



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
BUREAU OF JUSTICE ASSISTANCE AWARD TO THE
NATIONAL CRIME PREVENTION COUNCIL**

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

Audit Report GR-30-12-002
May 2012

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AUDIT OF THE OFFICE OF JUSTICE PROGRAMS BUREAU OF JUSTICE ASSISTANCE COOPERATIVE AGREEMENT AWARDED TO THE NATIONAL CRIME PREVENTION COUNCIL

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of cooperative agreement number 2010-DB-BX-K023 in the amount of \$2,400,000 awarded to the National Crime Prevention Council (Prevention Council). The Prevention Council's mission is to help promote crime prevention by providing training, technical assistance, publications, and public service announcements to local communities.

We conducted this audit to determine whether costs claimed under the cooperative agreement 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 2009 Office of Justice Programs (OJP) Financial Guide (Financial Guide) as our primary criteria.¹

Our audit found that the transactions we reviewed were generally properly authorized, classified, supported, and charged to the cooperative agreement. However, the Prevention Council could improve its internal controls to ensure compliance with DOJ cooperative agreement requirements. For example, the Prevention Council did not have a review process in place over the calculation of its labor costs charged to the cooperative agreement, which resulted in the misapplication of personnel costs to the award. Further, the Prevention Council did not maintain vendor files with necessary documentation to support the negotiations and basis for selecting contractors used under this cooperative agreement.

Additionally, our audit determined that the Prevention Council charged the cooperative agreement more than \$3,220 in costs that we consider unallowable or unsupported. These questioned costs included the following:

¹ The Financial Guide serves as a reference manual that assists award recipients in their fiduciary responsibility to safeguard award funds and ensure funds are used appropriately. OJP requires award recipients to abide by the requirements in the OJP Financial Guide.

- Travel costs totaling over \$1,800. The Prevention Council incurred over \$1,800 for travel that benefitted more than one award; however, the grantee charged the entire \$1,800 to the DOJ cooperative agreement 2010-DB-BX-K023.
- Over \$1,300 for two computers and two monitors that were not included in the budget for this award.

Our report contains 5 recommendations. We discussed the results of our audit with Prevention Council officials and have included their comments in the report as applicable.

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INTRODUCTION

The Office of the Inspector General, Audit Division, has completed an audit of cooperative agreement 2010-DB-BX-K023 in the amount of \$2,400,000 awarded to the National Crime Prevention Council (Prevention Council) from the Bureau of Justice Assistance (BJA). The Prevention Council was founded in 1982 to help communities learn about crime prevention, engage community members, and coordinate with local agencies to support crime prevention. It accomplishes this objective through the use of publications, teaching materials, programs implemented within communities and schools, training, and public service announcements.

The Prevention Council award is to assess the current awareness of targeted audiences within the general public towards emerging crime trends in intellectual property crime, mortgage fraud, and crimes against seniors. Further, the Prevention Council is responsible for generating public awareness, motivating target audiences to change their behavior to address emerging crime trends, providing training and technical assistance for groups to create local awareness campaigns, and sustaining the education campaign through partnerships.

Exhibit 1: Summary of Awards Audited

Awards	Type of Award	Award Period	Award Amount (\$)
2010-DB-BX-K023	Cooperative Agreement	6/1/2010-5/31/2012	2,000,000
2010-DB-BX-K023	Supplement	6/1/2010-5/31/2014	400,000
TOTAL			\$2,400,000

Source: Grants Management System award documentation

Audit Approach

We conducted this audit to determine whether costs claimed under the award are allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award. 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 Office of Justice Programs (OJP) Financial Guide (Financial Guide) to assess the Prevention Council's performance and compliance with award requirements.¹

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. OJP requires award recipients to abide by the requirements in the OJP Financial Guide.

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

- **Reporting** to determine if the required federal financial reports and progress reports were submitted timely and accurately reflected award activity;
- **Drawdowns** to determine whether award drawdowns were adequately supported and if the awardee was managing receipts in accordance with federal requirements;
- **Budget Management and Control** to ensure that the awardee appropriately tracked costs to approved budget categories;
- **Cooperative Agreement Expenditures** to determine the accuracy and allowability of costs charged to the award; and
- **Contract Management** to ensure compliance with overall financial management requirements for contracts.

The award did not include program income, matching funds, or subgrantees. Although we reviewed progress reports and interviewed award officials, we did not assess the overall program performance supported by the Department of Justice (DOJ) award since our preliminary review did not indicate performance issues. Therefore, our audit concentrated on the Prevention Council's financial management of the cooperative agreement. Appendix I contains additional information on our objective, scope, and methodology.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

Our audit found that the transactions we reviewed were generally properly authorized, classified, supported, and charged to the cooperative agreement. However, we identified instances of immaterial errors in the recording of labor costs that are consistent with findings from the Prevention Council's 2009 Single Audit, and identified \$3,220 in unallowable and unsupported travel and equipment expenses. Additionally, we noted that the Prevention Council did not maintain and could not provide complete documentation supporting some procurement decisions.

