



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



Audit of the Office on Violence Against Women Technical Assistance Program Cooperative Agreements Awarded to First Nations Development Institute, Longmont, Colorado

**AUDIT OF THE OFFICE ON VIOLENCE AGAINST WOMEN
TECHNICAL ASSISTANCE PROGRAM
COOPERATIVE AGREEMENTS AWARDED TO
FIRST NATIONS DEVELOPMENT INSTITUTE,
LONGMONT, COLORADO**

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of four cooperative agreements awarded by the Office on Violence Against Women (OVW), under the OVW Technical Assistance Program to First Nations Development Institute (FNDI) in Longmont, Colorado.¹ FNDI was awarded \$1,209,750 under Award Numbers 2011-TA-AX-K052, 2011-TA-AX-K070, 2012-TA-AX-K037, and 2014-TA-AX-K014 to provide training and technical assistance to OVW-targeted coalitions.

The objective of this audit was to determine whether costs claimed under the awards 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 of award management: financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance. The criteria we audited against are contained in the Office of Justice Programs Financial Guide, OVW Financial Grants Management Guide, and the award documents.

As of March 19, 2015, FNDI had drawn down \$815,932 of the total funds awarded.² We examined FNDI's operating policies and procedures, accounting records, and financial and progress reports, and found that FNDI did not comply with essential award conditions related to award expenditures and federal financial reports. Most significantly, FNDI charged unallowable and unsupported costs to the awards. Based on our audit results, we identified \$395,146 in questioned costs, which included \$3,882 in duplicate costs that were questioned for more than one reason, resulting in net questioned costs of \$391,263.³

Our report contains four recommendations to OVW which are detailed in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in Appendix 1 and our Schedule of Dollar-Related Findings appears in Appendix 2. We discussed the results of our audit with FNDI officials and have included their comments in the report, as applicable. In addition,

¹ Cooperative agreements are a type of grant award for which the awarding agency is responsible for providing additional oversight and guidance throughout the project period. Otherwise, there is no substantive difference between cooperative agreements and grants. The term award was used interchangeably with cooperative agreement throughout this report.

² Award Numbers 2011-TA-AX-K052 and 2011-TA-AX-K070 were fully expended and closed.

³ Throughout this report, differences in the total amounts are due to rounding. The sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

we requested written responses to the draft audit report from FNDI and OVW, which are appended to this report in Appendices 3 and 4, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations can be found in Appendix 5 of this report.

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INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of four cooperative agreements awarded by the Office on Violence Against Women (OVW), under the OVW Technical Assistance Program to First Nations Development Institute (FNDI) in Longmont, Colorado.¹ FNDI was awarded four awards totaling \$1,209,750, as shown in Table 1.

**Table 1
Awards to FNDI**

| AWARD NUMBER | AWARD DATE | PROJECT START DATE | PROJECT END DATE | AWARD AMOUNT |
|---------------------|-------------------|---------------------------|-------------------------|---------------------|
| 2011-TA-AX-K052 | 09/20/2011 | 08/01/2011 | 07/31/2013 | \$ 225,000 |
| 2011-TA-AX-K070 | 09/29/2011 | 10/01/2011 | 12/31/2014 | 350,000 |
| 2012-TA-AX-K037 | 09/11/2012 | 10/01/2012 | 06/30/2015 | 409,750 |
| 2014-TA-AX-K014 | 09/12/2014 | 10/01/2014 | 09/30/2015 | 225,000 |
| Total: | | | | \$1,209,750 |

Source: Office of Justice Programs' (OJP) Grant Management System (GMS)

OVW administers the Technical Assistance Program to provide OVW grantees with the training, expertise, and problem solving strategies they need to meet the challenges of addressing sexual assault, domestic violence, dating violence and stalking. The primary purpose of the OVW Technical Assistance Program is to provide direct assistance to grantees and subgrantees to enhance the success of local projects they are implementing with OVW grant funds. OVW's technical assistance projects offer in-person and online educational opportunities, peer-to-peer consultations, site visits, and tailored assistance for OVW grantees and potential grantees.²

Audit Approach

The objective of this audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective,

¹ Cooperative agreements are a type of grant award for which the awarding agency is responsible for providing additional oversight and guidance throughout the project period. Otherwise, there is no substantive difference between cooperative agreements and grants. The term award was used interchangeably with cooperative agreement throughout this report.

