008, 2007, 2006, and 2004 did not include a portion of direct salaries or the allocated fringe benefits in the calculation of indirect cost allocation bases. This resulted in an overstated indirect cost rate. The data provided for the FY 2005

calculation appears to overstate the direct salary and fringe benefit allocation base.

Single Audit Findings. In the NDAA's 2007 Single Audit Report, the auditors noted that the NDAA lacked specific controls addressing federal grant accounting procedures and a lack of management oversight over its accounting transactions. The auditors recommended that the NDAA establish and maintain an effective accounting system that ensures compliance with indirect cost requirements determined by DOJ. We are concerned that OJP approved final indirect rates for FYs 2007 and 2008 even though this recommendation was not implemented as of the 2008 Single Audit.

Finally, we were unable to validate many of the costs in the 2008 and 2009 provisional rate because the documentation did not provide the methodology used to calculate the cost estimates.

In summary, we do not believe the indirect cost rates approved by OJP are accurate, equitable, or adequately supported. We therefore recommend that OJP remedy $1,071,039 and OVW remedy the $407,466 in unsupportable indirect charges as questioned costs. We further recommend that OJP ensure that the NDAA implements procedures to calculate indirect cost rates accurately and that these procedures consider the unique circumstance that NDAA does not incur indirect costs with regard to its use of the NAC facility.

Grant 2007-DD-BX-K042 Pre-Agreement Costs

Although the performance period of Grant no. 2007-DD-BX-K042 was approved for September 1, 2007, in August 2007, the NDAA requested that OJP approve $665,000 in pre-agreement costs for the 6-month period between March 1, 2007 and August 31, 2007. The purpose of these costs was to support the grant-related training courses listed in Exhibit 21 that the NDAA had already offered at the NAC.

Exhibit 21: NDAA Pre-Agreement Courses

Course	Date Held
Evidence Based Prosecution of Domestic Violence Cases	March 5-9, 2007
Childproof	March 18-23, 2007
Lethal Weapon	April 16-20, 2007
DNA: True Identity	April 30-May 4, 2007
Courtroom Technology	August 27-30, 2007

Source: OJP

According to OMB Circular A-122, pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency. OJP approved NDAA's request to charge $665,000 in pre-award costs to grant 2007-DD-BX-K042 on September 8, 2007, or just about a week after the award's performance period began. OJP approved the pre-agreement costs by specific budget categories.

OJP's categorical approval for the pre-agreement costs did not detail what specific expenses the NDAA would be allowed to charge under each cost category or the methodology used to arrive at the proposed amount. Further, the agreement did not specify that the costs were necessary to comply with the proposed delivery schedule or period of performance. Lacking this information, we had limited criteria to apply in determining whether NDAA accurately and appropriately allocated its pre-award costs to grant the pre-award costs of $665,000. However, considering the costs were incurred prior to NDAA requesting the pre-agreement costs it is reasonable to infer that the NDAA should have the necessary records to support the claimed pre-agreement costs by cost category.

As shown in Exhibit 22, we compared the approved pre-award cost categories to the supporting documentation provided by the NDAA and found that NDAA's actual cost documentation did not correspond to the approved pre-award costs. For example, the pre-award cost agreement specified $38,900 in "Contractual" costs but the actual pre-agreement contractual expenditures charged to the grant were $305,647 a difference of $266,747.[27] Additionally, although NDAA did not request any overhead costs in the approved pre-award costs, we found that NDAA charged $47,659 for overhead expenses. According to the agreement between the DOJ and the NDAA, the NDAA should not charge overhead expenses for activities that occur at the NAC because the DOJ provides personnel and operating costs.

[27] The NDAA included student and faculty travel costs in the contractual cost category.

Exhibit 22: Categories of Pre-Agreement Costs

Category	Approved Amount of Costs By Category ($)	Actual Costs ($)	Difference ($)
Direct Personnel	311,183	$213,177	$(98,006)
Fringe	123,198	75,093	(48,105)
Travel	101,303	1,967	(99,336)
Supplies	10,015	9,226	(789)
Contractual	38,900	305,647	266,747
Other	80,401	12,231	(68,170)
Overhead	-	47,659	47,659
Total	**$665,000**	**$665,000**	

Source: OJP and NDAA spreadsheet for pre-agreement costs

Our analysis of the $665,000 in pre-agreement costs also sampled three Contractual (travel) transactions totaling $262,893. To calculate these charges, NDAA officials explained that they totaled the participant lodging, per diem, and facility lodging costs it incurred from March 2007 through June 2007. The NDAA then charged a percentage of these totals (67.2 percent) to the grant as pre-agreement costs. Exhibit 23 presents the total amount of each type of cost and the results of NDAA's application of the 67.2 percent rate to these costs.

Exhibit 23: Pre-Agreement Travel Transactions

Transaction	Total Expenses from March June 2007	Percentage (%)	Total Charged to Grant
Participant Lodging	$218,109	67.2	$146,569
Faculty Lodging	92,987	67.2	62,487
Participant Per Diem	80,114	67.2	53,837
Total			**$262,893**

Source: NDAA explanation of pre-agreement travel transactions

We spoke to NDAA officials about the rationale of applying the 62.7 percent charge to all facilitator lodging, participant lodging, and per diem costs and applying the resulting totals to the grant as pre-agreement costs. NDAA officials did not know what the 62.7 percent allocation was based upon and could not provide a justification for the method it used to calculate travel expenses. Because we received no detail regarding the specific expenses of the pre-agreement costs, we could not confirm whether the courses included in the pre-agreement constituted 62.7 percent of NDAA travel activity from March 2007 to June 2007. In addition, we could not determine whether the contractual travel charges were within the scope of the grant's objectives.

Finally, the NDAA's single auditors also conducted testing incorporating four transactions from the $665,000 in pre-agreement costs. Their sample included travel, salaries, fringe, and payment of the satellite dish. Similarly, the single auditors found that there was no explanation for the percentage used to allocate the costs for those transactions. The four transactions they tested constituted questioned costs totaling $344,181.

Without detailed criteria and a justification for the percentages used to calculate pre-agreement travel expenses, we could not determine whether the NDAA appropriately allocated the tested transactions to the grant. Expenditures that lack adequate support showing how they were incurred and calculated may not be allocated to a grant. The findings of the single auditors, coupled with our assessment of contractual travel costs charged to the grant as pre-agreement expenses leads us to recommend that OJP remedy the $665,000 of pre-agreements costs on grant 2007-DD-BX-K042 as unsupportable expenditures.

Considering the lack of documentation and support provided by the NDAA concerning this grant and others under our review, we are concerned about NDAA's ability to ensure that only allowable and allocable charges are made to DOJ awards. We further recommend that OJP require that the NDAA develop procedures that ensure that only supportable and allocable charges are posted to future DOJ grants.

Program Income

The Financial Guide defines program income as income generated by an agency-funded project that may be used to further the program objectives of the award. Program income may only be used for allowable program costs under the terms and conditions of the award and must be expended prior to additional drawdowns.

We asked NDAA officials which grants, if any, earned program income. NDAA officials told us that 5 of the 16 grants earned program income from registration and honoria fees. As shown by Exhibit 24, the NDAA derived a total of $449,133 from these 5 grants.

Exhibit 24: Program Income Earned

Grant	Program Income Earned	Program Income Listed in Approved Budget
Bureau of Justice Assistance		
2001-GP-CX-K050	$ 2,294	$ 0
Office of Juvenile Justice and Delinquency Prevention		
2005-MU-FX-0012	1,500	0
2007-CI-FX-K005	127,050	100,000
2007-JL-FX-K005	2,660	0
Office on Violence Against Women		
2004-WT-AX-K047	315,629	0
Total	$449,133	$100,000

Source: NDAA Financial Records from the Inception of each grant to June 2008.

We reviewed the final approved budget for each of the grants that earned program income and found that of the five grants, the NDAA reported anticipated program income for only one grant (grant 2007-CI-FX-K005). In order for OJP and OVW to perform a complete assessment of funds needed for the award, OJP and OVW need to be able to identify all sources of funding including program income. We recommend that OJP ensure that the NDAA develops procedures for estimating program income on future NDAA grant submissions.

We tested a judgmental sample of one program income transaction per grant for four of the five grants. We were able to test only a portion of program income for grant 2004-WT-AX-K047 and none for grant 2001-GP-CX-K050 because of missing general ledger support due to a server failure that housed the prior accounting system. Therefore, our testing was limited to the general ledger support that NDAA could provide. For the transactions NDAA could provide supporting documentation, we found that NDAA had program receipts that were credited to their respective grants and used for grant purposes.

Recommendations

We recommend that OJP:

1. Require the NDAA to develop and implement written policies and procedures that ensure award expenses are accurately reported on its FSRs.

2. Require the NDAA to develop accounting system backup procedures that, at the very minimum, regularly replicate, store off-site, and otherwise safeguard all financial data related to DOJ grants.

3. Require the NDAA to develop and implement drawdown procedures that ensure consistent drawdowns to meet the minimum needed to pay for actual or anticipated costs within 10 days of the draw.

4. Remedy the $19,258 of unapproved miscellaneous and indirect expenditures.

5. Ensure that the NDAA implement a timekeeping approval process for each supervisor to sign off on work done by employees for each individual project.

6. Remedy the $3,083 in salary charges for periods associated with grant 2006-DD-BX-K272.

7. Remedy the $14,039 in unallowable salary charges.

8. Remedy questioned costs of $85,536 in holiday charges

9. Remedy questioned costs of $18,483 in personal charges.

10. Remedy the $1,047,688 in unsupported fringe benefits.

11. Ensure that the NDAA implements accountable property procedures that adequately tracks and safeguards items purchased with DOJ grant funds.

