



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



**Audit of the Office Of
Juvenile Justice And Delinquency
Prevention Cooperative Agreement
Awarded to
INOBTTR (I Know Better)
Saint Louis, Missouri**

Audit Division GR-50-16-001

October 2015

REDACTED FOR PUBLIC RELEASE

**AUDIT OF THE OFFICE OF
JUVENILE JUSTICE AND DELINQUENCY PREVENTION
COOPERATIVE AGREEMENT AWARDED TO
INOBTR (I KNOW BETTER)
SAINT LOUIS, MISSOURI**

EXECUTIVE SUMMARY*

The U.S. Department of Justice, Office of the Inspector General, Audit Division, has completed an audit of an Office of Juvenile Justice and Delinquency Prevention (OJJDP), cooperative agreement awarded to "I Know Better," or INOBTR, in Saint Louis, Missouri.¹ OJJDP awarded \$1,550,837 in grant number 2009-MC-CX-K068 to INOBTR under OJJDP's Promoting Youth Safety Public Awareness Campaign. According to OJJDP, the Campaign consisted of two components, Part A and Part B, each having separate goals and deliverables. The Part A goal was to identify a child or youth safety issue and develop a creative strategy or intervention to improve safety in the community. Under Part B, the goal was to develop a public awareness campaign for the Part A grantee(s), tailored to each of Part A's specific community project or intervention. INOBTR received its award as a Part B recipient.

The purpose of the grant awarded to INOBTR was to develop public awareness strategies to serve each of the Part A grantees implementing local projects under the child and youth safety initiative. According to OJJDP, the public awareness strategies were supposed to represent innovative use of media and other platforms, and target the broadest possible audience.

The objective of this audit was to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas: (1) financial management, (2) grant drawdowns, (3) contracts, (4) grant expenditures, (5) budget management and control, (6) grant reporting, (7) program performance and accomplishments, and (8) compliance with special conditions.

We examined INOBTR's accounting records, required financial reports, and operating policies and procedures, and we identified weaknesses in internal controls, compliance with grant requirements, monitoring of contractors, drawdowns, grant-related expenditures, and program performance. We tested

* A redaction was made to the full version of this report for privacy reasons. The redaction is contained only in Appendix 3, the auditee's response, and is of an individual's identity.

¹ OJP awards cooperative agreements to states, units of local government, or private organizations at the discretion of the awarding agency. Cooperative agreements are utilized when substantial involvement is anticipated between the awarding agency and the recipient during performance of the contemplated activity. Although this is a cooperative agreement, we will refer to it as a grant throughout the report.

\$727,554 of expenditures, and we identified \$42,275 in dollar-related findings. Specifically, we found:

- INOBTR's policies and procedures did not require employees to change their system passwords routinely, did not allow for proper segregation of duties regarding check writing, and did not contain all of the OJP-required elements relating to procurement, drawdowns, and contractor monitoring, as required by the OJP Financial Guide and CFR Title 28, Chapter 1, Part 70.21.
- INOBTR did not use approved contractors to the extent expected, utilized other entities for certain grant services, and did not notify OJJDP of these programmatic changes, as required by the OJP Financial Guide.
- INOBTR did not perform a cost analysis, seek competitive bids, or submit sole source justification to OJJDP before procuring services from three contractors, as required by the OJP Financial Guide.
- INOBTR used grant funds for unallowable and unapproved costs, including rent, per diem, sick and vacation time, and travel. As a result, we questioned \$42,275 as unallowable.

Our report contains nine recommendations to address the preceding issues, which are discussed in detail in the Findings and Recommendations section of the report. Our audit objective, scope, and methodology are discussed in Appendix 1 of the report.

**AUDIT OF THE OFFICE OF JUVENILE JUSTICE AND
DELINQUENCY PREVENTION COOPERATIVE AGREEMENT
AWARDED TO INOBTR (I KNOW BETTER)
SAINT LOUIS, MISSOURI**

TABLE OF CONTENTS

INTRODUCTION	1
Background	1
Our Audit Approach	2
FINDINGS AND RECOMMENDATIONS	4
Financial Management.....	4
Security of Systems.....	5
Segregation of Duties	5
Procurement Procedures	5
Single Audit.....	6
Grant Drawdowns.....	6
Contracts	7
Changes to Approved Contractors	7
Cost Analysis/Competitive Bidding Procedures	8
Monitoring Contractors.....	8
Grant Expenditures.....	9
Less Than Arms' Length Transactions.....	10
Contractors	11
Salary.....	11
Fringe Benefits.....	11
Travel	12
Budget Management and Control.....	12
Grant Reporting	13
Federal Financial Reports	13
Progress Reports.....	13
Program Performance and Accomplishments.....	13
Compliance with Special Conditions	14
Views of Responsible Officials.....	14
Recommendations	14

APPENDIX 1: OBJECTIVE, SCOPE, AND METHODOLOGY	16
APPENDIX 2: SCHEDULE OF DOLLAR-RELATED FINDINGS	18
APPENDIX 3: AUDITEE RESPONSE TO THE DRAFT REPORT	19
APPENDIX 4: OJP RESPONSE TO THE DRAFT REPORT	26
APPENDIX 5: OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT ..	30

INTRODUCTION

The U.S. Department of Justice, Office of the Inspector General, Audit Division, has completed an audit of an Office of Juvenile Justice and Delinquency Prevention (OJJDP), cooperative agreement awarded to "I Know Better," or INOBTR, in Saint Louis, Missouri. OJJDP awarded \$1,550,837 in grant number 2009-MC-CX-K068 to INOBTR under OJJDP's Promoting Youth Safety Public Awareness Campaign. The Campaign consisted of two components, Part A and Part B, each having separate goals and deliverables. The Part A goal was to identify a child or youth safety issue and develop a creative strategy or intervention to improve safety in the community. Under Part B, the goal was to develop a public awareness campaign for the Part A grantee(s) tailored to its specific community, project, or intervention. INOBTR received its award as a Part B recipient. The award was funded as one of a cohort of related projects directed to: (1) develop and implement community initiatives that promote child safety, (2) provide resources and expertise to assist communities in developing effective public awareness strategies about child and youth safety, and (3) raise public awareness about these issues at the local and national level. The two-fold purpose of this program was to support demonstration projects in multiple communities and to leverage the investment in those communities by developing public awareness campaigns that disseminate the safety messages of the local projects to the broadest possible audience. Specifically, INOBTR was supposed to develop public awareness strategies to serve each of the Part A grantees implementing local projects under the child and youth safety initiative. According to OJJDP, the public awareness strategies were supposed to represent innovative use of media and other platforms, and target the broadest possible audience. As of June 30, 2014, the end of our review period, INOBTR had expended \$1,482,779 (96 percent) of the total grant award.²

Background

OJJDP, a component of the Office of Justice Programs (OJP), U.S. Department of Justice, provides national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization. According to OJJDP, it supports states and communities in their efforts to develop and implement effective and coordinated prevention and intervention programs and to improve the juvenile justice system so that it protects public safety, holds offenders accountable, and provides treatment and rehabilitative services tailored to the needs of juveniles and their families.

The owner of Contemporary Productions, LLC, a for-profit corporation in St. Louis, Missouri, established INOBTR in 2007 as a non-profit community organization to serve as a community resource to stop the proliferation of

² The award period ended December 31, 2014.

technology-assisted sexual exploitation crimes against children.³ INOBTR's stated mission is to protect children and keep their families safe through proactive education and public awareness. INOBTR provides education on a variety of child and youth safety topics, including cell phone safety for children ages 8 and up, child abuse and neglect, child sexual abuse, cyberbullying, and Internet safety. According to INOBTR, it works in partnership with government and non-profit organizations to bring prevention education and action to the community level.

