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



**Audit of the Office of Justice Programs
Tribal Legal Assistance Program
Grants Awarded to the
Hoh-Kue-Moh Corporation
Klamath, California**

Audit Division GR-90-15-001

November 2014

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
TRIBAL LEGAL ASSISTANCE PROGRAM GRANTS AWARDED
TO THE HOH-KUE-MOH CORPORATION
KLAMATH, CALIFORNIA**

EXECUTIVE SUMMARY*

The U.S. Department of Justice Office of the Inspector General, Audit Division, has completed an audit of a \$427,117 Tribal Criminal Legal Assistance grant (2011-AL-BX-0001) and a \$362,685 Tribal Civil Legal Assistance grant (2011-AL-BX-0003) awarded by the Office of Justice Programs (OJP) to the Hoh-Kue-Moh Corporation (Hoh-Kue-Moh), located in Klamath, California. The purpose of these grants was to improve and strengthen Hoh-Kue-Moh's ability to resolve disputes through the assistance of legal representation in criminal and civil matters. As of July 2014, Hoh-Kue-Moh had expended \$420,623 (98 percent) related to grant 2011-AL-BX-0001 and \$338,646 (93 percent) related to grant 2011-AL-BX-0003.

EXHIBIT 1: OJP TRIBAL LEGAL ASSISTANCE PROGRAM AWARDS

GRANT NUMBER	AWARD START DATE	AWARD END DATE ¹	GRANT AMOUNT
2011-AL-BX-0001	10/01/11	09/30/14	\$ 427,117
2011-AL-BX-0003	10/01/11	09/30/14	\$ 362,685
TOTAL:			\$ 789,802

Source: OJP

The purpose of our audit was to determine whether costs claimed under grants 2011-AL-BX-0001 and 2011-AL-BX-0003 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including personnel, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income, accountable property, matching, and post end date activity were not applicable to both grants. Additionally, for grant 2011-AL-BX-0001, we determined that monitoring of sub-recipients and contractors was not applicable.

* The Office of the Inspector General redacted names of individuals from Appendix 3 of this report to protect the privacy rights of the identified individuals. See Privacy Act of 1974, 5 U.S.C. §552(a).

1 The Award End Date includes all approved time extensions.

We found that Hoh-Kue-Moh did not comply with essential award requirements in three of the areas we tested. Specifically, Hoh-Kue-Moh had lost its non-profit status from February 15, 2013, to July 5, 2013, becoming ineligible as a grantee according to grant solicitation requirements. Yet, despite its ineligibility, Hoh-Kue-Moh drew down \$109,023 during the time period in which its non-profit status was removed. Also, Hoh-Kue-Moh charged \$493 in unallowable telecommunications expenditures to the grant and \$2,607 in fringe benefits lacked adequate support. Further, all eight of the Federal Financial Reports we reviewed were inaccurate and Hoh-Kue-Moh inaccurately reported performance measurement data in its Progress Reports for both grants.

As a result of our audit, we questioned a total of \$112,123 and made 7 recommendations to OJP. Our findings are discussed in detail in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in Appendix 1. Our Schedule of Dollar-Related Findings is found in Appendix 2.

We discussed the results of our audit with Hoh-Kue-Moh officials and have included their comments in the report, as applicable. In addition, we requested from Hoh-Kue-Moh and OJP written responses to a draft copy of our audit report. We received those responses and they are found in Appendices 3 and 4, respectively. Our analysis of those responses and the status of the recommendations are found in Appendix 5.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
TRIBAL LEGAL ASSISTANCE PROGRAM GRANTS AWARDED
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TABLE OF CONTENTS

INTRODUCTION	1
Background	1
OIG Audit Approach	2
FINDINGS AND RECOMMENDATIONS	4
Internal Control Environment	4
Drawdowns.....	5
Expenditures.....	6
Budget and Management.....	8
Monitoring of Sub-recipients and Contractors.....	8
Reporting	8
Additional Award Requirements	11
Program Performance and Accomplishments.....	12
Conclusion.....	14
Recommendations	14
APPENDICES:	
1. OBJECTIVES, SCOPE, AND METHODOLOGY	15
2. SCHEDULE OF DOLLAR-RELATED FINDINGS	17
3. AUDITEE REPOSE.....	18
4. DEPARTMENT OF JUSTICE RESPONSE	21
5. OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT.....	25

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INTRODUCTION

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Source: OJP

Background

OJP’s Bureau of Justice Assistance’s (BJA) Tribal Civil and Criminal Legal Assistance Program (Legal Assistance Program) aims to enhance and improve tribal court systems so that they are more accessible for Indian tribes. Grants from the Legal Assistance Program provide for direct legal services for indigent defendants and respondents in tribal justice systems. In particular, the Legal Assistance Program grants fund civil legal assistance services for Indian tribes, members of Indian tribes, and tribal justice systems, pursuant to the federal poverty guidelines; criminal legal assistance services for Indian tribes, members of Indian tribes, and tribal justice systems, pursuant to the federal poverty guidelines; and national or regional scope advocacy training and technical assistance to tribal justice systems. Grant recipients are to use funds to improve and strengthen its ability to resolve disputes through the assistance of legal representation in criminal and civil matters.

Hoh-Kue-Moh is a non-profit organization established¹ by the Yurok tribe and is located on the Yurok reservation in Klamath, California. Klamath is situated

¹ The Award End Date includes all approved time extensions.

approximately 334 miles north of San Francisco, in Del Norte County, and it has an estimated population of 1,238. The Yurok tribe as a whole is the largest Indian tribe in California with approximately 5,000 members.

With the criminal Legal Assistance Program grant (2011-AL-BX-0001), Hoh-Kue-Moh planned to:

- enhance the Yurok Tribal Court by providing effective legal assistance to safeguard defendant rights;
- increase indigent Yurok tribal members' access to the tribal justice system by providing legal assistance, advocacy, and mentorship for self-represented litigants; and
- establish culturally-relevant community service restitution or restorative justice options for indigent Yurok tribal members.

With the civil Legal Assistance Program grant (2011-AL-BX-0003), Hoh-Kue-Moh sought to enhance the Yurok justice system by implementing a self-help legal services center and alternative dispute resolution program by:

- hiring a full-time advocate and a staff attorney;
- formalizing dispute resolution policies and procedure to address the needs of the Yurok tribe; and
- increasing the number of cases handled by the Yurok Tribal Court.

OIG Audit Approach

The purpose of our audit was to determine whether costs claimed under grants 2011-AL-BX-0001 and 2011-AL-BX-0003 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including personnel, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income, accountable property, matching, and post end date activity were not applicable to both grants. Additionally, for grant 2011-AL-BX-0001, we determined that monitoring of sub-recipients and contractors was not applicable.