Reporting

The special conditions of the cooperative agreement require that the Prevention Council comply with administrative and financial requirements outlined in the Financial Guide and comply with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (Single Audit).² The Financial Guide requires that grantees submit both financial and program progress reports to inform awarding agencies on the status of each award. Federal Financial Reports (FFRs) 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 supported by each award.

Because accurate and timely FFRs and progress reports are necessary to ensure that DOJ awarding agencies can effectively monitor agreement activities and expenditures, we reviewed the Prevention Council's reports for award number 2010-DB-BX-K023. As detailed in the following sections, the Prevention Council generally submitted required FFRs and progress reports in a timely manner. Additionally, the FFRs accurately reported cooperative agreement expenditure activity, while the progress reports accurately described program accomplishments.

² OMB Circular A-133 requires non-federal entities that expend at least \$500,000 a year in federal awards to have an audit conducted of its financial statements. The purpose of the audit, also known as a Single Audit, is to determine whether the financial statements and schedule of expenditures of federal awards are presented fairly in all material respects in conformity with generally accepted accounting principles. We reviewed the Prevention Council's Single Audits for Fiscal Years 2007, 2008, 2009, and 2010.

Federal Financial Reports

DOJ awarding agencies monitor the financial performance of each cooperative agreement via FFRs. According to the Financial Guide, FFRs should be submitted within 30 days after the end of each quarterly reporting period. Even when there have been no outlays of cooperative agreement funds, a report containing zeroes must be submitted. Awarding agencies may withhold funds or future awards if reports are submitted late, or not at all.

To verify the timeliness of the FFRs, we tested the last four reports submitted for the audited cooperative agreement. We compared the submission date of each report to the date each report was due, and found that the Prevention Council submitted all four FFRs in a timely manner.

The Financial Guide also states that the grantee's general ledger must support all amounts reported on the FFRs. To verify the accuracy of the FFRs, we discussed the FFR processes with the Prevention Council financial consultant, compared the amounts reported on the last four FFRs to expenditures recorded in the Prevention Council's accounting records, and reviewed adjusting entries. Based on our testing, we have concluded that the FFRs reconciled to the financial records.

Progress Reports

While FFRs report cooperative agreement financial activity, progress reports describe the project status and accomplishments of the DOJ-cooperative agreement 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 Prevention Council submitted progress reports on time, we reviewed three progress reports for the last two years and compared the submission dates to the due date for each progress report. Out of the three progress reports tested, we determined that one was not submitted in a timely manner.³

³ Progress report for the period January 2010 through June 2010 was submitted on January 21, 2011, which is 175 days late. The late report caused a withholding of funds.

According to the Prevention Council, the first progress report was 175 days late because it was not aware that a June 30, 2010 semi-annual report would be required for this grant received on July 14, 2010 with a budget period effective June 1, 2010. The Prevention Council also explained that while it was aware of the quarterly requirement for progress reporting through the Training and Technical Assistance Reporting System, it was not aware that a separate report also had to be submitted on a semiannual basis to satisfy the progress reporting requirements. The Prevention Council advised that once it became aware that the separate report was required it submitted the report immediately. Since then, the Prevention Council has submitted all the necessary progress reports on time. Therefore, we consider the late progress report to be an isolated incident.

To determine if the Prevention Council's progress reports contained achievements related to its program goals and objectives, we analyzed and compared the progress reports for the two most recent semi-annual periods to the program objectives. To assess the accuracy of the progress reports, we selected a sample of achievements and compared them to source documentation maintained by the Prevention Council. From our review, we determined the progress reports accurately reflected program goals and achievements as set forth in the cooperative agreement.

Drawdowns

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

According to the Prevention Council's financial management policies, drawdown requests are based on the minimum amount needed for immediate disbursement or reimbursements of expenses for salaries, fringe benefits, indirect costs, and services or supplies. Prevention Council officials confirmed that they follow their policy and usually request a drawdown twice per month. To ensure that the Prevention Council requested funds properly and kept minimum federal cash on hand, we analyzed its drawdowns to date and compared the overall amount to the Prevention Council's general ledger.

Overall we found that the amounts drawn down reconciled with the expenditures recorded in the accounting records.⁴

Budget Management and Control

The Financial Guide states that awardees should expend funds according to the budget approved by the awarding agency and included in the final award. Approved award budgets document how much the recipient is authorized to spend in high-level budget categories, such as personnel, supplies, and contractors. The Financial Guide also states that award recipients may request a modification to approved award budgets to reallocate amounts between various budget categories within the same award. No prior approval is required if the reallocations between budget categories do not exceed 10 percent of the total award amount. We compared the actual amounts spent in each budget category to the budgeted amounts in the same categories. For award 2010-DB-BX-K023, the Prevention Council adhered to the Financial Guide requirements.