Our Audit Approach

We tested compliance with what we consider the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the OJP Financial Guide, the Code of Federal Regulations, Office of Management and Budget (OMB) Circulars, and the award documents. We tested INOBTR's:

- **Financial Management** to determine whether the grantee had sufficient accounting and internal controls in place for the processing and payment of funds and whether controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant;
- **Grant Drawdowns** to determine whether grant drawdowns were adequately supported in accordance with federal requirements;
- **Contracts** to determine whether INOBTR adhered to OJP's guidance related to establishing contracts and whether the grantee conducted a cost analysis, procured its contracts competitively, and how it monitors its contractors to ensure contractors adhere to the terms of the contract;
- **Grant Expenditures** to determine the accuracy and allowability of costs charged to the grant;
- **Budget Management and Control** to examine the amounts budgeted and the actual costs for each approved cost category and to determine if the grantee deviated from the approved budget, and if so, if the grantee received the necessary approval;
- **Federal Financial Reports (FFR) and Progress Reports** to determine whether the required reports accurately reflected grant activity;
- **Program Performance** to determine if the grantee met or is capable of meeting the grant's objectives and whether the grantee collected data and developed performance measures to assess accomplishment of the intended objectives; and
- **Compliance with Special Conditions** to determine the grantee's compliance with the award's special conditions.

³ The President of Contemporary Productions is also the founder and head of the Board of Directors for INOBTR.

We determined that INOBTR did not generate program income. In addition, we confirmed that INOBTR was not required to contribute any local matching funds and that funds were not awarded to sub-grantees. We therefore performed no testing in these areas.

FINDINGS AND RECOMMENDATIONS

We identified weaknesses in INOBTR's grant management activities. Specifically, we found that INOBTR's policies and procedures did not require employees to change their system passwords routinely, did not allow for proper segregation of duties regarding check writing, and did not contain all of the OJP-required elements relating to procurement and drawdowns. In addition, INOBTR did not use approved contractors to the extent specified in its grant award, utilized other-than-approved entities for certain grant services, did not conduct contractor monitoring, and did not notify OJJDP of programmatic changes, as required by the OJP Financial Guide. Further, INOBTR did not perform a cost analysis, seek competitive bids, or submit sole source justification to OJJDP before procuring services from three contractors, as required by the OJP Financial Guide. INOBTR also used grant funds for unallowable and unapproved costs, including rent, per diem, sick and vacation time, and travel. Overall, in addition to the procurement and personnel issues we identified, we identified \$42,275 in questioned costs.

We performed audit work at INOBTR's office in St. Louis, Missouri, where we obtained an understanding of the accounting system and reviewed a sample of grant expenditures. We also reviewed the criteria governing grant activities, including the OJP Financial Guide, relevant OMB Circulars, and the Code of Federal Regulations. In addition, we reviewed grant documents, including the application, award, budgets, and financial and progress reports. We also interviewed key INOBTR personnel.

Financial Management

According to the OJP Financial Guide, grant recipients are required to establish and maintain accounting and financial records to account accurately for funds awarded to them. These records shall include both federal funds and all matching funds of state, local, and private organizations, when applicable. Further, recipients must be able to account for the receipt, obligation, and expenditure of funds awarded on an individual basis. The grantee must track and account for funds separately from other OJP awards, as well as other federal agency awards.

We reviewed INOBTR's financial management system and its policies and procedures to assess INOBTR's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. To assess risk, we obtained an understanding of the reporting process, examined various grant accounting records and reports prepared by INOBTR, and interviewed INOBTR personnel regarding grant expenditures. Our testing revealed internal control deficiencies that are explained in more detail in the following sections.

Security of Systems

A grantee official told us that INOBTR had not established a set timeframe for employees to change their system passwords, which would help to safeguard its systems as required by CFR Title 28, Chapter 1, Part 70.21. We recommend that OJJDP require INOBTR to revise its written procedures to ensure that employees regularly change their passwords.

Segregation of Duties

CFR Title 28, Chapter 1, Part 70.21 states that a grantee's financial management systems must provide effective control over and accountability for all funds, property, and other assets. Recipients must adequately safeguard all such assets and assure they are used solely for authorized purposes. During our review, we determined that while the founder and Board President of INOBTR signs all checks, when he is unavailable, INOBTR's check signing responsibility is designated to the Controller. However, because the Controller is responsible for all aspects of INOBTR's finances, including reconciling bank statements, we do not believe that the Controller should also have the ability to sign checks. We discussed this issue with INOBTR officials, and they agreed and changed their procedures to remove the Controller as an approved check signer.

Procurement Procedures

CFR Title 28, Part 70 sets forth standards for use by non-profit organizations when utilizing funding from the federal government. These standards include requirements for establishing procedures for the procurement of supplies and other expendable property, equipment, real property, and other services that include but are not limited to, provisions regarding solicitation, conflicts of interest, and other requirements that must be included in written procurement procedures. In addition, at a minimum that written procurement procedures must address the following:

- Entities should avoid purchasing unnecessary items;
- When appropriate, a lease versus purchase analysis should be completed to determine the most economical and practical procurement for the federal government; and
- Solicitations should provide for the following: a clear and accurate description of the technical and functional requirements for the material, product, or service, requirements for the bidder to fulfill, "brand name or equal" description that bidders must meet, acceptance of the metric system where feasible, and preference for products or services that conserve natural resources and protect the environment.

We conducted a limited review of INOBTR's procurement procedures, which are described in its Accounting Policies and Procedures manual. Based upon our review of INOBTR's Accounting Policies and Procedures manual, we determined that INOBTR's written procurement procedures do not contain the required provisions regarding solicitation, conflicts of interest, and other requirements. We later learned that INOBTR had a conflict of interest policy, but it was filed separate from the written procurement procedures. We reviewed the policy, and while we believe it is sufficient, we believe that it should be included in INOBTR's written procurement procedures to ensure that all INOBTR employees have access to it. We therefore recommend that OJJDP require INOBTR to include in its procurement procedures the required provisions regarding solicitation, conflicts of interest, and other requirements described in the OJP's Financial Grants Management Guide.

In addition, we found that INOBTR's purchasing procedures only describe the process after an employee has made a purchase and not the approval process for making a purchase. Furthermore, it does not describe procedures for receiving purchased equipment, supplies, and services, as required by CFR Title 28, Chapter 1, Part 70.34. An INOBTR official verified that there are no formal procedures for receiving purchase equipment, supplies, and services.

During our transaction testing, we noted numerous instances where employees made purchases without having prior approval, which resulted in incomplete supporting documentation. We believe that INOBTR officials may have avoided these deficiencies if there had they established and followed written purchase approval procedures. Therefore, we recommend that OJJDP require INOBTR to include its complete pre-purchase approval requirements in its written procedures, describe procedures for receiving purchases, and ensure that INOBTR reiterates to its employees the importance of following its expenditure approval procedures.

Single Audit

According to the OJP Financial Guide, any organization that expends \$500,000 or more in federal funds in the organization's fiscal year is required to have a single organization-wide audit (Single Audit) conducted. INOBTR's expenditures of federal funds only exceeded \$500,000 in fiscal year 2011, and INOBTR had a Single Audit conducted by an independent accounting firm for fiscal year 2011. We reviewed the independent auditors' assessments, which disclosed that two significant adjustments were recorded to present the organization's financial statements in accordance with generally accepted accounting principles. The adjustments were necessary because INOBTR failed to timely accrue \$190,988 of expenses in 2011. We reviewed INOBTR's general ledger, and we determined that the requested adjustments had been made.

Grant Drawdowns

The OJP Financial Guide states that all recipients of federal funds must develop procedures for the disbursement of funds to ensure federal cash on hand is

kept at a minimal balance. During our interviews with INOBTR officials and our review of INOBTR's accounting policies and procedures, we determined that INOBTR does not have formal written procedures for drawing down grant funds.

Because INOBTR does not have written procedures, we asked the Controller to describe the process INOBTR used for requesting reimbursement from OJJDP for its grant-related costs. The Controller stated that INOBTR normally requested reimbursements on a monthly or quarterly basis, based on expenses incurred and anticipated expenses from contractors for work they had done on the project.

We compared the grantee's general grant ledger to OJJDP's record of drawdowns, and did not identify any reportable matters. However, we recommend that OJJDP ensure that INOBTR develop and implement written procedures for drawing down grant funds, as required by OJP.