We tested Hoh-Kue-Moh's compliance with what we consider to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audited against are contained in the Office of Justice Programs Financial Guide (*OJP Financial Guide*), award documents, Code of Federal Regulations (C.F.R.), and Office of Management and Budget (OMB) Circulars. Specifically, we tested:

- **Internal Control Environment** – to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard the funds awarded to Hoh-Kue-Moh and ensure compliance with the terms and conditions of the grants.
- **Drawdowns** – to determine whether drawdowns were adequately supported and if Hoh-Kue-Moh was managing receipts in accordance with federal requirements.
- **Expenditures** – to determine whether costs charged to the grants, including payroll, fringe benefits, and indirect costs were accurate, adequately supported, allowable, reasonable, and allocable.
- **Budget Management** – to determine whether there were deviations between the amounts budgeted and the actual costs for each category.
- **Monitoring Sub-recipients and Contractors** – to determine if Hoh-Kue-Moh provided adequate oversight and monitoring of its sub-recipients and contractors.
- **Reporting** – to determine if the required financial and programmatic reports were submitted in a timely manner and accurately reflected grant activity.
- **Additional Award Requirements** – to determine whether Hoh-Kue-Moh complied with award guidelines, special conditions, and solicitation criteria.
- **Program Performance and Accomplishments** – to determine whether Hoh-Kue-Moh made a reasonable effort to accomplish stated objectives.

The results of our audit are discussed in detail in the Findings and Recommendations section of this report. The audit objective, scope, and methodology are discussed in Appendix 1. The Schedule of Dollar-related Findings is found in Appendix 2. We discussed the results of our audit with Hoh-Kue-Moh officials and have included their comments in the report, as applicable. In addition, we requested from the Hoh-Kue-Moh and OJP written responses to a draft copy of our audit report. We received those responses and they are found in Appendices 3 and 4, respectively. Our analysis of those responses and the status of the recommendations are found in Appendix 5.

FINDINGS AND RECOMMENDATIONS

Hoh-Kue-Moh did not comply with essential award requirements in the areas of expenditures, reporting, and award requirements. Hoh-Kue-Moh lost its non-profit status that adversely affected its eligibility related to the grants from February 15, 2013, to July 5, 2013. Yet, during this time it drew down a total of \$109,023. Also, Hoh-Kue-Moh charged \$493 in unallowable telecommunications expenditures and it failed to maintain adequate support for \$2,607 in fringe benefits. Also, for each grant, Hoh-Kue-Moh submitted inaccurate Federal Financial Reports (FFR) as we found discrepancies between the general ledger and the FFRs. Finally, Hoh-Kue-Moh reported inaccurate performance measurement data in some of its Progress Reports for both grants. As a result, we questioned \$112,123 and made seven recommendations.

Internal Control Environment

We reviewed Hoh-Kue-Moh's policies and procedures, Single Audit Report, and financial management system to assess its risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the grant. We also interviewed individuals from Hoh-Kue-Moh's grant management and accounting staff regarding internal controls and processes related to personnel, purchasing, and accounts payable functions. Finally, we observed the financial management system, as a whole, to further assess risk.

Single Audit

According to OMB Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted. We reviewed the Yurok Tribe's most recent Single Audit for fiscal year (FY) 2013 issued on June 30, 2014, and noted that the independent auditors issued a qualified opinion.² Specifically, the independent auditors reported a material weakness related to the Yurok Tribe's inaccurate general ledger that required significant adjusting journal entries in order to reconcile the general ledger, close programs, and ensure that supporting schedules matched general ledger balances. A recommendation was made to the Yurok Tribe for all transactions to be recorded on its general ledger and that supporting schedules be reconciled to the general ledger balances at least quarterly. The Yurok Tribe's response to this finding stated that it is the policy of the Yurok Tribe to reconcile each balance sheet account on a monthly basis. Also, fiscal staff have been designated balance sheet accounts that they are responsible for maintaining and the fiscal director will perform a quarterly review for accuracy and proper documentation. In our audit we did not find instances that matched this type of finding.

² The Yurok Tribe's fiscal year begins October 1 and ends September 30. The Single Audit of the Yurok Tribe also covered its not-for-profit entity, the Hoh-Kue-Moh Corporation.

The independent auditors also reported a significant deficiency regarding gaps in check sequences in the Yurok Tribe's check register. The independent auditors recommended that the Yurok Tribe establish policies and procedures related to the proper handling of checks, maintain a detailed log of all voided checks, verify check numbers on a periodic basis, and properly maintain all voided checks. The Yurok Tribe's response to this finding stated that as of April 2014 it had created a procedure for maintaining checks including all voided and cancelled checks. We did not find a similar problem when we audited Hoh-Kue-Moh.

Financial Management System

The *OJP Financial Guide* requires that all fund recipients "establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them." Further, the accounting system should provide adequate maintenance of financial data to enable planning, control, and measurement. The guide also requires that awardees separately account for each award and not commingle award funds.

Overall, we found that Hoh-Kue-Moh adequately maintained grant-related financial records and data in accordance with the *OJP Financial Guide*. Based on our review of award-related transactions that were recorded in an integrated fund accounting system, Hoh-Kue-Moh's accounting system generally accounted for award-related receipts and expenditures in an accurate manner. Further, we found that grant-related transactions, such as receipts and expenditures, were separately tracked from other funding.

Contracting

During our fieldwork, we noted that Hoh-Kue-Moh had contracted for mentoring and mediation training for grant 2011-AL-BX-0003. We reviewed Hoh-Kue-Moh's contract, procurement procedures, and other contract-related documentation and found that Hoh-Kue-Moh had complied with its contracting procedures. Additionally, in conjunction with our expenditure testing, we reviewed contract-related expenditures and supporting documentation and found no exceptions.

Drawdowns

According to the *OJP Financial Guide*, grant recipients should request funds based upon immediate disbursement or reimbursement needs. According to a Hoh-Kue-Moh official, drawdowns were made on a reimbursement basis.

We reviewed the drawdowns for each grant by comparing the total actual costs recorded in the general ledger against cumulative drawdowns as of July 2014. As illustrated in Exhibit 2, the cumulative expenditures as reported on the general ledger were greater than the cumulative drawdowns for both grants. As a result, we determined that drawdowns for both awards were made as reimbursements.

EXHIBIT 2: DRAWDOWN HISTORY AS OF JULY 2014

GRANT No.	DRAWDOWNS	CUMULATIVE EXPENDITURES	CUMULATIVE DIFFERENCES
2011-AL-BX-0001	\$ 382,238	\$ 420,623	\$ 38,385
2011-AL-BX-0003	287,210	338,646	51,436

Source: OJP and Hoh-Kue-Moh.

Expenditures

When we performed our fieldwork in June 2013, we judgmentally selected a sample of 25 non-payroll transactions from each grant totaling \$14,865 (\$8,518 for grant 2011-AL-BX-0001 and \$6,347 for grant 2011-AL-BX-0003) and payroll transactions from each grant totaling \$26,886 (\$14,504 for grant 2011-AL-BX-0001 and \$12,382 for grant 2011-AL-BX-0003) to determine if costs charged to the grants were accurate, adequately supported, allowable, reasonable, and allocable.³ The non-payroll expenditures we selected included travel, training, supplies, and contractor-related expenditures. For each transaction, we reviewed supporting documentation including purchase orders, invoices, receipts, and check copies.