Cooperative Agreement Expenditures

According to 2 C.F.R. Part 230, *Cost Principles for Non-Profit Organizations* (formerly known as OMB Circular A-122), costs are allowable if they are reasonable, consistently applied, adequately documented, comply with policies and procedures, and conform to any limitations or exclusions specified in applicable criteria. As of November 28, 2011, the Prevention Council's general ledger reported \$661,371 in project costs associated with award 2010-DB-BX-K023. We sampled \$547,941 (83 percent) in expenses charged to the cooperative agreement to ensure they were allowable, and identified \$3,220 in questioned costs.⁵ Exhibit 2 displays by type of sampled cost, the total value of the expenditures in each category, and the amount of questioned costs our testing identified.

⁴ Our initial testing revealed that from June 1, 2010 to November 28, 2011, the Prevention Council had drawn down \$57,991 more than the general ledger supported. We discussed the difference with the Prevention Council, who explained that a contractor payment of \$62,500 was reversed out of the general ledger in error and subsequently provided documentation supporting the \$62,500 did in fact belong and was recognized within the 2010-DB-BX-K023 award. Therefore, the accounting records support the drawdown amount.

⁵ 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.

Exhibit 2: Summary of Review of Cooperative Agreement Expenditures

Type of Cost	Total General Ledger Costs (\$)	Questioned Costs (\$)
Personnel Costs	226,701	0
Other Direct Costs	298,649	3,220
Indirect Costs	136,021	0
TOTAL	\$ 661,371	\$ 3,220

Source: Prevention Council accounting records and OIG analysis of total questioned costs

Personnel Costs

We reviewed the Prevention Council’s policies for timekeeping and charging costs associated with salaries earned by its personnel. The Prevention Council requires all employees to submit timesheet reports that detail their time spent on each project or grant each pay period. Once the employees complete the timesheet they submit their timesheets to their supervisors for approval and then to the payroll accountant. The payroll accountant prepares a labor distribution report schedule, which details the total hours worked for each award and calculates both the salary and fringe benefit expenses the Prevention Council will charge to each grant or award. According to the Prevention Council’s procedures, the supervisory accountant then reviews and approves the distribution report and records the salaries and fringe benefits expense entry for each award into their general ledger.

The Prevention Council’s 2009 Single Audit report had findings citing differences between the hours recorded on the timesheets and what was actually charged to its grants. To determine if timesheets were properly authorized and allocated to the cooperative agreement, we judgmentally selected four non-consecutive pay periods and reviewed employee-submitted timesheets for each of these sampled pay periods.⁶ We examined timesheets and payroll distribution records, we recalculated salaries and fringe benefits allocated to the cooperative agreement, and we ascertained whether the salaries and fringe benefits were properly charged to the cooperative agreement.

⁶ We selected pay periods February 28, 2011, May 31, 2011, December 15, 2010, and March 31, 2011 for our testing.

Salaries

We compared the total labor hours charged by each labor distribution report to the corresponding timesheets and found six instances where the number of hours on the timesheets did not match the hours recorded on the labor distribution report resulting in inaccurate labor charged to the cooperative agreement. We also reviewed the total hours worked on the timesheets and noted two instances where the totals on the timesheets were calculated incorrectly. The Prevention Council attributed these errors to clerical mistakes.

While the cumulative dollar effect of these errors was not material, it appears an internal control is not being consistently applied. According to the Prevention Council policies, the supervisory accountant is supposed to review and approve the distribution report. Therefore, we recommend that OJP require the Prevention Council to ensure that all timesheets and labor distribution reports are accurate and therefore personnel costs are appropriately charged to the DOJ award.

Fringe Benefits

When the Prevention Council employees work on grant projects, the Prevention Council incurs costs associated with providing its employees fringe benefits such as payroll taxes, health insurance, and sick leave. To allocate the cost of fringe benefits to DOJ grants, the Prevention Council calculated and OJP approved a fringe benefit rate that the Prevention Council applied to direct payroll costs. During our initial transaction testing, we judgmentally selected four fringe benefit transactions corresponding to our four payroll periods tested above. We determined that the Prevention Council properly applied the approved fringe benefit rate.

Other Direct Costs

We selected a judgmental sample of 33 other direct cost transactions from award 2010-DB-BX-K023 totaling \$371,035 to determine if the charges were included in the approved budget, allowable, and allocable to the DOJ award. As shown in Exhibit 3, we questioned \$3,220 of other direct costs.

