



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
RECOVERY ACT GRANT AWARDED TO  
THE CHIPPEWA CREE TRIBE,  
ROCKY BOY'S RESERVATION, MONTANA**

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

Audit Report GR-60-12-016  
July 2012

# **AUDIT OF THE OFFICE OF JUSTICE PROGRAMS RECOVERY ACT GRANT AWARDED TO THE CHIPPEWA CREE TRIBE ROCKY BOY'S RESERVATION, MONTANA**

## **EXECUTIVE SUMMARY**

The Office of the Inspector General, Audit Division, has completed an audit of the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), Grant No. 2009-ST-B9-0098, totaling approximately \$12.4 million, awarded to the Chippewa Cree Tribe (CCT) of the Rocky Boy's Reservation, Montana. This grant was awarded under the American Recovery and Reinvestment Act of 2009 (Recovery Act), Correctional Facilities on Tribal Lands Discretionary Grant Program. The award start date was July 1, 2009, with an end date of June 30, 2012.

OJP, a component of the U.S. Department of Justice, provides innovative leadership to federal, state, local, and tribal justice systems, by disseminating state-of-the-art knowledge and practices across America, and providing grants for the implementation of these crime-fighting strategies. According to OJP, because most of the responsibility for crime control and prevention falls to law enforcement officers in states, cities, and neighborhoods, the federal government can be effective in these areas only to the extent that it can enter into partnerships with these officers. Therefore, OJP does not directly carry out law enforcement and justice activities. Instead, OJP works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges.

The BJA, a component of OJP, provides leadership and assistance to local criminal justice programs that improve and reinforce the nation's criminal justice system. The BJA's goals are to reduce and prevent crime, violence, and drug abuse and to improve the way in which the criminal justice system functions. In order to achieve such goals, the BJA programs illustrate the coordination and cooperation of local, state, and federal governments. The BJA works closely with programs that bolster law enforcement operations, expand drug courts, and provide benefits to safety officers.

The purpose of the Recovery Act Correctional Facilities on Tribal Lands Discretionary Grant Program is to assist tribes in cost effectively constructing and renovating correctional facilities associated with the incarceration and

rehabilitation of juvenile and adult offenders subject to tribal jurisdiction. In addition, this funding allows tribes to explore community-based alternatives to help control and prevent jail overcrowding due to alcohol and other substance abuse. The BJA administers the Correctional Facilities on Tribal Lands Discretionary Grant Program in coordination with the Bureau of Indian Affairs and the Office of Juvenile Justice and Delinquency Prevention.

The Rocky Boy's Reservation was established by executive order on September 7, 1916, and is located in north central Montana, approximately 35 miles south of Havre, Montana. The US-Canadian border is approximately 90 miles north of the reservation. Rocky Boy's Agency is the hub of all reservation activity and serves as headquarters for the Chippewa Cree Tribe. By Congressional Act, approximately 55,000 acres of the reservation were established from the old Fort Assiniboine Military Reservation.

The CCT used the Recovery Act Correctional Facilities on Tribal Lands Discretionary Grant Program to construct the Chippewa Cree Tribal Justice Center, which will house Adult Corrections, Juvenile Detention, and the Law Enforcement Departments. Prior to the year 2000, the tribe was advised that its current adult detention facility was being closed for health and safety reasons.

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

Our audit concentrated on, but was not limited to, the period from the grant award date on July 1, 2009, through September 30, 2011. As of September 30, 2011, the CCT had drawn \$7,886,643 of the \$12,374,177 awarded under the grant award covered by our audit. We examined the CCT's accounting records, financial and progress reports, and operating policies and procedures and found:

- Detailed procedures for most grant fund administration processes were unavailable.
- Documentation provided did not support the drawdowns and the general ledger did not match the amounts drawn.
- Some support for transactions, such as the *Applications and Certification for Payment*, were missing dates or one of the required signatures.
- The supporting documents for Chippewa Cree Construction Corporation's portion of the *Application and Certification for Payment* requests were not included in the paperwork submitted for reimbursement from the grantee as required.
- Supporting documentation for the Federal Financial Reports FFRs were not available and the general ledger did not match the amounts reported.
- Supporting evidence for compliance with the special condition concerning bid guarantee, performance, and payment bonds was not available.

We provide four recommendations to address these issues, which are discussed in detail in the *Findings and Recommendations* section of the report. Our audit objectives, scope, and methodology are discussed in Appendix I.

# TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	<b>1</b>
Background .....	2
<i>Program Background</i> .....	2
<i>The Chippewa Cree Tribe of the Rocky Boy's Reservation</i> .....	3
Our Audit Approach .....	3
<b>FINDINGS AND RECOMMENDATIONS</b> .....	<b>5</b>
Internal Control Environment .....	5
<i>Single Audit</i> .....	5
<i>Financial Management System</i> .....	6
Drawdowns .....	7
Grant Expenditures .....	7
<i>Transaction Testing</i> .....	7
<i>Personnel Costs</i> .....	9
Budget Management and Control .....	9
Matching Costs .....	10
Indirect Costs .....	11
Financial Status Reports and Progress Reports .....	12
<i>Financial Status Reports</i> .....	12
<i>Progress Reports</i> .....	14
<i>Quarterly Recovery Act Reports</i> .....	15
Compliance with Grant Requirements .....	16
Program Performance and Accomplishments .....	16
Conclusion .....	17
Recommendations .....	18
<b>APPENDIX I: OBJECTIVES, SCOPE, AND METHODOLOGY</b> .....	<b>19</b>
<b>APPENDIX II: CHIPPEWA CREE TRIBE RESPONSE     TO THE DRAFT REPORT</b> .....	<b>21</b>
<b>APPENDIX III: OJP RESPONSE TO THE DRAFT REPORT</b> .....	<b>24</b>
<b>APPENDIX IV: OIG ANALYSIS AND SUMMARY OF     ACTIONS NECESSARY TO CLOSE REPORT</b> .....	<b>26</b>

