



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY
PREVENTION COOPERATIVE AGREEMENTS AWARDED
TO PHILADELPHIA CHILDREN'S ALLIANCE
PHILADELPHIA, PENNSYLVANIA**

U.S. Department of Justice
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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
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EXECUTIVE SUMMARY

The U.S. Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of cooperative agreements 2010-CI-FX-K004 and 2011-CI-FX-K007, totaling \$2,308,946, awarded by the Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP) to the Philadelphia Children's Alliance (PCA)¹ OJP awarded PCA funding to operate the Northeast Regional Children's Advocacy Center (NRCAC), a program to provide training and technical assistance to organizations and multidisciplinary child abuse teams addressing child abuse and neglect in the northeastern United States.²

The objective of our audit was to assess performance in key areas of grant management that are applicable and appropriate for the awards under review. We determined whether expenditures claimed for costs under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards. We also evaluated program performance to determine whether the goals and objectives of the awards were met. Unless otherwise stated in the report, we applied the OJP Financial Guide (Financial Guide) as our primary criteria.³

We determined that PCA was not in full compliance with all of the award conditions and identified costs that were either unallowable or unsupported that total \$248,108, approximately 14 percent of PCA's total award expenditures of \$1,742,635 through April 30, 2013. The questioned costs include \$178,389 in personnel and fringe benefit expenditures and \$69,719 in contractual costs.

In addition to our monetary findings, we identified seven management improvement findings related to the following four areas of grant administration: (1) internal control environment; (2) grant expenditures, (3) drawdowns, and (4) subrecipient monitoring.

¹ Cooperative agreements are used when the awarding agency expects to be substantially involved with the award's activities. We refer to cooperative agreements in this report as awards.

² NRCAC is one of four regional centers supported by the Department of Justice (DOJ). The states served by NRCAC include Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

³ 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 Financial Guide.

Based on the results of this audit, we make nine recommendations to the Office of Justice Programs regarding the use of award funds, including the \$248,108 in net questioned costs.⁴ In addition, we make one recommendation to the Office of Justice Programs regarding its methodology for awarding funding under the Regional Children’s Advocacy Center program.

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

We discussed the results of our audit with PCA officials and have included their comments in the report, as applicable. Additionally, we requested a response to our draft report from PCA and OJP, and their responses are appended to this report as Appendix III and IV, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations can be found in Appendix V of this report.

⁴ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount. Please refer to Appendix II for the Schedule of Dollar-Related Findings.

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INTRODUCTION

The U.S. Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of two cooperative agreements, totaling \$2,308,946, awarded by the Office of Justice Programs (OJP).⁵ OJP made the awards through its Office of Juvenile Justice and Delinquency Prevention (OJJDP) to the Philadelphia Children’s Alliance (PCA). OJP awarded this funding to PCA to operate the Northeast Regional Children’s Advocacy Center (NRCAC), a program to provide training and technical assistance to child advocacy centers and multidisciplinary teams addressing child abuse and neglect in northeastern United States.⁶

PCA has operated the NRCAC for OJP since 1995 under a series of agreements, each lasting 5 years. Although each agreement was for 5 years, OJP provided funding on an annual basis subject to DOJ appropriations. The current agreement between OJP and PCA began in 2010, and we audited expenditures totaling \$1,742,635 from the first two annual installments of funding as shown in Exhibit I.

**EXHIBIT I
FUNDING AWARDED TO PHILADELPHIA CHILDREN’S ALLIANCE**

AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
2010-CI-FX-K004	08/01/2010	12/31/2012	\$ 1,250,000
2011-CI-FX-K007	08/01/2011	12/31/2013	1,058,946
TOTAL:			\$2,308,946

Source: Office of Justice Programs

The objective of our audit was to assess performance in key areas of grant management that are applicable and appropriate for the awards under review.

⁵ Cooperative agreements are used when the awarding agency expects to be substantially involved with the award’s activities. We refer to cooperative agreements in this report as awards.

⁶ NRCAC is one of four regional centers supported by the Department of Justice (DOJ). The states served by NRCAC include Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

Office of Justice Programs

The Office of Justice Programs (OJP), within the Department of Justice (DOJ), provides the primary management and oversight of the awards we audited. According to its website, OJP provides innovative leadership to federal, state, local, and tribal justice systems by disseminating state of the art knowledge and practices across America, and providing awards for the implementation of these crime fighting strategies.

Office of Juvenile Justice and Delinquency Prevention

The Office of Juvenile Justice and Delinquency Prevention (OJJDP), within OJP, is responsible for management and oversight of the two awards we audited. OJJDP contributes to the reduction of youth crime and violence through comprehensive and coordinated efforts and the federal, state, and local levels. According to its website, OJJDP's mission is to provide national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization. Through its components, OJJDP sponsors research, program, and training initiatives; develops priorities and goals and sets policies to guide federal juvenile justice issues; disseminates information about juvenile justice issues; and awards funds to states to support local programming.

Regional Children's Advocacy Center Program

The Victims of Child Abuse Act authorized the establishment of the Regional Children's Advocacy Centers (RCAC) program. The RCAC program is intended to further the DOJ's mission by supporting and strengthening four regional Children's Advocacy Centers that work to develop teams, programs, and organizations that respond to child abuse and neglect through the delivery of training and technical assistance. One RCAC is located within each of the four U.S. Census regions.⁷ Each region has unique characteristics, organizational structures, and approaches to the problem of intervening in child abuse.

The purposes of the RCAC program are to (1) develop multidisciplinary teams, local children's advocacy center programs, and state chapter organizations that respond to child abuse and neglect; and (2) strengthen existing multidisciplinary teams, child advocacy center programs, and state chapter organizations through the delivery of training and technical assistance. Since the first RCAC awards in 1995, OJJDP has awarded RCAC program funds through a competitive selection process.

⁷ The four U.S. Census regions include the northeast region, southern region, midwest region, and western region.

Philadelphia Children's Alliance

The Philadelphia Children's Alliance (PCA), located in Philadelphia, Pennsylvania, is a non-profit 501(c)(3) organization founded in 1989.⁸ According to its website, PCA is the largest children's advocacy center in Pennsylvania. It coordinates a multi-agency, interdisciplinary response for victims of child sexual abuse in Philadelphia.⁹ PCA's services, which it provides free of charge, are accomplished by bringing together child protection social workers, police officers, prosecutors, and medical and mental health professionals to collaboratively investigate child sexual abuse.

Northeast Regional Children's Advocacy Center

The Northeast Regional Children's Advocacy Center (NRCAC) is a project created and operated by the Philadelphia Children's Alliance. Of PCA's 30 employees, 7 staff are assigned either full-time or part-time to NRCAC activities. In 2011, 45 percent of PCA's revenue came from NRCAC funding. The NRCAC program is intended to provide training and technical assistance to strengthen children's advocacy centers and multidisciplinary teams in the northeastern region of the United States by promoting and improving a multidisciplinary community response to child abuse. However, the NRCAC program does not directly provide services to children.

Our Audit Approach

We tested compliance with what we considered to be the most important conditions of the awards. Unless otherwise stated in our report, we applied the Financial Guide as the primary criteria for our audit. The Financial Guide serves as a reference manual assisting award recipients in their fiduciary responsibility to safeguard award funds and ensure funds are used appropriately. We tested PCA's:

- **Internal control environment** to determine whether the financial accounting system and related internal controls were adequate to safeguard award funds and ensure compliance with the terms and conditions of the awards.
- **Award expenditures** to determine the allowability and supportability of costs charged to the awards.
- **Drawdowns** (requests for award funding) to determine whether PCA's requests for funding were adequately supported.

⁸ 501(c)(3) organizations have been granted tax exempt status by the Internal Revenue Service under 26 U.S.C. 501(c)(3).

⁹ Children's advocacy centers are child-focused centers that coordinate the investigation, prosecution, and treatment of child abuse while helping abused children heal.

- **Monitoring of subrecipients** to determine if PCA provided sufficient oversight to its subrecipients.
- **Budget management and control** to determine PCA's compliance with the costs approved in the award budgets.
- **Award reporting** to determine if the required Federal Financial Reports and Progress Reports were submitted on time and accurately reflected award activity.
- **Program performance and accomplishments** to determine whether PCA achieved the award's objectives and to assess performance and award accomplishments.
- **Other reportable matters** to address and communicate issues identified during the audit that we consider significant.