² Statements of mission and intent regarding OVW and FNDI have been taken from the agencies' website directly (unaudited).

we assessed performance in the following areas of award management: financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance.

We tested compliance with what we consider to be the most important conditions of the awards. The criteria we audited against are contained in the OJP Financial Guide, OVW Financial Grants Management Guide, and the award documents. The results of our analysis are discussed in detail in the Findings and Recommendations section of the report. Appendix 1 contains additional information on this audit's objective, scope, and methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

FINDINGS AND RECOMMENDATIONS

As further discussed in this report, we found that FNDI did not comply with essential award conditions related to award expenditures and federal financial reports. Most significantly, FNDI charged unallowable and unsupported costs to the awards. Based on our audit results, we identified \$395,146 in questioned costs, which included \$3,882 in duplicate costs that were questioned for more than one reason, resulting in net questioned costs of \$391,263. Based on our audit results, we make two recommendations to address dollar-related findings and two recommendations improve the management of the awards.

Financial Management

According to the OJP Financial Guide and the OVW Financial Grants Management Guides, all award recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. We reviewed FNDI's Single Audit Reports for fiscal years 2011 through 2014, to identify internal control weaknesses and significant non-compliance issues related to federal awards. We found that there were no findings that related to Department of Justice award funds.³ Additionally, we reviewed FNDI's internal control environment, including procurement, receiving, and payment procedures; the payroll system; and monitoring of subawardees and contractors to determine whether the financial management system FNDI uses for the processing and payment of funds adequately safeguard award funds and to ensure compliance with the terms and conditions of the awards. FNDI officials provided written policies and procedures related to internal controls, financial management, and timekeeping; and described the procedures for payroll, procurement, receiving, payment of expenses, and subawardees and contracts. Based on our review, we did not identify any concerns related to FNDI's financial management system specific to administration of the awards audited.

Expenditures

For each of the four audited awards, FNDI received budget approval for costs categories including Personnel, Fringe Benefits, Travel, Supplies, Contractual, and Other. In order to determine whether expenditures were allowable, supported, reasonable, and in compliance with award requirements, we reviewed transactions totaling \$60,086 for Award Number 2011-TA-AX-K052, \$80,173 for Award Number 2011-TA-AX-K070, \$78,904 for Award Number 2012-TA-AX-K037, and \$3,542 for Award Number 2014-TA-AX-K014. Accountable property and matching costs were not applicable to these awards. The following sections describe the results of our review.

³ FNDI's fiscal year is July 1, through June 30.

Personnel Costs

We reviewed salary and fringe benefit transactions covering two non-consecutive payroll allocations for each award, totaling \$20,184 for Award Number 2011-TA-AX-K052, \$21,191 for Award Number 2011-TA-AX-K070, \$27,124 for Award Number 2012-TA-AX-K037, and \$1,888 for Award Number 2014-TA-AX-K014.⁴ Based on our review, we found that FNDI’s salary costs charged to the awards were unsupported.

According to FNDI, employees are salaried and paid the same amount bi-monthly (24 times per year), rather than being paid an hourly rate. To calculate salaries charged to the awards, FNDI first estimates an hourly rate based on the employees monthly salary divided by the number of actual hours the employee worked during the month, excluding time-off (such as sick, vacation, and personal days). FNDI then multiplies the estimated hourly rate by the number of hours the employee worked on the award during the month to calculate each employee’s salary charged to the award. As a result, the estimated hourly rate and the salary charged to the award for each employee can vary greatly depending on the amount of time-off the employee took during the month. For example, in July 2013, the hourly rate that FNDI used to charge one employee’s salary to the award was \$108.77, rather than the employees’ actual hourly rate of \$72.79.⁵ The reason for the significant difference between the estimated hourly rate FNDI used to calculate the employee’s salary charged to the award and the employee’s actual hourly rate was a result of the fact that the employee took a lot of time off during the month and only worked 116 hours, rather than the full 184 hours for the month.⁶ Additionally, as show in Table 2, the estimated hourly rate used for that same employee varied greatly throughout the awards and pay periods sampled.