Contracts

Changes to Approved Contractors

The OJP Financial Guide states that grantees must initiate a Grant Adjustment Notice (GAN) if a grantee is going to use organizations other than those identified in the original approved budget, or for contracting for or transferring of award-supported efforts. A GAN is used to request project changes and/or corrections for any programmatic, administrative, or financial changes associated with a grant award.

We reviewed the award documents and determined that OJJDP approved INOBTR a \$1,029,460 budget to hire nine specifically named contractors/consultants. During our contract testing, we found that the grantee did not request approval from OJJDP to make changes to the contractors listed in its approved budget. According to INOBTR officials, they had planned to work with a specific contractor to encode television public service announcements (PSA) with technology that would enable INOBTR to monitor PSA usage. Instead, INOBTR decided to focus on developing motion picture PSAs within certain markets, and INOBTR ultimately hired a contractor different than those identified in the approved budget. In addition, officials told us that a certain media contractor was specifically budgeted for monitoring PSA broadcasts and related viewership, but INOBTR instead used the contractor to provide media clips to be used at press conferences for each of the six Part A campaigns. We asked whether INOBTR submitted a GAN for these changes, and INOBTR officials responded that they had not submitted a GAN. By not submitting the required GANs, INOBTR did not make OJJDP aware of the anticipated changes, nor did it receive prior approval from OJJDP as required by the OJP Financial Guide. Therefore, we recommend that OJJDP ensure INOBTR establishes procedures to notify OJJDP and request prior approval of program changes as specified in the application or grant agreement, including changes related to approved contractors.

Cost Analysis/Competitive Bidding Procedures

CFR Title 28, Part 70 states that some form of cost or price analysis must be made and documented in the procurement files for every procurement action, and all procurement transactions must be conducted in a manner to provide, to the maximum extent practical, open and free competition. In addition, the OJP Financial Guide states that all sole-source procurements in excess of \$100,000 must receive prior approval from the awarding agency. Under certain circumstances, this sole source rule can be waived by the awarding agency when the applicant can document that there is only one contractor qualified or available to perform the function.

INOBTB's accounting policies and procedures state that for all major expenditures such as computers, furniture, audit services, and printing services, three bids must be obtained before a purchasing decision is made. Additionally, all bids, including quotes obtained by telephone, must be recorded and kept on file.

We requested cost analyses, competitive bids, and sole-source requests for equipment and contractor costs we reviewed. During our equipment testing, we determined that INOBTR did not fully document, in its procurement files, the analysis for one of three laptops that was purchased with grant funds, as required by the OJP Financial Guide and its own Accounting and Policies and procedures.

In addition, we found that INOBTR did not do a competitive bid, conduct a cost analysis, nor did it seek approval from OJJDP to establish contracts with 3 of the 10 contractors we reviewed during our examination of contract expenditures. We believe INOBTR should have sought approval from OJJDP before establishing contracts with these contractors and by not doing so, INOBTR did not adhere to OJP's guidance regarding conducting competitive bidding and cost analysis, nor did it follow its own purchase procedures. We recommend that OJJDP ensure that INOBTR adhere to OJP's guidance and follow its own policies and procedures regarding cost analysis, competitive bidding, and sole source justification, including documenting the results of this analysis.

Monitoring Contractors

CFR Title 28, Chapter 1, Part 70.47 Contract Administration, states a system for contract administration must be maintained to ensure contractor conformance with the terms, conditions, and specifications of the contract and to ensure adequate and timely follow-up of all purchases. Grant recipients must evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions, and specifications of the contract.

To determine how the grantee monitors its contractors, we interviewed the grant's Project Director, who told us that INOBTR does not have any formal procedures for assessing the effectiveness of contractors. In addition, we reviewed INOBTR's policies and procedures and did not find any mention of contractor

monitoring. We recommend that OJJDP ensure that INOBTR develops and implements contractor-monitoring procedures for ensuring contractor conformance with the terms, conditions, and specifications of the contract.

Grant Expenditures

The OJP Financial Guide requires that expenditures be accounted for and be adequately supported. INOBTR’s approved grant budget is detailed in Table 1.

Table 1
INOBTR Approved Grant Budget Amounts and Description of Costs

Cost Category	Approved Budget	Description of Planned Expenditures
Personnel	\$192,320	Salary for staff
Fringe Benefits	\$30,591	Federal and state taxes/health insurance/disability, and life insurance/parking
Travel	\$49,008	Travel to OJJDP meetings in Washington, D.C., travel to Part A sites, conferences
Supplies	\$11,530	General Office supplies, copies and printing, postage, shipping
Contract/Consulting	\$1,029,460	Agreements with creative agencies, media, contractor travel
Other	\$232,828	Rent, copier lease/supplies, telephone, cell phones, general liability insurance, workers compensation, computer set-up, launch events
Equipment	\$5,100	Laptops
Construction	0	
Indirect Costs	0	
Federal Funds	\$1,550,837	
Local Match	0	
Total Project Costs	\$1,550,837	

Source: Grant Management System

We reviewed 71 grant transactions to determine if costs charged to the award were allowable, supported, and properly allocated in compliance with grant requirements. We selected a judgmental sample of transactions from INOBTR’s general ledger. The selected transactions totaled \$727,554 (or 49 percent) of the

total of \$1,482,779 in expenses billed to the grant as of June 30, 2014.⁴ During our testing, we identified several instances where costs charged to the award were not allowable, supported, or properly allocated; consequently, we questioned \$42,275 as unallowable costs.

Less Than Arms' Length Transactions

The OJP Financial Guide states that rental costs for space in a privately owned building are allowable. However, rental costs may not be charged to the grant if the recipient owns the building or has a financial interest in the property.

During our interviews with INOBTR officials, we learned that Contemporary Productions, a for-profit company, pays rent for its office space and then subleases part of this space to INOBTR. We also found that INOBTR used grant funds to pay rent to Contemporary Productions based upon the percentage of effort INOBTR employees worked on the grant. Between August 2010 and December 2014, INOBTR paid \$31,032 in rent to Contemporary Productions.

As previously noted, the President of Contemporary Productions established INOBTR in 2007, and the audited OJP grant was awarded in September 2009.⁵ We determined that INOBTR was already housed within Contemporary Productions' space at the time it was awarded OJP funds, and Contemporary Productions did not increase its rented space to accommodate INOBTR's grant operations at the time of the award. Further, the rental documents indicate that in August 2011 the square footage of space rented by Contemporary Productions actually decreased. Additionally, two of the three INOBTR employees are also employees of Contemporary Productions, and the president of Contemporary Productions is the founder of INOBTR, as well as the President of INOBTR's Board of Directors.

We do not believe INOBTR should have used grant funds to pay rental expenses to Contemporary Productions. First, we believe that there is a financial relationship between INOBTR and Contemporary Productions, and transactions between these two entities would be at less-than arms' length. Second, as detailed above, Contemporary Productions was already occupying and would have been paying rent on the space that it would later be reimbursed by the grant. Third, the majority of grant-paid INOBTR employees were also employees of Contemporary Productions and would have required space in which to work, regardless of the percentage of time spent on each activity. With INOBTR using grant funds to reimburse Contemporary Productions for rental space that Contemporary Productions would likely have otherwise been occupying to accommodate its employees, we believe that the OJP grant is effectively subsidizing the facility costs of the for-profit corporation Contemporary Productions, which is not an OJP grantee.

⁴ Throughout this report, differences in the total amounts are due to rounding.

⁵ The audited grant is the first and only OJP award INOBTR had received as of August 2015.

We discussed this issue with OJJDP officials, and they agreed that there is a financial relationship between INOBTR and Contemporary Productions. We have identified the \$31,032 in rent payments to Contemporary Productions as questioned costs. We recommend that OJJDP require INOBTR to remedy these questioned costs.⁶

Contractors

We tested 34 separate transactions, which totaled \$683,518. We verified rates, services, and total costs to determine if they were in accordance with those allowed in the approved budget. As noted earlier, we found that INOBTR did not: (1) obtain competitive bids; (2) conduct cost analyses; or (3) obtain OJJDP approval to establish contracts with 3 of the 10 contractors we reviewed, as required by the OJP Financial Guide. Aside from those issues, included previously in this report, we did not identify any exceptions related to individual contractor billings or charges to the grant.