Where applicable, we also test for compliance in the areas of program income, matching funds, indirect costs, and accountable property. However, for the two awards we audited, we determined that PCA generated no program income, had no matching funds requirement, did not charge indirect costs, and did not procure accountable property with award funds.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

We determined that PCA did not comply with all essential award requirements in the areas we tested. Specifically, we found that PCA: (1) did not adequately segregate expenditures in its accounting system, (2) charged unallowable and unsupported expenditures to the awards, (3) did not base requests for cash on immediate needs, and (4) did not adequately monitor subrecipient awards. In addition, we determined that PCA routinely required 12-month extensions to complete award objectives. In total, we identified net questioned costs of \$248,108, or 14 percent of award expenditures, related to this funding through April 30, 2013.¹⁰ Our findings, including the underlying causes and potential effects, are further discussed in the body of this report.¹¹

Internal Control Environment

Prior Audits

As part of our audit, we reviewed PCA's three most recent audited financial statements and single audit reports.¹² In addition, we reviewed desk reviews that documented OJP's monitoring of PCA's administrative, financial, and programmatic compliance, as well as grantee performance.¹³ These audits and reports did not indicate any concerns with PCA's internal controls related to our audit objectives.

Financial Management System

We reviewed how PCA used its financial management system to record award-related expenditures and found that PCA had used only one account to track all of the NRCAC annual awards. Because the period of performance of these annual awards overlapped by at least one month every year, expenditures during the overlap period were commingled in one account. To compensate for this commingling of funds, PCA used electronic spreadsheets separate from its financial

¹⁰ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount. Please refer to Appendix II for the Schedule of Dollar-Related Findings.

¹¹ The Inspector General Act of 1978, as amended, contains our reporting requirements for questioned costs. However, not all findings are dollar-related. See Appendix II, for a breakdown of our dollar-related findings and for the definition of questioned costs.

¹² According to Office of Management and Budget Circular A-133, non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted.

¹³ These desk reviews occurred in September 2011, May 2012, August 2012, and November 2012

management system to track expenditures related to the periods the awards overlapped.

Although we were able to use PCA's financial management system and supplemental spreadsheets to identify the expenditures related to each of the awards we audited, we believe PCA should create separate accounts in its financial management system for each award. According to the OJP Financial Guide (Financial Guide), all recipients of OJP funding should establish and maintain adequate accounting systems and financial records to accurately account for award funds separately.

According to PCA's Finance Director, PCA's financial management system is capable of accounting for its DOJ awards separately but, at the time of our audit, had not been used to do so. We found that, as a result of the commingling, PCA's financial management system could not accurately report expenditures by award nor could the system compare each award's actual expenditures with budgeted amounts. Instead, to provide a complete listing of each award's transactions, PCA's Finance Director had to manually segregate expenditures in the electronic spreadsheets described previously.

Prior to the conclusion of our audit, we discussed this issue with PCA officials and they told us they recognized the problem created by using one account in PCA's financial management system to record information for multiple awards. Additionally, PCA officials said separate accounts for future awards will be created.

We recommend that OJP ensure that PCA update its policies and procedures to ensure that it maintains a financial management system that accounts for funds from different awards separately and avoids commingling.

In addition to this financial management internal control weakness, we identified additional internal control weaknesses related to grant administration that we address in other sections of our report.

Award Expenditures

PCA received budget approval for costs related to personnel and fringe benefits, contractual expenditures, travel, supplies, and other expenditures. We reviewed award expenditures totaling \$1,742,635 to determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements. From the \$1,742,635 in expenditures, we tested a judgmental sample of 34 transactions from award 2010-CI-FX-K004 totaling \$148,850, and 26 transactions from award 2011-CI-FX-K007 totaling \$101,163.

Personnel and Fringe Benefit Expenditures

As shown below in Exhibit II, PCA used funding from both of its NRCAC awards, totaling \$669,665, for personnel and fringe benefits for eight employees.

According to the Financial Guide, changes to the organization or staff with primary responsibility for implementation of the award require prior approval from OJP. In addition, the terms and conditions of PCA's awards required OJP to be notified of changes in program personnel and submission of resumes. Finally, according to OMB Circular A-122, the distribution of salaries and wages to awards must be supported by time and effort reports.

**EXHIBIT II
PERSONNEL AND FRINGE BENEFIT EXPENDITURES
BY AWARD THROUGH APRIL 30, 2013**

	2010-CI-FX-K004	2011-CI-FX-K007	TOTAL
PERSONNEL EXPENDITURES	\$ 378,756	\$ 177,133	\$ 555,889
FRINGE BENEFIT EXPENDITURES	82,139	31,637	113,776
TOTAL	\$ 460,895	\$ 208,770	\$ 669,665

Source: PCA accounting records

We determined that over 41 two-week pay periods between October 2011 and April 2013, PCA used a total of \$555,889 in funding from awards 2010-CI-FX-K004 (\$378,756) and 2011-CI-FX-K007 (\$177,133) to pay the salaries of the eight employees. In addition, we determined that for two pay periods in May 2012, PCA used award funding to pay the entire salary of its Manager of Forensic Services (Manager) a total of \$5,046, and this position was not included in either award budget or approved by OJP for the grant-funded programs.

When we requested documentation regarding this staff member's time and effort reports that would describe her activities during these two pay periods PCA provided us with a document describing the award-related activities performed by the Manager between January 2011 and June 2012. This document indicated that the Manager worked 9.06 hours each month during this 18 month period by providing assistance with the NRCAC videoconference sessions. A PCA official told us this document was prepared in June 2013, after our audit began, and the monthly time spent on award-related activities was estimated to be 9.06 hours per month based on the PCA's Executive Director's memory of the time spent on the NRCAC videoconference sessions.

We determined that the document provided to support the Manager's award-related expenditures was unreliable because: (1) it was not signed until after the audit began in June 2013 for work that occurred between January 2011 and June 2012, (2) the activity report included time for work during which the employee was on maternity leave, (3) the report was based on a memory of what occurred rather than a contemporaneous record of activities, and (4) the activity report did not account for all of the activities for which the Manager was compensated. As a result, we consider the time charged for the Manager position to be unsupported. We also consider the funds \$5,406 unallowable because the position was not included in the approved grant program budget.

To test the remaining salary charges for the seven employees included in the award budgets approved by OJP, we tested salary charges by selecting four non-consecutive pay periods, two per award. The total, salary expenditures paid, in full or in part, with award funding for these seven employees for the four pay periods was \$53,931.

The supporting documentation required by the Financial Guide for staff salary expenses depends on whether an employee worked entirely on a single award or worked on multiple projects. For those employees who worked solely on a specific award, the Financial Guide requires salary expenses to be supported by periodic certifications prepared at least every 6 months and signed by the employee and a supervisor who has firsthand knowledge of the employee's work.

To support salary expenses of those employees who work on award-related activities as well as other projects, the Financial Guide requires that time and effort reports that: (1) reflect an after-the-fact distribution of the actual activity, (2) account for the total activity for which the employee is compensated, (3) be prepared monthly and coincide with one or more pay periods, and (4) be signed by the employee and approved by a supervisor having firsthand knowledge of the work performed.

We found that four PCA employees were paid entirely from award funding, and their salaries totaled \$40,476 for the four pay periods in our sample. We determined that PCA created periodic certifications for all the salary expenses related to these four employees as required. However, we determined that the periodic certifications of one of these four employees were inaccurate because the employee worked on PCA activities unrelated to NRCAC. In total, PCA used \$2,989 from award funding to pay this employee's salary when she worked on non-award activities. As a result we have identified the related \$2,989 in salary costs as unallowable.

The remaining three of seven employees worked on activities related to the NRCAC awards part-time and worked on other PCA activities as well. For these three employees, PCA officials told us that staff completed time and effort reports to record the amount of their time devoted to NRCAC and devoted to other PCA activities. However, PCA did not use the data from these time and effort reports to calculate the amount it charged its NRCAC awards for salary expenses for these employees. Instead, PCA used estimates included in the approved award budgets as the basis for the charges of these three employees.

Although PCA did not use employee time and effort reports to charge salary costs to the awards, we judgmentally selected a sample from each award for the three employees that worked on the NRCAC awards part time. We reviewed the time and effort reports to determine whether they could be used to support the salary expenses in our sample.

While we were told by PCA that staff completed time and effort reports to record the amount of their time devoted to NRCAC and devoted to other PCA

activities, we found that PCA had no policies and procedures for the preparation, documentation, or supervisory review of the time and effort reports for employees allocating a portion of their time to NRCAC award activities. In addition, we determined that PCA did not have a uniform time and effort report format and PCA management did not identify a clear purpose for the time and effort reports. In January 2013, prior to the start of our audit, PCA implemented a uniform time and effort report and policies and procedures for timekeeping. However, the policies and procedures for preparation, documentation, or supervisory review of the new time and effort report were not adequately updated.

As a result, we found inconsistent and inaccurate time and effort reports that did not support salary expenditures charged to the awards. For example, our testing identified reports related to one of the three employees that did not seem reasonable to us given our understanding of that employee's award-related duties. Additionally, PCA did not use a consistent methodology to allocate time for vacation, sick, and personal days in its time and effort reports.