Table 2
Hourly Rate Variances

| AWARD NUMBER | PAY PERIOD SAMPLED | FNDI ESTIMATED HOURLY RATE | ACTUAL HOURLY RATE (BASED ON 2080 HOURS) |
|---------------------|---------------------------|-----------------------------------|---|
| 2011-TA-AX-K052 | April 2013 | \$ 72.92 | \$70.67 |
| 2011-TA-AX-K070 | July 2013 | \$108.77 | \$72.79 |
| 2012-TA-AX-K037 | August 2014 | \$ 87.26 | \$77.52 |
| 2012-TA-AX-K037 | October 2014 | \$ 79.99 | \$77.52 |

Source: FNDI accounting records

As shown in the example above, we found that salaries charged to the awards were not supported because the amounts were based on estimates rather than actual costs. Additionally, by using this methodology, FNDI is incorporating

⁴ For Award Number 2014-TA-AX-K014, we selected two consecutive pay periods, because those were the only pay periods available at the time of selection.

⁵ The employee’s actual hourly rate was calculated by dividing the employee’s annual salary by 2,080 hours, which is the number of work hours in a year.

⁶ The calculation of the 184 hours for the month of July 2013 includes the paid holiday for the 4th of July.

paid time off into the estimated hourly rate used to calculate salaries charged to the awards, which is not allowable because paid time off was not an approved fringe benefit and therefore the salaries charged to the awards are not based on actual time and effort. Therefore, we are questioning all salaries charged to the awards as unsupported, as shown in Table 3.

Table 3
Unsupported Salaries

| AWARD NUMBER | QUESTIONED COSTS |
|------------------------------------|------------------------------|
| 2011-TA-AX-K052 | \$ 83,382 |
| 2011-TA-AX-K070 | 88,055 |
| 2012-TA-AX-K037 | 102,737 |
| 2014-TA-AX-K014 | 1,471 |
| Total Unsupported Salaries: | \$275,644⁷ |

Source: FNDI accounting records

Overall, we identified unsupported salaries totaling \$275,644. Therefore, we recommend that OVW coordinate with FNDI to remedy the \$275,644 in unsupported salaries.

Additionally, we identified \$3,882 in unallowable salaries charged to the awards for two employees that were not included in the approved budgets or a Grant Adjustment Notice (GAN), as shown in Table 4.

Table 4
Unallowable Salaries

| AWARD NUMBER | QUESTIONED COSTS |
|------------------------------------|------------------|
| 2011-TA-AX-K070 | \$ 651 |
| 2012-TA-AX-K037 | 3,231 |
| Total Unallowable Salaries: | \$3,882 |

Source: FNDI accounting records

Therefore, we recommend that OVW coordinate with FNDI to remedy the \$3,882 in unallowable salaries. The associated fringe benefits for these two employees are also unallowable. However as discussed in the following paragraph, because of the methods used by FNDI to estimate fringe benefits charged to the awards, we could not determine the unallowable fringe benefits charged to the awards for these employees.

As mentioned previously, we found that the salaries charged to the awards are based on estimated amounts rather than actual costs. Similarly, for fringe benefits, we found that FNDI allocated fringe benefits to the awards based on the percentage of salaries or hours charged to the award. FNDI determined the percentage of salaries by dividing the total monthly salary for award-funded employees by the total salary for the organization as a whole. FNDI determined the

⁷ Throughout this report, differences in the total amounts are due to rounding. The sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

percentage of hours by dividing by the total monthly hours worked for award-funded employees, excluding time-off (such as sick, vacation, and personal days) by the total hours for the organization as a whole, excluding time-off (such as sick, vacation, and personal days). These percentages were then applied to a pooled amount for each fringe benefit item for the organization as a whole, rather than using the actual fringe benefit costs associated with each employee. Therefore, the fringe benefits charged to the awards are also based on estimated amounts rather than actual costs. Further, because FNDI is allocating all fringe benefits for the organization as a whole, the fringe benefits pool may include costs that are not applicable to award-funded employees. As a result, we determined that all fringe benefits transactions, totaling \$63,755, were unsupported, as shown in Table 5.