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS RECOVERY  
ACT GRANT AWARDED TO THE CHIPPEWA CREE TRIBE  
ROCKY BOY'S RESERVATION, MONTANA**

**INTRODUCTION**

The Office of the Inspector General, Audit Division, has completed an audit of the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), Grant No. 2009-ST-B9-0098, totaling \$12,374,177, awarded to the Chippewa Cree Tribe (CCT) of the Rocky Boy's Reservation, Montana. This grant was awarded under the American Recovery and Reinvestment Act of 2009 (Recovery Act), Correctional Facilities on Tribal Lands Discretionary Grant Program. The details related to this award are shown in Exhibit 1.

**EXHIBIT 1: GRANT AWARDED TO THE CHIPPEWA CREE TRIBE**

<b>GRANT AWARD</b>	<b>AWARD START DATE</b>	<b>AWARD END DATE</b>	<b>AWARD AMOUNT</b>
2009-ST-B9-0098	07/01/2009	06/30/2012	\$ 12,374,177
<b>Total:</b>			<b>\$ 12,374,177</b>

Source: Grants Management System

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

## **Background**

OJP, a component of the U.S. Department of Justice, provides innovative leadership to federal, state, local, and tribal justice systems, by disseminating state of the art knowledge and practices across America, and providing grants for the implementation of these crime-fighting strategies. According to OJP, because most of the responsibility for crime control and prevention falls to law enforcement officers in states, cities, and neighborhoods, the federal government can be effective in these areas only to the extent that it can enter into partnerships with these officers. Therefore, OJP does not directly carry out law enforcement and justice activities. Instead, OJP works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges.

The BJA, a component of OJP, provides leadership and assistance to local criminal justice programs that improve and reinforce the nation's criminal justice system. The BJA's goals are to reduce and prevent crime, violence, and drug abuse and to improve the way in which the criminal justice system functions. In order to achieve such goals, the BJA programs illustrate the coordination and cooperation of local, state, and federal governments. The BJA works closely with programs that bolster law enforcement operations, expand drug courts, and provide benefits to safety officers.

### *Program Background*

The purpose of the Recovery Act Correctional Facilities on Tribal Lands Discretionary Grant Program is to assist tribes in cost effectively constructing and renovating correctional facilities associated with the incarceration and rehabilitation of juvenile and adult offenders subject to tribal jurisdiction. In addition, this funding allows tribes to explore community-based alternatives to help control and prevent jail overcrowding due to alcohol and other substance abuse. The BJA administers the Correctional Facilities on Tribal Lands Discretionary Grant Program in coordination with the Bureau of Indian Affairs and the Office of Juvenile Justice and Delinquency Prevention.

## *The Chippewa Cree Tribe of the Rocky Boy's Reservation*

The Rocky Boy's Reservation was established by executive order on September 7, 1916. The CCT of the Rocky Boy's Indian Reservation was organized in accordance with the Indian Reorganization Act of 1934, that was later amended in 1935, in which the tribe gained federal recognition as the Chippewa-Cree Indians of the Rocky Boy's Reservation, Montana.

The Chippewa Cree Business Committee (tribal council) is the governing body of the tribe. The eight council members and chairman are elected at large and serve four years on staggered terms. The tribe elected to 'compact' the Bureau of Indian Affairs and Indian Health Service programs under Title IV of the P.L. 93-638 Act. The historical act allowed tribes the opportunity to determine their priorities and to become truly self-governing. In addition, it allowed the tribe to exercise the inherent tribal sovereignty of the Chippewa Cree Nation.

The reservation is located in north central Montana, approximately 35 miles from Havre, Montana. The US-Canadian border is approximately 90 miles north of the reservation. Rocky Boy's Agency is the hub of all reservation activity and serves as headquarters for the CCT. By Congressional Act, approximately 55,000 acres of the reservation were established from the old Fort Assiniboine Military Reservation.

The CCT used the Recovery Act Correctional Facilities on Tribal Lands Discretionary Grant Program to construct the Chippewa Cree Tribal Justice Center to house the Adult Corrections, Juvenile Detention, and the Law Enforcement Departments. Prior to the year 2000, the tribe was advised that their current adult detention facility was being condemned for health and safety reasons.

### **Our Audit Approach**

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

Our audit concentrated on, but was not limited to, the award of the grant on July 1, 2009, through September 30, 2011. This was an audit of Recovery Act, Correctional Facilities on Tribal Lands Discretionary Grant Program Grant No. 2009-ST-B9-0098.



In conducting our audit, we performed sample testing of grant expenditures, reviewed the timeliness and accuracy of Financial Reports and Progress Reports, evaluated performance related to grant objectives, examined operating policies and procedures, and reviewed the internal controls of the financial management system. As of September 30, 2011, the CCT had drawn \$7,886,643 of the \$12,374,177 awarded under the grant.