We also found that all of the time and effort reports that we reviewed for employees working on NRCAC activities part-time were undated by the employee or the supervisor, and as a result, we could not determine whether the reports met the monthly supervisory review as required by the Financial Guide. A PCA official told us that she reviewed the time and effort reports upon initiation of this audit to ensure completeness. Because of this review, we could not determine whether the time and effort reports lacking supervisory review dates were signed after the audit began.

From the testing of our sample related to the three employees who worked on multiple activities, we identified \$13,456 that was not adequately supported by time and effort reports. Additionally, we determined that all \$136,794 in salary expenses paid to employees working on NRCAC award activities part-time was unsupported because of the inconsistent and incomplete nature of the documentation used to support salary expenses.

In summary, we identified as both unallowable and unsupported \$5,046 in salary expenses related to a PCA employee not authorized by OJP in the related award budget and \$2,989 in salary expenses for another employee whose salary was entirely paid with award funding that was unallowable. Finally, we determined that \$136,794 in salary expenses related to another three employees who were partially funded as unsupported.

We recommend OJP remedy the unsupported and unallowable charges made by PCA, and ensure that PCA implements policies and procedures that meet OJP's requirements for salary expenses.

PCA was authorized to use award funding to pay for employee fringe benefits, including health benefits, payroll taxes, short and long-term disability insurance, life insurance, workers compensation, and employee retirement contributions. Through April 30, 2013, we determined that PCA spent \$82,139

from award 2010-CI-FX-K004 and \$31,637 from award 2011-CI-FX-K007 for the types of fringe benefits authorized by the award budgets.

However, because we determined PCA used award funding for unallowable and unsupported salary expenses and the calculation of fringe benefit expenditures was based directly on a percentage of those salary expenditures, we identified \$32,831 in fringe benefits as unsupported and \$729 as unallowable.

Contracts

We determined that PCA used \$538,699 of award funding on contractual costs through April 2013. These costs included a project with Duke University, consulting fees, awards to subrecipients, and other contractual expenditures related to the NRCAC technical and training assistance project.¹⁴

Duke University Project

The purpose of the project with Duke University was to train supervisors and senior leaders of child advocacy centers in the northeast region in trauma-focused cognitive behavioral therapy. We determined that through April 30, 2013, PCA had spent a total of \$89,892 on contract and consultant fees related to the Duke University Project - \$54,688 from award 2010-CI-FX-K004 and \$35,204 from award 2011-CI-FX-K007. While we determined these expenditures were supported, we found that the Duke University Project contract was not authorized by OJP in the award budgets. As a result, we determined all \$89,892 in related expenditures were unallowable. However, during the audit we discussed the change in project's scope with PCA's Executive Director, and she told us she was not aware of the requirements related to obtaining prior permission from OJP for budget modifications that affect the scope of the award project. However, following these discussions, PCA requested and OJP retroactively approved permission to include the Duke University Project.

The Financial Guide requires award recipients to request and obtain prior permission from OJP when the recipient wishes to make budget modifications that affect the scope of the project. Changes to the scope of an award may include altering programmatic activities or obtaining the services of a third party to perform activities that are central to the purpose of the award.

Of the \$89,892 spent on the Duke University Project, we determined \$65,000 was paid directly to Duke University for general contract payments and \$24,892 was paid to the Southern Regional Children's Advocacy Center (SRCAC) for consulting fees. PCA officials said the contract with Duke University was not subjected to competitive bidding, so PCA did not have any means to determine

¹⁴ Other contractual expenditures included computer maintenance costs, conference room rentals, tuition grants to chapters throughout the northeast region, video conferencing costs, and costs associated with a web based child abuse diagnosis project.

whether Duke University's proposal was fair market value. Instead, PCA officials told us that they selected Duke University based on a recommendation from SRCAC, which had contracted with Duke University on a similar project. According to a senior PCA staff person responsible for managing the Duke University Project, the services provided under the contract with Duke University were offered at other institutions as well.

According to the Financial Guide, as an award recipient, PCA was required to conduct all procurement transactions in an open, free, and fair competition. This requirement applies regardless of whether purchases are negotiated or competitively bid, and regardless of the dollar value. A sole source procurement process may be used when an award recipient documents the item or service is available only from a single source; a true public exigency or emergency exists; or after competitive solicitation, competition is considered inadequate.

We found that PCA failed to use competitive bidding to ensure the price paid for these services was reasonable. As a result we identified the entire \$65,000 PCA paid to Duke University under this contract as unallowable.

The remaining expenditures related to the Duke University Project consisted of \$24,892 for consulting fees related to training and associated supplies, printing, and travel costs. We determined that these consultants were providing services under agreements administered and paid by SRCAC and PCA used award funding to reimburse SRCAC for PCA's share of these consulting fees.

From our review of these consulting expenditures, we identified consulting fees for 50 clinical sessions totaling \$6,350 provided by two consultants. Using the consultants' time and effort reports and other supporting documentation, we determined the hourly rates associated with all 50 clinical sessions exceeded the maximum allowable hourly rate of \$56.25, or \$450 per day, established by OJP as a condition of these awards. Pursuant to the special conditions of the awards, PCA is required to obtain approval from OJP before using award funding for consultant fees in excess of \$450 per day, or \$56.25 per hour. We determined that PCA paid the consultants an hourly rate of \$125 for 46 of the 50 clinical sessions and an hourly rate of \$150 for the remaining 4 sessions. In addition, we identified one instance where a consultant was paid more than \$450 per day.

Of the \$6,350 paid to the two consultants, we determined that \$3,369 was unallowable because the rates exceeded \$56.25 an hour or \$450 a day. A PCA official told us that the charges included preparation time before and after the clinical sessions. However, we reviewed supporting documentation that indicated the rates associated with the clinical sessions were \$125 per call.

Consultants

In addition to the consultants paid for under the Duke University contractor, PCA employed additional consultants to provide training and technical assistance related to NRCAC program activities. We determined PCA used funding to pay for

78 consultant expenditures totaling \$151,927. We selected 11 of these expenditures totaling \$44,974 for testing. As a result of our testing, we identified one consultant transaction for \$1,350 where the supporting documentation did not indicate the number of hours worked. Therefore, we could not calculate the effective hourly rate and compare that with the maximum hourly rate established by OJP. As discussed previously, award recipients must obtain approval from OJP for consultant rates in excess of \$450 per day or \$56.25 per hour. In addition, award recipients are required to retain documentation that detail time and effort related to the activities of the consultants they engage.

Because we were not provided a detailed time and effort report related to this expenditure, we have identified the entire \$1,350 as an unsupported cost. In addition, according to the consultant's invoice, this consultant provided services on only one day. Therefore, he was paid in excess of \$450 per day, so we have also identified the entire \$1,350 as unallowable.

Subrecipients Awards

PCA received approval to award funding directly to state chapters as subrecipients for the development and expansion of state networks throughout the northeastern United States.¹⁵ We determined that PCA made a total of 26 payments to 9 different state chapters (subrecipients) totaling \$153,500 from both the awards we audited. In our testing, we included five subrecipient award expenditures totaling \$36,000.

To determine if the expenditures were allowable, we reviewed the award budgets, award terms and special conditions, and Financial Guide requirements. To determine if the expenditures were supported, we reviewed subrecipient payroll records, invoices, and receipts. Our testing did not identify any unallowable or unsupported subrecipient expenditures.

Other Contractual Expenditures

As described previously, PCA made other contractual expenditures related to the NRCAC technical and training assistance project. We determined PCA made a total of 172 of expenditures for other types of contractual expenditures totaling \$143,380. We included 11 of these other contractual expenditures totaling \$30,989 in our testing. To determine if the expenditures were allowable, we reviewed the award budgets, award terms and special conditions, and the Financial Guide. To determine if the expenditures were supported, we reviewed receipts and invoices. Our testing did not identify any unallowable or unsupported other contractual expenditures.

¹⁵ State chapters are entities who have met accreditation standards of the National Children's Alliance.

In summary, we found several issues regarding the contractual expenditures PCA made with award funds. Specifically, we identified \$65,000 in unallowable costs because PCA failed to ensure adequate competition in awarding the contract related to the Duke University Project. In addition, we identified \$3,369 in consulting fees related to the Duke University Project as unallowable because the hourly rate the consultants were paid exceeded the maximum hourly rate established by OJP. We also identified \$1,350 in consultant fees as both unsupported and unallowable due to a lack of detailed time and effort reports and because the consultant was paid in excess of the maximum daily rate of \$450 per day.

We recommend that OJP ensure that PCA develops and adheres to written policies and procedures that ensure: (1) budget modifications that affect the scope of the project receive prior approval from OJP; (2) contracts are procured in an open, free, and fair competition; and (3) consultants paid with award funding comply with award terms and conditions, including obtaining prior approval from OJP for consulting fees in excess of maximum rates and maintain detailed time and effort reports for consultant activities.