12. Remedy the $8,381 in the costs of computers for grant 2001-GP-CX-K050.

13. Remedy $1,522 in the costs of a computer charged to grant 2007-CI-FX-K005.

14. Remedy $163,662 for travel transactions without written authorizations, vouchers or adequate supporting documentation.

15. Ensure that the NDAA implements a travel policy that requires employees to submit and receive approval for travel before incurring travel costs that subsequently are reimbursed with DOJ grant funds; require vouchers to be prepared for all DOJ grant funded travel; and requires retention of all supporting documentation such as receipts and airline tickets.

16. Ensure that the NDAA evaluates how its tracks lodging costs charged to DOJ grants, and institute controls that ensure accurate charging lodging costs.

17. Remedy $1,071,039 in unsupported indirect costs.

18. Ensure that the NDAA implements procedures to calculate indirect cost rates accurately and that these procedures consider the unique circumstance that NDAA does not incur indirect costs with regard to its use of the NAC facility.

19. Remedy the $665,000 of pre-agreement costs on grant 2007-DD-BX-K042 to ensure that the amounts are properly supported, accurate, and relevant to the grant's objectives.

20. Ensure that the NDAA develop procedures for charging only supportable and allocable expenses to future DOJ grants.

21. Develop procedures for estimating program income in future NDAA grant submissions.

We recommend that OVW:

22. Ensure the NDAA develops and implements procedures to timely submit progress reports.

23. Remedy the $20,514 of unapproved miscellaneous expenditures.

24. Remedy the $919 in unallowable salary charges.

25. Remedy questioned costs of $24,141 in holiday charges.

26. Remedy questioned costs of $6,038 in personal charges.

27. Remedy the $449,550 in unsupported fringe benefits.

28. Remedy $90,209 for travel transactions without authorizations or vouchers.

29. Remedy the $407,466 in unsupported indirect charges.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:[28]	AMOUNT	PAGE
Unsupported Costs		
Unsupported Salaries	3,083	18
Holiday and Personal Salaries	134,198	20
Pre-Agreement Costs: 2007-DD-BX-K042	665,000	37
Travel	253,871	26
Fringe Benefits	1,497,238	22
Indirect Costs	1,478,505	32
Total Unsupported Costs	**$4,031,895**	
Unallowable Costs		
Unapproved Expenditures	39,772	13
Unallowable Salaries	14,958	18
Computers Purchased not Approved	9,903	24
Total Unallowable Costs	**$ 64,633**	
TOTAL QUESTIONED COSTS	**$ 4,096,528**	

[28] **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.

APPENDIX I

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under the grants reviewed were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants. The objective of our audit was to review performance in the following areas: (1) financial status and progress reports, (2) drawdowns, (3) budget management and control, (4) expenditures, and (5) program income.

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

Our audit concentrated on 16 grants awarded to NDAA by OJP and OVW. The purposes of these grants are to support various programs with the intent to offer training and technical assistance to state and local prosecutors. Our scope included all active DOJ grants as of June 30, 2008.

We tested compliance with what we considered to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audit against are contained in the Office of Justice Programs Financial Guide and the award documents.

In conducting our audit, we performed sample testing in the following areas:

- **Drawdowns.** We analyzed NDAA's drawdowns for the 16 awards from the beginning of each grant period through June 2008. For the nine grants that NDAA provided documentation we analyzed the individual drawdown period to determine if the federal cash on hand is the minimum needed to pay for actual or anticipated costs within 10 days. For the seven grants that lacked supporting documentation, we reviewed the overall drawdown requests to the overall expenditures in the general ledger as of June 2008.

- **Payroll.** We reviewed NDAA's policies and spoke with NDAA Officials regarding timekeeping and charging personnel costs. To determine whether NDAA's personnel costs were supported and allowed, we judgmentally selected 2 non-consecutive pay periods for the 16 grants in our audit scope. We analyzed the fringe rate to ensure the charges were consistent with the approved rate, and determined whether personnel costs were computed correctly, properly authorized, accurately recorded, and properly allocated. For OJP grant 2006-DD-BX-K272, we found that for the two non-consecutive pay periods we tested the general ledger and labor distribution worksheets did not coincide. Therefore, we expanded our testing to include two additional pay periods; 6/15/2007 and 5/16/2008. We also asked for copies of Oracle screenshots to verify whether the timesheets were properly authorized. Further, we reviewed the composition and calculation of the provisional and final fringe rates and we reviewed the application of the fringe rates to the allowable salary costs on each grant.

- **Accountable Property.** We tested accountable property purchases across the 16 grants. Our tests included physical verification of seven computers and a determination of whether the computers were used for grant purposes.

- **Transactions.** To test NDAA's transactions for authorizations, vouchers, and supporting documentation of the expense, we judgmentally selected five travel transactions from each grant. If the grant did not have at least five travel transactions, then we tested all of the applicable travel transactions for the grant. We expanded testing for grant 2007-DD-BX-K042 to include the five highest-dollar transactions.

- **Indirect Costs.** We reviewed the composition and calculation of the provisional and final indirect rates. Additionally, we reviewed the application of the indirect rates to the allowable costs on each grant.

- **Program Income.** We reviewed the final approved budget for each of the grants that earned program income. We tested a judgmental sample of one program income transaction per grant for four of the five grants which earned program income.

In addition, we reviewed the timeliness and accuracy of Financial Status and Progress Reports and reviewed the internal controls of the financial management system. We reviewed progress reports, deliverables, and spoke with OJP and OVW grant managers.

Tate & Tryon, Certified Public Accountants, conducted audits on NDAA. The results of these audits were reported in the Single Audit Report that accompanied the Comprehensive Annual Financial report for the years ended September 30, 2006, 2007, and 2008. The Single Audit reports were prepared under the provisions of OMB Circular A-133. We reviewed the auditor's assessment to identify control weaknesses and significant noncompliance issues related to the grantee or federal programs. The auditor's assessment disclosed NDAA to be a high-risk auditee.

In reviewing the FYs 2006 through 2008 Single Audits and accompanying Management letters, we noted several issues that reveal a lack of management oversight and written procedures, undermining NDAA's internal controls. Exhibit 24 summarizes the management letters and the Single Audit findings.

Exhibit 25: Management Letter and Single Audit Recommendations

FY	External Audit Communication
	Management Letter
2006	• Financial operations lack of oversight. Significant controls and procedures were not followed or performed, and management was unaware of and did not respond to the incidents found during the audit. • NDAA failed to complete monthly bank reconciliations. • Subsidiary accounting ledgers were not reconciled to the general ledger on a monthly basis. • Nine of 60 transactions tested lacked the proper support for reimbursement on federal grants. • NDAA requested certain drawdowns without proper documentation. • NDAA does not have a formal accounting manual documenting the procedures over federal grant programs. • NDAA's chart of accounts does not easily segregate federal grant activity form the rest of its operations.

2007	• Deficiency in unrestricted net assets.
	• Follow up on prior years issues indicate:
	  • The recommendation concerning NDAA's chart of accounts was implemented in FY 2007.
	  • The recommendations concerning financial operations, bank reconciliations, subsidiary ledgers reconciling to the general ledger, lack of proper support for reimbursement on federal grants, drawdowns, and a formal accounting manual were not implemented in FY 2007.

2008	• Lack of proper internal controls (segregation of duties) over the processing of cash receipts.
	• Follow up on prior years issues indicate:
	  • The recommendations concerning financial operations, bank reconciliations, and subsidiary ledgers reconciling to the general ledger are partially implemented.
	  • The recommendations concerning drawdowns and a formal accounting manual were not implemented in FY 2008.

	Single Audit Recommendations
2006	• Establish controls and procedures to ensure NDAA transactions are being properly recorded and reported. • Establish controls and procedures to ensure that all items charged against federal grants are in fact allowable and properly supported. • NDAA should clearly document the procedures and controls required for the drawdown process. • NDAA should improve financial close-out procedures and obtain the required OMB A-133 audit within 9 months of the fiscal year end.
2007	• Establish and maintain an effective accounting system that ensures compliance with indirect cost requirements determined by DOJ. • Establish controls and procedures to ensure that NDAA is meeting all sub-recipient monitoring requirements. • Follow up on prior years issues indicate that none of the 2006 recommendations had been implemented.

2008	• Establish and maintain an effective accounting system that ensures compliance with indirect cost requirements determined by DOJ.
	• Establish controls and procedures to ensure NDAA obtains evidence the suspension and debarment certification was received or determined prior to disbursement.
	• Follow up on prior years issues indicate that:
	  • None of the 2007 recommendations had been implemented.
	  • Two of the 2006 recommendations (procedures and controls over allowable costs and single audit) had been implemented. The recommendation to ensure transactions are properly recorded was partially implemented while the recommendation on drawdowns was not implemented.

Source: FYs 2006 and 2008 Management letters as well as, NDAA FYs 2006 through 2008 single audit reports

We interviewed Tate & Tryon personnel and reviewed selected Tate and Tryon work papers to confirm our concerns.

On June 29, 2009, we issued OJP and OVW a memorandum advising these agencies of our preliminary audit results for our review of NDAA grant management practices. We recommended that OJP and OVW consider the significant number of issues that we identified to date when reviewing future NDAA grant applications, including those submitted for Recovery Act funding. The preliminary results summarized in our memorandum included many of the issues discussed in this report, including (1) prior fraud; (2) material single audit findings; (3) high turnover in management and staff; (4) only recently implemented written accounting policies; (5) deficient accounting practices; (6) unsupported drawdowns; (7) late indirect cost proposal submissions; (8) unsupported labor costs; (9) missing, unauthorized, and unsupported accountable property; (10) unsupported travel expenses; (11) and delinquent and inaccurate financial reports. OJP responded to our memorandum on August 26, 2009, stating that it had awarded NDAA two cooperative agreements since our June 2009 memorandum and that it included additional award conditions to ensure that NDAA implemented the appropriate controls to address the weaknesses we summarized in our memorandum.