Salary

According to the approved budget, OJJDP authorized INOBTR a personnel budget that totaled \$192,320. The personnel budget covered partial salaries, for 2 years, for a Project Director, Project Manager, and a part-time Controller. During our testing, we found that INOBTR correctly computed, properly authorized, and accurately recorded all salary costs charged to the grant.

Fringe Benefits

According to the approved budget, OJJDP authorized INOBTR a fringe benefit budget that totaled \$30,591. The fringe benefit budget included partial benefits for federal and state taxes, Health Insurance, Disability and Life Insurance, and building parking, for 2 years, for a Project Director and Project Manager. The part-time controller was not covered under the fringe benefit budget.

During our testing, we found that the approved fringe benefit costs INOBTR charged to the grant were consistent with rates charged to other employees, properly charged to the grant, and computed correctly. However, we found that INOBTR charged \$6,564 in vacation time and sick leave expenses, and these categories were not included in the approved fringe benefit budget category. Because neither sick leave nor vacation time were part of the approved grant budget, we consider the associated charges to be unapproved. We recommend OJJDP remedy the \$6,564 in unapproved expenses.

⁶ Our draft report identified a larger dollar amount. However, following the issuance of the draft report, INOBTR officials provided additional documentation that more specifically isolated rent costs within consolidated general ledger transaction data.

Travel

According to the OJP Financial Guide, travel costs are allowable as expenses by employees who are in travel status on official business. These costs must be in accordance with federal or an organizationally approved travel policy. According to the approved budget, OJJDP authorized INOBTR a travel budget that totaled \$49,008. During our transaction testing, we identified a total of \$4,679 in questioned costs related to a canceled conference trip, expenses that exceeded the federal GSA rate, airfare that exceeded the economy rate, and other, miscellaneous, travel-related costs.⁷

During our review of grant expenditures, we found invoices totaling \$1,661, charged to the grant for conference registration fees and related travel. The trip was canceled the day before the official was scheduled to travel "due to unforeseen circumstances" and INOBTR did not seek refunds for the \$1,661 in expenses incurred for conference registration and prepaid hotel reservations. We believe that INOBTR should have inquired about a refund of these expenditures because the federal grant did not benefit from the outlay of this amount. Because INOBTR did not request a refund for these costs, we recommend OJJDP remedy the \$1,661 in hotel and conference registration costs.

In addition, we identified \$1,663 in unallowable hotel expenses charged to the grant for travel to nine different cities. In its approved grant application and budget, INOBTR officials indicated that they would use the federal per diem rate for grant-related travel. INOBTR officials did not use the federal lodging rate and therefore, we recommend OJJDP remedy the \$1,663 in unallowable travel costs representing the costs that exceeded the per diem rate.

We also identified \$724 in unallowable air travel costs charged to the grant because INOBTR officials purchased airfare for a class of service above economy, which is not allowed under federal travel regulations. Because we could not determine the cost difference between an economy ticket and the amount paid, we questioned the entire amount of the flight. We recommend OJJDP remedy the \$724 in unallowable airfare.

Finally, we identified a total of \$631 in unallowable travel costs incurred during grant-related travel, including costs for entertainment, tips, and a membership for an airline's members-only airport lounge. We recommend OJJDP remedy these unallowable travel costs.

Budget Management and Control

According to the OJP Financial Guide, a grantee may transfer funds between approved budget categories without OJJDP approval if the total transfers are 10 percent or less than the award amount. Requests for transfers of funds between

⁷ Our draft report identified a larger dollar amount. However, following the issuance of the draft report, INOBTR officials provided additional documentation regarding the travel expenses that reduced the questioned cost amount.

budget categories of over 10 percent must be submitted to OJJDP for approval. We reviewed INOBTR's records and determined that it did not exceed the 10-percent transfer threshold.

Grant Reporting

The OJP Financial Guide states that the grantee is to submit two types of reports. The grantee must submit Federal Financial Reports (FFR), which provide information on monies spent and the unobligated amounts remaining in the grant, and Categorical Assistance Progress Reports, which provide information on the status of grant-funded activities and other pertinent information.

Federal Financial Reports

We reviewed all FFRs submitted by INOBTR for accuracy. The most recent FFR reviewed, which covered the period ending June 30, 2014, correctly reported the total expenditure amount as recorded in the general ledger. Although we found that earlier FFRs did not match expenses recorded in the general ledger, these variances were predominately the result of timing differences.

Progress Reports

The award documentation required INOBTR to submit semiannual progress reports to OJP within 30 days after the end of each reporting period, which were June 30 and December 31. We reviewed the two most recent Progress Reports and found they were accurate.

Program Performance and Accomplishments

The purpose of the grant was for INOBTR to develop public awareness strategies to serve each of the communities implementing local projects under this child and youth safety initiative. The public awareness strategies would represent innovative use of media and other platforms, and would target the broadest possible audience. In addition, INOBTR would work with each of the local child and youth safety grantees to leverage all possible outreach resources, paying attention to underserved and non-served populations.

We compared the grant application and supporting documents to the accomplishments listed by the grantee in the progress reports, and we determined that the grantee had completed or was in the process of completing each of its goals. In particular, INOBTR did develop programs for all the Part A grantees and placed the various products developed on its website as well as presenting the developed programs at conferences and at large events such as major league baseball games.

Compliance with Special Conditions

We tested what we believed to be the most important special conditions and we determined that INOBTR complied with the three special conditions that we tested. Specifically, INOBTR: (1) filed material that it had developed with OJJDP's National Training and Technical Assistance Center, (2) asked OJJDP for grant extensions when needed, and (3) presented to OJJDP material for review and approval.

Views of Responsible Officials

We discussed the results of our review with grantee and OJJDP officials throughout the audit and at formal exit conferences, and we have included their comments as appropriate.

Recommendations

We recommend that OJJDP:

1. Require INOBTR to revise its written procedures to ensure that employees regularly change their passwords.
2. Ensure INOBTR includes in its procurement procedures the required provisions regarding solicitation, conflicts of interest, and other requirements described in OJP's Financial Guide.
3. Require INOBTR to include its complete pre-purchase approval requirements in its written procedures, describe procedures for receiving purchases, and ensure that INOBTR reiterates to its employees the importance of following its expenditure approval procedures.
4. Ensure INOBTR develops and implements written procedures for drawing down grant funds.
5. Ensure INOBTR establishes procedures to notify OJJDP and request prior approval of program changes as specified in the application or grant agreement, including changes related to approved contractors.
6. Ensure INOBTR: (a) adheres to OJP's guidance and follows its own policies and procedures regarding cost analysis, competitive bidding, and sole source justification, including documenting the results of this analysis; and (b) develops and implements contractor-monitoring procedures for ensuring contractor conformance with the terms, conditions, and specifications of the contract.
7. Remedy the \$31,032 in unallowable rent expenditures.
8. Remedy \$6,564 in unapproved sick and vacation time.

9. Remedy a total of \$4,679 in unallowable travel costs.

OBJECTIVE, SCOPE, AND METHODOLOGY

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

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

Our audit concentrated on, but was not limited to, the inception of the grant on October 1, 2009, through June 30, 2014. This was an audit of grant number 2009-MC-CX-K068 awarded to INOBTR of Saint Louis, Missouri, for \$1,550,837. In conducting our audit, we reviewed Federal Financial Reports and Progress Reports and performed testing of grant expenditures, including reviewing supporting accounting records. We reviewed internal controls and procedures for the grant that we audited and judgmentally selected a sample of expenditures. A judgmental sampling design was applied to obtain broad exposure to numerous facets of the grant reviewed, such as dollar amounts, expenditure category, and risk. This non-statistical sample design does not allow for projection of the test results to all grant expenditures or internal controls and procedures. We selected 71 transactions, which included the 10 highest dollar amounts, and the other 61 transactions were judgmentally selected and anomalous transactions. As of June 30, 2014, the end of our review period, INOBTR had expended \$1,482,779 (96 percent) of the total grant award.⁸

The objective of this audit was to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas: (1) financial management, (2) grant drawdowns, (3) contracts, (4) grant expenditures, (5) budget management and control, (6) grant reporting, (7) program performance and accomplishments, and (8) compliance with special conditions. We determined that local matching funds, property management, program income, and monitoring of sub-grantees were not applicable to this grant.