Exhibit 3: Summary of Questioned Other Direct Costs

General Ledger			Questioned Amount (\$)	Note
Account Description	Date	Amount (\$)		
Media Consultants	06/01/2011	17,962	0	Misclassified expense; grantee has corrected
Travel – Consultants	01/21/2011	719	719	Unsupported; Dual purpose travel
Travel – Staff	09/28/2010	601	601	Unsupported; Dual purpose travel
Travel – Staff	09/28/2010	539	539	Unsupported; Dual purpose travel
Travel – Staff	09/24/2010	450	0	Unallowable expense; grantee has corrected
Computers – Non Capital	09/28/2011	2,047	1,024	Unallowable equipment
Computers – Non Capital	11/02/2011	337	337	Unallowable equipment
TOTAL		\$22,655	\$3,220	

Source: OIG analysis of Prevention Council's general ledger and supporting documentation

Misclassified Expense

The Prevention Council incorrectly charged a media consultant fee of \$17,962 to 2010-DB-BX-K023 when it should have been charged to another award (2010-DB-BX-K088). The Prevention Council agreed the invoice was misclassified and removed the invoice cost from the 2010-DB-BX-K023 award and correctly charged the \$17,962 to award 2010-DB-BX-K088.⁷ Because the grantee has remedied the misclassification, we are not questioning the costs.

Unsupported travel

Three travel related expenses totaling \$1,859 (\$719, \$601, and \$539) were charged entirely to the 2010-DB-BX-K023 award when the travel had a dual purpose and should have been allocated between the 2010 award and

⁷ The Prevention Council stated that the \$17,962 was misclassified because they believed the 2010-DB-BX-K088 award was a supplement to the 2010-DB-BX-K023 award and not a separate award.

another award (2010-DB-BX-K088).⁸ Because the Prevention Council could not determine the amount of travel allocable to the 2010-DB-BX-K023 award, we question the entire amount of \$1,859 in travel related expenses and recommend that OJP remedy the questioned travel costs. Further, we recommend that OJP require the Prevention Council improve its processes for identifying and allocating dual purpose expenses.

Unallowable travel advance

An employee received a \$450 travel advance prior to a conference. However, most of the employee's actual travel expenses were charged to the Prevention Council credit card and an additional \$168 was reimbursed directly to the employee for out of pocket expenses. The Prevention Council agreed that a portion of the prepaid should have been returned to the grant funds, obtained reimbursement from the employee for the proper amount owed, and credited the amount back to the 2010-DB-BX-K023 award. The Prevention Council stated that in the future, it would be recording travel advances as employee receivables and reconciling the receivables at the end of each month. We believe that these procedures will mitigate chances of outstanding prepaids in the future. Therefore, we recommend that OJP direct the Prevention Council to include in their formal procedures, a process for tracking and reconciling funds advanced to employees.

Unapproved equipment

The Prevention Council was approved for two laptop computers; however, during our testing we noted that in addition to the laptop computers they purchased two monitors and computers. The Prevention Council purchased the additional equipment because it determined the equipment originally purchased could not handle the new technology used by their contractors. The Prevention Council did not get written approval to purchase the additional equipment and therefore we consider the two computers, costing \$1,024 and the two monitors costing \$337 unallowable. We recommend that OJP remedy the \$1,361 in unapproved equipment costs.

⁸ The Prevention Council acknowledged the \$1,859 of travel benefited two awards with similar goals; however, the travel was allocated to only the 2010-DB-BX-K023 award. The Prevention Council stated that the reason the \$1,859 was allocated entirely to the 2010-DB-BX-K023 award was because they originally believed the work and award dollars associated with the 2010-DB-BX-K088 award was going to supplement to the 2010-DB-BX-K023 award and not be a separate award.

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. Included in the Prevention Council's indirect costs are: administrative salaries, printing, telephone, supplies, postage, insurance, and rent. Because these indirect costs cannot be easily allocated to specific projects or activities, organizations need to establish and seek approval for an indirect cost rate with their 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.

We obtained the supporting documentation for OJP's approved indirect cost rate for the Prevention Council. We also reviewed the reasonableness of the Prevention Council's calculations for determining the rate as well as the types of costs which belonged in the base that the Prevention Council applied the indirect rate to. We found that as of November 28, 2011, the Prevention Council charged indirect costs totaling \$136,021 to this DOJ cooperative agreement. We determined that the Prevention Council properly applied the approved indirect rate.

Contract Management

We reviewed the Prevention Council's 2009 and 2010 Single Audit reports and noted that both audits found inadequate documentation of the basis for vendor selection.⁹ As a result of the Single Audits, the Prevention Council implemented procurement policies, dated September 17, 2010, that require negotiations and final contract documents to be in writing and properly maintained in the program manager's grant files.