The results of our audit are discussed in the *Findings and Recommendations* section of the report. Our audit objectives, scope, and methodology are discussed in Appendix I.

## FINDINGS AND RECOMMENDATIONS

We evaluated the general ledger of the Chippewa Cree Tribe (CCT) and found the transactions recorded were generally accurate. However, we found that detailed procedures for most grant fund administrative processes were not maintained, documentation provided by CCT did not support the drawdowns, and documents, such as the *Application and Certification for Payment*, were missing information such as dates and signatures. Also, supporting documents for the Chippewa Cree Construction Corporation's (C4) requests for payment were not included in the *Application and Certification for Payments*. Additionally, the documentation provided by CCT did not support the information presented in the Financial Status Reports and Federal Financial Reports (FSR/FFRs), and did not provide evidence of meeting a special condition.

### Internal Control Environment

To assess the CCT's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant, we reviewed Single Audit Reports, reviewed policies and procedures, and interviewed CCT staff.

#### *Single Audit*

According to *Office of Management and Budget (OMB) Circular A-133*, the CCT is required to perform a single audit annually. We obtained and reviewed the most recent single audit, which was for the fiscal year ending September 30, 2010.<sup>1</sup>

The Single Audit report contained one finding related to the grant award concerning the internal controls over manufactured goods purchased with American Recovery and Reinvestment Act funds. According to the Recovery Act award requirements for the construction of a building, all iron, steel, and manufactured goods are required to be produced in the United States. Since CCT did not have any policies or procedures to ensure that

---

<sup>1</sup> The CCT received two opinions in its single audit, an unqualified opinion for its "governmental activities and funds" and an adverse opinion concerning its "aggregate discretely presented component units, the business-type activities, and each major enterprise fund." The adverse opinion occurred because the CCT did not include all component units in its financial statements as required (C4 had not included its financial reports). As a result, the CCT's overall financial condition could not be determined.

this provision was followed, the auditors considered this a finding. This finding was later remedied and the CCT was able to provide us with signed certifications from its vendors and contractors ensuring that they were in compliance.

The audit report also contained an internal control finding concerning the lack of segregation of duties, specifically, bank reconciliations were prepared by the same employees that prepared deposits, received cash and prepared entries for the receipt of cash; accounts receivable sub-ledgers not being reconciled to the trial balance in a timely manner; and employee loans not being properly approved. We interviewed finance personnel and determined that CCT had developed practices to adequately separate duties related to bank reconciliations. However, as detailed in the following section, CCT had not developed formal written procedures for performing the reconciliations and other administrative processes.

### *Financial Management System*

In addition to reviewing previous single audits, we also reviewed the CCT's financial management system to assess risk. We performed a limited review of the grantee's record keeping, procurement, receiving, payment, and payroll procedures, and no findings were noted.

We determined that the CCT has general policies and procedures that provide guidelines in the preparation of accurate and timely financial reports and internal control system standards. However, we found that CCT did not have detailed procedures outlining systematic instructions for most grant fund administration processes such as performing bank reconciliations and accounts payable. To illustrate the issue, while at the audit site we were informed that requested documents were unavailable because the assigned employee was not present. As a best practice, we believe each position should have written detailed instructions as to job responsibilities, duties, and step-by-step procedures to ensure that another employee could perform the duties of the position if the assigned employee is unable to do so. Since the CCT does not have these instructions, this is an internal control issue. We recommend that CCT develop and implement specific procedures for all financial tasks related to accounting for federal funds.

## Drawdowns

According to the *OJP Financial Guide (2009)*, "grant recipient organizations should request funds based upon immediate disbursement/reimbursement requirements. Recipients should time their drawdown requests to ensure that federal cash on hand is the minimum needed for reimbursements to be made immediately or within 10 days." Officials at the CCT stated that drawdowns were based on advance funding since the Tribe does not typically have enough cash on hand to pay large construction expenditures. According to the CCT Grants Manager, the advance drawdowns were expensed within 10 days of receipt, which is within the parameters outlined in the *OJP Financial Guide*. However, we were unable to verify this process because the documentation provided by CCT did not reconcile to each drawdown. Therefore, we could not verify the accuracy of individual drawdowns as compared to recorded expenditures.

As a result, we reviewed the accounting records through September 30, 2011 and compared the actual expenditures to the drawdowns for the grant. As shown in Exhibit 2, based on the summary of general ledger revenues and expenditure records provided by CCT, we determined that the overall expenditures were greater than the drawdowns, so there were no excess draws.

### Exhibit 2: Drawdowns vs. Actual Expenditures

TOTAL AMOUNT DRAWN DOWN	TOTAL ACTUAL EXPENDITURES	DIFFERENCE BETWEEN THE AMOUNT DRAWN DOWN AND THE ACTUAL EXPENDITURES
\$7,886,643	\$7,886,862	\$219

Source: BJA and the CCT

Because we were unable to verify the accuracy of the drawdowns, we recommend that the OJP take steps to ensure drawdowns submitted by CCT are accurate and properly supported.

## Grant Expenditures

### *Transaction Testing*

According to the *OJP Financial Guide*, the grantee is required to maintain supporting documentation for all grant related expenditures. Based on the accounting records for Grant No. 2009-ST-B9-0098 we selected a sample of 25 transactions for testing, including 100 percent of the "Other

Services" account, which covered the construction contract transactions. In total, we tested \$7,379,515 of the \$7,886,862 charged to the grant as of September 30, 2011, or 93.6% of the total expenditures. We evaluated the general ledger of the CCT and found the transactions reconciled to the supporting documentation.