We found that 48 of the 50 expenditures we tested were accurate, adequately supported, allowable, reasonable, and allocable. We noted that two expenses totaling \$493 were improperly charged to grant 2011-AL-BX-0001. Specifically, we identified a \$280 internet service fee and a \$214 mobile phone service fee that were not included in the OJP-approved budget.⁴ We asked a Hoh-Kue-Moh official why these expenses were charged to the grant, and we were told that this was done in error. Therefore, we questioned these expenses as unallowable, and we recommend that OJP ensure that Hoh-Kue-Moh charges grant 2011-AL-BX-0001 with only allowable expenses.

Personnel

According to the *OJP Financial Guide*, charges made to federal awards for salaries, wages, and fringe benefits should be based on payroll records approved by responsible officials and the charges must be in accordance with the generally accepted practices of the organization. In particular, where grant recipients work on multiple grant programs or cost activities, a reasonable allocation of costs to each activity must be made based on time and effort reports, such as timesheets.

As of June 2013, we judgmentally selected a sample of payroll expenditures for each grant to determine if the payroll expenditures were allowable, reasonable, and adequately supported. We selected two non-consecutive pay periods for each grant totaling \$26,886, including \$14,504 (\$11,267 in salaries and \$3,237 in fringe

³ As of June 2013, Hoh-Kue-Moh had expended \$245,215 (57 percent) related to grant 2011-AL-BX-0001 and \$269,869 (74 percent) related to grant 2011-AL-BX-0003. After we performed our fieldwork, we obtained updated expenditure information as of July 2014 that showed Hoh-Kue-Moh had expended \$420,623 (98 percent) related to grant 2011-AL-BX-0001 and \$338,646 (93 percent) related to grant 2011-AL-BX-0003.

⁴ The difference between the total and each of the two expenditure is attributable to rounding.

benefits) for grant 2011-AL-BX-0001 and \$12,382 (\$10,194 in salaries and \$2,188 in fringe benefits) for grant 2011-AL-BX-0003.

Overall, we found that the payroll transactions were computed correctly, properly authorized, accurately recorded, adequately supported, and properly allocated to the grants. However, for both grants 2011-AL-BX-0001 and 2011-AL-BX-0003, we determined that medical insurance premiums totaling \$2,607 were not adequately supported. Specifically, we requested Hoh-Kue-Moh officials to provide to us documentation supporting its payment of medical insurance premiums for grant-funded staff. The requested supporting documentation was not provided to us. Therefore, we questioned \$2,607 as inadequately supported expenditures and we recommend that OJP ensure that Hoh-Kue-Moh maintains adequate support for grant-related expenditures.

Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. In order to be reimbursed for indirect costs, Hoh-Kue-Moh was required to establish an appropriate indirect cost rate by preparing an indirect cost rate proposal and submitting it to its cognizant federal agency, the U.S. Department of the Interior. Hoh-Kue-Moh provided us with a document from its cognizant agency approving its indirect cost rate.

From October 2011 through September 2013, Hoh-Kue-Moh charged a total of \$55,810 in indirect costs (\$25,227 for grant 2011-AL-BX-0001 and \$30,584 for grant 2011-AL-BX-0003).⁵ We determined that, for the period of June 1, 2012, to September 30, 2012, Hoh-Kue-Moh inaccurately calculated indirect costs for both grants. Although Hoh-Kue-Moh used the approved indirect cost rate in its calculations, the base expense amounts used in the calculations was incorrect.

For grant 2011-AL-BX-0001, Hoh-Kue-Moh incorrectly calculated indirect cost of \$12,977 when the correct amount should have been \$12,720, resulting in an overcharge of \$257. For grant 2011-AL-BX-0003, Hoh-Kue-Moh incorrectly calculated indirect costs of \$10,444 when the correct amount should have been \$11,229, resulting in an undercharge of \$785 in indirect costs. We discussed these differences with the individual that was responsible for calculating indirect costs and after we brought our findings to his attention, he acknowledged that the indirect costs were calculated in error. These amounts are below our threshold for questioning costs and therefore, we do not question costs associated with the incorrect calculation of indirect costs. However, we recommend that OJP ensure that Hoh-Kue-Moh correctly charges indirect costs in the future.

⁵ The difference between the total and what was charged to each grant is attributable to rounding.

Budget and Management

The *OJP Financial Guide* and 28 C.F.R. Part 66 require prior approval from the awarding agency if the movement of dollars between budget categories exceeds 10 percent of the total award amount for awards over \$100,000. *Based on our review of the award package and solicitation for each grant, we determined that the grants exceeded the \$100,000 threshold and were subject to the 10 percent rule.* Our analysis of the budgets as compared to actual expenditures found that there were no budget deviations that required OJP approval.

Monitoring of Sub-recipients and Contractors

As previously noted in this report, Hoh-Kue-Moh had contracted for mentoring and mediation training services for the Civil Legal Assistance grant. According to the contractor agreement, training services were to be conducted in three phases. During the first and second phase, the contractor was to provide in-depth training and hands-on practice, including 48 hours of participatory and didactic education, while in the third phase, the contractor was to provide 35 additional hours of mentored training in actual mediation cases of the Yurok Tribal Court.

According to a Hoh-Kue-Moh official, the contractor worked with grant officials in developing and conducting the training. Hoh-Kue-Moh officials also attended the training classes and reviewed invoices submitted by the contractor for payment. We reviewed attendance sheets, training documentation, and other supporting documentation and determined that the contractor had provided the services and that Hoh-Kue-Moh provided adequate oversight and monitoring.

Reporting

According to the *OJP Financial Guide*, grant recipients are required to submit quarterly FFR and semi-annual Progress Reports. These reports describe the status of funds, project accomplishments, and other pertinent information. We reviewed the FFRs and Progress Reports submitted by Hoh-Kue-Moh to determine whether the reports were accurate and submitted in a timely manner.

Federal Financial Reports

The *OJP Financial Guide* states that quarterly FFRs are due no later than 30 days after the end of each quarter, with the final FFR due within 90 days after the grant's end date. We reviewed the last four FFRs submitted for each of the awards to determine if Hoh-Kue-Moh submitted these reports on time. We found that Hoh-Kue-Moh submitted six of the eight reports in a timely manner and two reports (one for grant 2011-AL-BX-0001 and one for grant 2011-AL-BX-0003) were submitted one day late. A Hoh-Kue-Moh official stated that this was an oversight. Because this was an isolated instance, we do not take exception.

We also reviewed the last four FFRs submitted for each grant as of June 2013, to determine whether the reports contained accurate financial information related to actual expenditures and program income for the grants. The *OJP Financial Guide* requires that FFRs contain the actual expenditures and unliquidated obligations incurred during the reporting period as well as the cumulative amounts for each award.