We obtained the listing of contractors and corresponding contracts issued under this award and noted that there were two formal contracts. The first contract was to conduct a national survey and produce several media outreach deliverables totaling \$907,183. The second contract was to renew a software services agreement to manage public relations in the amount of \$40,000. We found that both contracts were solicited through a formal request for proposal and competitively awarded by the Prevention Council. While the Prevention Council officials were able to provide justifications for each of the awards, we were unable to determine from their

⁹ According to 2CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organization* (formerly OMB Circular A-110), requires that the auditee keep at a minimum, the basis for contractor selection, as well as the basis for award cost or price.

documentation if they performed a cost or price analysis and therefore could not determine whether the vendor selected provided the best value to the government. Specifically, negotiations were not formally documented and maintained in the program managers' grant files for either contract. In order to ensure that contracts are fairly and competitively negotiated and obtain the goods or services in an effective manner, we recommend that OJP require the Prevention Council to clearly document the analysis, negotiation, and justification for each awarded contract.

Recommendations

We recommend that OJP:

1. Require the Prevention Council ensure that all timesheets and labor distribution reports are accurate and therefore personnel costs are appropriately charged to the DOJ award.
2. Remedy the \$1,859 in questioned travel costs.
3. Require the Prevention Council to: (1) Improve its processes for identifying and allocating dual purpose expenses; and (2) Include in their formal procedures, a process for tracking and reconciling funds advanced to employees.
4. Remedy the \$1,361 in unapproved computer equipment costs.
5. Require the Prevention Council to clearly document the analysis, negotiation, and justification for each awarded contract.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:¹⁰	AMOUNT (\$)	PAGE
<u>Unsupported Costs</u>		
Other Direct Costs	1,859	10
Total Unsupported Costs	\$1,859	
<u>Unallowable Costs</u>		
Other Direct Costs	1,361	10
Total Unallowable Costs	\$1,361	
Total Questioned Costs	\$3,220	

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.

APPENDIX I

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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, 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 cooperative agreement no. 2010-DB-BX-K023 in the amount of \$2,400,000 to the National Crime Prevention Council (Prevention Council) awarded by the Bureau of Justice Assistance. The award is to assess the current awareness of targeted audiences within the general public towards emerging crime trends in intellectual property crime, mortgage fraud, and crimes against seniors. Further, the Prevention Council is responsible for generating public awareness, motivating target audiences to change their behavior to address emerging crime trends, providing training and technical assistance for groups to create local awareness campaigns, and sustaining the education campaign through partnerships

We tested compliance with what we considered to be the most important conditions of the award. 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 the Prevention Council's overall drawdowns of \$719,361 for the DOJ award from the inception of the award through November 28, 2011. The Prevention Council provided documentation supporting the drawdown requests.

- **Payroll.** We reviewed the Prevention Council's prior Single Audit reports, reviewed policies, and spoke with officials regarding timekeeping and charging personnel costs. To determine whether the Prevention Council's personnel costs were supported and allowed, we judgmentally selected four non-consecutive pay periods to test. 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. 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 of the cooperative agreement.
- **Transactions.** To test the Prevention Council's transactions for authorizations, vouchers, and supporting documentation of the expense, we judgmentally selected 33 transactions comprised of \$371,035 in other direct costs. We analyzed the transactions to determine if the transactions were properly authorized, classified, recorded, supported, and charged to the cooperative agreement.
- **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 of the cooperative agreement.
- **Contract Management.** We interviewed the Prevention Council's Program Manager for this award regarding the analysis, negotiations, and available documentation maintained for the selection of contractors. We obtained all the solicitations, request for proposals, negotiated contracts, and other supporting documentation for contractors performing services under the subject cooperative agreement.

In addition, we reviewed the timeliness and accuracy of Financial Status and Progress Reports and reviewed the internal controls of the financial management system.

**NATIONAL CRIME PREVENTION COUNCIL'S RESPONSE TO
THE DRAFT REPORT**



April 26, 2012

U.S. Department of Justice
Office of the Inspector General
Attention: Mr. Troy Meyer
Washington Regional Audit Office
Regional Audit Manager
1300 N. 17th Street
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Arlington, VA 22209

Dear Mr. Meyer:

Below you will find the National Crime Prevention Council's response to the audit report on the Audit of Office of Justice Programs Bureau of Justice Assistance Award to the National Crime Prevention Council (NCPC). We thank you and your audit team for giving NCPC the insight into how to strengthen its accounting procedures, internal controls, and grant management through your audit of our FY 2010 and 2011 Improving Public Safety: Responding to Today's Emerging Trends project (grant number 2010-DB-BX-K023).

We understand that the audit was triggered when the grant was supplemented in September 2011 and that there were no allegations of wrongdoing. While NCPC can always strive to improve, we are pleased that your team concluded that the transactions it reviewed were generally properly authorized, classified, supported and charged to the cooperative agreement, and that within a \$2,400,000 award – where 83 percent of the expenses were sampled – the audit team questioned two costs.

Before responding to the recommendations in your report, we would like to take the opportunity to provide an introduction to NCPC and our work under 2010-DB-BX-K023.