APPENDIX II

Detail by Reporting Period of Variances between FSR Amounts and Accounting System Reported Amounts

Award: 2001-GP-CX-K050

	Cumulative Reported Outlays		
FSR Reporting period	Per FSR	Per Accounting System	Variance
Bureau of Justice Assistance			
7/1/2001 - 9/30/2001	0	739	(739)
10/1/2001 - 12/31/2001	92,575	97,230	(4,655)
1/1/2002 - 3/31/2002	306,333	310,988	(4,655)
4/1/2002 - 6/30/2002	403,150	409,839	(6,689)
7/1/2002 - 9/30/2002	506,144	510,848	(4,704)
10/01/2002 - 12/31/2002	509,992	514,742	(4,750)
1/1/2003 - 3/31/2003	509,992	507,465	2,527
4/1/2003 - 6/30/2003	816,076	820,711	(4,635)
7/1/2003 - 9/30/2003	956,472	956,472	-
10/1/2003 - 12/31/2003	1,195,370	1,195,370	-
1/1/2004 - 3/31/2004	1,310,024	1,316,118	(6,094)
4/1/2004 - 6/30/2004	1,462,741	1,466,410	(3,669)
7/1/2004 - 9/30/2004	1,543,864	1,544,072	(208)
10/1/2004 - 12/31/2004	1,759,576	1,759,597	(21)
1/1/2005 - 3/31/2005	1,936,445	1,936,491	(46)
4/1/2005 - 6/30/2005	2,167,286	2,168,723	(1,437)
7/1/2005 - 9/30/2005	2,256,365	2,261,409	(5,044)
10/1/2005 - 12/31/2005	2,365,712	2,365,979	(267)
1/1/2006 - 3/31/2006	2,502,897	2,499,306	3,591
4/1/2006 - 6/30/2006	2,743,843	2,757,493	(13,650)
7/1/2006 - 9/30/2006	2,881,799	2,948,369	(66,570)
10/1/2006 - 12/31/2006	3,038,262	3,049,047	(10,785)
1/1/2007 - 3/31/2007	3,097,470	3,100,541	(3,071)
4/1/2007 - 6/30/2007	3,177,312	3,183,915	(6,603)
7/1/2007 - 9/30/2007	3,268,312	3,325,470	(57,158)
10/1/2007 - 12/31/2007	3,350,276	3,355,336	(5,060)
1/1/2008 - 3/31/2008	3,368,558	3,373,618	(5,060)
4/1/2008 - 6/30/2008	3,422,716	3,395,531	27,185

Source: NDAA FSRs and NDAA accounting records

Award: 2006-DD-BX-K272

FSR Reporting period	Cumulative Reported Outlays Per FSR	Cumulative Reported Outlays Per Accounting System	Variance
Bureau of Justice Assistance			
9/1/2006 - 9/30/2006	45	0	45
10/1/2006 - 12/31/2006	9,757	11,814	(2,057)
1/1/2007 - 3/31/2007	35,498	34,797	701
4/1/2007 - 6/30/2007	70,690	69,666	1,024
7/1/2007 - 9/30/2007	106,790	113,231	(6,441)
10/1/2007 - 12/31/2007	172,744	171,720	1,024
1/1/2008 - 3/31/2008	209,909	208,885	1,024
4/1/2008 - 6/30/2008	272,568	271,544	1,024

Source: NDAA FSRs and NDAA accounting records

Award: 2006-CP-BX-K002

FSR Reporting period	Cumulative Reported Outlays Per FSR	Cumulative Reported Outlays Per Accounting System	Variance
Bureau of Justice Assistance			
9/1/2006 - 9/30/2006	0	0	-
10/1/2006 - 12/31/2006	34,786	267	34,519
1/1/2007 - 3/31/2007	2,071	2,071	-
4/1/2007 - 6/30/2007	59,704	53,106	6,598
7/1/2007 - 9/30/2007	118,982	222,683	(103,701)
10/1/2007 - 12/31/2007	247,905	247,905	-
1/1/2008 - 3/31/2008	251,746	251,746	-
4/1/2008 - 6/30/2008	294,848	294,848	-

Source: NDAA FSRs and NDAA accounting records

Award: 2007-DD-BX-K042

FSR Reporting period	Cumulative Reported Outlays Per FSR	Cumulative Reported Outlays Per Accounting System	Variance
Bureau of Justice Assistance			
3/1/2007 - 3/31/2007	0	0	-
4/1/2007 - 6/30/2007	638,340	638,340	-
7/1/2007 - 9/30/2007	638,340	638,340	-
10/1/2007 - 12/31/2007	981,976	998,374	(16,398)
1/1/2008 - 3/31/2008	1,181,283	1,319,945	(138,662)
4/1/2008 - 6/30/2008	1,487,821	1,487,821	-

Source: NDAA FSRs and NDAA accounting records

Award: 2007-DD-BX-K173

FSR Reporting period	Cumulative Reported Outlays Per FSR	Cumulative Reported Outlays Per Accounting System	Variance
Bureau of Justice Assistance			
10/1/2007 - 12/31/2007	8,093	9,992	(1,899)
1/1/2008 - 3/31/2008	58,194	62,993	(4,799)
4/1/2008 - 6/30/2008	163,923	176,841	(12,918)

Source: NDAA FSRs and NDAA accounting records

Award: 2007-GP-CX-K004

FSR Reporting period	Cumulative Reported Outlays Per FSR	Cumulative Reported Outlays Per Accounting System	Variance
Bureau of Justice Assistance			
10/1/2007 - 12/31/2007	0	0	-
1/1/2008 - 3/31/2008	6,874	8,301	(1,427)
4/1/2008 - 6/30/2008	31,467	38,227	(6,760)

Source: NDAA FSRs and NDAA accounting records

Award: 2007-CP-BX-K002

FSR Reporting period	Cumulative Reported Outlays Per FSR	Cumulative Reported Outlays Per Accounting System	Variance
Bureau of Justice Assistance			
10/1/2007 - 12/31/2007	0	0	-
1/1/2008 - 3/31/2008	0	0	-
4/1/2008 - 6/30/2008	0	0	-

Source: NDAA FSRs and NDAA accounting records

Award: 2005-MU-FX-0012

FSR Reporting period	Cumulative Reported Outlays Per FSR	Per Accounting System	Variance
Office of Juvenile Justice and Delinquency Prevention			
10/1/2005 - 12/31/2005	44,108	44,108	-
1/1/2006 - 3/31/2006	106,812	105,599	1,213
4/1/2006 - 6/30/2006	252,177	247,342	4,835
7/1/2006 - 9/30/2006	360,259	360,856	(597)
10/1/2006 - 12/31/2006	407,713	428,648	(20,935)
1/1/2007 - 3/31/2007	505,647	511,133	(5,486)
4/1/2007 - 6/30/2007	587,864	596,224	(8,360)
7/1/2007 - 9/30/2007	665,506	701,118	(35,612)
10/1/2007 - 12/31/2007	735,255	739,767	(4,512)
1/1/2008 - 3/31/2008	753,998	759,686	(5,688)
4/1/2008 - 6/30/2008	774,785	780,473	(5,688)

Source: NDAA FSRs and NDAA accounting records

Award: 2007-CI-FX-K005

FSR Reporting period	Cumulative Reported Outlays Per FSR	Per Accounting System	Variance
Office of Juvenile Justice and Delinquency Prevention			
8/1/2007 - 9/30/2007	0	44,127	(44,127)
10/1/2007 - 12/31/2007	296,330	375,214	(78,884)
1/1/2008 - 3/31/2008	388,709	560,042	(171,333)
4/1/2008 - 6/30/2008	502,995	806,635	(303,640)

Source: NDAA FSRs and NDAA accounting records

Award: 2007-JL-FX-K005

FSR Reporting period	Cumulative Reported Outlays Per FSR	Per Accounting System	Variance
Office of Juvenile Justice and Delinquency Prevention			
10/1/2007 - 12/31/2007	0	0	-
1/1/2008 - 3/31/2008	7,656	9,484	(1,828)
4/1/2008 - 6/30/2008	20,507	26,838	(6,331)

Source: NDAA FSRs and NDAA accounting records

Award: 2004-DN-BX-K017

FSR Reporting period	Cumulative Reported Outlays Per FSR	Per Accounting System	Variance
National Institute of Justice			
7/1/2004 - 9/30/2004	0	0	-
10/1/2004 - 12/31/2004	56,751	56,751	-
1/1/2005 - 3/31/2005	86,765	86,765	-
4/1/2005 - 6/30/2005	151,951	151,951	-
7/1/2005 - 9/30/2005	212,569	212,587	(18)
10/1/2005 - 12/31/2005	287,973	287,973	-
1/1/2006 - 3/31/2006	405,609	401,844	3,765
4/1/2006 - 6/30/2006	541,849	542,480	(631)
7/1/2006 - 9/30/2006	604,506	613,742	(9,236)
10/1/2006 - 12/31/2006	642,539	650,260	(7,721)
1/1/2007 - 3/31/2007	676,391	680,319	(3,928)
4/1/2007 - 6/30/2007	795,052	802,065	(7,013)
7/1/2007 - 9/30/2007	870,150	885,111	(14,961)
10/1/2007 - 12/31/2007	933,714	939,309	(5,595)
1/1/2008 - 3/31/2008	1,038,200	1,043,690	(5,490)
4/1/2008 - 6/30/2008	1,199,470	1,204,960	(5,490)

Source: NDAA FSRs and NDAA accounting records

Award: 2007-DN-BX-0011

FSR Reporting period	Cumulative Reported Outlays Per FSR	Per Accounting System	Variance
National Institute of Justice			
10/1/2007 - 12/31/2007	990	1,230	(240)
1/1/2008 - 3/31/2008	9,920	11,643	(1,723)
4/1/2008 - 6/30/2008	26,720	30,428	(3,708)