The procedure used by the C4, the primary contractor, to obtain payment was to submit an *Application and Certification for Payment* to the CCT.<sup>2</sup> This document was prepared by the engineering and architectural contractor as part of its contractual obligations regarding oversight authority of the construction project with CCT. Each month the two contractors reviewed the *Continuation Sheet of the Application for Payment*, which lists the activities and the valuations, to discuss and reach agreement on percentages of completion for the various activities of the construction contract. They used the previous month's continuation sheet and annotated in red the changes to be submitted with the next *Application and Certification for Payment*. Payments were calculated based on the percentage of the work completed multiplied times the scheduled valuation, minus the amount of any previous payments based on prior percentages of completion. Items listed on the continuation sheet, performed by subcontractors, were documented with attached invoices.

We did not identify questioned costs in our transaction testing. However, we discovered two issues that we believe should be addressed by CCT. First, we observed some instances where documents, such as the *Application and Certification for Payments*, were missing dates or one of the signatures. However, we were able to verify the costs were authorized and did not question those transactions. CCT acknowledged these and stated it would take steps to ensure all paperwork was completed properly, and the Grants Manager is now using checklists to improve and ensure accuracy.

Secondly, there was no supporting documentation for the C4 portion of the total cost on the *Application and Certification for Payment Continuation Sheets*. C4's portion was based on the percentage of work that was completed. We brought this to the attention of the Contractor's Project Administrator who stated these *Application and Certification for Payment Continuation Sheets*, marked up with changes from the previous submission, are kept by the engineering and architectural contractor's main office and are not included as part of the submitted *Application and Certification for Payment* paperwork package. The Project Administrator did not provide a specific explanation why a copy of the marked up continuation sheet was not

---

<sup>2</sup> The Chippewa Cree Construction Corporation (C4) is the primary contractor, owned by the CCT, and was approved as the sole source contractor for this program.

included in the support documents. Furthermore, CCT had no explanation for not requiring the copy of the marked up continuation sheet other than it relied on the contractor for the correct information in the *Application and Certification for Payment*. However, we reviewed the most recent annotated continuation sheets and verified that they reconciled with C4's portion of the costs. As a result, we did not question those transactions. To ensure future costs are readily supported, the contractor agreed to include documentation for total costs in all future requests for payment.

#### *Personnel Costs*

The approved budget included 50 percent of the cost of the Project Director for 30 months. These personnel costs were budgeted as part of the CCT's matching requirement. However, there were no personnel costs paid with grant funds.

#### **Budget Management and Control**

The approved budget for the grant award called for a total budget of \$13,749,337 with \$1,375,160 of this amount provided as a match by CCT. We compared the grant budget to the actual costs as shown in Exhibit 3 and determined that the actual costs as of September 30, 2011, are within the parameters approved in the grant budget.

### Exhibit 3: Grant Budget vs. Actual Costs

<b>COST CATEGORY</b>	<b>ORIGINAL GRANT BUDGET</b>	<b>ACTUAL COST</b>
Personnel	\$ 101,886	\$ -
Fringe Benefits	32,593	-
Travel	8,600	7,205
Equipment	1,744,200	-
Supplies	-	-
Construction	9,377,114	6,369,219
Contract	778,120	755,050
Other	456,885	157
<b>TOTAL DIRECT COSTS</b>	<b>12,499,398</b>	<b>7,131,631</b>
Indirect Costs (Administration)	1,249,939	755,231
<b>TOTAL</b>	<b>\$13,749,337</b>	<b>\$7,886,862</b>
<b>FEDERAL FUNDS</b>	<b>\$12,374,177</b>	<b>\$7,886,862</b>
<b>LOCAL MATCH</b>	<b>\$ 1,375,160</b>	<b>\$ -<sup>3</sup></b>

Source: OJP and the CCT.

### Matching Costs

The approved budget included a non-federal match requirement of approximately 10 percent as shown in Exhibit 3. The Final Financial Clearance Memorandum stated that the "match is not required but necessary for the completion of the project. Therefore, the non-federal share that has been incorporated in the approved budget is mandatory and subject to audit."

According to the *OJP Financial Guide (2009)*, "Matching contributions need not be applied at the exact time or in proportion to the obligations of the Federal funds. However, the full matching share must be obligated by the end of the period for which the Federal funds have been made available for obligation under an approved program or project." Since the award end date of June 30, 2012 had not yet been reached prior to the completion of our fieldwork, and since CCT had not recorded any matching costs, we were unable to audit matching requirements. The approved budget for matching is shown in Exhibit 4.

---

<sup>3</sup> Since no matching costs were recorded in CCT's records at the time of our fieldwork, we could not determine the amount of any match that has been contributed as of September 30, 2011.

#### Exhibit 4: Matching Budget

ITEM	MATCH
Personnel	
1. Project Director	\$ 101,886
Fringe Benefits	
1. Rate is 31.99% of personnel expenses	32,593
Equipment	
1. Permanently Affixed Furniture	70,000
2. Computer/Printers (hardware/software)	150,000
3. Communications Equipment	200,000
4. Contingency @ 2%	8,400
Construction/Site Development	
1. Land Lease	45,500
2. Geotechnical Investigation Allowance	3,000
3. Contingency at 3%	1,455
Other Costs	
1. TERO Fees	183,618
2. Executive Level Planning/PONI Team	84,000
Administrative costs	
1. Administrative costs	494,708
<b>TOTAL MATCHING</b>	<b>\$ 1,375,160</b>

Source: Grants Management System and the CCT.