As illustrated in Exhibit 3, we identified discrepancies between expenditures on the FFRs and Hoh-Kue-Moh's general ledgers for all eight of the FFRs we reviewed.

EXHIBIT 3: ACCURACY OF FEDERAL FINANCIAL REPORTS

GRANT 2011-AL-BX-0001				
NO.	REPORTING PERIOD	FFR EXPENDITURES	ACCOUNTING RECORDS' EXPENDITURES	DISCREPANCY
4	07/01/12-09/30/12	\$ 56,102	\$ 64,056	\$ 7,954
5	10/01/12-12/31/12	61,109	55,809	-5,300
6	01/01/13-03/31/13	62,733	38,500	-24,233
7	04/01/13-06/30/13	57,210	51,132	-6,078
GRANT 2011-AL-BX-0003				
NO.	REPORTING PERIOD	FFR EXPENDITURES	ACCOUNTING RECORDS' EXPENDITURES	DISCREPANCY
4	07/01/12-09/30/12	\$ 50,615	\$ 51,941	\$ 1,326
5	10/01/12-12/31/12	46,308	44,982	-1,326
6	01/01/13-03/31/13	36,729	49,189	12,460
7	04/01/13-06/30/13	40,934	73,695	32,761

Source: OIG analysis of FFRs

When Hoh-Kue-Moh prepared its FFRs, it utilized system-generated reports from the accounting system that summarized quarterly grant expenditures. Based on our review of the summary reports that were generated at the time the FFRs were prepared, the expenditures on the FFRs were supported by Hoh-Kue-Moh's accounting records. When we performed our fieldwork, we received similar, though more detailed and updated, accounting records. The expenditures on these records no longer matched the expenditures shown on the FFRs. We asked a Hoh-Kue-Moh official about these discrepancies and she surmised that the discrepancies were attributable to certain transactions that were posted to the grants' general ledgers after the FFRs were prepared. The Hoh-Kue-Moh official could not identify which specific transactions were posted to the grants' general ledgers after the FFRs were prepared. Therefore, we recommend that OJP ensure Hoh-Kue-Moh prepares accurate FFRs to include timely posted transactions and adequate support.

Progress Reports

According to the *OJP Financial Guide*, grant recipients are required to submit Progress Reports describing activities or progress in accomplishing award objectives on a semi-annual basis. Progress Reports are due 30 days after the close of each

reporting period, which end on June 30 and December 31. We evaluated the timeliness and the accuracy of the Progress Reports that Hoh-Kue-Moh submitted to OJP as of September 2013. For grants 2011-AL-BX-0001 and 2011-AL-BX-0003, we determined that Hoh-Kue-Moh submitted its most recent Progress Reports in a timely manner.

We also reviewed the submitted Progress Reports to determine if the information was accurate. For each grant, we reviewed a judgmental sample of nine performance measurements included on the Progress Reports for the period of July 1, 2012, through June 31, 2013. We compared Hoh-Kue-Moh's reported performance measurement data that Hoh-Kue-Moh submitted to BJA with supporting documentation. We found discrepancies between the reported data and supporting documentation for both grants.

For grant 2011-AL-BX-0001, the majority of the submitted performance measurement data we reviewed was accurate and properly supported. Nonetheless, we found discrepancies between the number of defendants served by the program as reported on the Progress Reports and the numbers of defendants served as supported by documentation in four instances.

While the discrepancies were minor in most cases, we found one instance in which the number of defendants who had been provided with criminal legal assistance during their cases, as reported on the Progress Report, differed from the supported number by nearly 50 percent. A Hoh-Kue-Moh official stated that the numbers reported on the Progress Reports were correct and that the supporting documentation was incorrect, although Hoh-Kue-Moh did not provide any additional documentation to support this claim.

More significantly, for grant 2011-AL-BX-0003, we found that more than a third of the submitted performance measurement data we reviewed was inaccurate and unsupported as illustrated in Exhibit 4 below.

EXHIBIT 4: INACCURATE PERFORMANCE MEASUREMENT DATA

	Performance Measure	Progress Report Number⁶	Number as Reported in Progress Reports	Number as Supported by Documentation	Discrepancy
1	Number of clients who have applied for civil legal assistance service.	4	133	40	93
2	Number of cases opened where civil legal assistance Services were provided.	3	69	68	1
3		3	31	27	4
4		4	133	40	93
5		3	69	68	1
6	Number of clients provided with civil legal assistance.	3	31	27	4
7		4	133	40	93
8		4	67	47	20
9		3	65	12	53
10	The Number of civil cases closed.	4	0	85	-85
11	The number of legal assistance staff hours provided.	3	390	25	365
12		3	233	71	162
13		4	960	50	910

Source: OJP and Hoh-Kue-Moh

In 12 of the 13 instances in which we found discrepancies, Hoh-Kue-Moh overstated its performance measurement data. For example, in four instances, Hoh-Kue-Moh had reported that it provided civil legal assistance to more defendants than it actually had. Hoh-Kue-Moh also overstated the number of staff hours worked in three instances. The overstatements in staff hours ranged from 162 hours to 910 hours.

When we brought these discrepancies to Hoh-Kue-Moh’s attention, the grant manager acknowledged that she had not received accurate reports on staff hours and that steps were being taken to correct the problem. For example, Hoh-Kue-Moh was in the process of updating procedures to ensure that staff hours were accurately tracked. Additionally, the grant manager now maintains screen shots of the performance measurement data as it is entered into Hoh-Kue-Moh’s database and this documentation will be the support when reporting performance measurements to BJA. We recommend OJP ensure Hoh-Kue-Moh submits accurate performance measurement data and maintains adequate documentation to support its performance measurement data.

Additional Award Requirements

We reviewed Hoh-Kue-Moh’s compliance with additional award requirements, such as the grant solicitations and special conditions included in the award documentation. We judgmentally selected for review three of twelve special conditions for grant 2011-AL-BX-0001 and three of twelve special conditions for

⁶ The report numbers in the exhibit covered the following date ranges: July 1 to December 31, 2012, (report no. 3), and January 1 to June 30, 2013, (report no. 4).

grant 2011-AL-BX-0003. We determined that Hoh-Kue-Moh generally complied with the additional award requirements with one exception that we describe in more detail below.

According to the grant solicitations for each grant, applicant eligibility was limited to non-profit entities.⁷ From February 15, 2013, to July 5, 2013, the Internal Revenue Service (IRS) revoked Hoh-Kue-Moh's non-profit status because it failed to file mandatory IRS Form 990, Return of Organization Exempt From Income Tax, for FYs 2010, 2011, and 2012.⁸ During the period in which it had lost its non-profit status, Hoh-Kue-Moh continued to draw down funds totaling \$109,023.