Source: NDAA FSRs and NDAA accounting records

Award: 2007-VF-GX-K012

FSR Reporting period	Cumulative Reported Outlays Per FSR	Per Accounting System	Variance
Office for Victims of Crime			
8/1/2007 - 9/30/2007	0	0	-
10/1/2007 - 12/31/2007	0	0	-
1/1/2008 - 3/31/2008	0	0	-
4/1/2008 - 6/30/2008	3,271	3,853	(582)

Source: NDAA FSRs and NDAA accounting records

Award: 2004-WT-AX-K047

FSR Reporting period	Cumulative Reported Outlays Per FSR	Cumulative Reported Outlays Per Accounting System	Variance
Office for Victims of Crime			
1/1/2005 - 3/31/2005	161,535	160,566	969
4/1/2005 - 6/30/2005	344,363	344,898	(535)
7/1/2005 - 9/30/2005	493,960	619,169	(125,209)
10/1/2005 - 12/31/2005	716,127	876,040	(159,913)
1/1/2006 - 3/31/2006	927,516	1,081,754	(154,238)
4/1/2006 - 6/30/2006	1,275,283	1,502,024	(226,741)
7/1/2006 - 9/30/2006	1,669,608	1,911,716	(242,108)
10/1/2006 - 12/31/2006	1,900,498	2,117,067	(216,569)
1/1/2007 - 3/31/2007	2,018,113	2,235,336	(217,223)
4/1/2007 - 6/30/2007	2,123,124	2,356,466	(233,342)
7/1/2007 - 9/30/2007	2,233,061	2,529,707	(296,646)
10/1/2007 - 12/31/2007	2,375,489	2,632,255	(256,766)
1/1/2008 - 3/31/2008	2,470,849	2,748,920	(278,071)
4/1/2008 - 6/30/2008	2,538,508	2,866,729	(328,221)

Source: NDAA FSRs and NDAA accounting records

Award: 2005-EW-AX-K002

FSR Reporting period	Cumulative Reported Outlays Per FSR	Cumulative Reported Outlays Per Accounting System	Variance
Office for Victims of Crime			
6/1/2005 - 6/30/2005	0	2,811	(2,811)
7/1/2005 - 9/30/2005	11,895	11,894	1
10/1/2005 - 12/31/2005	39,539	39,045	494
1/1/2006 - 3/31/2006	77,270	78,026	(756)
4/1/2006 - 6/30/2006	112,986	110,846	2,140
7/1/2006 - 9/30/2006	134,391	131,457	2,934
10/1/2006 - 12/31/2006	167,781	169,418	(1,637)
1/1/2007 - 3/31/2007	196,734	210,458	(13,724)
4/1/2007 - 6/30/2007	248,161	258,274	(10,113)
7/1/2007 - 9/30/2007	288,536	289,275	(739)
10/1/2007 - 12/31/2007	404,935	414,658	(9,723)
1/1/2008 - 3/31/2008	454,719	476,157	(21,438)
4/1/2008 - 6/30/2008	490,390	512,100	(21,710)

Source: NDAA FSRs and NDAA accounting records

Award: 2007-TA-AX-K027

	Cumulative Reported Outlays		
FSR Reporting period	Per FSR	Per Accounting System	Variance
Office for Victims of Crime			
5/1/2007 - 6/30/2007	0	0	-
7/1/2007 - 9/30/2007	10,748	0	10,748
10/1/2007 - 12/31/2007	228,738	223,813	4,925
1/1/2008 - 3/31/2008	230,676	225,512	5,164
4/1/2008 - 6/30/2008	237,576	232,412	5,164

Source: NDAA FSRs and NDAA accounting records

APPENDIX III

Detail by Award of Individual Variances between Drawdown Request and General Ledger Expenditures

Drawdown Schedule for Grant 2007-DD-BX-K173

Date of Drawdown	Amount per OJP	Amount per Accounting Records	Difference
Bureau of Justice Assistance			
4/1/2008	$ 52,500	$ 53,047	$ (547)
4/9/2008	5,600	-	5,600
5/1/2008	1,200	6,869	(5,669)
5/16/2008	7,100	3,758	3,342
6/5/2008	19,000	17,910	1,090
6/25/2008	9,000	63,252	(54,252)
TOTALS	**$ 94,400**	**$ 144,836**	**$(50,436)**

Source: OJP Drawdown information and NDAA General Ledger information

Drawdown Schedule for Grant 2007-GP-CX-K004

Date of Drawdown	Amount per OJP	Amount per Accounting Records	Difference
Bureau of Justice Assistance			
3/10/2008	$ 3,700	$ 3,421	$ 279
4/1/2008	600	1,601	(1,001)
4/9/2008	2,100	-	2,001
5/16/2008	6,400	7,280	(880)
6/5/2008	6,400	5,349	1,051
6/25/2008	9,000	2,179	6,821
TOTALS	**$ 28,200**	**$ 19,830**	**$ 8,370**

Source: OJP Drawdown information and NDAA General Ledger information

Drawdown Schedule for Grant 2007-CI-FX-K005

Date of Drawdown	Amount per OJP	Amount per Accounting Records	Difference
Office of Juvenile Justice and Delinquency Prevention			
1/16/2008	$ 206,800	$ 149,314	$ 57,486
1/18/2008	84,000	10,187	73,813
2/5/2008	29,000	48,027	(19,027)
3/10/2008	64,200	47,209	16,991
4/1/2008	7,400	25,126	(17,726)
4/9/2008	38,700	-	38,700
6/5/2008	45,000	36,610	8,390
6/25/2008	11,000	9,319	1,681
TOTALS	**$ 486,100**	**$ 325,792**	**$ 204,434***

Source: OJP Drawdown information and NDAA General Ledger information

Note: 44,127 excess in drawdown expenses was the result of an unsupported adjustment.

Drawdown Schedule for Grant 2007-JL-FX-K005

Date of Drawdown	Amount per OJP	Amount per Accounting Records	Difference
Office of Juvenile Justice and Delinquency Prevention			
3/10/2008	$ 2,200	$ 1,520	$ 680
4/9/2008	3,400	2,336	1,064
5/16/2008	3,500	4,555	(1,055)
6/5/2008	2,700	1,611	1,089
6/25/2008	1,500	2,966	(1,466)
TOTALS	**$ 13,300**	**$ 12,988**	**$ 312**

Source: OJP Drawdown information and NDAA General Ledger information

Drawdown Schedule for Grant 2007-DN-BX-0011

Date of Drawdown	Amount per OJP	Amount per Accounting Records	Difference
National Institute of Justice			
1/16/2008	$ 630	$ (187)	$ 817
2/5/2008	1,400	1,374	26
3/10/2008	2,000	2,186	(186)
4/1/2008	700	2,248	(1,548)
4/9/2008	2,900	-	2,900
5/1/2008	3,800	5,330	(1,530)
5/16/2008	2,100	1,915	185
6/5/2008	9,500	8,053	1,447
6/25/2008	1,300	828	472
TOTALS	**$ 24,330**	**$ 21,747**	**$ 2,583**

Source: OJP Drawdown information and NDAA General Ledger information

Drawdown Schedule for Grant 2007-VF-GX-K012

Date of Drawdown	Amount per OJP	Amount per Accounting Records	Difference
Office for Victims of Crimes			
5/16/2008	$ 300	$ 1,381	$ (1,081)
6/5/2008	300	1,052	(752)
6/25/2008	2,500	97	2,403
TOTALS	**$ 3,100**	**$ 2,530**	**$ 570**

Source: OJP Drawdown information and NDAA General Ledger information

Drawdown Schedule for Grant 2005-EW-AX-K002

Date of Drawdown	Amount per OJP	Amount per Accounting Records	Difference
Office on Violence Against Women			
1/17/2006	$ 39,539	$ 39,045	$ 494
4/5/2006	37,731	38,981	(1,250)
7/14/2006	35,715	32,820	2,895
10/3/2006	21,405	20,610	795
1/10/2007	33,390	32,728	662
4/2/2007	28,953	34,527	(5,574)
10/2/2007	51,426	40,631	10,795
11/6/2007	40,375	50,347	(9,972)
2/8/2008	116,400	115,311	1,089
5/5/2008	49,784	55,756	(5,972)
TOTALS	**$ 454,718**	**$ 460,756**	**$ (6,038)**

Source: OJP Drawdown information and NDAA General Ledger information

Drawdown Schedule for Grant 2007-TA-AX-K027

Date of Drawdown	Amount per OJP	Amount per Accounting Records	Difference
Office on Violence Against Women			
12/10/2007	$ 10,748	$ 218,051	$ (207,303)
2/25/2008	217,991	5,763	212,228
5/5/2008	1,938	1,699	239
TOTALS	**$ 230,677**	**$ 225,513**	**$ 5,164**

Source: OJP Drawdown information and NDAA General Ledger information

APPENDIX IV

Unallowable Salary Charges by Award

Award: 2001-GP-CX-K050

Pay Period Ending	Last Name	Unallowable Salary
Bureau of Justice Assistance		
9/21/2007	[redacted]	$112
9/21/2007	[redacted]	113
10/05/2007	[redacted]	112
10/05/2007	[redacted]	73
Total		**$410**

Source: NDAA Financial Records

Award: 2006-CP-BX-K002

Pay Periods Ending	Last Name	Unallowable Salary
Bureau of Justice Assistance		
6/15/2007	[redacted]	$ 600
6/15/2007	[redacted]	164
4/04/2008	[redacted]	48
1/26/2007 - 6/27/2008	[redacted]	2,136
1/26/2007 - 6/27/2008	[redacted]	1,038
4/04/2008	[redacted]	37
Total		**$4,023**