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Background

NCPC is a private, non-profit, tax-exempt 501(c)(3) organization, whose primary mission is to be the nation's leader in helping people keep themselves, their families, and their communities safe from crime. We are funded through grants and contracts from the federal government and from various private sources. Through a variety of media and methods, NCPC enables communities and law enforcement to work together to create safe environments.

Established in 1980 by officials from nine states, the Department of Justice and other federal agencies, and private sources, the NCPC-led National Citizens' Crime Prevention Campaign and related initiatives have featured our beloved icon McGruff the Crime Dog[®] and his signature message that encourages all Americans to "Take a Bite Out of Crime[®]."

Since the inception of the Campaign, NCPC has maintained a close partnership with the Department of Justice (DOJ) and local law enforcement in creating cost-effective and award-winning public service advertising, launching groundbreaking and comprehensive support initiatives for crime-besieged cities, providing technical assistance, producing and distributing hundreds of ready-to-use publications filled with practical tips, expanding the reach of crime prevention tools through online resources, conducting conferences and training, and more.

National Crime Prevention Activities under 2010-DB-BX-K023

NCPC works closely with state and local law enforcement and their national organizations to anticipate and respond to persistent crime challenges, emerging crime trends, and the changing crime prevention needs of communities and states nation-wide.

Through a Byrne Competitive grant, NCPC is working with DOJ and a number of other partners to conduct a crime prevention awareness campaign to address the dangerous and costly problem of intellectual property crime such as pirating and counterfeiting. This is just one of eight campaign topics covered in the Improving Public Safety: Responding to Emerging Crime Trends series, which includes two grants and two supplemental grants covering intellectual property theft, mortgage

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To be the nation's leader in helping people keep themselves, their families, and their communities safe from crime



fraud, vacant property, elder abuse, financial crimes against seniors, illegal drugs (“bath salts”), National Motor Vehicle Title Information System (NMVTIS), and bullying/cyberbullying.

A major focus within the K023 work for the past year and a half was the intellectual property theft campaign – a DOJ priority. Our goal for the campaign is to engage the public in demand reduction and decrease threats to public health and safety and to increase awareness to the millions of jobs and ongoing detriment the economy faces from intellectual property theft.

On November 29, 2011, the National Crime Prevention Council officially launched the Intellectual Property Theft public education campaign at The White House. The campaign was the result of extensive research, planning, outreach, and communication with the U.S. DOJ and several affected industries.

NCPC applauds the DOJ for a well thought out, comprehensive grants program that supports the Intellectual Property Crimes Task Force. In the last few years, OJP has awarded grants to state and local law enforcement to encourage strong investigations and effective prosecutions of Intellectual Property crimes, which pose serious threats to Americans' health and safety and to our economy.

BJA and OJP had the wisdom to add a demand reduction component to this comprehensive effort. In partnership with both agencies, late last fall NCPC launched a public education campaign to increase public awareness of the consequences of purchasing counterfeit and pirated products, including health and safety, support for organized criminal elements and job loss.

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OIG Recommendations from the Audit Report

1. Require the NCPC to ensure that all timesheets and labor distribution reports are accurate and therefore personnel costs are appropriately charged to the DOJ award.

Concur: NCPC has always been committed to accurate time and attendance reporting. The completion of timesheets is part of our mandatory new staff orientation and the all staff refresher we usually combine with the new staff orientation process. Based on your audit recommendation, NCPC has implemented updated procedures to ensure that the timesheets and labor distribution reports are accurate. The updated timesheet uses locked formulae to prevent calculation errors.

Additionally, the supervisory accountant performs a comparison of the labor distribution and the timesheets to improve accuracy. Senior staff began reviewing the timesheet and instructions during your audit and NCPC is now using the new timesheet. See attachment.

2. Remedy the \$1,859 in questioned travel costs.

Concur: NCPC submitted a grant adjustment notice (GAN) on 04/23/2012.

The travel expenses in question benefitted two grants with similar purpose 2010-DB-BX-K023 and Responding to Intellectual Property Crime through Public Education and Outreach (2010-DB-BX-K088). Throughout this research period (going back to the initial drafting of the application for what would become grant K088), it was expected that additional funding to support the work to combat intellectual property theft through K023's demand reduction campaign would be forthcoming.

Everyone at DOJ and NCPC was under the impression, and worked with the understanding, that the additional funding would come in the form of a supplement to K023, the existing grant, and that IP-related funding would eventually be subject to a GAN to combine all the IP work into one grant.

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It was not until much later that we learned that approach would not be possible. NCPC has submitted a GAN to BJA to address this finding. See attachment.

3. Require the NCPC to: (1) Improve its processes for identifying and allocating expenses that benefit two grant awards with similar goals; and (2) Include in their formal procedures, a process for tracking and reconciling funds advanced to employees.