**EXHIBIT 5:
DRAWDOWNS QUESTIONED DUE TO NON-PROFIT STATUS LOSS**

GRANT 2011-AL-BX-0001		GRANT 2011-AL-BX-0003	
DRAWDOWN DATE	DRAWDOWN AMOUNT	DRAWDOWN DATE	DRAWDOWN AMOUNT
02/25/2013	\$20,744	02/25/2013	\$10,067
04/01/2013	\$22,704	04/01/2013	\$13,554
05/16/2013	\$24,812	05/16/2013	\$17,142
Total:	\$68,260	Total:	\$40,763

Source: OIG analysis of Drawdowns

A Hoh-Kue-Moh official told us that it hired an accounting firm to assist in completing and submitting the required IRS forms to rectify the problem and reestablish its non-profit status. Subsequently, Hoh-Kue-Moh submitted the required forms and its non-profit status was reinstated effective July 5, 2013.

Therefore, we questioned drawdowns totaling \$109,023 (\$68,260 for grant 2011-AL-BX-0001 and \$40,763 for grant 2011-AL-BX-0003) that Hoh-Kue-Moh had made during a period when it was not a non-profit organization, and as such ineligible according to the grant solicitations. We recommend that OJP remedy the \$109,023 in questioned costs, and ensure that Hoh-Kue-Moh maintains its eligibility as a non-profit organization.

Program Performance and Accomplishments

Hoh-Kue-Moh's goals for the criminal Legal Assistance Program grant (2011-AL-BX-0001) were to: (1) enhance the Yurok Tribal Court justice system by providing effective legal assistance to safeguard defendants' rights; (2) increase

⁷ Non-profit organizations for the purposes of the grants were defined as Internal Revenue Code § 501(c)(3) entities that provide legal assistance services for federally recognized Indian tribes, members of federally recognized Indian tribes, or tribal justice systems pursuant to federal poverty guidelines.

⁸ An IRS Form 990 is used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by Internal Revenue Code § 6033. The IRS revoked Hoh-Kue-Moh's tax exempt status effective February 15, 2013. After Hoh-Kue-Moh submitted the required documents to the IRS, the IRS reinstated Hoh-Kue-Moh's tax exempt status effective July 5, 2013.

access to justice for indigent Yurok Tribal members by providing legal assistance, advocacy, and mentorship for self-represented litigants in Yurok Tribal Court, and (3) establish culturally-relevant community service restitution justice options for indigent Yurok defendants. In addition to these goals, the Yurok tribe's Chief Judge explained that the purpose of the grant was to assist defendants in navigating through state and federal criminal justice systems, divert eligible cases from state and federal criminal justice systems to the Yurok tribe's justice system, and provide those defendants with rehabilitation, assistance, and training programs.

In order to accomplish these objectives, Hoh-Kue-Moh planned to hire and train one full-time advocate and one full-time paralegal, institute criminal legal assistance policies and procedures that address the needs of indigent Yurok defendants, and provide legal representation, advocacy, and orientation to the justice system for defendants.

Hoh-Kue-Moh's goal for the civil Legal Assistance Program grant (2011-AL-BX-0003) was to enhance the operation of the Yurok justice system by implementing a self-help legal services center and alternative dispute resolution program. Hoh-Kue-Moh's grant application stated that to accomplish this goal Hoh-Kue-Moh intended to hire one full-time advocate and one full-time staff attorney, formalize the civil legal assistance and alternative dispute resolution policies and procedures that address the needs of the Yurok tribe, and increase the number of cases handled by the Yurok Tribal Court.

We found that Hoh-Kue-Moh had taken actions and was making progress in achieving the goals of the Legal Assistance Program. For the criminal Legal Assistance Program grant, Hoh-Kue-Moh established Memorandums of Understanding with the surrounding counties of Del Norte and Humboldt regarding criminal jurisdiction for Yurok tribal defendants, hired a staff attorney and criminal advocate to assist defendants, and provided training to newly hired staff. We also found that Hoh-Kue-Moh provided 180 defendants with criminal legal assistance services from July 2012 to June 2013.

For the civil Legal Assistance Program grant, Hoh-Kue-Moh established a self-help legal services center and alternative dispute program to assist Yurok tribal members with issues such as child custody, identity theft, and dependency cases. Hoh-Kue-Moh also hired an advocate and staff attorney, and provided civil legal assistance services to 182 defendants from July 2012 to June 2013.

Additionally, with funding from both the criminal and civil Legal Assistance Program grants, Hoh-Kue-Moh disseminated promotional materials in order to develop awareness in the community for the Legal Assistance Program. Hoh-Kue-Moh also held community meetings, conducted training classes for Yurok tribal members, and began drafting policies and procedures to address the needs of indigent Yurok defendants. At the time of our fieldwork, the procedures policies were in draft and had not yet been finalized by Hoh-Kue-Moh. A Hoh-Kue-Moh official expected the policies and procedures to be completed and presented to the Tribal council for approval by September 2014.

Conclusion

We found that Hoh-Kue-Moh did not comply with essential award requirements in three of the areas we tested. In particular, we found that Hoh-Kue-Moh had lost its non-profit status from February 15, 2013, to July 5, 2013, thereby making it ineligible according to grant solicitation documents during this time period. Yet during its period of ineligibility, Hoh-Kue-Moh drew down \$109,023. Also, \$2,607 in fringe benefits were not adequately supported and Hoh-Kue-Moh charged \$493 in unallowable telecommunications expenses to the grants. Further, Hoh-Kue-Moh miscalculated indirect costs in two instances. Further, all eight of the FFRs we reviewed were inaccurate. Finally, Hoh-Kue-Moh inaccurately reported to OJP its performance measurement data.

Recommendations

We recommend that OJP:

1. Remedy \$109,516 in unallowable questioned costs associated with the following issues:
 - a. Remedy \$493 in unallowable telecommunications costs that were charged to grant 2011-AL-BX-0001.
 - b. Remedy \$109,023 in questioned costs related to Hoh-Kue-Moh's ineligibility when it failed to maintain its non-profit status for both grants.
2. Ensure that Hoh-Kue-Moh charges grant 2011-AL-BX-0001 with only allowable expenses.
3. Remedy \$2,607 in questioned costs related to inadequately supported fringe benefits (medical insurance premiums).
4. Ensure that Hoh-Kue-Moh maintains adequate support for grant-related expenditures, such as medical insurance premium fringe benefits.
5. Ensure that Hoh-Kue-Moh correctly charges indirect costs to both grants.
6. Ensure Hoh-Kue-Moh prepares accurate FFRs to include timely posted transactions and adequate support.
7. Ensure Hoh-Kue-Moh submits accurate performance measurement data and maintains adequate documentation to support its performance measurement data.

APPENDIX 1

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether costs claimed under grants 2011-AL-BX-0001 and 2011-AL-BX-0003 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including personnel, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income, accountable property, matching, and post end date activity were not applicable to both grants. Additionally, for grant 2011-AL-BX-0001, we determined that monitoring of sub-recipients and contractors was not applicable.