Travel Expenditures

PCA used \$328,711 from award 2010-CI-FX-K004 and \$70,149 from award 2011-CI-FX-K007 to pay for staff travel expenses. PCA's NRCAC travel expenditures were in support of activities to develop and strengthen children's advocacy centers, multidisciplinary child abuse teams, and chapters in the northeast region including: (1) technical assistance site visits; (2) leadership and exchange coaching; (3) national training academies; (4) chapter summits; and the (5) Duke University Project training.

As part of our transaction testing, we sampled 18 travel expenditures totaling \$75,311 from the two awards we audited. We tested the expenditures to determine if award funds expended were allowable and in accordance with applicable laws, regulations, guidelines, and award documentation. In addition, we reviewed invoices and receipts to determine if expenditures were adequately supported. We found that all 18 of these expenditures were allowable and supported. However, as discussed previously in the Contractual Expenditures section, we identified travel costs related to the Duke University Project – a contract that was not in the approved award budgets and was not competed. As a result, we expanded our testing to include all 95 travel expenses, totaling \$50,737, related to the Duke University Project.

We determined that the Duke University Project travel expenditures were adequately supported, and only note that the contract and related expenses had not been approved by OJP prior to our audit.¹⁶ However, during our fieldwork, PCA

¹⁶ On July 10, 2013, PCA requested from OJP a change of scope to include the contract with Duke University.

requested and OJP retroactively approved permission to include the Duke University Project and related expenses.

Supplies and Other Expenditures

The budgets approved by OJP for awards 2010-CI-FX-K004 and 2011-CI-FX-K007 authorized expenditures for Supplies and Other cost categories. PCA's Supplies budget category included expenditures such as office supplies, postage, and resource materials, and its Other budget category included expenditures such as facility rent, utilities, and insurance. For the two awards we audited, PCA made expenditures totaling \$96,476 for Other expenditures and \$38,935 for Supplies. We tested expenditures from these categories and found that all of the transactions were properly recorded, allowable, and supported.

Subrecipient Monitoring

As described in the previous section of this report, we determined PCA used award funding for grants to state chapters in the northeast region of the United States. PCA provided grants totaling \$74,705 and \$78,795 from awards 2010-CI-FX-K004 and 2011-CI-FX-K007, respectively, to nine organizations to develop their chapters and expand state networks throughout the northeastern United States.

In addition to sampling PCA's subrecipient expenditures as part of transaction testing, we interviewed PCA officials and requested PCA's subrecipient monitoring policies to ensure that PCA monitored its subrecipients in accordance with Financial Guide requirements. Specifically, the Financial Guide requires that grantees have written policies and procedures for subrecipient monitoring and that grantees ensure subrecipient award agreements include certain information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, the award name and number, activities to be performed, period of performance, and other identifying award information. The Financial Guide also requires grantees to develop procedures to ensure that subrecipients that expend \$500,000 or more in federal funds in the subrecipient's fiscal year provide grantees with a completed audit.

Although we determined that PCA requested periodic financial and performance reports from its subrecipients, PCA's Executive Director told us that it did not have written policies and procedures for monitoring subrecipients. We determined PCA used a request for proposal process to award funds to its subrecipients and, upon award, subrecipients were required to sign an agreement that outlined the following: (1) activities to be supported toward chapter growth and development; (2) goals and objectives; (3) timelines; (4) anticipated outcomes; and (5) approved expenses. We reviewed the agreements and determined that PCA's subrecipient award documentation included some information required by the Financial Guide such as activities to be performed and period of performance, but lacked other required information, including CFDA title and number, and award name and number. In addition, we determined PCA did

not have a policy in place to ensure that subrecipients expending \$500,000 or more in federal funds provide a completed audit to PCA.

As a result, we recommend OJP ensure that PCA implements policies and procedures for subrecipient monitoring, including identifying federal award information in subrecipient agreements, and document the policies in writing.

Drawdowns

Between October 2011 and April 2013, PCA made 42 requests for award funding, also known as drawdowns, totaling \$1,736,700 related to the grant awards. While PCA's cumulative drawdowns were based, in part, on actual expenditures, it did not comply with cash-management requirements related to drawdowns made in advance of related expenditures.

According to the Financial Guide, grantees should time their request for award funding to avoid having excess cash on hand and have only the minimum amount of federal cash to pay actual or anticipated costs within 10 days of the drawdown. Additionally, grantees that estimate drawdowns in advance of actual expenditures should develop written procedures to monitor and return excess cash on hand.

PCA Officials told us they routinely made drawdowns for salary expenditures up to 30 days in advance, and our analysis determined PCA periodically maintained excess cash on hand. We determined PCA did not have procedures in place to identify and return excess cash on hand as required. In addition, we found that in 2009, OJP identified that PCA had \$45,130 excess cash on hand and directed PCA to return the funds.

We discussed these issues with PCA officials and they told us they were not aware of OJP's guidance regarding drawdowns, but would develop and implement policies to ensure compliance in the future. During our fieldwork, PCA's Executive Director told us that PCA was in the process of establishing new procedures to ensure that future drawdowns would comply with the Financial Guide.

When grantees fail to properly manage and document that they minimize the time elapsing between the receipt of funds and disbursement of those funds for award eligible expenditures, the Federal Government is at risk of losing interest receipts. We recommend OJP require PCA to implement policies and procedures that will ensure its drawdowns are based on immediate cash needs and excess cash on hand is identified and returned to OJP.

Budget Management and Control

As discussed in the Internal Control Environment section, PCA did not account for awards separately in its accounting system. As a result, we found PCA was unable to use its accounting system to compare actual expenditures or outlays

with budgeted amounts for each award. Instead, PCA used spreadsheets that compared OJP approved budget amounts to actual expenditures.

Regarding budget controls and grantee financial management systems, the Financial Guide states that award recipients should expend award funds according to the budget approved by the awarding agency and included in the final award, or request approval prior to reallocating funds among budget categories if actual spending exceeds certain limits.¹⁷

We compared the total expenditures by budget category from PCA's spreadsheets to the budget categories approved by OJP and determined that, for both awards, PCA complied with the requirement as the cumulative difference between actual expenditures and approved budget category totals was not greater than 10 percent.

Award Reporting

The Financial Guide states that two types of reports are to be submitted by a grantee to provide award-related information to OJP. Specifically, Federal Financial Reports (FFRs) provide information on actual funds spent and the unobligated amount remaining in the award and program progress reports provide information on the status of award-funded activities. Progress reports provide information relevant to the performance of a program or project.

Federal Financial Reports

The financial aspects of OJP awards are monitored through FFRs. According to the Financial Guide, FFRs should be submitted within 30 days of the end of the most recent quarterly reporting period. Funds or future awards will be withheld if reports are not submitted or are excessively late.

We reviewed the four most recent FFRs PCA submitted for the two awards we audited and determined all eight FFRs were submitted in a timely manner. We also reviewed financial reporting for accuracy. According to the Financial Guide, recipients shall report the actual expenditures incurred both for the reporting period and cumulatively, for each award.

As mentioned in the Internal Control Environment section, PCA used spreadsheets instead of its accounting system to account separately for award funds. For the awards we audited, the PCA Executive Director told us she completed the FFRs using the quarterly total from the spreadsheets. We reviewed the last four quarters for each of the awards we audited and compared the amounts reported to the spreadsheets and determined that the FFRs were accurate.

¹⁷ Movement of budget dollars between approved budget categories without a Grant Adjustment Notice is allowable up to 10 percent of the total award amount (10 percent rule) provided there is no change in project scope.

Progress Reports

According to the Financial Guide, progress reports are due semi-annually on January 30 and July 30 for the life of a grant award. We reviewed PCA's four most recent reports for the 2010 award and three most recent reports for the 2011 award, for a total of seven reports. We determined PCA submitted all of these reports in a timely manner.

We also reviewed the progress reports for accuracy, comparing the accomplishments reported in PCA's progress reports with program activity documentation. We determined that PCA's reported accomplishments were in line with the goals and objectives of the awards.

PCA also submitted several Data Collection Technical Assistance Tool (DCTAT) reports. According to OJJDP's website, the DCTAT helps grantees compile performance data and make sure it is in the correct format for submission to OJP through OJP's Grants Management System. The DCTAT report is submitted in addition to the progress reports. According to the OJJDP website, DCTAT reports are due semi-annually on January 30 and July 30.

We reviewed a total of seven PCA DCTAT reports, the four most recent reports for the 2010 award and the three most recent reports for the 2011 award, and determined that PCA submitted accurate reports within the required timeframe.

Program Performance and Accomplishments

We reviewed programmatic details and accomplishments for the two audited awards and determined the goals and objectives as stated by PCA personnel appeared to be consistent with the goals, objectives, and requirements stated in the awards.

To assess PCA's achievement in meeting the goals and objectives of the awards, we interviewed officials and identified a sample of program accomplishments to verify achievement. Based on the information we reviewed, including agendas, participant lists, syllabi, and course evaluations, it appeared that PCA achieved or was on track to achieve the goals and objectives of the awards.