Concur:

(1) NCPC staff who might incur travel expenses that benefit grant awards with similar purposes must track the hours spent, determine with the finance department the percentage that should be allocated to each grant, and clearly detail those calculations and tracking in the existing NCPC travel and expense reporting forms. NCPC has tools in place to address this issue and will continue to remind program managers about lessons learned through this audit in our regular meetings.

(2) NCPC now records travel advances as employee receivables and reconciles the receivables at the end of each month to expense travel in the month it occurs. In addition, at the end of each grant, the finance department scrutinizes the general ledger by program to ensure appropriate and accurate reporting records are being maintained.

4. Remedy the \$1,361 in unapproved computer equipment costs.

Concur: NCPC has received written approval from BJA. Prior to the purchase of the computer equipment, the program manager had a brief, verbal conversation with the policy advisor to inform the advisor that computer upgrades and hardware were going to be necessary to advance the production of PSA work within the grant in a timely fashion.

Because of our frugal exploration in pricing the equipment, NCPC remained under budget in the line item, providing BJA with timely deliverables with maximum cost effectiveness and efficiency. Based on the written approval, we hope this finding is resolved.

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5. Require the NCPC to clearly document the analysis, negotiation, and justification for each awarded contract.

Concur: NCPC was in compliance with its procurement policy but agrees that it should have provided more detail in the documentation as to the cost analysis and negotiations with the three companies who responded to the RFP.

NCPC is making further revisions to its procurement policy (which had been reviewed and updated in the last few years) in response to discussions during your audit. See attachment.

Thank you again for the opportunity to address the four findings of the audit report. NCPC is as committed to strengthening our internal controls as it is to providing the best in crime prevention information and materials.

When McGruff and NCPC started more than 30 years ago, people believed that crime prevention was the sole responsibility of law enforcement. Through our work with DOJ, local law enforcement and communities across the country, we have been able to show them that crime prevention is everyone's business.

We appreciate the Office of the Inspector General's suggestions on how NCPC can improve its grant management. We especially appreciate the professionalism your team demonstrated throughout the audit.

Sincerely,

Ann M. Harkins
President and CEO

cc: Ms. Carrie Fleming, Audit Manager

cc: Ms. Linda Taylor, Office of Audit, Assessment, and Management

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APPENDIX III

OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

May 2, 2012

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

/s/
FROM: Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs
Bureau of Justice Assistance Award to the National Crime
Prevention Council*

This memorandum is in reference to your correspondence, dated April 4, 2012, transmitting the above-referenced draft audit report for the National Crime Prevention Council (NCPC). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **five** recommendations and **\$3,220** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP require the NCPC ensure that all timesheets and labor distribution reports are accurate and therefore personnel costs are appropriately charged to the U.S. Department of Justice award.**

OJP agrees with the recommendation. We will coordinate with the NCPC to obtain a copy of procedures implemented to ensure that all timesheets and labor distribution reports are accurate, and that corresponding personnel costs are appropriately charged to U.S. Department of Justice (DOJ) awards.

2. **We recommend that OJP remedy the \$1,859 in questioned travel costs.**

OJP agrees with the recommendation. We will coordinate with the NCPC to remedy the \$1,859 in questioned travel costs. If adequate documentation cannot be provided, we will request that the NCPC return the funds to the DOJ; adjust their accounting records to remove the costs; and submit a revised Federal Financial Report (FFR) for award number 2010-DB-BX-K023.

3. **We recommend that OJP require the NCPC to: (1) improve its processes for identifying and allocating dual purpose expenses; and (2) include in their formal procedures, a process for tracking and reconciling funds advanced to employees.**

OJP agrees with the recommendation. We will coordinate with the NCPC to obtain a copy of procedures implemented to ensure that the NCPC improves its processes for identifying and allocating dual purpose expenses; and includes a process for tracking and reconciling funds advanced to employees in their formal procedures.

4. **We recommend that OJP remedy the \$1,361 in unapproved computer equipment costs.**

OJP agrees with the recommendation. We will coordinate with the NCPC to remedy the \$1,361 in questioned costs related to unapproved computer equipment. If adequate documentation cannot be provided, we will request that the NCPC return the funds to the DOJ; adjust their accounting records to remove the costs; and submit a revised FFR for grant number 2010-DB-BX-K023.

5. **We recommend that OJP require the NCPC to clearly document the analysis, negotiation, and justification for each awarded contract.**

OJP agrees with the recommendation. We will coordinate with the NCPC to obtain a copy of procedures implemented to ensure that the analysis, negotiation, and justification for each contract is adequately documented.

We appreciate the opportunity to review and comment on the draft 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.