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

Unless otherwise specified, our audit covered, but was not limited to, activities that occurred between the start of grants 2011-AL-BX-0001 and 2011-AL-BX-0003 in October 2011 through September 2013. Further, the criteria we audited against are contained in the *OJP Financial Guide*, C.F.R., OMB Circulars, and specified program guidance, such as award documents.

In conducting our audit, we performed sample testing in four areas, which included expenditures, personnel costs, financial reports, and Progress Reports. We employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants we reviewed, such as dollar amounts or expenditure categories. We reviewed a judgmentally selected sample of transactions that were recorded in Hoh-Kue-Moh's grant-related accounting records as of January 2013. This included 25 expenditures related to grant 2011-AL-BX-0001 and 25 expenditures related to grant 2011-AL-BX-0003. Additionally, we selected a judgmental sample of two non-consecutive payroll periods for the aforementioned grants and we tested four Progress Reports, four FFRs, and cumulative drawdowns.

We did not test internal controls for Hoh-Kue-Moh taken as a whole or specifically for the grants administered by Hoh-Kue-Moh. An independent Certified Public Accountant conducted an audit of the Yurok Tribe which included Hoh-Kue-Moh. The results of this audit were reported in the Single Audit Report that accompanied the Independent Auditors' Report for the year ending 2013.

The Single Audit Report was prepared under the provisions of OMB Circular A-133. We reviewed the independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to Hoh-Kue-Moh or the federal programs it was administering, and assessed the risks of those findings on our audit.

In addition, we reviewed the timeliness and accuracy of FFRs, Progress Reports, and evaluated performance related to grant objectives. We did not test the reliability of the financial management system as a whole, nor did we place reliance on computerized data or systems in determining whether the transactions we tested were allowable, supported, and in accordance with applicable laws, regulations, and guidelines. We also performed limited testing of information obtained from OJP's Grant Management System (GMS) and found no discrepancies. We thus have reasonable confidence in the GMS data for the purposes of our audit. However, the OIG has not performed tests of the GMS system, and we therefore cannot definitively attest to the reliability of GMS data.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

	AMOUNT (\$)	PAGE
QUESTIONED COSTS:		
Unallowable Costs		
Unallowable drawdown amounts	\$ 109,023	12
Unallowable internet service and mobile phone expenses	\$493	6
Subtotal of Unallowable Costs	\$ 109,516	
Unsupported Costs		
Unsupported fringe amounts	\$ 2,607	7
Subtotal of Unsupported Costs	\$ 2,607	
TOTAL QUESTIONED COSTS⁹	\$112,123	
TOTAL DOLLAR RELATED FINDINGS	\$112,123	

⁹ **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.

AUIDTEE RESPONSE¹⁰



YUROK TRIBE

190 Klamath Boulevard • Post Office Box 1027 • Klamath, CA 95548



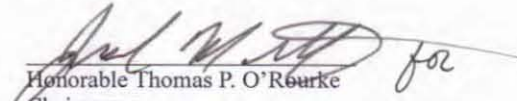
September 25, 2014

David J. Gaschke
Regional Audit Manager
US Department of Justice
Office of the Inspector General
San Francisco Regional Audit Office
1200 Bayhill Drive, Suite 201
San Bruno, California 94066
Re: Response to Final Audit Report

Dear Mr. Gaschke:

Please find attached Hoh-Kue-Moh Corporation's response to the Recommendations and Findings of the Audit of the Office of Justice Programs Tribal Legal Assistance Program Grants dated September 5, 2014.

Sincerely,


Honorable Thomas P. O'Rourke
Chairperson
Hoh-Kue-Moh Corporation

¹⁰ Attachments to the Yurok Tribe's Response were not included in the final report.

HOH-KUE-MOH DRAFT AUDIT REPORT RESPONSE

GRANTS: 2011-AL-BX-0001; 2011-AL-BX-0003

1. Remedy \$109,516 in unallowable questioned costs associated with the following issues:
 - a. Remedy \$493 in unallowable telecommunications costs that were charged to grant 2011-AL-BX-0001.

Concur: A Budget Adjustment has been submitted on September 22, 2014 for award 2011-AL-BX-0001 to included telecommunication costs.

- b. Remedy \$109,023 in questioned costs related to Hoh-Kue-Moh's ineligibility when it failed to maintain its non-profit status for both grants.

Disagree: Hoh-Kue-Moh Corporation (HKM) was established January 15, 2010 and has during its entirety performed as a 501(c)(3) non-profit organization. HKM performed its grant program functions even through the lapse of the 501(c)(3) status, a lapse not reported to HKM program staff. As part of the relationship between HKM and the Yurok Tribe, the Tribe's Fiscal Department was tasked with providing fiscal services to the Corporation including conducting all daily financial business, e.g., drawdowns, financial reports to the granting agency, and all relations with the IRS. At the time of the suspension, the Tribe's Fiscal Director was [REDACTED], CPA, who was more than qualified to meet these fiscal responsibilities. (Please see Attachment 1B - [REDACTED]'s letter of interest, resume, and website printouts for further information.)

The termination of the 501(c)(3) status was brought to HKM's attention when it received the Notice of Termination May 13, 2013. Even though the status was suspended, HKM continued to perform its grant goals and objectives. Steps were put into place to rectify the issue as soon as possible, up to, and including an investigation. The investigation led to the termination of the then current Fiscal Director, [REDACTED], CPA, for failure to properly conduct the fiscal business of the Corporation, including and not limited to accurate reports to the Corporation and/or the IRS.

The current Interim Fiscal Director was appointed very shortly thereafter and began cleaning out the Fiscal Director's Office. During this transition, the newly appointed Interim Fiscal Director discovered secreted the previous IRS Notices of Termination, and immediately reported those to the Executive Director, the Office of Tribal Attorney and the Corporation's Officers. At that point every effort was made to correct the deficiencies, and to make proper reports to the granting agency and the IRS.

2. Ensure that Hoh-Kue-Moh charges grant 2011-AL-BX-0001 with only allowable expenses.

HOH-KUE-MOH DRAFT AUDIT REPORT RESPONSE GRANTS: 2011-AL-BX-0001; 2011-AL-BX-0003

Concur: The person responsible for the grant's expenditures will work in tandem with the Grant Compliance Officer, hired by the Yurok Tribe, tasked with signing off approved grant purchases and charges.

3. Remedy \$2,607 in questioned costs related to inadequately supported fringe benefits (medical insurance premiums).

Concur: Reports were not made available to the audit, reason is unknown.

4. Ensure that Hoh-Kue-Moh maintains adequate support for grant-related expenditures, such as medical insurance premium fringe benefits.

Concur: Adequate support is maintained through the Fiscal Department. Attachment 4 provides information for all employees' fringe benefits (medical and dental only) of Hoh-Kue-Moh. The report covers from January 2010 through December 2013. The Audit Report was not specific enough to provide a specific response.