We performed limited testing of source documents to assess the accuracy of FFRs, reimbursement requests, expenditures, and progress reports; evaluated performance to grant objectives; and reviewed the grant-related internal controls over the financial management system. We tested invoices as of June 30, 2014. However, we did not test the reliability of the financial management system as a whole and reliance on computer-based data was not significant to our objective.

⁸ The award period ended December 31, 2014.

We reviewed INOBTR's past Single Audit Report, which was prepared under the provisions of Office of Management and Budget Circular A-133.

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>PAGE</u>
QUESTIONED COSTS⁹		
Unallowable Rent	\$31,032	11
Unapproved Sick and Vacation Time	\$6,564	11
Unallowable Travel Costs	\$4,679	12
<i>Total Unallowable</i>	\$42,275	
Net Questioned Costs	\$42,275	

⁹ ***Questioned Costs*** are expenditures that do not comply with legal, regulatory, or contractual requirements, 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.

AUDITEE RESPONSE TO THE DRAFT REPORT



October 5, 2015

Carol S. Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
500 W. Madison St. Suite 1121
Chicago, Illinois 60661

Dear Ms. Taraszka:

INOBTBTR ("I Know Better") is in receipt of and has reviewed the draft audit report for cooperative agreement number 2009-MC-CX-K068. We appreciate the opportunity this audit has provided to improve internal controls and INOBTBTR's grant management.

This Promoting Youth Safety (PYS) Public Awareness Campaign cooperative agreement has been an amazing awareness project for the organization. We have been a good steward of the government funding, producing six (6) multimedia, multi-cultural public awareness campaigns to educate the community on youth issues and identify local resources. A virtual tool kit has been set up online with all PYS campaign materials available for immediate download at www.projectyouthsafety.org. Materials are still being accessed and requested – in fact on Thursday, August 27, a child and youth coordinator in Canada downloaded the Cell Phone campaign.

As outlined in our grant Logic Model, one of INOBTBTR's goals beyond producing the six (6) campaigns was to further the materials and overall awareness beyond the campaign markets through Safety Events. INOBTBTR achieved that goal through a "CyberSafety Night at the Ballpark" event model which allowed us to partner with other government entities to generate mass awareness through PSAs and material distribution. We did the event three (3) times – once in St. Louis and in 2013 and 2014 in Washington, DC working in partnership with the US Department of Justice. In a PSA that aired at Nationals Park, former US Attorney General Eric Holder spoke as a parent and as the nation's top law enforcement officer about keeping today's youth cyber safe.

Before responding to the specific recommendations, there are some important details to address as it relates to INOBTBTR as an organization. In the Draft Audit report, on page one (1) in the Background Section, second paragraph, the information stated is inaccurate. Contemporary Productions did not establish INOBTBTR. Steve Schankman as a private individual founded INOBTBTR as a non-profit organization in 2007. This information is available on INOBTBTR.org in the "About INOBTBTR" section.

INOBTBTR's response to the draft audit report is as follows.

190 Carondelet Plaza • Suite 1111 • St. Louis, MO 63105 • 314.721.9004

www.INOBTBTR.org

INOBTBTR is a 501(c)(3) organization



p. 2

1. Require INOBTR to revise its written procedures to ensure that employees regularly change their passwords.

INOBTR concurs with this recommendation. Per CFR Title 28, Chapter 1, Part 70.21(3), INOBTR has taken measures to safeguard assets to ensure usage only for authorized purposes.

INOBTR has enabled a customized change to our Microsoft Windows password policy settings. This change will prompt and require employees to change their password every 90 days. Password Policy –Policy is stated as follows

- Employees should keep their passwords confidential.
- Employees will be prompted by Microsoft Windows software to change their password every 90 days.
- Employees will not publicly display any written information about passwords.
- Any written information about passwords will be kept in a secured location.

Policy will be effective as of September 15, 2015 in the INOBTR Policy & Procedures Manual.

2. Ensure INOBTR includes in its procurement procedures the required provisions regarding solicitation, conflicts of interest, and other requirements described in the Office of Justice Programs (OJP) Financial Grants Management Guide.

INOBTR concurs with this recommendation. INOBTR has added formal procedures to our manual: Policy will be effective as of September 15, 2015 in the INOBTR Policy & Procedures Manual. A copy of policy is included in Attachment 1 for reference.

3. Require INOBTR to include its complete pre-purchase approval requirements in its written procedures, describe procedures for receiving purchases, and ensure that INOBTR reiterates to its employees the importance of following its expenditure approval procedures.

INOBTR concurs with this recommendation and has added a procedure to INOBTR's Policy and Procedures manual requiring compliance through a new process. Policy will be effective as of September 15, 2015 in the INOBTR Policy & Procedures Manual. A copy of policy is included in Attachment 1 for reference.



p. 3

4. Ensure INOBTR develops and implements written procedures for drawing down grant funds.

INOBTR concurs with this recommendation. Although we have always followed the recommended procedure for drawing down grant funds, it was not documented. The drawdown procedure has been formalized – a drawdown approval form has been created to initiate a draw on grant funds. Policy will be effective as of September 15, 2015 in the INOBTR Policy & Procedures Manual. A copy of policy and form are included in Attachment 1 for reference.

5. Ensure INOBTR establishes procedures to notify Office of Juvenile Justice and Delinquency Prevention (OJJDP) and request prior approval of program changes as specified in the application or grant agreement, including changes related to approved-contractors.

INOBTR concurs with this recommendation. INOBTR has worked very closely with our OJJDP Program Manager and in constant communications every step of the way. However, we have added a bullet in the Contracts Policy to ensure changes are communicated to granting organization i.e. OJJDP in this case..

We would like to take the opportunity to respond to one of the examples listed in the draft Audit.

Contracts – Changes to Approved Contractors, it references INOBTR “planned to work with a specific contractor to develop television public service announcements.” This is an inaccurate statement. The contractor in question was slated to encode TV PSAs with technology that would enable INOBTR to monitor PSA usage.

It was determined when the creative agencies were refining proposals and costs during the budget development process, TV PSAs were not a cost-effective option for the campaigns. INOBTR’s OJJDP program manager was aware of this fact via many phone conversations and conference calls held with the creative agencies.

A contract was never drawn up because services were not needed. Furthermore, because the \$4,500 approved contract amount was less than 1%, it did not meet GAN requirements.

6. Ensure INOBTR (a) Adheres to OJP’s guidance and follows its own policies and procedures regarding cost analysis, competitive bidding, and sole source justification, including documenting the results of this analysis; and (b) develops and implements contractor-monitoring procedures for ensuring contractor conformance with the terms, conditions, and specifications of the contract.

Response to (a) - INOBTR concurs with this recommendation. Cost Analysis, Competitive Bidding, and Sole Source Justification have been covered under the new Procurement policy. Policy will be effective as of September 15, 2015 in the INOBTR Policy & Procedures Manual. A copy of policy and form are included in Attachment 1 for reference.

190 Carondelet Plaza • Suite 1111 • St. Louis, MO 63105 • 314.721.9004

www.INOBTR.org

INOBTR is a 501(c)(3) organization



Response to (b) INOBTR concurs with this recommendation. A new policy has been drafted and included in the Policy and Procedures Manual. Policy will be effective as of September 15, 2015 and is included in Attachment 1 for reference. p. 4

7. Remedy the \$31,032 in unallowable rent expenditures.

INOBTR does not concur with this finding.

With regard to clarity of information, the draft audit summary on this finding is entitled "Rent Payments to Parent Company." As previously stated, INOBTR and Contemporary Productions are two separate entities. Contemporary is not a parent company to INOBTR.