Table 5
Unsupported Fringe Benefits

| AWARD NUMBER | QUESTIONED COSTS |
|---|------------------|
| 2011-TA-AX-K052 | \$ 18,683 |
| 2011-TA-AX-K070 | 19,054 |
| 2012-TA-AX-K037 | 25,601 |
| 2014-TA-AX-K014 | 417 |
| Total Unsupported Fringe Benefits: | \$63,755 |

Source: FNDI accounting records

Therefore, we recommend that OVW coordinate with FNDI to remedy the \$63,755 in unsupported fringe benefits.

Other Direct Costs

We reviewed 36 other direct cost transactions totaling \$39,902 for Award Number 2011-TA-AX-K052, 64 other direct cost transactions totaling \$58,982 for Award Number 2011-TA-AX-K070, 49 other direct cost transactions totaling \$51,780 for Award Number 2012-TA-AX-K037, and 4 transactions totaling \$1,655 for Award Number 2014-TA-AX-K014. We determined that 43 transactions were unallowable, as shown in Table 6.

Table 6
Unallowable Other Direct Costs

| DESCRIPTION | | |
|---|--|------------------|
| NUMBER OF TRANSACTIONS | AWARD NUMBER | QUESTIONED COSTS |
| Unused Airplane Ticket and Hotel Rooms | | |
| 4 | 2011-TA-AX-K052 | \$ 4,326 |
| 1 | 2012-TA-AX-K037 | 1,104 |
| 5 | Total Unused Airplane Ticket and Hotel Rooms: | \$5,430 |
| Not Approved in Award Budgets, by GAN, or in Sub Award Budgets | | |
| 1 | 2011-TA-AX-K052 | \$ 350 |
| 18 | 2011-TA-AX-K070 | 1,849 |
| 3 | 2012-TA-AX-K037 | 1,630 |
| 22 | Total Not Approved in Award Budgets, by GAN, or in Sub Award Budgets: | \$3,829 |
| Hotel Room Rates and Taxes, and Meals and Incidental Expenses (M&IE) in Excess of GSA Per Diem Rates and Rules | | |
| 5 | 2011-TA-AX-K070 | \$ 1,010 |
| 9 | 2012-TA-AX-K037 | 768 |
| 14 | Total Hotel Room Rates and Taxes, and M&IE in Excess of GSA Per Diem Rates and Rules: | \$1,778 |
| Not Approved by OVW as Required by 2012-TA-AX-K037 Special Condition 30 | | |
| 1 | 2012-TA-AX-K037 | \$ 696 |
| 1 | Total Not Approved by OVW as Required by 2012-TA-AX-K037 Special Condition 30: | \$696 |
| Cancellation/Attrition Fee included in Conference Room Rates | | |
| 1 | 2011-TA-AX-K070 | \$ 432 |
| 1 | Total Cancellation/Attrition Fee included in Conference Room Rates: | \$432 |
| 43 | TOTAL UNALLOWABLE OTHER DIRECT COSTS: | \$12,165 |

Source: FNDI accounting records

Specifically, five transactions were for airplane tickets and hotel rooms that were paid for by the awards, but went unused, and one transaction included cancellation/attrition fee with the conference room rates. Additionally, 22 transactions were not allowable in the approved budgets or by an approved GAN, including quilts, cell phone bills, travel for conference, hotel and food for representation at a golf tournament, and conference registration.

The OJP Financial Guide and the OVW Financial Grants Management Guides state that travel costs are allowable to the extent that the travel costs do not exceed charges normally allowed by the organization in its regular operations as the result of the organization's written travel policy. If a recipient does not have a written travel policy, the recipient must abide by the federal travel regulations. The current federal travel policy and per diem rate information is available at the U.S. General Services Administration (GSA) web site <http://www.gsa.gov>. FNDI's travel policies did not specify rules for obtaining hotel rates; however rules for a majority of the meals were based on receipt and with established reimbursable limits. FNDI

was still required to follow federal travel policy related to allowable hotel room rates and daily per diem for meals and incidental expenses. However, during our audit, we identified eight transactions with hotel room rates in excess of the approved federal rates and six transactions for which staff members were reimbursed for amounts exceeding the federal per diem rate for meals and incidental expenses.⁸ As a result, we questioned the excess hotel rates and the associated taxes, as well as the excess per diem costs as unallowable.