5. Ensure that Hoh-Kue-Moh correctly charges indirect costs to both grants.

Concur: Hoh-Kue-Moh and the Fiscal Department will double-check their calculations of indirect costs before charging the grant. As discussed in the Audit Report, the individual acknowledged the error in his calculations.

6. Ensure Hoh-Kue-Moh-prepares accurate FFRs to include timely posted transactions and adequate support.

Concur: Hoh-Kue-Moh will enter the transactions into the FFRs as soon as received. If any expenditures are posted after the deadline of the FFR, Hoh-Kue-Moh will track and label those individual expenditures. Although Hoh-Kue-Moh follows up to gather and enter information in a timely manner, there may be those invoices which come in after the FFR deadline.

7. Ensure Hoh-Kue-Moh submits accurate performance measurement data and maintains adequate documentation to support its performance measurement data.

Concur: Hoh-Kue-Moh has corrected performance measure data reports in order to accurately reflect data from supporting documentation for both grant awards on September 18, 2014.

Hoh-Kue-Moh as stated in the audit report, has implemented an improved process for adequate record keeping of documentation to support accurate performance measure reports.

U.S. DEPARTMENT OF JUSTICE RESPONSE



U.S. Department of Justice



Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

OCT - 7 2014

MEMORANDUM TO: David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General

FROM:  Jeffery A. Haley 
Acting Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Tribal Legal Assistance Program Grants Awarded to the Hoh-Kue-Moh Corporation, Klamath, California*

This memorandum is in reference to your correspondence, dated September 5, 2014, transmitting the above-referenced draft audit report for the Hoh-Kue-Moh Corporation (Hoh-Kue-Moh). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **seven** recommendations and **\$112,123** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP remedy \$109,516 in unallowable questioned costs associated with the following issues:**
 - a. **Remedy \$493 in unallowable telecommunications costs that were charged to grant 2011-AL-BX-0001.**
 - b. **Remedy \$109,023 in questioned costs related to Hoh-Kue-Moh's ineligibility when it failed to maintain its non-profit status for both grants.**

OJP agrees with the recommendation. We will coordinate with Hoh-Kue-Moh to remedy the: a) \$493 in questioned costs, related to unallowable telecommunication expenditures that were charged to grant number 2011-AL-BX-0001; and b) \$109,023 in questioned costs related to Hoh-Kue-Moh's ineligibility when it failed to maintain its non-profit status under grant numbers 2011-AL-BX-0001 and 2011-AL-BX-0003.

2. **We recommend that OJP ensure that Hoh-Kue-Moh charges grant 2011-AL-BX-0001 with only allowable expenses.**

OJP agrees with the recommendation. We will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented, to ensure that only allowable expenses are charged to Federal grants.

3. **We recommend that OJP remedy \$2,607 in questioned costs related to inadequately supported fringe benefits (medical insurance premiums).**

OJP agrees with the recommendation. We will coordinate with Hoh-Kue-Moh to remedy the \$2,607 in questioned costs related to inadequately supported medical insurance premiums.

4. **We recommend that OJP ensure that Hoh-Kue-Moh maintains adequate support for grant-related expenditures, such as medical insurance premium fringe benefits.**

OJP agrees with the recommendation. We will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented, to ensure that all grant-related expenditures are adequately supported, and the supporting documentation is maintained for future auditing purposes.

5. **We recommend that OJP ensure that Hoh-Kue-Moh correctly charges indirect costs to both grants.**

OJP agrees with the recommendation. We will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented, to ensure that indirect costs charged to Federal grants are accurately calculated.

6. **We recommend that OJP ensure that Hoh-Kue-Moh prepares accurate FFRs, to include timely posted transactions and adequate support.**

OJP agrees with the recommendation. We will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented, to ensure that Federal funds are posted to the accounting system in a timely manner; and future Federal Financial Reports are accurately prepared, reviewed, and approved by management, and are adequately supported.

7. **We recommend that OJP ensure that Hoh-Kue-Moh submits accurate performance measurement data and maintains adequate documentation to support its performance measurement data.**

OJP agrees with the recommendation. We will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented, to ensure that performance measurement data reported in its semi-annual progress reports are accurate, and the supporting documentation is maintained for future auditing purposes.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Linda Taylor, Lead Auditor, Audit Coordination Branch, Audit and Review Division, on (202) 514-7270.

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

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Director
Bureau of Justice Assistance

Tracey Trautman
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cc: Richard P. Theis
Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20140908111308

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

The OIG provided a draft copy of this audit report to Hoh-Kue-Moh and OJP. Hoh-Kue-Moh's and OJP's responses are incorporated in Appendices 3 and 4 of this report, respectively. The OIG analysis of the responses and summary of actions necessary to close the report are detailed below.

Analysis of Auditee's Response

In response to our report, OJP agreed with each of the seven recommendations. As a result, our report is resolved. Hoh-Kue-Moh agreed with six of the seven recommendations and disagreed with one recommendation, Recommendation 1b.

Recommendation Number:

1. **Remedy \$109,516 in unallowable questioned costs associated with the following issues:**
 - a. **Remedy \$493 in unallowable telecommunications costs that were charged to grant 2011-AL-BX-0001.**
 - b. **Remedy \$109,023 in questioned costs related to Hoh-Kue-Moh's ineligibility when it failed to maintain its non-profit status for both grants.**

Resolved. OJP concurred with our recommendation to ensure that Hoh-Kue-Moh remedy \$109,516 in unallowable questioned costs associated with the unallowable telecommunications costs and the questioned costs related to Hoh-Kue-Moh's ineligibility when it failed to maintain its non-profit status for both grants. OJP stated in its response that it will coordinate with Hoh-Kue-Moh to remedy the: (a) \$493 in questioned costs, related to unallowable telecommunication expenditures that were charged to grant number 2011-AL-BX-0001; and (b) \$109,023 in questioned costs related to Hoh-Kue-Moh's ineligibility when it failed to maintain its non-profit status under grant numbers 2011-AL-BX-0001 and 2011-AL-BX-0003.

In its response, Hoh-Kue-Moh stated it concurred with Recommendation 1a and that a budget adjustment to include telecommunications costs was submitted on September 22, 2014, for award 2011-AL-BX-0001. Additionally, Hoh-Kue-Moh stated it disagreed with Recommendation 1b. Hoh-Kue-Moh

explained that since its establishment on January 15, 2010, it had performed as a 501(c)(3) non-profit organization. The Tribe's Fiscal Department was tasked with providing fiscal services to Hoh-Kue-Moh including daily financial business as well as all relations with the IRS. The termination of Hoh-Kue-Moh's 501(c)(3) status was brought to Hoh-Kue-Moh's attention on May 13, 2013, when it received the Notice of Termination from the IRS. Although its status was suspended, Hoh-Kue-Moh continued to perform its grant goals and objectives. An investigation was initiated due to Hoh-Kue-Moh's discovery of the status suspension and the then Fiscal Director was terminated as a result of his failure to properly conduct the fiscal business of Hoh-Kue-Moh, including and not limited to accurate reports to Hoh-Kue-Moh and the IRS.