#### Indirect Costs

We determined that indirect costs of \$1,249,939 were approved in the grant budget as administrative expenses in CCT's accounting records and are calculated as a percentage of total direct costs.

The CCT had an approved federal government indirect cost rate of 22.14 percent but the grantee was approved to use a lesser rate of 10 percent for this grant. As shown in Exhibit 5, the total amount of direct costs were \$12,499,398, and 10 percent of this amount is \$1,249,939. According to the grant budget, \$755,231 of this amount will be provided via federal funds with the remaining \$494,708 contributed by the grantee as a match. As of the start of fieldwork, CCT had expensed a total of \$755,231 of the approved \$1,249,939.



### Exhibit 5: Indirect Costs

Total Direct Costs approved in the grant budget	Total Indirect Costs (10% of direct costs)	Amount of Indirect Costs to be paid using grant funds	Amount of Indirect Costs to be paid by the grantee as a match
\$12,499,398	\$1,249,939	\$755,231	\$494,708

Source: Financial Clearance Memorandum

### Financial Status Reports and Progress Reports

#### *Financial Status Reports*

In order to determine the timeliness and accuracy of the Financial Status Reports (FSR) or Federal Financial Reports (FFR), as shown in Exhibit 6, we examined all nine FSR/FFRs submitted by CCT for Grant No. 2009-ST-B9-0098.<sup>4</sup> We compared the FSR/FFR due dates, as determined based on the requirements in the *OJP Financial Guide*, to the submission dates and found that they were generally submitted in a timely manner. However, FFR No. 3 was 24 days late.

### Exhibit 6: FSR/FFR Timeliness

No.	PERIOD ENDING	REPORT DUE DATE	DATE SUBMITTED	FSR OR FFR	DAYS LATE
1	09/30/09	11/14/09	11/16/09	FSR	2
2	12/31/09	01/30/10	01/06/10	FFR	0
3	03/31/10	04/30/10	05/24/10	FFR	24
4	06/30/10	07/30/10	07/29/10	FFR	0
5	09/30/10	10/30/10	10/28/10	FFR	0
6	12/31/10	01/30/11	01/20/11	FFR	0
7	03/31/11	04/30/11	04/29/11	FFR	0
8	06/30/11	07/30/11	07/27/11	FFR	0
9	09/30/11	10/30/11	10/27/11	FFR	0

Source: Grants Management System

<sup>4</sup> Beginning October 1, 2009, Financial Status Reports (SF-269A) became Federal Financial Reports (FFR-425) with due dates shortened to 30 days versus 45 days after quarter end date. FFRs must be reported online in the Grants Management System.

To determine the accuracy of the FSR/FFRs we compared the CCT's actual expenditures as recorded in the general ledger to those reported in the FSR/FFRs. As shown in Exhibit 7, we found that the actual expenditures for each reporting period as recorded in the general ledger did not match the reported amounts on the FSRs. The expenditures for FFR Nos. 2, 3, 4 and 9 were slightly overstated or understated. The expenditures reported in FFR Nos. 6 and 7 were significantly overstated, and the expenditures in FFR Nos. 5 and 8 were significantly understated.

**Exhibit 7: FSR/FFR Accuracy Quarterly**

<b>No.</b>	<b>REPORT PERIOD ENDING</b>	<b>EXPENDITURES PER FSR</b>	<b>EXPENDITURES PER ACCOUNTING RECORDS.</b>	<b>PERIOD DIFFERENCE</b>
1	09/30/09	\$ -	\$ -	\$ -
2	12/31/09	-	3,296	3,296
3	03/31/10	6,341	4,818	(1,523)
4	06/30/10	2,640	3,299	659
5	09/30/10	1,838,237	2,026,487	188,250
6	12/31/10	1,126,435	935,868	(190,567)
7	03/31/11	997,070	490,892	(506,178)
8	06/30/11	1,590,473	2,096,536	506,063
9	09/30/11	2,325,509	2,325,666	157

Source: Grants Management System and Chippewa Cree Tribe General Ledger

We discussed these discrepancies with the Grants Manager who stated that the reason for these discrepancies had to do with a post quarter-ending journal entry in the first instance for the period ending September 30, 2010. The second instance involved the advance payment of an invoice that carried over to the next reporting period.

We also discussed with the Grants Manager the lack of supporting documentation for the amounts reported on the FSR/FFRs. According to the *OJP Financial Guide*, the FSR/FFRs contain the actual expenditures and unliquidated obligations incurred for the reporting period and cumulative for the award in accordance with their accounting system.<sup>5</sup> In our judgment, each FFR should have supporting documentation that explains any deviations from the quarterly general ledger summary for the corresponding reporting period. The Grants Manager acknowledged the problem and stated she would attempt to correct the situation, with the cooperation of the finance department.

---

<sup>5</sup> The Office of the Chief Financial Officer (OCFO) 2011 Financial Guide also requires actual expenditures on the SF-425 Federal Financial Report (FFR).