In addition, Special Condition 30 of Award Number 2012-TA-AX-K037 states "Recipients must limit the cost of conference space and audio-visual equipment to \$25 per day per attendee, not to exceed a total of \$20,000 for the conference. Indirect cost rates must be applied to conference space and audio-visual equipment costs in accordance with negotiated agreements, and must be included when calculating this threshold. If these limitations are going to be exceeded the recipient must submit a justification, in writing to the Office on Violence Against Women for approval before the recipient enters into any contract for the use of conference space and audiovisual equipment." During our audit, we identified one transaction involving conference space and audio-visual equipment in excess of \$25 per day per attendee set by Special Condition 30, and there was no GAN for the excess; therefore, we questioned the excess as unallowable.

Finally, the OJP Financial Guide and the OVW Financial Grants Management Guides state that "The award period is the period of time when federal funding is available for obligation by the recipient. The recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by OVW. An obligation occurs when funds are encumbered, such as in a valid purchase order or requisition to cover the cost of purchasing an authorized item on or after the begin date and up to the last day of the grant period of the award. Any funds not properly obligated by the recipient within the grant award period will lapse and revert to OVW for deobligation. The obligation deadline is the last day of the grant award period unless otherwise stipulated. The obligation period is the same as the award period listed on the award document. No additional obligations can be incurred after the end of the grant." During our audit, we identified an additional \$17,267 in direct cost expenditures for Award Number 2011-TA-AX-K052 that had not been obligated prior to the award end date on July 31, 2013; therefore we questioned the expenditures as unallowable. Additionally, we recommend that OVW coordinate with FNDI to develop policies and procedures to ensure that obligations are incurred during the funding period.

Overall, we identified unallowable other direct costs totaling \$29,432. Therefore, we recommend that OVW coordinate with FNDI to remedy the \$29,432 in unallowable other direct costs.

⁸ GSA meals and incidental expense per diem rules state that the first and last calendar day of travel is calculated at 75 percent.

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. For each of the four audited awards, we determined the allowable indirect cost amount based on the rates and base approved in the Indirect Cost Rate Agreement.⁹ As shown in Table 7, we found \$21,288 in unsupported excess indirect costs.

Table 7
Unsupported Indirect Costs

| AWARD NUMBER | QUESTIONED COSTS |
|--|-------------------------|
| 2011-TA-AX-K052 | \$ 5,714 |
| 2011-TA-AX-K070 | 11,325 |
| 2012-TA-AX-K037 | 4,230 |
| 2014-TA-AX-K014 | 18 |
| Total Unsupported Indirect Costs: | \$21,288 |

Source: FNDI accounting records

We determined that the excess indirect costs were a result of using incorrect rates and base. Specifically, FNDI did not adjust the indirect costs rate for the rate approved for the period; instead, they used the single rate that was approved in the award budgets. Additionally, FNDI did not always use the correct base when determining the indirect costs amount and at times did not exclude appropriate costs from the direct costs total. These discrepancies resulted in the \$21,288 in excess indirect costs that we questioned as unsupported. Therefore, we recommend that OVW coordinate with FNDI to remedy the \$21,288 in unsupported indirect costs.

Additionally, according to the OJP Financial Guide and OVW Financial Grants Management Guides, recipients are required to report deviations from approved budgets and must request prior approval for the transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa. We found that for Award Number 2011-TA-AX-K070, FNDI charged indirect costs of \$32,709 to the award; however, \$33,853 was budgeted in the award for indirect costs. Therefore, because the entire amount of Award Number 2011-TA-AX-K070 was drawdown, \$1,144 was transferred from indirect costs to direct costs to absorb the increase in direct costs. FNDI did not obtain approval for the transfer and as a result, we questioned \$1,144 transferred from indirect costs to direct costs as unallowable. Therefore, we recommend that OVW coordinate with FNDI to remedy the \$1,144 in unallowable indirect costs transferred to direct costs.