Program Sustainability

We also discussed with PCA officials PCA's ability to continue the NRCAC in the absence of OJP funding. According to PCA's Executive Director, without award funding it would be very difficult to maintain the NRCAC program. However, the Executive Director stated that a scaled back version of the project involving one employee has been discussed as potentially viable alternative in the event that federal funding was no longer available.

We are reporting on what PCA officials told the audit team and made no assessment on program sustainability. However, based on our collective audit work, we believe the absence of OJP award funding would likely disrupt and impair the ability of PCA's NRCAC program to provide training and technical assistance to organizations and the services of multi-disciplinary teams to victims of child sexual abuse.

Other Reportable Matters

During our audit fieldwork, we found that for both the 2010 and 2011 awards, PCA received extensions of 519 and 518 days, respectively, from the original award project end date to the adjusted project end date. In addition, we determined that for each of the seven awards PCA received for the NRCAC program between 2006 and 2012, OJP approved no-cost extensions of at least one year for each award.

For each award PCA received between 2006 and 2012, we reviewed the date of the initial drawdown and the revised award end date. As shown in Exhibit III, we found that PCA made the initial drawdown an average of 357 days after the award date and PCA's project end date was increased an average of 422 days.

EXHIBIT III 2006-2012 AWARD EXTENSION ANALYSIS

AWARD	AMOUNT	AWARD DATE	ORIGINAL AWARD END DATE	NUMBER OF DAYS FROM AWARD DATE TO FIRST DRAWDOWN	NUMBER OF DAYS FROM ORIGINAL AWARD END DATE AND REVISED AWARD END DATE
2006-CI-FX-K005	\$ 696,594	08/01/2006	07/31/2007	328	366
2007-CI-FX-K003	690,735	08/01/2007	07/31/2008	316	365
2008-CI-FX-K001	875,801	08/01/2008	07/31/2009	280	365
2009-CI-FX-K001	1,250,000	08/01/2009	07/31/2010	340	457
2010-CI-FX-K004	1,250,000	08/01/2010	07/31/2011	432	519
2011-CI-FX-K007	1,058,946	08/01/2011	07/31/2012	466	518
2012-CI-FX-K003	1,123,552	08/01/2012	07/31/2013	335	365
AVERAGE DAYS:				357	422

Source: Grants Management System and OIG Analysis

PCA's Executive Director told us award extensions have become routine as a result of a delay in completing the original award in 1995 and that subsequent annual awards thereafter have cumulatively contributed to the untimely usage of award funds. In addition, the PCA's NRCAC Project Director stated that a combination of reasons contributed to the delay in executing project activities, including: (1) fewer states in the northeast region than in other regions; (2) travel costs are lower in the northeast region because the region is geographically smaller than other regions; and (3) scheduling conflicts make it challenging to get the necessary participants together at the same time.

According to the Financial Guide, a request to extend the project period for more than 12 months requires justification of extraordinary circumstances. In addition, the Financial Guide states that the maximum extension allowable for any project period is generally 12 months. Although the Financial Guide does not provide a timeframe for when the initial drawdown of award funding should occur, we believe that it is not a prudent business practice to grant awards that will not be used for extended periods of time.

We discussed the extensions with OJP Program Manager and were told the justification is not strictly enforced and that no justification of extraordinary circumstances had been provided by PCA to obtain the extensions for the awards we audited. However, in discussing the delay in initial drawdowns, the OJP Program Manager told us that it was not typical for a grantee to consistently delay drawing down award funding for up to a year.

As discussed previously in the report, the Regional Children's Advocacy Center program supports four Regional Children's Advocacy Centers, one situated within each of the four U.S. Census regions. We reviewed the OJP funding decisions made to the four Regional Children's Advocacy Centers between 2009 and 2012 and found that the four regions received equal funding each year.

We reviewed the 2010 award solicitation and the Victims of Child Abuse Act (VOCA Act) which authorized the program. We determined the VOCA Act does not require equal awards to be made to each Regional Children's Advocacy Center.

We believe that PCA will continue to request extensions to its awards without justification of extraordinary circumstances and believe obligated funds PCA is not using in a timely manner could be used by other grantees that may have more immediate needs for the funding. We recommend OJP ensure NRCAC funding is awarded in amounts necessary for the period of award agreement.

Conclusion

PCA did not comply with all of the award requirements we tested. We found that PCA charged \$178,389 to the awards for personnel and fringe benefit costs that were either unallowable, unsupported, or both. We found that PCA charged \$69,719 to the awards for contract costs that were unallowable, unsupported, or both. We also found that PCA could not demonstrate compliance with cash management requirements and did not have written policies and procedures in place for subrecipient and contractor monitoring. Finally, we found that PCA routinely delayed use of its award funding and routinely requested 12-month no cost extensions to complete its award related activities.

As a result of these weaknesses, we questioned net costs totaling \$248,108 in funding that the grantee has received.¹⁸ We also make seven recommendations to improve PCA's management of awards. In addition, we make one recommendation to OJP to improve its methodology for awarding funds under the Regional Children's Advocacy Center program.

Recommendations

We recommend OJP:

1. Remedy the \$176,021 in unsupported expenditures resulting from:
 - (a) unauthorized personnel paid with award funding without reliable time and effort report (expenditures of \$5,046),
 - (b) costs associated with personnel due to unreliable time and effort reports (expenditures of \$136,794),
 - (c) costs associated with fringe benefits due to unreliable time and effort reports (expenditures of \$32,831), and
 - (d) costs associated with consultant fees without supporting time and effort report (expenditures of \$1,350).

2. Remedy the \$78,483 in unallowable expenditures resulting from:
 - (a) unauthorized personnel paid with award funding (expenditures of \$5,046),
 - (b) costs associated with personnel paid for non-award activities paid with award funding (expenditures of \$2,989),
 - (c) costs associated with fringe benefits paid for non-award activities (expenditures of \$729),
 - (d) costs associated with a contract awarded without competition (expenditures of \$65,000),
 - (e) costs associated with clinical sessions in excess of the maximum allowable rate (expenditures of \$3,369), and
 - (f) costs associated with consultant fees in excess of \$450 per day (expenditures of \$1,350).

3. Ensure that PCA update its policies and procedures to ensure that it maintains a financial management system that accounts for funds from different awards separately and avoids commingling.

4. Ensure that PCA implements policies and procedures that meet OJP's requirements for salary expenses.

¹⁸ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount. Please refer to Appendix II for the Schedule of Dollar-Related Findings.

5. Ensure PCA develops and adheres to written policies and procedures that ensure budget modifications that affect the scope of the project receive prior approval from OJP.
6. Ensure PCA develops and adheres to written policies and procedures that ensure all contracts are procured in an open, free, and fair competition.
7. Ensure PCA develops and adheres to written policies and procedures that ensure consultants paid with award funding comply with award terms and conditions, including obtaining prior approval from OJP for consulting fees in excess of maximum rates and that detailed time and effort reports are maintained for consultant activities.
8. Ensure PCA implements policies and procedures for subrecipient monitoring.
9. Require PCA to implement policies and procedures that will ensure its drawdowns are based on immediate cash needs and excess cash on hand is identified and returned to OJP.
10. Review its methodology for awarding funding under the Regional Children's Advocacy Center's program

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under awards 2010-CI-FX-K004 and 2011-CI-FX-K007 were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) expenditures including personnel costs and fringe benefits, contracts, travel, supplies, and other; (3) drawdowns; (4) monitoring of contractors; (5) monitoring of subrecipients; (6) budget management and control; (7) reporting; and (8) program performance and accomplishments. We determined that indirect costs, matching, program income, and accountable property were not applicable to these awards.

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. 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 period beginning August 1, 2010, through December 31, 2012, for award 2010-CI-FX-K004 and the period beginning August 1, 2011 through May 28, 2013 for award 2011-CI-FX-K007. PCA used the funding from these awards to provide training and technical assistance to child advocacy centers throughout the northeast United States.

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

In conducting our audit, we performed sample testing for award expenditures. In this effort, we employed a judgmental sampling design to obtain exposure to numerous facets of the awards reviewed, such as dollar amounts or expenditure category. We selected a sample of 34 transactions from the 2010-CI-FX-K004 award and 26 transactions from the 2011-CI-FX-K007 award, selecting at least half from the highest cost items and the remainder selected judgmentally.

During our testing, we identified expenditures related to the Duke University Project – a contract not on the OJP approved budgets. As a result, we expanded our testing to include all expenditures related to the Duke University Project.

We also conducted expenditure testing on salary and fringe benefits. We judgmentally selected four positions across two non-consecutive pay periods for the 2010-CI-FX-K004 award and three positions across two non-consecutive pay periods for the 2011-CI-FX-K007 award.