Source: NDAA Financial Records

Award: 2007-DD-BX-K042

Pay Period Ending	Last Name	Unallowable Salary
Bureau of Justice Assistance		
1/25/2008	[redacted]	$ 891
1/25/2008	[redacted]	594
1/25/2008	[redacted]	50
1/25/2008	[redacted]	1,573
1/25/2008	[redacted]	1,644
5/30/2008	[redacted]	594
5/30/2008	[redacted]	45
Total		**$5,391**

Source: NDAA Financial Records

Award: 2007-GP-CX-K004

Pay Period Ending	Last Name	Unallowable Salary
Bureau of Justice Assistance		
3/07/2008	[redacted]	$13
Total		**$13**

Source: NDAA Financial Records

Award: 2005-MU-FX-0012

Pay Period Ending	Last Name	Unallowable Salary
Office of Juvenile Justice and Delinquency Prevention		
11/02/2007	[redacted]	$11
2/08/2008	[redacted]	56
Total		**$67**

Source: NDAA Financial Records

Award: 2007-CI-FX-K005

Pay Period Ending	Last Name	Unallowable Salary
Office of Juvenile Justice and Delinquency Prevention		
11/16/2007	[redacted]	$226
2/22/2008	[redacted]	135
2/22/2008	[redacted]	560
Total		**$921**

Source: NDAA Financial Records

Award: 2004-DN-BX-K017

Pay Period Ending	Last Name	Unallowable Salary
National Institute of Justice		
3/07/2008	[redacted]	$ 135
3/07/2008	[redacted]	292
4/04/2008	[redacted]	2,731
4/04/2008	[redacted]	56
Total		**$3,214**

Source: NDAA Financial Records

Award: 2004-WT-AX-K047

Pay Period Ending	Last Name	Unallowable Salary
Office on Violence Against Women		
10/19/2007	[redacted]	$ 96
10/19/2007	[redacted]	169
10/19/2007	[redacted]	52
5/30/2008	[redacted]	261
5/30/2008	[redacted]	27
5/30/2008	[redacted]	282
5/30/2008	[redacted]	32
Total		**$919**

Source: NDAA Financial Records

APPENDIX V

AUDITEE RESPONSE TO THE DRAFT REPORT

National District Attorneys Association
44 Canal Center Plaza, Suite 110, Alexandria, Virginia 22314
703.549.9222 / 703.836.3195 Fax
www.ndaa.org

April 7, 2010

Mr. Troy M. Meyer
Regional Audit Manager
Washington Regional Audit Office
U.S. Department of Justice
Office of the Inspector General
1300 North 17th Street, Suite 3400
Arlington, VA 22209

Dear Mr. Meyer:

Enclosed is the National District Attorneys Association's comments and response to the draft audit report on Department of Justice awards to the National District Attorneys Association.

We have met with audit and program representatives of the Office of Justice Programs and Office on Violence Against Women and began the process of preparing for creating corrective action plans for the findings.

We look forward to getting the final audit report and beginning the process of creating corrective action plans and remedies for the findings.

If you have any questions, please contact Thomas Harrison, NDAA's new CFO at (703) 516-1661 or tharrison@ndaa.org.

Sincerely,

Scott Burns
Executive Director
National District Attorneys Association

Enclosure

cc: Linda Taylor
Office of Justice Programs

Bill Russell
Office on Violence Against Women

To Be the Voice of America's Prosecutors and to Support Their Efforts to Protect the Rights and Safety of the People

National District Attorneys Association Response to
United States Department of Justice
Office of Inspector General
Draft Audit Report
of
Department of Justice Awards to the
National District Attorneys Association

Introduction

The Draft Audit Report ("Report") accurately states the National District Attorneys Association's ("NDAA") mission and history in the Introduction section of the Report. NDAA strives to achieve its mission through educating and supporting prosecutors in their professional development to facilitate and improve the administration of justice and relies heavily upon federal awards to fund these educational activities.

In reviewing the history of NDAA's past mergers with the National College of District Attorneys and the American Prosecutors Research Institute, it is clear that the management that survived the mergers had an undeveloped knowledge of creating the internal control systems, policies and procedures to allow NDAA to serve as a good steward of government awards. NDAA's board has recognized this and has assembled a team with expertise in government grant management and compliance and has begun the process of creating the internal controls, policies and procedures that will allow NDAA to manage its grant finances with the same degree of professionalism and expertise as its program staff uses to design and deliver the excellent training and technical assistance it has supplied to state and local prosecutors for years.

NDAA is responding below to the Recommendations in the Draft Audit Report. The responses address the Recommendations in the order listed on pages 43 - 45, and the response numbers correspond to the identically numbered Recommendations. NDAA will work with OJP and OVW to develop acceptable corrective action plans:

Responses to Recommendations to OJP

1. NDAA agrees to develop and implement written policies and procedures to ensure award expenses are accurately reported on its FSRs.

2. On page ii as well as in several other places in the Report, OIG indicated that "NDAA had not backed up the electronic general ledger prior to the server crash" of the computer server that maintained the NDAA general ledger used prior to September 30, 2006. NDAA would like to clarify its report to the OIG. The server used to maintain the general ledger used prior to September 30, 2006 did crash in July 2008. NDAA staff had performed backup procedures for that computer server and has backup data from it. NDAA attempted and was unable to reload and reactivate the accounting software on another server, and as a result, it could not verify whether the backup data was useful or corrupted. While

NDAA disagrees with need for the recommendation, it agrees to develop accounting system backup procedures. NDAA currently operates an information infrastructure which provides multiple layers of redundancy by backing up accounting system data locally and moves backed up data offsite daily. It is moving its accounting system to an offsite, hosted environment with multiple layers of redundancy and off site backup capabilities.

3. NDAA agrees to develop and implement written policies and procedures to ensure consistent drawdowns to meet the minimum needed to pay for actual and anticipated costs within 10 days of the draw. We would like to note that the audit shows that in the majority of instances audit findings showed that NDAA was drawing less than the amounts that were reflected on the reporting. There were very few instances of excess cash, most of which would be justifiable with expense accruals that occurred prior to the drawdown but were not posted until afterwards. NDAA has corrected this unacceptable accounting practice.

4. NDAA concurs with the auditor that miscellaneous expenses should not be charged to grants especially if there is not a category in the grant budget. These expenditures may have been charged there mistakenly and may not be reflective of the true category of the expense. NDAA will remedy this by providing supporting documentation showing corrected coding for the questioned miscellaneous charges. For the unapproved indirect expenditures, NDAA will recalculate its indirect cost rate under approved methods and standards and apply the corrected rate to all relevant awards.

5. NDAA has implemented a timekeeping approval process and agrees to modify it so that the supervisor for each project charged will sign off on work done by employees by individual project. This will require an option for electronic approval in cases where work is being done on projects which apply to multiple work sites.

6. NDAA agrees that our recordkeeping was not consistently reconciled to the grants and general ledger as it should be. Clearly there is support for the difference found by the auditors that NDAA was unable to produce at that time. NDAA will review the timesheets, labor distribution spreadsheets and general ledger entries to provide the supporting documentation to remedy these questioned costs.

7. NDAA has experienced significant turnover in staff, which may have resulted in substitution of staff identified in grant budgets with staff with different titles than used in the budgets. NDAA agrees that payroll costs to the audited grants included positions not included in the grant budgets. NDAA plans to review the grant budgets and labor distribution spreadsheets for supporting documentation to confirm that the staff working on the grants assisted in preparing the deliverables and seek retroactive program office approval for the substitutions.

8. NDAA agrees with the findings that we did not have a policy in place or a method to allocate Holiday leave charges to the specified grants. We will develop a consistent method of allocating Holiday time on a pro-rata basis across costs centers charged before and after the holiday. We will apply this method to these holiday charges to remedy these questioned costs.

9. NDAA agrees with the findings that NDAA did not have a policy in place or a method to allocate Personal leave charges to the specified grants. We will develop a consistent method of allocating Personal leave time on a pro-rata basis across costs centers charged before and after the personal day. We will apply this method to these Personal leave charges to remedy these questioned costs.

10. NDAA agrees there are inconsistencies in the classification of expenses charged to the fringe pools as well as math errors in the fringe rate calculation. NDAA plans to procure the services of an outside consultant with experience in creating federal fringe benefit rates and correctly recalculate the fringe benefit rates in question to remedy these questioned costs. NDAA has hired a new CFO and grants manager with OJP experience to help us comply with grant requirements to calculate proper and correct fringe rates for future years.

11. NDAA has prepared a policy and procedure for accountable property and agrees to review this policy with OJP to ensure it meets the regulatory compliance guidelines for adequate tracking and safeguarding of items purchased with DOJ grant funds.

12. NDAA agrees that it allocated computer purchases to grant budgets that did not contain approved computer purchases before receiving prior approval from OJP. NDAA agrees with the recommendation to remedy the $8381.00 in computer costs for grant 2001-GP-CX-K050. NDAA will substantiate the costs by requesting an invoice confirming the serial numbers from NDAA's computer vendor Dell Computers and will seek retroactive program office approval for the computer purchases.

13. NDAA agrees that it allocated computer purchases to grant budgets that did not contain approved computer purchases before receiving prior approval from OJP. NDAA agrees with the recommendation to remedy the $1522.00 in computer costs for grant 2007-CI-FX-K005 and will seek retroactive program office approval for this computer's purchase.

14. NDAA agrees that it did not have a travel policy in place prior to July 2008 and that proper travel authorizations, completed vouchers and adequate documentation were lacking. NDAA believes all travel paid by awarded grants has supported completion of grant deliverables. NDAA agrees with the recommendation to remedy $163,622 in unsupported travel transactions and will produce alternative supporting documentation to verify the travel costs in question. (The recommendation to remedy $163,662 in travel without written

authorizations, vouchers or adequate supporting documentation includes $100,636 of questioned costs for grant 2007-DD-BX-K042, which is also the subject of Recommendation #19. NDAA would like to confirm that these questioned costs are not duplicated in Recommendation #19.)