As shown in Exhibit 8 for the cumulative totals of the FSRs and the general ledger, reporting periods 5 and 7 had significant discrepancies, one overstated and the other understated, and periods 6 and 8 indicate those discrepancies were essentially corrected the following quarter. Although there were some minor discrepancies in the other periods, they were not significant, and in period 8, these timing differences balanced. The discrepancy in period 9 was due to a bank charge that had not yet been reversed.

**Exhibit 8: FSR/FFR Accuracy Cumulative**

No.	REPORT PERIOD ENDING	FSR CUMULATIVE TOTAL	ACCOUNTING RECORD CUMULATIVE TOTAL	CUMULATIVE DIFFERENCE
1	09/30/09	\$ -	\$ -	\$ -
2	12/31/09	-	3,296	3,296
3	03/31/10	6,341	8,114	1,773
4	06/30/10	8,981	11,413	2,432
5	09/30/10	1,847,218	\$2,037,899	190,681
6	12/31/10	2,973,653	2,973,767	114
7	03/31/11	3,970,723	3,464,660	(506,063)
8	06/30/11	5,561,196	5,561,196	-
9	09/30/11	7,886,705	7,886,862	157

Source: Grants Management System and Chippewa Cree Tribe General Ledger

The CCT stated it has taken steps to correct future discrepancies. We recommend that the OJP take steps to ensure FFRs submitted by CCT are accurate and properly supported.

*Progress Reports*

We reviewed all four of the CCT’s semiannual progress reports for timeliness, based on the requirements in the *OJP Financial Guide*, and determined they were generally timely. As part of the progress report, the grantee is required to attach a report from the BJA Performance Measurement Tool, which is an online questionnaire specific to established goals and objectives. However, report Nos. 2 and 4 did not include the required semiannual report from the BJA Performance Measurement Tool when they were originally submitted. The complete report was not submitted until 7 months later for report No. 2 and 3.5 months later for

report No. 4. The semiannual Progress Reports Nos. 1 and 3 included required program performance statistical data.

**Exhibit 9: Progress Report Timeliness**

No.	REPORT PERIOD ENDING	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE	COMMENTS
1	12/31/09	01/30/10	01/29/10	0	Complete Report Submitted
2	06/30/10	07/30/10	07/29/10	0	Corrected/complete report submitted 02/01/11
3	12/31/10	01/30/11	02/01/11	2	Complete Report Submitted
4	06/30/11	07/30/11	07/30/11	0	Corrected/complete report submitted 10/14/11

Source: Grants Management System

*Quarterly Recovery Act Reports*

According to the Recovery Act, the recipient is required to submit "Reports on Use of Funds" within 10 days of the end of each fiscal quarter. These quarterly reports require both financial and programmatic data. We reviewed all nine of the CCT's quarterly reports for timeliness, based on the requirements in the Recovery Act, and as shown in Exhibit 10, determined they were generally up to 4 days late. Since this time was minimal, we are not including a recommendation regarding this issue.

**Exhibit 10: CCT's Reports on Use of Funds**

No.	REPORT PERIOD ENDING	REPORT DUE DATE	DATE SUBMITTED	DAYS LATE
1	09/30/11	10/10/11	10/14/11	4
2	06/30/11	07/10/11	07/14/11	4
3	03/31/11	04/10/11	04/14/11	4
4	12/31/10	01/10/11	01/11/11	1
5	09/30/10	10/10/10	10/08/10	0
6	06/30/10	07/10/10	07/09/10	0
7	03/31/10	04/10/10	04/09/10	0
8	12/31/09	01/10/10	01/14/10	4
9	09/30/09	10/10/09	10/06/09	0

Source: Grants Management System

Our review of the content of the reports did not reveal any significant discrepancies.

### **Compliance with Grant Requirements**

To determine if the CCT complied with the special conditions of the grant, we reviewed the award documentation and identified what we believe to be the most critical special conditions placed on the grantee. We surveyed CCT officials regarding the special conditions identified in the award documentation and determined that the CCT generally complied with the required special conditions tested.

However, in verifying the solicitation, bid, and award process for the engineering and architectural contractor as defined in the award special condition No. 6, which requires bid bonds, performance bonds, and payment bonds for all contracts over \$100,000, CCT was unable to provide adequate documentation to support compliance. According to the Grants Manager, the previous project manager left the CCT in February of 2010, and apparently took all of the contract records in addition to erasing the computer drive. As a result, we were unable to verify compliance with the special condition. We recommend that the CCT take steps to ensure complete records are maintained of all solicitation, bid, and contract award documents in support of special conditions.

### **Program Performance and Accomplishments**

According to the award documentation, the goals and objectives of Grant No. 2009-ST-B9-0098 were to enhance the CCT's public safety, detention, and corrections capabilities through construction of a new multi-purpose justice facility that is culturally appropriate for its unique population, responsive to community needs, secure, properly equipped, and compliant with Bureau of Indian Affairs standards. To accomplish this goal, the objective was to construct a 38,570 gross square foot, single-tribe multi-purpose justice center to house CCT's Adult Correction, Juvenile Detention, and Law Enforcement Departments.

During a site visit conducted in August 2011 by the BJA contractor Alpha Corporation, the report states, "Alpha continues to note schedule slippage. The projected completion date of September 30, 2011 will not be achieved as stated in the last report, and based on the site inspection, substantial completion may not occur until early spring 2012". CCT stated that the delay was due to a flood which occurred in 2010 causing the project

to run behind schedule. CCT submitted a grant adjustment notice to the BJA and was approved to extend the project period to June 30, 2012.