We also performed testing on requests for award funding. We judgmentally selected four drawdowns from the 2010-CI-FX-K004 award and three drawdowns from the 2011-CI-FX-K007 award.

We also tested for the timeliness and accuracy of FFRs and Progress Reports. We judgmentally select the last four FFRs for each of the two awards we audited. In addition, we judgmentally selected the last four Progress Reports for the 2010-CI-FX-K004 award and the last three Progress Reports for the 2011-CI-FX-K007 award.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS ¹⁹	AMOUNT	PAGE
<u>Unsupported Costs</u>		
Personnel – Unauthorized Position	\$ 5,046	7
Personnel – Unreliable Time and Effort	136,794	9
Fringe Benefits – Unreliable Time and Effort	32,831	10
Contractual Expenditures – Consultant Fees	1,350	12
Total Unsupported Costs	\$176,021	
<u>Unallowable Costs</u>		
Personnel – Unauthorized Position	\$ 5,046	7
Personnel– Non-Award Work	2,989	8
Fringe Benefits – Non-Award Work	729	10
Contractual – Lack of Competition	65,000	10
Contractual – Clinical Sessions	3,369	11
Contractual – Consultant in Excess of \$450/day	\$1,350	12
Total Unallowable Costs	\$ 78,483	
<u>GROSS QUESTIONED COSTS</u>	\$254,504	
<i>Less Duplicative Costs²⁰</i>	<i>(6,396)</i>	
NET QUESTIONED COSTS	\$248,108	

¹⁹ 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.

²⁰ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount.

PHILADELPHIA CHILDREN'S ALLIANCE RESPONSE TO THE
DRAFT AUDIT REPORT²¹



500 E. Hunting Park Avenue
Philadelphia, PA 19124-6005
p. 215.387.9500 / f. 215.387.9515
www.PhilaChildrensAlliance.org

May 8, 2014

Mr. Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
701 Market Street, Suite 201
Philadelphia, PA 19106

Dear Mr. Puerzer:

The Philadelphia Children's Alliance is in receipt of and has reviewed the draft audit report of the Northeast Regional Children's Advocacy Center, agreement numbers 2010-CI-FX-K004 and 2011-CI-FX-K007. We appreciate the opportunity that this audit has provided to improve internal controls and PCA's grant management. We have provided our replies to the draft audit report in this letter.

Recommendations

1. Remedy the \$176,021 in unsupported expenditures resulting from:

(a) Unauthorized personnel paid with award funding without reliable time and effort report (expenditures of \$5,046).

We concur in part with this recommendation. Although this employee did not complete contemporaneous time sheets, she did subsequently prepare a time sheet to account for her time. After review, we can confirm that a substantial portion of her time was spent performing the work for NRCAC. We have a schedule of all forensic interview peer review tele-video calls in the months that this employee was overseeing and facilitating the reviews, including two forensic interview calls each month, with the exception of July 2011 when there was only one tele-video call.

At the time of the audit fieldwork, we prepared a timesheet in an effort to retroactively identify the activities performed. OIG's reference to PCA having paid this employee while she was on maternity leave was taken from this timesheet. However, the time reflected on the timesheet for maternity leave was never included in the total of \$5,046. Thus, our allocation did not include her time on maternity leave.

²¹ Attachments to PCA's response were not included in this final report.

We are confident that the employee worked at least 6 hours each month. This includes 2 two-hour calls per month plus 1 hour to prepare for the entire month's schedule of tele-video reviews and 30 minutes after each of the two calls to collect and send confidentiality and evaluation forms to Midwest Regional Children's Advocacy Center, for a total of six hours. There was one month where she had one forensic interview peer review call and thus worked at least three hours in that month. The recalculated amount for this work is \$3,236.40. (See Attachment 1(a) Manager Forensic Services Re-Calculation of Time Sheet)

(b) Costs associated with personnel due to unreliable time and effort reports (expenditures of \$136,794).

We do not concur with this in its entirety. This recommendation stems from the fact that time sheets were not prepared properly. We have corrected the time sheets of the three employees who are part time on the grant, which included adjusting the time sheets to consistently incorporate PTO time. We have compared the corrected time with the allocated amounts in the NRCAC grants for these three employees. See below for a breakdown of the three employee's actual time worked versus time allocated. These calculations indicate that there are questions about \$6,394.50 of effort.

If effort certification on time sheets is deemed necessary, please advise us so that we can do so.

Executive Director	Year 2010 Grant	Year 2011 Grant
Actual Time Worked	\$29,774.24	\$13,957.68
Time Allocated	31,219.83	14,257.75
Under/(Over) Allocated	(1,445.59)	(300.07)

Office Manager	Year 2010 Grant	Year 2011 Grant
Actual Time Worked	\$19,271.68	\$10,233.47
Time Allocated	17,226.64	9,937.09
Under/(Over) Allocated	2,045.04	296.38

Finance Manager	Year 2010 Grant	Year 2011 Grant
Actual Time Worked	\$37,080.91	\$20,081.58
Time Allocated	43,889.19	20,263.56
Under/(Over) Allocated	(6,808.28)	(181.98)

(c) Costs associated with fringe benefits due to unreliable time and effort reports (expenditures of \$32,831).

We do not concur. Based on calculations of fringe benefits paid to these three employees during the time frame of the audit, actual fringe benefit costs charged to the grant for payroll of \$136,794 were \$16,888.25, or 12% of salaries. See below for a breakdown of actual fringe benefits for the three employees. These calculations indicate that there are questions about \$767.34 in fringe benefits expenses.

Position	FY 10 Actual Fringe	FY 11 Actual Fringe	Total
Executive Director	\$4,297.26	\$1,829.64	\$6,126.90
Office Manager	2,278.36	1,261.36	3,539.72
Finance Manager	4,733.15	2,488.48	7,221.63
Total	\$11,308.77	\$5,579.48	\$ 16,888.25

(d) Costs associated with consultant fees without supporting time and effort report (expenditures of \$1,350).

We concur that the supporting documentation did not indicate the number of hours worked. We have amended time and effort policies as well as consultant policies and procedures.

2. Remedy the \$78,483 in unallowable expenditures resulting from:

(a) Unauthorized personnel paid with award funding (expenditures of \$5,046).

We realize that no GAN was submitted to add this employee to the grant. However a substantial amount of the work was performed, and was done so by the most qualified employee at PCA to do this work. We will work with OJP to request final determination on this recommendation.

(b) Costs associated with personnel paid for non-award activities paid with award funding (expenditures of \$2,989).

We concur with this recommendation. Although the overwhelming amount of this employee's time was spent on NRCAC work, through an oversight, she was temporarily assigned to cover the PCA front desk when no one else was available. We cannot currently document whether any portion of the front desk time was also devoted to any NRCAC responsibilities.

(c) Costs associated with fringe benefits paid for non-award activities (expenditures of \$729).

We concur; see reply (b) above.

(d) Costs associated with a contract awarded without competition (expenditures of \$65,000).

We would like to work with OJP to request a final determination on this recommendation, and we will provide sole source justification for this contract.

(e) Costs associated with clinical sessions in excess of the maximum allowable rate (expenditures of \$3,369).

We would like to work with OJP to request a final determination on this recommendation.

(f) Costs associated with consultant fees in excess of \$450 per day (expenditures of \$1,350).

We concur that the costs associated with the consultant fees were in excess of \$450 per day. However, we would like to work with OJP to request permission to compensate this consultant above the per diem honorarium rate based on his superior qualifications. This consultant was presenting at a conference, where sharing of his unique experience and expertise in the role of law enforcement in child abuse cases, technology in child abuse cases, physical child abuse injury reconstruction techniques, and profiling of child molesters was indispensable for the audience.

3. Ensure that PCA update its policies and procedures to ensure that it maintains a financial management system that accounts for funds from different awards separately and avoids commingling.

PCA concurs with this recommendation and has created and implemented a policy and supporting procedure that accounts for funds from different awards separately and avoids commingling.

This policy was implemented in June 2013 and final copy will be reviewed at the PCA Board Meeting on May 12, 2014. The board approved policy will be forwarded to OJP.

4. Ensure that PCA implements policies and procedures that meet OJP's requirements for salary expenses.

PCA concurs with this recommendation and has developed and implemented policies and procedures addressing salary expenses.

We implemented a uniform time and effort report policy and procedure for timekeeping in January 2013. We have added policy and procedures for preparation, documentation, and supervisory review and certification of time and effort reports. We have also developed a consistent methodology for allocating PTO in time and effort reports.

These policies were implemented in September 2013 and final copy will be reviewed at the PCA Board Meeting on May 12, 2014. The board approved policy will be forwarded to OJP.

5. Ensure PCA develops and adheres to written policies and procedures that ensure budget modifications that affect the scope of the project receive prior approval from OJP.

PCA concurs with this recommendation and has developed and implemented policies and procedures to ensure that PCA requests and obtains prior permission from OJP when PCA expects to make budget modifications affecting the scope of the project.