15. NDAA agrees with the recommendation to ensure the implementation of a travel policy requiring employees to submit and receive approval for travel costs. NDAA implemented an updated travel policy effective 10/6/2009 which we believe largely satisfies this audit recommendation. The policy reflects unique circumstances for awards funding student travel to the National Advocacy Center ("NAC"), and the policy for NAC differs from some of the auditor's recommendations. NDAA will work with OJP to ensure the recently drafted travel policy adequately serves to document authorized travel with adequate support.

16. NDAA agrees with the recommendation to ensure that the NDAA evaluates how it tracks lodging costs and institutes controls to ensure accurate charging of lodging at the NAC. NDAA implemented an updated travel policy effective 10/6/2009 which we believe largely satisfies this audit recommendation. The policy reflects unique circumstances for awards funding student lodging at the National Advocacy Center ("NAC"). NDAA will work with OJP to ensure the recently drafted travel policy adequately serves to document authorized lodging costs with adequate support.

17. NDAA agrees that it did not submit indirect cost rate proposals timely after its merger with APRI, it used APRI's provisional rates after the merger, and that the calculation and application of the indirect rates requires improvement. NDAA plans to procure the services of an outside consultant with experience in creating federal indirect cost rates and correctly recalculate and apply the corrected indirect cost rates in question to remedy these questioned costs. NDAA has hired a new CFO and grants manager with OJP experience to help us comply with grant requirements and calculate proper and correct indirect cost rates for future years.

18. NDAA agrees with the recommendation to implement procedures to accurately calculate indirect costs and that consider the unique circumstance that the NDAA does not incur indirect costs for the use of the NAC facility. NDAA plans to procure the services of an outside consultant with experience in creating federal indirect cost rates to assist us in creating compliant indirect cost rate calculation procedures.

19. NDAA agrees that the budgeted categories in the request for pre-award costs did not match the documented support for them. NDAA agrees to remedy the $665,000 of pre-agreement costs on grant 2007-DD-BX-K042 by providing supporting documentation to show the amounts are accurate and relevant to the grant's objectives and request retroactive program office approval for the costs as necessary to the delivery schedule and justified within the scope of work.

20. NDAA agrees with the recommendation to develop procedures for charging only supportable and allocable charges to current and future DOJ grants. NDAA has hired a Grants Manager with ten years of experience in the Customer Service Branch at OJP which will benefit budgetary and policy compliance for awards and cooperative agreements from DOJ. NDAA has also drafted a policy and procedure for allocating costs to grants and will work with OJP to review and revise it as necessary.

21. NDAA agrees to develop procedures for estimating program income in future NDAA grant budget submissions.

Responses to Recommendations to OVW

22. NDAA agrees with the recommendation to develop and implement procedures for the timely submission of progress reports. The NDAA Grant Manager will maintain a master calendar of events and provide reminders and updates to programmatic staff for the submission of progress reporting.

23. NDAA concurs with the auditor that miscellaneous expenses should not be charged to grants especially if there is not a category in the grant budget. These expenditures may have been charged there mistakenly and may not be reflective of the true category of the expense. NDAA will remedy by providing supporting documentation showing corrected coding for the questioned miscellaneous charges. For the unapproved indirect expenditures, NDAA will recalculate its indirect cost rate under approved methods and standards and apply the corrected rate to all relevant awards.

24. NDAA has experienced significant turnover in staff, which may have resulted in substitution of staff identified in grant budgets with staff with different titles than used in the budgets. NDAA agrees that payroll costs to the audited grants included positions not included in the grant budgets. NDAA plans to review the grant budgets and labor distribution spreadsheets for supporting documentation that the staff working on the grants assisted in preparation of the deliverables and seek retroactive program office approval for the substitutions.

25. NDAA agrees with the findings that we did not have a policy in place or a method to allocate Holiday leave charges to the specified grants. We will develop a consistent method of allocating holiday time on a pro-rata basis across costs centers charged before and after the holiday. We will apply this method to these holiday charges to remedy these questioned costs.

26. NDAA agrees with the findings that NDAA did not have a policy in place or a method to allocate Personal leave charges to the specified grants. We will develop a consistent method of allocating Personal leave time on a pro-rata basis

across costs centers charged before and after the personal day. We will apply this method to these Personal leave charges to remedy these questioned costs.

27. NDAA agrees there are inconsistencies in the classification of expenses charged to the fringe pools as well as math errors in the fringe rate calculation. NDAA plans to procure the services of an outside consultant with experience in creating federal fringe benefit rates and correctly recalculate the fringe benefit rates in question to remedy these questioned costs. NDAA has hired a new CFO and Grants Manager with OJP experience to help us comply with grant requirements calculate proper and correct fringe rates for future years.

28. NDAA agrees that it did not have a travel policy in place prior to July 2008 and that proper travel authorizations, completed vouchers and adequate documentation were lacking. NDAA believes all travel paid by awarded grants has supported completion of grant deliverables. NDAA agrees with the recommendation to remedy $90,209 in unsupported travel transactions and will produce alternative supporting documentation to verify the travel costs in question.

29. NDAA agrees that it did not submit indirect cost rate proposals timely after its merger with APRI, it used APRI's provisional rates after the merger, and that the calculation and application of the indirect rates requires improvement. NDAA plans to procure the services of an outside consultant with experience in creating federal indirect cost rates and correctly recalculate and apply the corrected indirect cost rates in question to remedy these questioned costs. NDAA has hired a new CFO and grants manager with OJP experience to help us comply with grant requirements and calculate proper and correct indirect cost rates for future years.

Conclusion

NDAA strongly believes in its mission and appreciates OIG's, OJP's and OVW's willingness to work with NDAA to improve its financial management practices so they are compliant with all applicable statues, regulations and financial guides and on a par with the excellent performance our program staff delivers every day in training state and local prosecutors.

APPENDIX VI

OJP RESPONSE TO THE DRAFT REPORT

U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

APR 1 6 2010

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

FROM: Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Department of Justice Awards to the National District Attorneys Association*

This memorandum is in response to your correspondence dated March 19, 2010, transmitting the subject draft audit report to the Office of Justice Programs (OJP) for the National District Attorneys Association (NDAA). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains 29 recommendations and $4,096,528 in questioned costs, of which 21 recommendations and $3,097,691 in questioned costs are directed to OJP. For ease of review, the draft audit report recommendations are restated in bold and are followed by OJP's response.

1. **Require the NDAA to develop and implement written policies and procedures that ensure award expenses are accurately reported on its FSRs.**

   We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented procedures ensuring that all award expenses are accurately reported on future Federal Financial Reports (FFRs).

2. **Require the NDAA to develop accounting system backup procedures that, at the very minimum, regularly replicate, store off-site, and otherwise safeguard all financial data related to DOJ grants.**

   We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented procedures ensuring that backup procedures for its accounting system regularly replicate, store off-site, and otherwise safeguard all financial data related the U.S. Department of Justice (DOJ) grants.

3. **Require the NDAA to develop and implement drawdown procedures that ensure consistent drawdowns to meet the minimum needed to pay for actual or anticipated costs within 10 days of the draw.**

We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented procedures ensuring that Federal cash-on-hand in the minimum amount needed for disbursement to be made immediately or within 10 days, and amounts requested for reimbursement are supported by adequate documentation.

4. **Remedy the $19,258 of unapproved miscellaneous and indirect expenditures.**

We agree with the recommendation. We will coordinate with NDAA to remedy the $19,258 in questioned costs related to unapproved miscellaneous and indirect expenditures that were charged to the various OJP grants. If adequate documentation cannot be provided, we will request that the NDAA return the funds to the DOJ; adjust their accounting records to remove the costs; and submit revised FFRs for the grants.

5. **Ensure that the NDAA implement a timekeeping approval process for each supervisor to sign off on work done by employees for each individual project.**

We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented procedures ensuring that a timekeeping approval process requires each supervisor to sign off on work done by employees, for each individual project.

6. **Remedy the $3,083 in salary charges for periods associated with grant 2006-DD-BX-K272.**

We agree with the recommendation. We will coordinate with NDAA to remedy the $3,083 in questioned costs related to unsupported salary charges for two pay periods that were charged to grant number 2006-DD-BX-K272. If adequate documentation cannot be provided, we will request that the NDAA return the funds to the DOJ; adjust their accounting records to remove the costs; and submit a revised FFR for the grant.

7. **Remedy the $14,039 in unallowable salary charges.**

We agree with the recommendation. We will coordinate with NDAA to remedy the $14,039 in questioned costs related to unallowable salary costs charges that were charged to the various OJP grants. If adequate documentation cannot be provided, we will request that the NDAA return the funds to the DOJ; adjust their accounting records to remove the costs; and submit revised FFRs for the grants.

8. Remedy questioned costs of $85,536 in holiday charges.

We agree with the recommendation. We will coordinate with NDAA to remedy the $85,536 in questioned costs related to charges for holiday time that were charged to the various OJP grants. If adequate documentation cannot be provided, we will request that the NDAA return the funds to the DOJ; adjust their accounting records to remove the costs; and submit revised FFRs for the grants.

9. Remedy questioned costs of $18,483 in personal charges.

We agree with the recommendation. We will coordinate with NDAA to remedy the $18,483 in questioned costs related to charges for personal time that were charged to the various OJP grants. If adequate documentation cannot be provided, we will request that the NDAA return the funds to the DOJ; adjust their accounting records to remove the costs; and submit revised FFRs for the grants.