INOBTR has been in full-disclosure with OJJDP about our rent agreement with Contemporary Productions. Since the inception of this grant, October 1, 2009, a vast amount of information has been shared with OJJDP (* indicates information shared with OJJDP before budget approval). The information includes:

1. INOBTR's sub-lease* and rent statement*
2. Contemporary Productions lease*
3. Detailed cost calculation of INOBTR's rent*. Rent is reviewed annually and costs are adjusted based on CAM fees, space utilized etc. INOBTR's rent cost approval documentation is signed off on by INOBTR Board Members. Schankman does not participate in this vote.
4. Detailed reports are completed monthly – they include percentage of personnel effort and how percentage of effort is allocated across the board for rent and overhead expenses. Personnel is defined as Project Director and Executive Director ONLY, Part-time Controller is straight hourly pay – no rent or overhead is allocated for this position.
5. Substantiated INOBTR and Contemporary Productions as separate entities.
 - a. Schankman does not control both entities
 - b. Schankman is the owner of Contemporary Productions
 - c. Schankman is the Founder of INOBTR where he represents 1/3 of the INOBTR Board. He does not have control of the Board. He abstains from votes pertaining to rent/lease and financial decisions as it would be in violation of the organization's conflict of interest policy. All board members are required to sign this policy annually.
 - d. As Executive Director I, Cindy Schroeder, manage INOBTR day to day
6. INOBTR's sublease has been in place since 2008 which pre-dates the OJJDP "Promoting Youth Safety" grant award. On a monthly basis, INOBTR allocates rent dollars to all projects, administration and fundraising based on the percentage of effort toward each project. This is consistent with all INOBTR grants, direct support and restricted funds and has been the organization's practice since 2008.

190 Carondelet Plaza • Suite 1111 • St. Louis, MO 63105 • 314.721.9004

www.INOBTR.org

INOBTR is a 501(c)(3) organization



p. 5

7. INOBTR's external auditors and accountants are fully aware and has never questioned our structure. INOBTR has received a procedural audit and A-133 audit, no issues arose in regard to the organization's rent arrangement.
8. Total transparency to OJJDP and the Office of the Chief Financial Officer (OCFO)
9. Approved budget May 2011.
10. At no point during this PYS grant has Contemporary Productions directly received any grant monies from OJJDP. Grant funding was utilized by INOBTR only.
11. As a result of cost efficiencies and due to being good stewards of grant funding, the PYS project was extended by an extra two (2) years to further the campaign message and materials. Despite the additional time, work and events, INOBTR's comprehensive budget came in under budget including rent.
12. For INOBTR to occupy a different space, it would have cost a minimum of 50% more than what was budgeted for rent in the PYS budget. Open-ended leases cost substantially more and are not readily available.

Therefore given that the common party, Mr. Schankman, controls Contemporary Productions and only has 1/3 vote in INOBTR, and I manage INOBTR, it is fair to conclude he does not control both entities. Secondly, governmental agencies, auditors, accountants had not voiced any concern of this relationship. Mr. Schankman and INOBTR employees have been fully transparent and cooperative to the Office of the Inspector General (OIG) audit team and OCFO/OJJDP to substantiate, explain and discuss INOBTR's arrangement in its entirety.

INOBTR has conducted business at arm's length at all times. In closing on this issue, the PYS grant has enjoyed a fair and efficient arrangement because of Mr. Schankman's philanthropy.

In reference to 2009 OJP Financial Guide, we cite this edition as it is what INOBTR used in the creation of the PYS Budget. We would like to address the guidelines stated in Chapter 7: ALLOWABLE COSTS, "Space" section, on page 77. It states:

1. *Rental Cost. The rental cost of space in a privately owned building is allowable. Rent cannot be paid if the building is owned by the grantee or if the grantee has a financial interest in the property. However, cost of ownership is an allowable expense. Similar cost for a publicly owned building are not allowable where "rental rate" systems, or equivalent systems that adequately reflect actual costs, are employed.*

INOBTR meets the allowable Rental Costs as well as Maintenance and Operation criteria based on the following facts:

- INOBTR is the grantee
- INOBTR does not have a financial interest in the property

Given the collective facts in this response, INOBTR requests OJP review and refute OIG's remedy recommendation of \$31,032.

190 Carondelet Plaza • Suite 1111 • St. Louis, MO 63105 • 314.721.9004

www.INOBTR.org

INOBTR is a 501(c)(3) organization



p. 6

8. Remedy \$6,564 in unapproved sick and vacation time.

INOBTR does not concur with this finding. In our budget planning and on the approved INOBTR budget, we have clearly labeled "Salary/Time Compensation for project administration and execution" directly underneath the "A. Personnel" category. INOBTR defines salary/time compensation to include vacation and sick time. See below image for a mini-screen shot.

Refers Line Item
A. PERSONNEL
Salary/Time Compensation for project administration and execution

INOBTR support rationale - If vacation and sick time is to be put in "Fringe Benefits" this directive is not included in the tools OJP provides and utilizes to educate grantees on budget development - specifically the OJP Budget Detail Worksheet and the [Financial Management Training Seminar](#), an attendance requirement for all new grantees financial personnel. This is INOBTR's first federal grant and we were in compliance on seminar attendance and utilized the budget detail worksheet in the development process.

INOBTR strongly recommends OJP clearly and fully define what "fringe benefits" encompasses. Furthermore if vacation and sick time is unallowable, state it on the aforementioned tools. It will save a lot of time and effort in the long run.

INOBTR has consulted with [REDACTED] who has completed the procedural and A-133 audits for the organization. They did not see any potential issues with INOBTR's sick/vacation rationale and in fact advised us how to allocate it for budget and financial purposes.

For remedy resolution, INOBTR requests approval for a post end date budget amendment so that we can reclassify the \$6,564 in vacation/sick time to Fringe Benefits, which OIG identifies as the appropriate category.

9. Remedy a total of \$4,637 in unallowable travel costs.

INOBTR does not concur with this finding. Overview documentation is in Attachment 2 for immediate review. For remedy resolution, INOBTR requests OJP discussion and reconsideration on questionable costs within this category.



p. 7

In conclusion, INOBTR has spent an inordinate amount of time to research, respond and be available to the OIG Audit team for the past 13 months. INOBTR requests OJP reconsider the time compensation as we have surpassed the one year mark into this audit process. Thank you for your consideration.

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,

Cindy Schroeder
Executive Director
INOBTB ("I Know Better")

OJP RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

SEP 11 2015

MEMORANDUM TO: Carol S. Taraszka Regional
Audit Manager Chicago
Regional Audit Office Office of
the Inspector General

FROM: Ralph E. Martin
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention, Cooperative Agreement Awarded to INOBTR (I Know Better), Saint Louis, Missouri*

This memorandum is in reference to your correspondence, dated August 14, 2015, transmitting the above-referenced draft audit report for INOBTR (I Know Better). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains nine recommendations and \$55,603 in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP require INOBTR to revise its written procedures to ensure that employees regularly change their passwords.**

OJP agrees with the recommendation. We will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that system passwords are regularly changed by employees.

2. **We recommend that OJP ensure INOBTR includes in its procurement procedures the required provisions regarding solicitation, conflicts of interest, and other requirements described in the OJP's Financial Grants Management Guide.**

OJP agrees with the recommendation. We will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that all Federally-funded procurements are: conducted in a manner to provide maximum open, free, and fair competition, and in compliance with the terms and conditions of the award; and consistent with the requirements described in the Department of Justice Financial Guide.

3. We recommend that OJP require INOBTR to include its complete pre-purchase approval requirements in its written procedures, describe procedures for receiving purchases, and ensure that INOBTR reiterates to its employees the importance of following its expenditure approval procedures.

OJP agrees with the recommendation. We will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that INOBTR's purchasing process includes: requirements for approving purchases in advance; detailed steps for receiving goods and services; and controls to ensure that employees adhere to expenditure approval procedures when making purchases.

4. We recommend that OJP ensure INOBTR develops and implements written procedures for drawing down grant funds.

OJP agrees with the recommendation. We will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that drawdowns of Federal grant funds are based on actual expenditures incurred, or are the minimum amounts needed for disbursements to be made immediately or within 10 days of drawdown; and amounts requested for reimbursement are supported by adequate documentation.