This policy was implemented in June 2013 and final copy will be reviewed at the PCA Board Meeting on May 12, 2014. The board approved policy will be forwarded to OJP.

[4]

6. Ensure PCA develops and adheres to written policies and procedures that ensure all contracts are procured in an open, free, and fair competition.

PCA concurs with this recommendation and has developed policies and procedures to ensure that all contracts that require competitive bidding are procured in an open, free and fair competition.

This policy will be reviewed at the PCA Board Meeting on May 12, 2014. The board approved policy will be forwarded to OJP.

7. Ensure PCA develops and adheres to written policies and procedures that ensure consultants paid with award funding comply with award terms and conditions, including obtaining prior approval from OJP for consulting fees in excess of maximum rates and that detailed time and effort reports are maintained for consultant activities.

PCA concurs with this recommendation and has developed and implemented policies and procedures to ensure that consultants paid with award funding comply with all terms and conditions. Policies require that PCA receives prior approval from OJP for consulting fees in excess of maximum rates and also require detailed time and effort reports to be maintained and submitted for consultant activities prior to payment.

This policy will be reviewed at the PCA Board Meeting on May 12, 2014. The board approved policy will be forwarded to OJP.

8. Ensure PCA implements policies and procedures for subrecipient monitoring.

PCA concurs with this recommendation. PCA has revised policies and procedures for subrecipient monitoring to include CFDA title and number, award name and number, and will require all subrecipients expending \$500,000 or more of federal funds to provide a completed audit to PCA.

The revision of this policy will be reviewed at the PCA Board Meeting on May 12, 2014. The board approved policy will be forwarded to OJP.

9. Require PCA to implement policies and procedures that will ensure its drawdowns are based on immediate cash needs and excess cash on hand is identified and returned to OJP.

PCA concurs with this recommendation. PCA has revised its drawdown policy to ensure drawdowns are based on immediate cash needs and to identify and prevent excess cash on hand.

This policy was implemented in June 2013 and final copy will be reviewed at the PCA Board Meeting on May 12, 2014. The board approved policy will be forwarded to OJP.

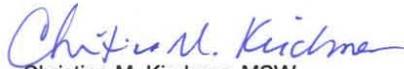
[5]

10. Review its methodology for awarding funding under the regional Children's Advocacy Center's program.

This recommendation does not directly require a response from PCA. However, we welcome the opportunity to work with OJP concerning this issue. Any revisions of the methodology for funding should strengthen the ability of NRCAC to support growth and development of children's advocacy centers in the northeastern United States.

We look forward to working with OJP on the issues raised in this report. Please let us know if you require additional information or if you have any questions.

Sincerely,



Christina M. Kirchner, MSW
Executive Director

Attachment

[6]

OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT
AUDIT REPORT



U.S. Department of Justice

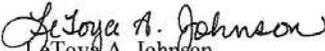
Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

MAY 19 2014

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

FROM: 
LeToya A. Johnson
Acting Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention, Cooperative Agreements Administered by the Philadelphia Children's Alliance, Philadelphia, Pennsylvania*

This memorandum is in reference to your correspondence, dated April 17, 2014, transmitting the above-referenced draft audit report for the Philadelphia Children's Alliance (PCA). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **10** recommendations and **\$248,108¹** in net questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP remedy the \$176,021 in unsupported expenditures resulting from: (a) unauthorized personnel paid with award funding without reliable time and effort report (expenditures of \$5,046); (b) costs associated with personnel due to unreliable time and effort reports (expenditures of \$136,794); (c) costs associated with fringe benefits due to unreliable time and effort reports (expenditures of \$32,831); and (d) costs associated with consultant fees without supporting time and effort report (expenditures of \$1,350).**

OJP agrees with the recommendation. We will coordinate with PCA to remedy the \$176,021 in unsupported expenditures that were charged to cooperative agreement numbers 2010-CI-FX-K004 and 2011-CI-FX-K007.

¹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts.

2. **We recommend that OJP remedy the \$78,483 in unallowable expenditures resulting from: (a) unauthorized personnel paid with award funding (expenditures of \$5,046); (b) costs associated with personnel paid for non-award activities paid with award funding (expenditures of \$2,989); (c) costs associated with fringe benefits paid for non-award activities (expenditures of \$729); (d) costs associated with a contract awarded without competition (expenditures of \$65,000); (e) costs associated with clinical sessions in excess of the maximum allowable rate (expenditures of \$3,369); and (f) costs associated with consultant fees in excess of \$450 per day (expenditures of \$1,350).**

OJP agrees with the recommendation. We will coordinate with PCA to remedy the \$78,483 in unallowable expenditures that were charged to cooperative agreement numbers 2010-CI-FX-K004 and 2011-CI-FX-K007.

3. **We recommend that OJP ensure that PCA update its policies and procedures to ensure that it maintains a financial management system that accounts for funds from different awards separately and avoids commingling.**

OJP agrees with the recommendation. We will coordinate with PCA to obtain a copy of revised policies and procedures implemented to ensure that separate accounts are established in its financial management system to prevent commingling of Federal funds.

4. **We recommend that OJP ensure that PCA implements policies and procedures that meet OJP's requirements for salary expenses.**

OJP agrees with the recommendation. We will coordinate with PCA to obtain a copy of policies and procedures implemented to ensure that PCA adheres to OJP's requirements for salary expenses.

5. **We recommend that OJP ensure PCA develops and adheres to written policies and procedures that ensure budget modifications that affect the scope of the project receive prior approval from OJP.**

OJP agrees with the recommendation. We will coordinate with PCA to obtain a copy of policies and procedures implemented to ensure that prior approval is obtained from OJP for budget modifications that change the scope of the project.

6. **We recommend that OJP ensure PCA develops and adheres to written policies and procedures that ensure all contracts are procured in an open, free, and fair competition.**

OJP agrees with the recommendation. We will coordinate with PCA to obtain a copy of policies and procedures implemented to ensure that all future contracts are procured in an open, free, and fair competition.

7. **We recommend that OJP ensure PCA develops and adheres to written policies and procedures that ensure consultants paid with award funding comply with award terms and conditions, including obtaining prior approval from OJP for consulting fees in excess of maximum rates and that detailed time and effort reports are maintained for consultant activities.**

OJP agrees with the recommendation. We will coordinate with PCA to obtain a copy of policies and procedures implemented to ensure that consulting fees paid with Federal grant funds comply with the requirements of the OJP Financial Guide; and are properly supported by adequate source documentation.

8. **We recommend that OJP ensure PCA implements policies and procedures for subrecipient monitoring.**

OJP agrees with the recommendation. We will coordinate with PCA to obtain a copy of policies and procedures implemented to ensure that subrecipients are adequately monitored.

9. **We recommend that OJP require PCA to implement policies and procedures that will ensure its drawdowns are based on immediate cash needs and excess cash-on-hand is identified and returned to OJP.**

OJP agrees with the recommendation. We will coordinate with PCA to obtain a copy of policies and procedures implemented to ensure that drawdowns are based on immediate cash disbursement requirements, and any excess cash-on-hand is identified and returned to OJP.

10. **We recommend that OJP review its methodology for awarding funding under the Regional Children's Advocacy Center's program.**

OJP agrees with the recommendation. OJP's Office of Juvenile Justice and Delinquency Prevention will review its methodology for awarding funding under the Regional Children's Advocacy Center's Program by September 30, 2014, or prior to the date that fiscal year 2014 awards under this program are issued.

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.

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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 Philadelphia Children's Alliance (PCA) and the Office of Justice Programs (OJP). PCA's response is incorporated as Appendix III of this final report, and OJP's response is included as Appendix IV. In response to our audit report, OJP agreed with our recommendations and discussed the actions it will take to address each of our findings. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Summary of Actions Necessary to Close Report

1. **We recommend OJP remedy the \$176,021 in unsupported expenditures resulting from:**
 - (a) **unauthorized personnel paid with award funding without reliable time and effort report (expenditures of \$5,046),**
 - (b) **costs associated with personnel due to unreliable time and effort reports (expenditures of \$136,794),**
 - (c) **costs associated with fringe benefits due to unreliable time and effort reports (expenditures of \$32,831), and**
 - (d) **costs associated with consultant fees without supporting time and effort report (expenditures of \$1,350).**

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with PCA to remedy the \$176,021 in unsupported expenditures.

In response to the draft report, PCA responded as follows:

- (a) PCA concurred in part with our recommendation to remedy \$5,046 in unsupported expenditures resulting from unauthorized personnel paid with award funding without a reliable time and effort report. PCA acknowledged that at the time of fieldwork, it created one time sheet for the employee because this employee did not complete contemporaneous time sheets for the work performed. The time sheet created in response to our audit included amounts associated with a period that was marked as maternity leave and did not include all of the activities for which the employee was compensated.