10. Remedy the $1,047,688 in unsupported fringe benefits.

We agree with the recommendation. We will coordinate with NDAA to remedy the $1,047,688 in questioned costs related to unsupported fringe benefits costs that were charged to the various OJP grants. If adequate documentation cannot be provided, we will request that the NDAA return the funds to the DOJ; adjust their accounting records to remove the costs; and submit revised FFRs for the grants.

11. Ensure that the NDAA implements accountable property procedures that adequately tracks and safeguards items purchased with DOJ grant funds.

We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented accountable property procedures ensuring that items purchased with DOJ funds are adequately tracked and safeguarded.

12. Remedy the $8,381 in the costs of computers for grant 2001-GP-CX-K050.

We agree with the recommendation. We will coordinate with NDAA to remedy the $8,381 in questioned costs related to computers purchased with grant funds that were not in the approved budget for grant number 2001-GP-CX-K050. If adequate documentation cannot be provided, we will request that the NDAA return the funds; adjust their accounting records to remove the costs; and submit a revised FFR for the grant.

13. Remedy $1,522 in the costs of a computer charged to grant 2007-CI-FX-K005.

We agree with the recommendation. We will coordinate with NDAA to remedy the $1,522 in questioned costs related to a computer purchased with grant funds that was not in the approved budget for grant number 2007-CI-FX-K005. If adequate documentation cannot be provided, we will request that the NDAA return the funds to the DOJ; adjust their accounting records to remove the costs; and submit a revised FFR for the grant.

14. Remedy $163,662 for travel transactions without written authorizations, vouchers or adequate supporting documentation.

We agree with the recommendation. We will coordinate with NDAA to remedy the $163,662 in questioned costs related to travel transactions charged to the various OJP grants which did not have written authorizations, vouchers, or adequate supporting documentation. If adequate documentation cannot be provided, we will request that the NDAA return the funds to the DOJ; adjust their accounting records to remove the costs; and submit revised FFRs for the grants.

15. Ensure that the NDAA implements a travel policy that requires employees to submit and receive approval for travel before incurring travel costs that subsequently are reimbursed with DOJ grant funds; require vouchers to be prepared for all DOJ grant funded travel; and requires retention of all supporting documentation such as receipts and airline tickets.

We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented travel policies and procedures ensuring that: 1) employees submit and receive approval for travel before incurring travel costs which are subsequently reimbursed with DOJ grant funds; 2) vouchers are prepared for all DOJ grant-funded travel; and 3) all supporting documentation, such as receipts and airline tickets, is retained for DOJ grant-funded travel expenses.

16. Ensure that the NDAA evaluates how it tracks lodging costs charged to DOJ grants and institute controls that ensure accurate charging lodging costs.

We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented procedures ensuring that lodging costs charged to DOJ grants by NDAA employees are properly controlled and accurately tracked.

17. Remedy $1,071,039 in unsupported indirect costs.

We agree with the recommendation. We will coordinate with NDAA to remedy the $1,071,039 in questioned costs related to unsupported indirect costs that were charged to the various OJP grants. If adequate documentation cannot be provided, we will request that the NDAA return the funds to the DOJ; adjust their accounting records to remove the costs; and submit revised FFRs for the grants.

18. **Ensure that NDAA implements procedures to calculate indirect cost rates accurately and that these procedures consider the unique circumstance that NDAA does not incur indirect costs with regard to its use of the NAC faculty.**

We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented procedures ensuring that indirect cost rates are accurately calculated, and that these procedures consider the unique circumstance that NDAA does not incur indirect costs with regard to its use of the National Advocacy Center faculty.

19. **Remedy the $665,000 of pre-agreement costs on grant 2007-DD-BX-K042 to ensure that the amounts are properly supported, accurate, and relevant to the grant's objectives.**

We agree with the recommendation. We will coordinate with NDAA to remedy the $665,000 in questioned costs related to pre-agreement costs charged to grant number 2007-DD-BX-K042, to ensure that the costs are properly supported, accurate, and relevant to the grant objectives. We will also coordinate with the Bureau of Justice Assistance for a final determination regarding the allowability of the costs.

20. **Ensure that the NDAA develop procedures for charging only supportable and allocable expenses to future DOJ grants.**

We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented procedures ensuring that NDAA only charges supportable and allocable expenses to future DOJ grants.

21. **Develop procedures for estimating program income in future NDAA grant submissions.**

We agree with the recommendation. We will coordinate with NDAA to obtain a copy of implemented procedures for estimating program income in future grant application submissions.

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

James Burch, II
Acting Director
Bureau of Justice Assistance

cc: Carole Poole
Acting Deputy Director for Programs
Bureau of Justice Assistance

Amanda LoCicero
Budget Analyst
Bureau of Justice Assistance

Dara Schulman
Program Manager
Bureau of Justice Assistance

Jeffrey W. Slowikowski
Acting Administrator
Office of Juvenile Justice and Delinquency Prevention

Marilyn Roberts
Deputy Administrator
Office of Juvenile Justice and Delinquency Prevention

Lou Holland
Program Manager
Office of Juvenile Justice and Delinquency Prevention

Kristina Rose
Acting Director
National Institute of Justice

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

Katharine Browning
Program Manager
National Institute of Justice

Joye E. Frost
Acting Director
Office for Victims of Crime

Jasmine D'Addario-Fobian
Program Manager
Office for Victims of Crime

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

Rodney Samuels
Audit Liaison
Office on Violence Against Women

Darla Sims
Program Manager
Office on Violence Against Women

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

OJP Executive Secretariat
Control Number 20100466

APPENDIX VII

OVW RESPONSE TO THE DRAFT REPORT

U. S. Department of Justice

Office on Violence Against Women

Washington, D.C. 20530

April 15, 2010

MEMORANDUM TO: Troy M. Meyer
Regional Audit Manager
Washington Regional Office

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

SUBJECT: Response to the Draft Audit Report, *Department of Justice Awards To The National District Attorneys Association*

This memorandum is in response to your correspondence dated March 19, 2010 transmitting the above draft audit report for The National District Attorneys Association. We consider the subject report resolved and request written acceptance of this action from your office.

The report contains 29 recommendations and $4,096,528 in questioned costs, of which **8** recommendations and $998,837 in questioned costs are directed to OVW. The Office on Violence Against Women (OVW) agreewith the recommendations and is committed to working with the grantee to address each item and bring them to a close as quickly as possible. The following is an analysis of the audit recommendations:

1) **Ensure that the NDAA develops and implements procedures to timely submit progress reports.**

   We agree with the recommendation. We will work with NDAA to ensure that they develop and implement procedures to timely submit progress reports.

2) **Remedy the $20,514 of unapproved miscellaneous expenditures.**

We agree with the recommendation. We will work with NDAA to remedy the $20,514 in questioned costs related to the unapproved miscellaneous expenditures charged to OVW Grants. If the documentation cannot be obtained, we will request that NDAA return the funds to DOJ; adjust their accounting records to remove the costs; and submit revised FSR's for the grants.

3) **Remedy the $919 in unallowable salary charges.**

We agree with the recommendation. We will work with NDAA to remedy the $919 in questioned costs related to the unallowable salary charges charged to OVW Grants. If the documentation cannot be obtained, we will request that NDAA return the funds to DOJ; adjust their accounting records to remove the costs; and submit revised FSR's for the grants.

4) **Remedy questioned costs of $24,141 in holiday charges.**

We agree with the recommendation. We will work with NDAA to remedy the $24,141 in questioned costs related to the holiday time that was charged to OVW Grants. If the documentation cannot be obtained, we will request that NDAA return the funds to DOJ; adjust their accounting records to remove the costs; and submit revised FSR's for the grants.

5) **Remedy questioned costs of $6,038 in personal charges.**

We agree with the recommendation. We will work with NDAA to remedy the $6,038 in questioned costs related to the personal time that was charged to OVW Grants. If the documentation cannot be obtained, we will request that NDAA return the funds to DOJ; adjust their accounting records to remove the costs; and submit revised FSR's for the grants.

6) **Remedy $449,550 in unsupported fringe benefits.**

We agree with the recommendation. We will work with NDAA to remedy the $449,550 in questioned costs related to the unsupported fringe benefits costs that were charged to OVW Grants. If the documentation cannot be obtained, we will request that NDAA return the funds to DOJ; adjust their accounting records to remove the costs; and submit revised FSR's for the grants.

7) **Remedy $90,209 for travel transactions without authorizations or vouchers.**

We agree with the recommendation. We will work with NDAA to remedy the $90,209 in questioned costs related to the travel transactions charged to OVW Grants that did not have travel authorizations and/or vouchers. If the documentation cannot be obtained, we will request that NDAA return the funds to DOJ; adjust their accounting records to remove the costs; and submit revised FSR's for the grants.

8) **Remedy the $407,466 in unsupported indirect costs.**

We agree with the recommendation. We will work with NDAA to remedy the $407,466 in questioned costs related to the unsupported indirect costs charged to OVW Grants. If the documentation cannot be obtained, we will request that NDAA return the funds to DOJ; adjust their accounting records to remove the costs; and submit revised FSR's for the grants.

We appreciate the opportunity to review and comment on the draft report. We will continue to work with The National District Attorneys Association to address the recommendations. If you have any questions or require additional information, please contact Rodney Samuels of my staff at (202) 514-9820.

Attachment

cc: Scott Burns
Executive Director
National District Attorneys Association

Thomas Harrison
Chief Financial Officer
National District Attorneys Association

Darla Sims
Program Specialist
Office on Violence Against Women (OVW)

Jeff A. Haley
Deputy Director - Audit and Review Division
Office of Audit, Assessment, and Management
Office of Justice Programs

cc: Linda Taylor
Lead Auditor, Audit Coordination Branch
Audit and Review Division
Office of Audit, Assessment, and Management
Office of Justice Programs

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

Kotora Padgett
Accounting Officer
Office on Violence against Women (OVW)

APPENDIX VIII

ACTIONS NECESSARY TO CLOSE THE REPORT

The OIG provided a draft of this audit report to NDAA, OJP and OVW for their review and comment. Their responses were incorporated as Appendices V, VI, and VII of this final report. This appendix presents our analysis of their responses, and the actions necessary to close each of the report's 29 recommendations.