5. We recommend that OJP ensure INOBTR establishes procedures to notify OJJDP and request prior approval of program changes as specified in the application or grant agreement, including changes related to approved contractors.

OJP agrees with the recommendation. We will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that INOBTR notifies the Federal awarding agency and requests prior approval of program changes, as specified in the application or grant agreement, including changes related to approved contractors.

6. We recommend that OJP ensure INOBTR: (a) adheres to OJP's guidance and follows its own policies and procedures regarding cost analysis, competitive bidding, and sole source justification, including documenting the results of this analysis; and (b) develops and implements contractor-monitoring procedures for ensuring contractor conformance with the terms, conditions, and specifications of the contract.

OJP agrees with the recommendation. We will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that INOBTR: (a) adheres to OJP's guidance and its own cost analysis, competitive bidding, and sole source justification procedures, including documenting the results of this analysis; and (b) monitors contractor performance to ensure conformance with the terms, conditions, and specifications of the contract.

7. We recommend that OJP remedy the \$40,389 in unallowable rent expenditures.

OJP agrees with the recommendation. We will coordinate with INOBTR to remedy the \$40,389 in questioned costs, related to unallowable rent expenditures that were charged to cooperative agreement number 2009-MC-CX-K068.

8. We recommend that OJP remedy \$6,564 in unapproved sick and vacation time.

OJP agrees with the recommendation. To remedy the \$6,564 in questioned costs, we will obtain a copy of INOBTR's compensation policy to determine if sick and vacation leave are benefits provided to all full-time INOBTR employees, and not just those funded by a grant. We will then request a final determination regarding the allowability of these costs from OJP's Office of the Chief Financial Officer.

9. We recommend that OJP remedy a total of \$8,649 in unallowable travel costs.

OJP agrees with the recommendation. We will coordinate with INOBTR to remedy the \$8,649 in questioned costs, related to unallowable travel costs that were charged to cooperative agreement number 2009-MC-CX-K068.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

cc: Jeffery A. Haley
Deputy Director, Audit and Review Division
Office of Audit, Assessment, and Management

Robert L. Listenbee
Administrator
Office of Juvenile Justice and Delinquency Prevention

Chyrl Jones
Deputy Administrator
Office of Juvenile Justice and Delinquency Prevention

Shanetta Cutlar
Chief of Staff
Office of Juvenile Justice and Delinquency Prevention

Amy Callaghan
Special Assistant
Office of Juvenile Justice and Delinquency Prevention

Lou Ann Holland
Program Manager
Office of Juvenile Justice and Delinquency Prevention

cc: Leigh A. Benda
Chief Financial Officer

Christal McNeil-Wright
Associate Chief Financial Officer
Grants Financial Management Division
Office of the Chief Financial Officer

Jerry Conty
Assistant Chief Financial Officer
Grants Financial Management Division
Office of the Chief Financial Officer

Aida Brumme
Acting Manager, Evaluation and Oversight Branch
Grants Financial Management Division
Office of the Chief Financial Officer

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

OJP Executive Secretariat
Control Number IT20150820092521

**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 U.S. Department of Justice Office of Justice Programs and INOBTR. INOBTR's response letter is incorporated in Appendix 3 of this final report, and OJP's response is incorporated in Appendix 4 of this final report. INOBTR's response contained several attachments that are not included in Appendix 3 due to their size and sensitivity.

In response to INOBTR's point that Contemporary Productions did not establish INOBTR, we have made a slight revision to our report statement in the Introduction section. We note that our audit reports do not normally identify individuals by name, and we therefore did not specifically identify INOBTR's founder (who is also the owner of Contemporary Productions). The relationship between INOBTR and Contemporary Productions is discussed in greater detail in Recommendation Number 7.

Additionally, in regards to INOBTR's concern regarding the compensation for time spent during the audit process, the OJP Financial Guide states that awards are subject to conditions of fiscal, program, and general administration to which the recipient expressly agrees in accepting the award. The OJP Financial Guide also specifies that the OIG has the right of access to auditee records in order to conduct audits, and a special condition of the award states that the recipient agrees to cooperate with any assessment or evaluation of any activities within the project.

During the course of our audit, in an attempt to obtain accurate records, we were required to request numerous versions of INOBTR's general ledger, each of which contained numerous adjustments and corrections, and some of which occurred after issuance of the draft report. Additionally, during the reporting process, we worked closely with INOBTR officials in an attempt to resolve some of their concerns and questions prior to issuing the draft and final versions of the report. As part of this effort, at the request of INOBTR officials, on multiple occasions, we provided INOBTR officials line-by-line information from INOBTR's own general ledger related to questioned costs we identified, and we worked with the officials while they located additional documentation related to some of these questioned costs. We agree that this process took longer than expected, but we believe that accommodating INOBTR's need for extra time to provide additional and reliable information was a significant element in the total time taken.

The following provides the OIG analysis of the responses and a summary of actions necessary to close the report.

Recommendations:

1. Require INOBTR to revise its written procedures to ensure that employees regularly change their passwords.

Resolved. Both INOBTR and OJP concurred with our recommendation. In its response to our recommendation, INOBTR stated that it enabled a customized change to its electronic password policy settings that will prompt and require employees to change their password every 90 days and that this policy was in effect as of September 15, 2015. Along with its response, INOBTR provided a copy of its new policy regarding password changes.

OJP stated that it will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that system passwords are regularly changed by employees.

This recommendation can be closed when we receive evidence that INOBTR has implemented adequate written procedures to ensure that employees regularly change their passwords.

2. Ensure INOBTR includes in its procurement procedures the required provisions regarding solicitation, conflicts of interest, and other requirements described in the OJP Financial Guide.

Resolved. Both INOBTR and OJP concurred with our recommendation. In its response to our recommendation, INOBTR stated that it added formal procedures to its manual and that the policy was effective as of September 15, 2015. Along with its response, INOBTR provided a copy of its new policy regarding procurement procedures.

OJP stated that it will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that all federally funded procurements are: conducted in a manner to provide maximum open, free, and fair competition, and in compliance with the terms and conditions of the award; and consistent with the requirements described in the OJP Financial Guide.

This recommendation can be closed when we receive evidence that INOBTR has implemented adequate written procurement procedures that include the required provisions regarding solicitation, conflicts of interest, and other requirements described in the OJP Financial Guide.

3. Require INOBTR to include its complete pre-purchase approval requirements in its written procedures, describe procedures for receiving purchases, and ensure that INOBTR reiterates to its employees the importance of following its expenditure approval procedures.

Resolved. Both INOBTR and OJP concurred with our recommendation. In its response to our recommendation, INOBTR stated that it added a procedure to its Policy and Procedures manual requiring compliance through a new process and that the policy was effective as of September 15, 2015. Along with its response, INOBTR provided a copy of its new policy regarding pre-purchase approval requirements.

OJP stated that it will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that INOBTR's purchasing process includes requirements for approving purchases in advance, detailed steps for receiving goods and services, and controls to ensure that employees adhere to expenditure approval procedures when making purchases.

This recommendation can be closed when we receive evidence that INOBTR has implemented adequate written procedures that include complete pre-purchase approval requirements, describe procedures for receiving purchases, and ensure that INOBTR reiterates to its employees the importance of following its expenditure approval procedures.

4. Ensure INOBTR develops and implements written procedures for drawing down grant funds.

Resolved. Both INOBTR and OJP concurred with our recommendation. In its response to our recommendation, INOBTR stated that it has always followed the recommended procedure for drawing down grant funds, but acknowledged that the procedure was not documented. INOBTR further stated that the drawdown procedure has been formalized and an approval form to execute a drawdown was created and in effect since September 15, 2015. Along with its response, INOBTR provided a copy of its new written procedures for drawing down grant funds.

OJP stated that it will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that drawdowns of federal grant funds are based on actual expenditures incurred, or are the minimum amounts needed for disbursements to be made immediately or within 10 days of drawdown; and amounts requested for reimbursement are supported by adequate documentation.

This recommendation can be closed when we receive evidence that INOBTR has implemented adequate written procedures for drawing down grant funds.

5. Ensure INOBTR establishes procedures to notify OJJDP and request prior approval of program changes as specified in the application or grant agreement, including changes related to approved contractors.