## **Monitoring Contractors**

The CCT Grants Manager monitors the contractors using a variety of tools to monitor performance including C4 quarterly reports, engineering weekly reports, and reports from the ICON construction manager. ICON is responsible for the design and oversight of construction, and verified invoices and tracks progress to grant objectives. Additionally, CCT processors were assigned for each award to perform a complete review of every invoice package and to verify all paperwork and signatures are obtained prior to releasing a check.

## **Conclusion**

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

In conclusion, during the testing of internal controls, we noted two discrepancies from the most recent Single Audit report for the fiscal year ended September 30, 2010. One finding related to the grant award concerning the internal controls over manufactured goods purchased with American Recovery and Reinvestment Act funds. According to the Recovery Act award requirements for the construction of a building, all iron, steel, and manufactured goods are required to be produced in the United States. Since CCT did not have any policies or procedures to ensure that this provision was followed, the auditors considered this a finding. This finding was later remedied and the CCT was able to provide us with signed certifications from its vendors and contractors ensuring that they were in compliance.

The audit report also contained an internal control finding concerning the lack of segregation of duties, specifically, concerning bank reconciliations prepared by the same employees that prepare deposits, receive cash and prepare entries for the receipt of cash; accounts receivable sub-ledgers not being reconciled to the trial balance in a timely manner; and employee loans not being properly approved. The bank reconciliations portion is the only aspect of the finding related to our audit. We interviewed finance personnel and determined that CCT had developed practices to adequately separate duties related to bank reconciliations.

In addition to reviewing previous single audits, we also reviewed the CCT's financial management system to assess risk. We performed a limited review of the grantees record keeping, procurement, receiving, payment, and payroll procedures, and found that detailed procedures outlining the systematic instructions for most grant fund administration processes such as performing bank reconciliations and accounts payable were unavailable. In our transaction testing, although we did not find any dollar related deficiencies; we observed some documents, such as the *Application and Certification for Payments*, were missing information, such as a signature and dates. We also found that documents to support C4's costs, which are based on the percentage of work completed, were not maintained with the documentation for the costs. Both of these issues were subsequently addressed and appear to have been corrected. Additionally, we found that supporting documents for drawdowns and FSR/FFRs were not maintained. Overall we provide four recommendations to address these issues.

## **Recommendations**

We recommend that the OJP:

1. Ensure the CCT develops detailed procedures outlining systematic instructions for clerical processes such as performing bank reconciliations and accounts payable related to administration of grant funds.
2. Ensure drawdowns requested by the CCT are accurate and properly supported.
3. Ensure the FFRs submitted by the CCT are accurate and properly supported.
4. Ensure the CCT maintains complete records of all solicitation, bid, and contract award documents in support of special conditions.

**OBJECTIVES, SCOPE, AND METHODOLOGY**

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

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit concentrated on, but was not limited to, the award of the grant on July 1, 2009, through September 30, 2011. This was an audit of Recovery Act, Correctional Facilities on Tribal Lands Discretionary Grant Program Grant No. 2009-ST-B9-0098. The CCT had a total of \$7,886,643 in drawdowns through September 30, 2011.

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide* and the award documents.

In conducting our audit, we performed sample testing for grant expenditures. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant reviewed, such as dollar amounts or expenditure category. We selected a sample of 25 grant expenditures for Grant No. 2009-ST-B9-0098. This non-statistical sample design does not allow projection of the test results to the universes from which the samples were selected.



In addition, we reviewed the timeliness and accuracy of financial reports and progress reports and evaluated performance to grant objectives; however, we did not test the reliability of the financial management system as a whole.

CHIPPEWA CREE TRIBE RESPONSE  
TO THE DRAFT REPORT

**The Chippewa Cree Tribe of the Rocky Boy's Reservation**

Phone: (406) 395-4478 or 4210 - Finance Office  
(406) 395-4282 or 4321 - Business Committee

31 Agency Square  
Box Elder, Montana 59521

Monday, July 02, 2012

David M. Sheen  
Regional Audit Manager  
Office of the Inspector General  
U. S. Department of Justice  
1120 Lincoln Street, Suite 1500  
Denver, CO 80203

Dear Mr. Sheen,

The Chippewa Cree Tribe is in receipt of the draft audit report dated June 12, 2012, which was completed by the Office of Inspector General on grant number 2009-ST-B9-0098. After full review of the Audit the Chippewa Cree Tribe concurs with the recommendations and has formally responded to the recommendations as outlined on page 19.

We would like to thank you for your time in completing the review and hereby submit the following responses to your recommendations. If you need any further information please do not hesitate to contact me.

Sincerely,



Bruce Sunchild, Sr.  
Chairman  
Chippewa Cree Tribe of the Rocky Boy's Reservation of Montana  
31 Agency Square  
Box Elder, MT 59521

Enclosure  
CC: Charlene Saddler

**Chippewa Cree Tribe  
Response to OIG Audit Recommendations  
Tribal Justice Center Construction Project  
Grant number: 2009-ST-B9-0098**

**RECOMMENDATION #1:**

“Ensure the CCT develops detailed procedures outlining systematic instructions for clerical processes such as performing bank reconciliation’s and accounts payable related to administration of grant funds.”