In response to the draft report, PCA stated that the time sheet that it prepared at the time of our audit fieldwork did not include amounts for the period when the unauthorized employee was on maternity leave and PCA included an addendum to its response showing no costs associated

with the period the employee was on maternity leave. However, the original document provided during fieldwork allocated costs during the period the unauthorized employee was listed as being on maternity leave. Although PCA stated in its response that those amounts were not included in the \$5,046 in questioned costs, we were unable to exclude them from its analysis at the time of the audit.

In addition, in its response, PCA recalculated the time and effort of the unauthorized employee and provided a revised calculation. However, the revised calculation was not fully supported and did not account for all of the activities for which the employee was compensated as documented during our fieldwork.

- (b) PCA did not concur entirely with our recommendation to remedy costs associated with personnel due to unreliable time and effort reports. PCA acknowledged that the time and effort reports were not prepared properly and provided revised allocations. However, the adequate documentation, including support for the related activities, was not provided for the revised allocations provided in PCA's response.
- (c) PCA did not concur with our recommendation to remedy costs associated with fringe benefits due to unreliable time and effort reports. In response to the draft report, PCA stated that its actual allocation of fringe benefits for the three employees was 12 percent of salaries, and PCA provided a spreadsheet for the costs. The OIG calculated a percentage of 24 percent based on fringe benefit costs charged per award. We would consider additional documentation to support PCA's assertion that it only charged 12 percent, however, because the calculation of fringe benefit expenditures was based directly on unsupported salary expenditures, we continue to consider the fringe benefit expenditures to be unsupported until such time that PCA provides documentation to support the related salary expenditures.
- (d) PCA concurred with our recommendation to remedy the costs associated with consultant fees without a supporting time and effort report and acknowledged that the supporting documentation did not indicate the number of hours worked by the consultant.

This recommendation can be closed when we receive documentation demonstrating that OJP remedied the \$176,021 in unsupported expenditures.

2. We recommend OJP remedy the \$78,483 in unallowable expenditures resulting from:

- (a) **unauthorized personnel paid with award funding (expenditures of \$5,046),**

- (b) costs associated with personnel paid for non-award activities paid with award funding (expenditures of \$2,989),
- (c) costs associated with fringe benefits paid for non-award activities (expenditures of \$729),
- (d) costs associated with a contract awarded without competition (expenditures of \$65,000),
- (e) costs associated with clinical sessions in excess of the maximum allowable rate (expenditures of \$3,369), and
- (f) costs associated with consultant fees in excess of \$450 per day (expenditures of \$1,350).

Resolved. OJP concurred with our recommendation. OJP stated that it will coordinate with PCA to remedy the \$78,483 in unallowable expenditures.

In response to the draft report, PCA responded as follows:

- (a) PCA neither concurred nor disagreed with our recommendation and stated that it will work with OJP to request final determination on this recommendation.
- (b) PCA concurred with our recommendation.
- (c) PCA concurred with our recommendation.
- (d) PCA neither concurred nor disagreed with our recommendation and stated that it will provide a sole source justification for this contract.
- (e) PCA neither concurred nor disagreed with our recommendation and stated that it will work with OJP on the recommendation.
- (f) PCA concurred with our recommendation.

The entire recommendation can be closed when we receive documentation demonstrating that OJP remedied the \$78,483 in unallowable expenditures.

3. **We recommend that OJP ensure that PCA update its policies and procedures to ensure that it maintains a financial management system that accounts for funds from different awards separately and avoids commingling.**

Resolved. OJP and PCA concurred with our recommendation. OJP stated that it will coordinate with PCA to obtain a copy of PCA's revised policies and

procedures to ensure that separate accounts are established in its financial management system to prevent commingling of federal funds.

In response to the draft report, PCA stated that it has implemented a policy and procedure that accounts for funds from different awards separately and avoids commingling. PCA stated that it will forward a copy of the policy to OJP upon approval by PCA's Board of Directors.

This recommendation can be closed when we receive documentation that demonstrates PCA has policies and procedures to ensure that it maintains a financial management system that accounts for funds from different awards separately and avoids commingling.

4. We recommend that OJP ensure that PCA implements policies and procedures that meet OJP's requirements for salary expenses.

Resolved. OJP and PCA concurred with our recommendation. OJP stated that it will coordinate with PCA to obtain a copy of policies and procedures implemented to ensure that PCA adheres to OJP's requirements for salary expenses.

In response to the draft report, PCA stated that it had implemented policies and procedures for timekeeping, including the preparation, documentation, and supervisory review and certification of time and effort reports and will forward a copy of the policies and procedures to OJP upon approval by PCA's Board of Directors.

This recommendation can be closed when we receive documentation that demonstrates PCA's policy and procedures for salary expenses has been implemented.

5. We recommend that OJP ensure PCA develops and adheres to written policies and procedures that ensure budget modifications that affect the scope of the project receive prior approval from OJP.

Resolved. OJP and PCA concurred with our recommendation. OJP stated that it will coordinate with PCA to ensure that PCA develops and adheres to written policies and procedures that ensure budget modifications that affect the scope of the project receive prior approval from OJP.

In response to the draft report, PCA stated that it has developed policies and procedures to ensure that it requests and obtains prior permission from OJP when making budget modifications affecting the scope of the project. PCA also stated that it will forward a copy of the policies and procedures to OJP upon approval by PCA's Board of Directors.

This recommendation can be closed when we receive documentation that demonstrates PCA's policies and procedures for budget modifications that change the scope of a project have been implemented.

6. We recommend that OJP ensure PCA develops and adheres to written policies and procedures that ensure all contracts are procured in an open, free, and fair competition.

Resolved. OJP and PCA concurred with our recommendation. OJP stated that it will coordinate with PCA to obtain a copy of PCA's policies and procedures that ensure all contracts are procured in an open, free, and fair competition.

In response to the draft report, PCA stated that it has developed policies and procedures to ensure that all contracts that require competitive bidding are procured in an open, free, and fair competition, and PCA stated that it will forward a copy of the policies and procedures to OJP upon approval by PCA's Board of Directors.

This recommendation can be closed when we receive documentation that demonstrates PCA's policies and procedures ensuring contracts are procured in an open, free, and fair competition have been implemented.

7. We recommend that OJP ensure PCA develops and adheres to written policies and procedures that ensure consultants paid with award funding comply with award terms and conditions, including obtaining prior approval from OJP for consulting fees in excess of maximum rates and that detailed time and effort reports are maintained for consultant activities.

Resolved. OJP and PCA concurred with our recommendation. OJP stated that it will coordinate with PCA to obtain a copy of PCA's policies and procedures that ensure consultants paid with award funding comply with the requirements of the OJP Financial Guide and are properly supported by adequate source documentation.

In response to the draft report, PCA stated that it has developed and implemented policies and procedures to ensure that consultants paid with award funding comply with all terms and conditions. PCA stated that it will forward a copy of the policies and procedures to OJP upon approval by PCA's Board of Directors.

This recommendation can be closed when we receive documentation that demonstrates PCA's policies and procedures ensuring consultants paid with award funding comply with award terms and conditions, and are properly supported by adequate source documentation.

8. We recommend that OJP ensure PCA implements policies and procedures for subrecipient monitoring.

Resolved. OJP and PCA concurred with our recommendation. OJP stated that it will coordinate with PCA to obtain a copy of PCA's policies and procedures implemented to ensure that subrecipients are adequately monitored.

In response to the draft report, PCA stated that it has revised its policies and procedures for subrecipient monitoring and will forward a copy of the policies and procedures to OJP upon approval by PCA's Board of Directors.

This recommendation can be closed when we receive documentation that demonstrates PCA's policies and procedures for subrecipient monitoring have been implemented.

9. We recommend that OJP require PCA to implement policies and procedures that will ensure its drawdowns are based on immediate cash needs and excess cash on hand is identified and returned to OJP.

Resolved. OJP and PCA concurred with our recommendation. OJP stated that it will coordinate with PCA to obtain a copy of PCA's policies and procedures implemented to ensure that drawdowns are based on immediate cash disbursement requirements, and any excess cash-on-hand is identified and returned to OJP.

In its response to the draft report, PCA stated that it had implemented a drawdown policy to ensure drawdowns are based on immediate cash needs and identify and prevent excess cash on hand. In addition, PCA stated that the policy will be forwarded to OJP upon approval by PCA's Board of Directors.

This recommendation can be closed when we receive documentation demonstrating that PCA's drawdown policy has been implemented.

10. We recommend that OJP review its methodology for awarding funding under the Regional Children's Advocacy Center's program.

Resolved. OJP agreed with our recommendation to review its methodology for awarding funding under the Regional Children's Advocacy Center's program by September 30, 2014, or prior to the date that fiscal year 2014 awards under this program are issued.

This recommendation can be closed when we receive documentation that demonstrates OJP reviewed its Regional Children's Advocacy Center award funding methodology.