As we discuss in our report, Hoh-Kue-Moh failed to file mandatory forms with the IRS for FYs 2010, 2011, and 2012. Maintaining proper internal controls and submitting required reports was the responsibility of Hoh-Kue-Moh and its management. However, for 3 fiscal years it failed in carrying out these responsibilities in order to maintain its non-profit status with the IRS, a condition of eligibility according to OJP's grant solicitations. During the 5-month period that Hoh-Kue-Moh was no longer a non-profit organization, a requirement of the grants, it drew down a total of \$109,023. This amount was questioned because Hoh-Kue-Moh was ineligible to receive these grant funds that were intended for a non-profit organization.

This recommendation can be closed when we receive evidence that OJP has remedied \$109,516 in questioned costs associated with unallowable telecommunications expenditures and Hoh-Kue-Moh's ineligibility as a grant recipient when it failed to maintain its non-profit status for both grants.

2. Ensure that Hoh-Kue-Moh charges grant 2011-AL-BX-0001 with only allowable expenses.

Resolved. Both OJP and Hoh-Kue-Moh concurred with our recommendation that Hoh-Kue-Moh should charge grant 2011-AL-BX-0001 with only allowable expenses. OJP stated in its response that it will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented, to ensure that only allowable expenses are charged to federal grants.

In its response, Hoh-Kue-Moh stated that the person responsible for the grant's expenditures will work in tandem with the Grant Compliance Officer, hired by the Yurok Tribe, tasked with signing off approved grant purchases and charges. This recommendation can be closed when we receive evidence that Hoh-Kue-Moh has developed and implemented policies and procedures to ensure that only allowable expenses are charged to federal grants.

3. **Remedy \$2,607 in questioned costs related to inadequately supported fringe benefits (medical insurance premiums).**

Resolved. Both OJP and Hoh-Kue-Moh concurred with our recommendation to ensure that Hoh-Kue-Moh remedy \$2,607 in questioned costs related to inadequately supported fringe benefits (medical insurance premiums). OJP stated in its response that it will coordinate with Hoh-Kue-Moh to remedy the \$2,607 in questioned costs related to inadequately supported medical insurance premiums.

Hoh-Kue-Moh stated in its response that supporting documentation was not made available to auditors and that the reason was unknown. This recommendation can be closed when we receive evidence that Hoh-Kue-Moh has remedied \$2,607 in questioned costs related to inadequately supported fringe benefits (medical insurance premiums).

4. **Ensure that Hoh-Kue-Moh maintains adequate support for grant-related expenditures, such as medical insurance premium fringe benefits.**

Resolved. Both OJP and Hoh-Kue-Moh concurred with our recommendation to ensure that Hoh-Kue-Moh maintains adequate support for grant-related expenditures, such as medical insurance premium fringe benefits. OJP stated in its response that it will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented, to ensure that all grant-related expenditures are adequately supported, and the supporting documentation is maintained as required.

Hoh-Kue-Moh stated in its response that that adequate support is maintained through its Fiscal Department. Also, Hoh-Kue-Moh provided a report of its employees' medical and dental fringe benefits for January 2010 through December 2013. Hoh-Kue-Moh also stated that our audit report was not specific enough to enable it to provide a specific response.

We reviewed the supporting documentation provided by Hoh-Kue-Moh and found that it included a detailed fringe benefits report for its employees but did not include support for the premiums paid. During our audit, we requested documentation supporting its payment of medical insurance premiums for grant-funded staff, but we were not provided with the requested support. The documentation provided by Hoh-Kue-Moh in its response still did not satisfy our request for specific information on the costs of medical and dental premiums from the provider.

This recommendation can be closed when we receive a copy of written policies and procedures, developed and implemented, to ensure that all grant-related expenditures are adequately supported, and the supporting documentation is maintained as required.

5. **Ensure that Hoh-Kue-Moh correctly charges indirect costs to both grants.**

Resolved. Both OJP and Hoh-Kue-Moh concurred with our recommendation to ensure that Hoh-Kue-Moh correctly charges indirect costs to both grants. OJP stated in its response that it will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented, to ensure that indirect costs charged to federal grants are accurately calculated.

Hoh-Kue-Moh stated in its response that the Fiscal Department will double-check its indirect costs calculations before charging the grant. This recommendation can be closed when we receive evidence that Hoh-Kue-Moh has developed and implemented policies and procedures to ensure that indirect costs charged to federal grants are accurately calculated.

6. **Ensure Hoh-Kue-Moh prepares accurate FFRs to include timely posted transactions and adequate support.**

Resolved. Both OJP and Hoh-Kue-Moh concurred with our recommendation to ensure Hoh-Kue-Moh prepares accurate FFRs to include timely posted transactions and adequate support. OJP stated in its response that it will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented, to ensure that federal funds are posted to the accounting system in a timely manner; and future FFRs are accurately prepared, reviewed, and approved by management, and are adequately supported.

Hoh-Kue-Moh stated in its response that it will include transactions in its FFRs as soon as they are posted and that if any expenditures are posted after the FFR deadline, Hoh-Kue-Moh will track and label those specific expenditures. Hoh-Kue-Moh cautioned that although it follows up to gather and enter information in a timely manner, there may be invoices that arrive after the FFR deadlines. This recommendation can be closed when we receive evidence that Hoh-Kue-Moh has developed and implemented policies and procedures to ensure that federal funds are posted to the accounting system in a timely manner; and future FFRs are accurately prepared, reviewed, and approved by management, and are adequately supported.

7. **Ensure Hoh-Kue-Moh submits accurate performance measurement data and maintains adequate documentation to support its performance measurement data.**

Resolved. Both OJP and Hoh-Kue-Moh concurred with our recommendation to ensure Hoh-Kue-Moh submits accurate performance measurement data and maintains adequate documentation to support its performance measurement data. OJP stated in its response that it will coordinate with Hoh-Kue-Moh to obtain a copy of written policies and procedures, developed and implemented,

to ensure that performance measurement data reported in its semi-annual progress reports are accurate, and supporting documentation is maintained.

Hoh-Kue-Moh stated in its response that it had corrected performance measure data reports to accurately reflect data from supporting documentation for both grant awards on September 18, 2014. Hoh-Kue-Moh also indicated that it had implemented an improved process for adequate record keeping of documentation to support accurate performance measure reports.

This recommendation can be closed when we receive evidence that Hoh-Kue-Moh has developed and implemented policies and procedures to ensure that performance measurement data reported in its semi-annual progress reports are accurate, and the supporting documentation is maintained as required.

The Department of Justice Office of the Inspector General (DOJ OIG) is a statutorily created independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct in the Department of Justice, and to promote economy and efficiency in the Department's operations. Information may be reported to the DOJ OIG's hotline at www.justice.gov/oig/hotline or (800) 869-4499.



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U.S. Department of Justice
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