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Office of Audit, Assessment, and Management

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OJP Executive Secretariat
Control Number 20120388

APPENDIX IV

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

The Department of Justice (DOJ) Office of the Inspector General (OIG) provided a draft of this audit report to the Office of Justice Programs (OJP) and the National Crime Prevention Council (Prevention Council). The responses are incorporated respectively as Appendices II and III of this final report. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

1. **Resolved.** OJP concurred with our recommendation that requires the Prevention Council ensure that all timesheets and labor distribution reports are accurate and therefore all personnel costs are appropriately charged to the DOJ award. OJP stated in its response that it will coordinate with the Prevention Council to obtain a copy of procedures implemented to ensure that all timesheets and labor distribution reports are accurate, and that corresponding personnel costs are appropriately charged to DOJ awards.

The Prevention Council concurred with our recommendation and developed a new timesheet template and associated procedures to ensure that all timesheets and labor distribution reports are accurate and therefore all personnel costs are appropriately charged to the DOJ award. We reviewed the draft timesheet template, timesheet instructions, and the labor distribution process instructions, which when implemented should help ensure the accuracy of all timesheets and labor distribution reports. This recommendation can be closed when we receive evidence that: (1) the updated timesheet and timesheet instructions have been finalized and implemented by the Prevention Council, and (2) the labor distribution process has been finalized, issued, and incorporated into regular procedures by the Prevention Council.

2. **Resolved.** OJP concurred with our recommendation and stated in its response that it will coordinate with the Prevention Council to remedy the \$1,859 in questioned travel costs. If adequate documentation cannot be provided, OJP will request that the Prevention Council return the funds to DOJ; adjust their accounting records to remove the costs; and submit a revised Federal Financial Report (FFR) for award number 2010-DB-BX-K023.

The Prevention Council concurred with our recommendation, stating that the travel expenses in question benefitted two awards with similar purposes. The Prevention Council submitted a proposed budget change through a grant adjustment notice to OJP's Bureau of Justice Assistance (BJA) to address this finding. As of the date of this report, BJA has not approved the revised budget within the Grants Management System. Regardless of the budget change, the Prevention Council has not made a determination on how to allocate the costs between the two awards. This recommendation can be closed when we receive evidence that OJP has remedied \$1,859 in questioned travel costs.

3. **Resolved.** OJP concurred with our recommendation to require the Prevention Council to: (1) improve its processes for identifying and allocating dual purpose expenses; and (2) include in their formal procedures, a process for tracking and reconciling funds advanced to employees. OJP stated that it will coordinate with the Prevention Council to obtain a copy of procedures implemented to ensure that the Prevention Council improves its processes for identifying and allocating dual purpose expenses; and includes a process for tracking and reconciling funds advanced to employees in their formal procedures.

The Prevention Council concurred with our recommendation, stating that employees incurring travel expenses that benefit multiple awards with similar purposes must track the hours spent on each and work with the finance department to determine and document the allocation of these expenses to each award using existing travel and expense reporting forms and policies. Further, the Prevention Council stated in its response and provided evidence that it now records travel advances as employee receivables and reconciles the receivables at the end of each month to expense travel in the month it occurs. In addition, at the end of each grant, the Prevention Council's finance department scrutinizes the general ledger by program to ensure appropriate and accurate reporting records are maintained.

This recommendation can be closed when we receive evidence that the Prevention Council has developed and implemented finalized policies to improve its processes for identifying and allocating dual purpose expenses; and a copy of its updated formal procedures, which include a process for tracking and reconciling funds advanced to employees.

4. **Resolved.** OJP concurred with our recommendation and stated in its response that it will coordinate with the Prevention Council to remedy the \$1,361 in questioned costs related to unapproved computer equipment. If adequate documentation cannot be provided, OJP will request that the Prevention Council return the funds to DOJ, and submit a revised FFR for the award.

The Prevention Council concurred with our recommendation to remedy the \$1,361 in unapproved computer equipment costs. As part of its response, it provided an email correspondence dated April 12, 2012 with an official from BJA who vaguely recalled a conversation and agreement with the plan to upgrade the computers. The official stated that they do not have any problems with the Prevention Council engaging in upgrades in order to produce the campaign within the timeframe DOJ required. Because these questioned costs did not exceed the line item budget for computer costs and a BJA official vaguely recalled and approved this purchase, this recommendation can be closed when we receive evidence of OJP's formal approval of the purchase of the computer equipment, which will remedy \$1,361 in questioned costs.

5. **Resolved.** OJP concurred with our recommendation and agreed to coordinate with the Prevention Council to obtain a copy of procedures implemented to ensure that the analysis, negotiation, and justification for each contract are adequately documented.

The Prevention Council concurred with our recommendation and agrees that it should have included more detail in the documentation as to the cost analysis and negotiations for the awarded contracts. As part of its response, the Prevention Council provided a draft copy of its revised procurement policy. This recommendation can be closed when we receive evidence that the policy has been finalized and implemented to ensure that the analysis, negotiation, and justification are clearly documented for each awarded contract.