**RESPONSE**

The Chippewa Cree Tribe concurs with this finding and updated the organization structure and improved procedures by writing procedures for each clerical position in Finance. All duties related to each position will be readily updated in the event of system changes. New hires or changes in staff will be required to sign an acknowledgement form that informs them of daily responsibilities and duties assigned to them.

**RECOMMENDATION #2:**

“Ensure drawdowns requested by the CCT are accurate and properly supported.”

**RESPONSE**

We concur with this finding and have taken steps to streamline documentation. The drawdown requests will have support attached to a form that identifies the amount requested and date requested. Support will include expenditure reports, applicable invoices, and any other forms of financial documents such as purchase order requests or check requests.

**RECOMMENDATION #3:**

“Ensure the FFRs submitted by the CCT are accurate and properly supported.”

**RESPONSE**

We concur with this finding. The Grants Manager for this project has revised the program report to identify a quarterly total when reporting financial expenditures to eliminate errors. The report for total expenditures will be attached and in the grant file.

**RECOMMENDATION #4:**

“Ensure the CCT maintains complete records of all solicitation, bid, and contract award documents in support of special conditions.”

## RESPONSE

The Chippewa Cree Tribe concurs with this finding. The process of advertisement, bid proposals and award documents were adhered to, however, former Personnel that had oversight in this department did not leave the records as part of the grant file. The Chippewa Cree Tribe has drafted Policies, procedures, and disciplinary actions related to the Grant Reporting requirements. The Compliance Department will establish a checklist of grant requirements and ensure any special conditions are met and the Project Director will be held accountable to ensure documents are maintained. The Chippewa Cree Tribe has a Tribal Procurement policy that addresses the bid and records retention for all special conditions.

**OFFICE OF JUSTICE PROGRAMS  
RESPONSE TO THE DRAFT REPORT**



U.S. Department of Justice

*Office of Justice Programs*

*Office of Audit, Assessment, and Management*

Washington, D.C. 20531

1 2  
FEB 20 2012

MEMORANDUM TO: David M. Sheeren  
Regional Audit Manager  
Denver Regional Audit Office  
Office of the Inspector General

FROM: Maureen A. Henneberg  
Director *MA Henneberg*

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Bureau of Justice Assistance, Grant Awarded to the Chippewa Cree Tribe of the Rocky Boy's Reservation of Montana*

This memorandum is in response to your correspondence, dated June 12, 2012, transmitting the subject draft audit report for the Chippewa Cree Tribe (CCT) of the Rocky Boy's Reservation. We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **four** recommendations **no** 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 ensure the CCT develops detailed procedures outlining systematic instructions for clerical processes, such as performing bank reconciliations and accounts payable, related to the administration of grant funds.**

We agree with the recommendation. We will coordinate with the CCT to ensure they develop detailed procedures outlining systematic instructions for clerical processes, such as performing bank reconciliations and accounts payable, related to the administration of Federal grant funds.

2. **We recommend that OJP ensure that drawdowns requested by the CCT are accurate and properly supported.**

We agree with the recommendation. We will request that the CCT provide a copy of procedures implemented to ensure that drawdowns are accurate and properly supported.

3. **We recommend that OJP ensure that Federal Financial Reports (FFR) submitted by the CCT are accurate and properly supported.**

We agree with the recommendation. We will request that the CCT provide a copy of procedures implemented to ensure that FFRs are accurate and properly supported.

4. **We recommend that OJP ensure that the CCT maintains complete records of all solicitation, bid, and contract award documents in support of special conditions.**

We agree with the recommendation. We will coordinate with the CCT to obtain a copy of procedures implemented to ensure that complete records of all solicitation, bid, and contract award documents are maintained, in support of special conditions.

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

Tracey Trautman  
Acting Deputy Director for Programs  
Bureau of Justice Assistance

Amanda LoCicero  
Audit Liaison  
Bureau of Justice Assistance

Dara Schulman  
Grant Program Specialist  
Bureau of Justice Assistance

Louise Duhamel, Ph.D.  
Acting Assistant Director, Audit Liaison Group  
Internal Review and Evaluation Office  
Justice Management Division

OJP Executive Secretariat  
Control Number 20120918

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

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and the Chippewa Cree Tribe (CCT). The OJP and CCT responses are incorporated in Appendices II and III respectively of this final report. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

**Recommendation Number:**

1. **Resolved.** OJP concurred with our recommendation to ensure the CCT develops detailed procedures outlining systematic instructions for clerical processes such as performing bank reconciliations and accounts payable related to administration of grant funds. This recommendation can be closed once the CCT has provided detailed procedures for clerical processed relating to accounting for federal funds.
2. **Resolved.** OJP concurred with our recommendation to ensure the CCT drawdowns are accurate and properly supported. This recommendation can be closed once the CCT has provided implemented procedures to ensure that drawdowns are accurate and properly supported.
3. **Resolved.** OJP concurred with our recommendation to ensure Federal Financial Reports (FFRs) submitted by the CCT are accurate and properly supported. This recommendation can be closed once the CCT has provided implemented procedures to ensure that FFRs are accurate and properly supported.
4. **Resolved.** OJP concurred with our recommendation to ensure the CCT maintains accurate and complete support documents for all solicitation, bid, and contract award documents in support of special conditions. This recommendation can be closed once the CCT has provided implemented procedures to ensure solicitation, bid, and contract award documents in support of special conditions are accurate and complete.