General Comments

The NDAA generally concurred with our findings; however, they provided some comments that we address as follows:

Server Crash: The NDAA stated that they wanted to clarify our statement that "NDAA had not backed up the electronic general ledger prior to the server crash." The NDAA stated in its response that the server used to maintain the general ledger prior to September 30, 2006 crashed in July 2008. While NDAA staff performed backup procedures for that computer server and has back up data from it, the NDAA was unable to reload and reactivate the accounting software on another server. As a result, it could not verify whether the backup data was useful or corrupted.

During the audit, the issue with unavailable general ledger information was discussed several times, and while we revised the report based on NDAA's response, the end result is the same - the general ledger information is not available. Further, we maintain that effective backup procedures would ensure that systems are available to read backed up information otherwise the information is not useful.

Minimum Drawdowns: In its response, the NDAA noted that in a majority of instances, it was drawing down less than the amounts reflected in its accounting records. The NDAA also stated that most of the questioned expenses would be justifiable with expense accruals that occurred prior to the drawdown, but were not posted until afterward.

In our judgment, this is not an accurate assessment of the finding. As noted in our report, the financial data relating to 7 of the 16 awards under review were lost when the NDAA's server crashed. As a result, we were unable to reconcile individual drawdown requests to supporting documents, or otherwise determine whether the NDAA requested funds in excess of what it required to pay for incurred or anticipated grant expenses for the following grants: (1) 2001-GP-CX-K050, (2) 2004-WT-AX-K047, (3) 2004-DN-BX-

K017, (4) 2005-MU-FX-K012, (5) 2006-DD-BX-K272, (6) 2006-CP-BX-K002, and (7) 2007-DD-BX-K042. We could only determine on a cumulative basis whether the grantee had transactions supporting the total amount drawn down as of June 2008. For 6 of the remaining 9 grants, the NDAA requested excessive drawdowns totaling $221,433.

Further, the accounting system practices employed by the NDAA failed to "lock" what should have been closed accounting periods. Because its accounting system lacked adequate controls, NDAA personnel were able to post transactions to NDAA's general ledger for time periods in which the NDAA had already prepared a drawdown request. As a result, we could not ascertain whether the NDAA actually complied with the Financial Guide's minimum cash-on-hand requirement.

Travel: In its response, the NDAA asked if the travel costs in recommendation 14 was duplicated in the pre-agreement questioned costs (Recommendation 19). The $163,622 in questioned travel costs does not include questioned pre-agreement travel; therefore, we did not duplicate the questioned travel cost.

Summary of Actions Necessary to Close the Report

This section presents the status of each recommendation, and the actions necessary to close the report.

1. **Resolved.** This recommendation can be closed once we receive and review the written policies and procedures that ensure award expenses are accurately reported on its FSRs.

2. **Resolved.** This recommendation can be closed once we receive and review the procedures that ensure the accounting system is backed up.

3. **Resolved.** This recommendation can be closed once we receive and review the written policies and procedures that ensure consistent drawdowns that meet the minimum needed to pay for actual and anticipated costs within 10 days of the draw.

4. **Resolved.** This recommendation can be closed when we receive and review the documentation supporting the allowability of the questioned miscellaneous and indirect costs or when OJP provides documentation that they requested and received from the grantee the return of $19,258 in questioned costs.

5. **Resolved.** This recommendation can be closed when we receive and review the modification of its timekeeping approval process whereby stating that the supervisor for each project charged will sign off on work done by employees by individual project.

6. **Resolved.** This recommendation can be closed when we receive and review the documentation supporting the allowability of the questioned salary costs or when OJP provides documentation that they requested and received from the grantee the return of $3,083 in unsupported salaries.

7. **Resolved.** This recommendation can be closed when we receive and review the documentation supporting the allowability of the questioned salary costs or when OJP provides documentation that they requested and received from the grantee the return of $14,039 in unallowable salaries.

8. **Resolved.** This recommendation can be closed when we receive and review the policy and documentation supporting the allocation of holiday leave or when OJP provides documentation that they requested and received from the grantee the return of $85,536 in unallowable holiday time charges.

9. **Resolved.** This recommendation can be closed when we receive and review the policy and documentation supporting the allocation of personal leave or when OJP provides documentation that they requested and received from the grantee the return of $18,483 in unallowable personal time charges.

10. **Resolved**. This recommendation can be closed when we receive and review the recalculated fringe benefit rates and the documentation supporting the recalculated rates or when OJP provides documentation that they requested and received from the grantee the return of $1,047,688 in unsupported fringe benefit charges.

11. **Resolved**. This recommendation can be closed once we receive and review the implemented accountable property procedures that specify how items purchased with DOJ funds are adequately tracked and safeguarded.

12. **Resolved.** This recommendation can be closed when we receive and review the documentation supporting the allowability of the questioned computer costs or when OJP provides documentation that they requested and received from the grantee the return of $8,381 in questioned computer costs.

13. **Resolved**. This recommendation can be closed when we receive and review the documentation supporting the allowability of the questioned computer costs or when OJP provides documentation that they requested and received from the grantee the return of $1,522 in questioned computer costs.

14. **Resolved**. This recommendation can be closed when we receive and review the documentation supporting the allowability of the questioned travel costs or when OJP provides documentation that they requested and received from the grantee the return of $163,662 in unsupported travel costs.

15. **Resolved**. This recommendation can be closed once we receive and review the implemented travel policy that requires employees to submit and receive approval for travel before incurring travel costs that subsequently are reimbursed with DOJ grant funds; require vouchers to be prepared for all DOJ grant funded travel: and requires retention of all supporting documentation such as receipts and airline tickets.

16. **Resolved**. This recommendation can be closed once we receive and review the implemented travel policy that ensures that NDAA accurately tracks lodging costs charged to DOJ grants and institutes controls that ensure accurate charging of lodging costs.

17. **Resolved**. This recommendation can be closed when we receive and review the recalculated indirect cost rates and the documentation supporting the recalculated rates or when OJP provides documentation that they requested and received from the grantee the return of $1,071,039 in unsupported indirect cost charges.

18. **Resolved**. This recommendation can be closed once we receive and review the indirect procedures that ensure that NDAA accurately calculates indirect costs and considers the unique circumstances involving its NAC facility.

19. **Resolved**. This recommendation can be closed when we receive and review supporting documentation to show that the amounts are approved by OJP, properly supported, accurate, and relevant to the grant objectives. If OJP cannot provide the specified documentation this recommendation can then be closed when OJP provides documentation that they requested and received from the grantee the return of $665,000 in unsupported pre-agreement costs.

20. **Resolved**. This recommendation can be closed when we receive and review the policy and procedures for charging only supportable and allocable charges to current and future DOJ grants.

21. **Resolved**. This recommendation can be closed when we receive and review the procedures for estimating program income.

22. **Resolved.** This recommendation can be closed when we receive and review the procedures for timely submission of progress reports.

23. **Resolved.** This recommendation can be closed when we receive and review the documentation supporting the allowability of the questioned miscellaneous costs or when OVW provides documentation that they requested and received from the grantee the return of $20,514 in questioned costs.

24. **Resolved.** This recommendation can be closed when we receive and review the documentation supporting the allowability of the questioned salary costs or when OVW provides documentation that they requested and received from the grantee the return of $919 in unallowable salaries.

25. **Resolved.** OVW concurred with this recommendation, and in NDAA's response they stated that they will develop a consistent method for allocating Holiday time on a pro-rata basis across costs centers charged before and after the holiday. Further, NDAA will apply this method to these holiday charges to remedy these questioned costs. This recommendation can be closed when we receive the policy for allocating Holiday time on a pro-rata basis and when we receive documentation that displays the allocation method across all grants audited.

26. **Resolved.** OVW concurred with this recommendation, and in NDAA's response they stated that they will develop a consistent method for allocating Personal leave time on a pro-rata basis across costs centers charged before and after the personal day. Further, NDAA will apply this method to these Personal leave charges to remedy these questioned costs. This recommendation can be closed when we receive and review the policy stating that Personal leave time will be allocated on a pro-rata basis and when we receive documentation showing the allocation method across all grants audited.

27. **Resolved**. OVW concurred with this recommendation, and in NDAA's response they stated that they plan to procure the services of an outside consultant with experience in creating federal fringe benefit rates and correctly recalculate the fringe benefit rates in question to remedy these questioned costs. This recommendation can be closed when we receive and review the recalculated fringe benefit rates and when we receive and review the documentation supporting the recalculated fringe benefit rates.

28. **Resolved.** OVW concurred with this recommendation, and in NDAA's response they agree that they did not have a travel policy in place prior to July 2008 and that proper travel authorizations, completed vouchers and adequate documentation were lacking. Further, NDAA agrees with the recommendation to remedy $90,209 in unsupported travel transaction and will produce alternative supporting documentation to verify the travel costs in question. This recommendation can be closed when we receive and review the supporting documentation to verify that the questioned costs of $90,209 in travel transactions.

29. **Resolved.** OVW concurred with this recommendation, and in NDAA's response they plan to procure the services of an outside consultant with experience in creating federal indirect costs rates and correctly recalculate and apply the corrected indirect costs rates in question to remedy these questioned costs. This recommendation can be closed when we receive and review the documentation recalculating the indirect costs rate and when we receive the documentation of the recalculation of the indirect costs rate on the grants audited.