Resolved. Both INOBTR and OJP concurred with our recommendation. In its response to our recommendation, INOBTR stated that it has worked very

closely with its OJJDP Program Manager. INOBTR also stated that it has added a bullet in its Contracts Policy to ensure changes are communicated to the granting organization.

In addition, INOBTR noted a terminology error related to our description of one of its contractors and, as a result, we made a slight revision to the text in the Contracts section of the report. INOBTR's response also stated that it disputes the need to submit a GAN for changing its approved contractors. Specifically, INOBTR stated that because the \$4,500 approved contract amount was less than 1 percent of the grant amount, it did not meet the requirement to obtain a GAN. We disagree. According to the OJP Financial Guide, a grantee must initiate a GAN if:

The budget modification changes the scope of the project. Examples include altering the purpose of the project, authorizing the use of a subcontractor or other organization that was not identified in the original approved budget, or contracting for or transferring of award-supported efforts.

Additionally, the OJP Financial Guide suggests:

For recordkeeping purposes and audit documentation, it is advised to submit a GAN even if the proposed budget modification is less than 10 percent of the total award amount. This also provides the Program Grant Manager with notification.

Based on this criteria, we believe that INOBTR should have submitted a GAN when it changed its approved contractors.

OJP stated that it will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that INOBTR notifies the federal awarding agency and requests prior approval of program changes, as specified in the application or grant agreement, including changes related to approved contractors.

This recommendation can be closed when we receive evidence that INOBTR has established adequate procedures to notify OJJDP and request prior approval of program changes as specified in the application or grant agreement, including changes related to approved contractors.

- 6. Ensure INOBTR: (a) adheres to OJP's guidance and follows its own policies and procedures regarding cost analysis, competitive bidding, and sole source justification, including documenting the results of this analysis; and (b) develops and implements contractor-monitoring procedures for ensuring contractor conformance with the terms, conditions, and specifications of the contract.**

Resolved. Both INOBTR and OJP concurred with our recommendation. In its response to our recommendation, INOBTR stated that a new policy was drafted and was in effect as of September 15, 2015. Along with its response, INOBTR provided a copy of its new written procedures.

OJP stated that it will coordinate with INOBTR to obtain a copy of written policies and procedures, developed and implemented, to ensure that INOBTR: (a) adheres to OJP's guidance and its own cost analysis, competitive bidding, and sole source justification procedures, including documenting the results of this analysis; and (b) monitors contractor performance to ensure conformance with the terms, conditions, and specifications of the contract.

This recommendation can be closed when we receive evidence that INOBTR: (a) adheres to OJP's guidance and follows its own policies and procedures regarding cost analysis, competitive bidding, and sole source justification, including documenting the results of this analysis; and (b) implements contractor-monitoring procedures for ensuring contractor conformance with the terms, conditions, and specifications of the contract.

7. Remedy the \$31,032 in unallowable rent expenditures.

Resolved. OJP concurred with our recommendation, but INOBTR stated that it did not concur with the finding in its entirety. In its response, INOBTR stated that INOBTR and Contemporary Productions are two separate entities and that Contemporary Productions is not a parent company to INOBTR. INOBTR also stated that it has been in full disclosure with OJJDP about its rent agreement with Contemporary Productions and provided a list of 12 items of information that it stated it shared with OJJDP. INOBTR also stated that it has conducted business at arms' length at all times.

Along with its response to the draft report, INOBTR provided documentation supporting that several of the transactions identified as rent expenditures in its accounting records were not rent expenditures and should not be included in the questioned cost amount. Specifically, INOBTR provided evidence that \$9,357 in expenditures previously identified as rent were, in fact, expenditures for other grant-approved costs, such as copier lease costs, general liability insurance, telephone, and workers compensation expenses. Based on this information, we reduced the amount of questioned costs in this recommendation from \$40,389 to \$31,032. However, while we have reduced the amount of questioned costs in this recommendation to eliminate those costs that were not rent, we maintain that the \$31,032 in grant funds INOBTR paid to Contemporary Productions is unallowable.

As we stated in the report, we do not believe INOBTR should have used grant funds to pay rental expenses to Contemporary Productions because, among other reasons detailed in the report, we believe that there is a financial

relationship between INOBTR and Contemporary Productions, and transactions between these two entities would be at less-than-arms' length.

We disagree with the statement in INOBTR's response to our draft report that Contemporary Productions' founder does not control both entities. During our audit, we found that the founder of both entities has been very involved in grant program operations. Specifically, the founder signed the contracts INOBTR established for the grant program, traveled on behalf of INOBTR, and appears on INOBTR's website as the creator and "driving force behind the INOBTR campaign." In addition, the founder has participated in many more of the numerous meetings we had with INOBTR officials throughout the audit than did the Executive Director of INOBTR.

OJP stated that it will coordinate with INOBTR to remedy the \$31,032 in questioned costs, related to unallowable rent expenditures that were charged to cooperative agreement number 2009-MC-CX-K068.

This recommendation can be closed when we receive evidence that the \$31,032 in rent expenditures has been appropriately remedied.

8. Remedy \$6,564 in unapproved sick and vacation time.

Resolved. OJP concurred with our recommendation, but INOBTR stated that it does not concur with this finding. In its response, INOBTR stated that in its budget planning and on the approved INOBTR budget, it has clearly labeled "Salary/Time Compensation for project administration and execution" directly underneath the "A. Personnel" category. Additionally, INOBTR stated that it defines salary/time compensation to include vacation and sick time. INOBTR also stated that if vacation and sick time are to be put in "Fringe Benefits," this directive is not included in the tools OJP provides and utilizes to educate grantees on budget development - specifically the OJP Budget Detail Worksheet and the Financial Management Training Seminar, an attendance requirement for all new grantees' financial personnel. INOBTR stated that this was its first federal grant and it was in compliance on seminar attendance and utilized the budget detail worksheet in the budget development process. Finally, INOBTR said that it consulted with the accounting firm that completed the procedural and A-133 audits for the organization, and that the accounting firm did not see any potential issues with INOBTR's sick/vacation rationale and directed INOBTR how to allocate sick and vacation time for budget and financial purposes.

As we noted in the audit report, the fringe benefit budget that OJP authorized for INOBTR included partial benefits for federal and state taxes, health insurance, disability and life insurance, and building parking. However, the OJP-approved fringe benefit budget did not include sick leave and vacation time. Because sick leave and vacation time are fringe benefits, and the OJP-approved budget did not include these fringe benefits, we have

concluded that these categories were unapproved and believe that they should be questioned.

Additionally, the OJP Financial Guide states that allowable costs are those costs identified in the circulars and in the grant program's authorizing legislation. In addition, costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements. Paid leave that is a requested and identified element in the approved budget is an allowable grant expense. However, in this circumstance both sick time and vacation leave were not requested and identified elements in the grant application, and they are not included in the approved fringe benefit budget category.

As noted above, OJP agreed with our recommendation to remedy unapproved sick and vacation time. OJP stated that to remedy the \$6,564 in questioned costs, it will obtain a copy of INOBTR's compensation policy to determine if sick and vacation leave are benefits provided to all full-time INOBTR employees, and not just those employees funded by a grant. In addition, OJP stated that it will request a final determination regarding the allowability of these costs from OJP's Office of the Chief Financial Officer.

This recommendation can be closed when we receive evidence that the \$6,564 in unapproved sick and vacation time has been adequately remedied.

9. Remedy \$4,679 in unallowable travel costs.

Resolved. OJP concurred with our recommendation, but INOBTR stated that it does not concur with this finding. In its response, INOBTR stated that it requests OJP discussion and reconsideration on questionable costs within this category.

OJP stated that it will coordinate with INOBTR to remedy the \$4,679 in questioned costs related to unallowable travel costs that were charged to cooperative agreement number 2009-MC-CX-K068.

This recommendation can be closed when we receive evidence that the \$4,679 in unallowable travel costs has been remedied.

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.



Office of the Inspector General
U.S. Department of Justice
www.justice.gov/oig

REDACTED FOR PUBLIC RELEASE