⁹ The Indirect Cost Rate Agreement dated April 11, 2014, approved the following rates: 14.8 percent for July 1, 2011 through June 30, 2012, 14.3 percent for percent for July 1, 2012 through June 30, 2013, and 14.3 percent for percent for July 1, 2013 through June 30, 2015. The indirect costs base is the total direct costs less equipment, participant support costs, and subcontracts.

Budget Management and Control

According to the OJP Financial Guide and the OVW Financial Grants Management Guides, the recipient must initiate a GAN for budget modification if the proposed cumulative change is in excess of 10 percent of the total award amount. To ensure FNDI complied with the requirements, we reviewed the approved budgets and related GANs broken down by budget categories including Personnel, Fringe Benefits, Travel, Supplies, Contractual, and Other, and we conducted detailed analysis of expenditures by budget category for each of the four audited awards. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent, with the exception of the unallowable transfer of budgeted indirect costs discussed above, and we did not identify any significant deficiencies with FNDI's budget management processes for each of the four audited awards.

Drawdowns

According to the OJP Financial Guide and the OVW Financial Grants Management Guides, the recipient should time drawdown requests to ensure that federal cash on hand is the minimum needed for disbursements to be made immediately or within 10 days. To assess whether FNDI managed award receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. For each of the four audited awards, we found that as of the date of the last drawdowns plus 10 days, cumulative expenditures exceeded cumulative drawdowns.

Federal Financial Reports

According to the OJP Financial Guide and the OVW Financial Grants Management Guides, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report. To determine whether the federal financial reports submitted by FNDI were accurate, we compared the four most recent reports for Award Numbers 2011-TA-AX-K052, 2011-TA-AX-K070, and 2012-TA-AX-K037, and the most recent report for Award Number 2014-TA-AX-K014 to FNDI's accounting records. Overall, we found that the federal financial reports were not supported by FNDI's accounting records. Because FNDI officials explained that the quarterly federal financial reports amounts come from the three previous monthly drawdown amounts, we compared the four most recent reports for Award Numbers 2011-TA-AX-K052, 2011-TA-AX-K070, and 2012-TA-AX-K037, and the most recent report for Award Number 2014-TA-AX-K014 to FNDI's drawdown spreadsheets. We also found that federal financial reports were generally not supported by drawdown spreadsheets. Therefore, we recommend that OVW coordinate with FNDI to develop policies and procedures to ensure that federal financial reports are accurately supported by FNDI's accounting records.

Program Performance and Accomplishments

According to FNDI's program narratives, each award was to accomplish the following:

- **2011-TA-AX-K052** - Build the organizational capacity and program management capabilities of 21 Native American nonprofit tribal domestic violence and sexual assault coalitions through specialized group training and individualized technical assistance. Specifically, FNDI was to develop and implement technical assistance plans (including site visits) with OVW-targeted coalitions on nonprofit startup issues and conduct webinars.
- **2011-TA-AX-K070** - Implement the Native American Coalition Development project to build the capacity of nascent and established tribal domestic violence and sexual assault coalitions. Specifically, through subawards, site-visits, webinars, and publications, FNDI was to develop and implement technical assistance with four OVW-targeted coalitions in the process of development on starting a nonprofit and nonprofit organizational and programmatic management, and provide training to eight established coalitions on capacity building issue areas.
- **2012-TA-AX-K037** - Implement the two-year Tailored Capacity Building for Targeted Tribal Domestic Violence/Sexual Assault Coalitions project to build the organizational capacity and program management capabilities of 12 Native American nonprofit tribal domestic violence and sexual assault coalitions (4 coalitions in development and 8 established coalitions) through specialized group trainings and individualized technical assistance. Specifically, FNDI is to develop and implement technical assistance plans with four coalitions in the process of development on successfully launching a nonprofit organization and on nonprofit organizational and programmatic management; provide-strategic planning sessions, peer-to-peer mentorships, and site visits; and produce, publish and disseminate training publications for tribal domestic violence/sexual assault coalitions.
- **2014-TA-AX-K014** - Implement the Tribal Coalition Capacity Building project to build the capacity of tribal domestic violence and sexual assault coalitions. Specifically, FNDI is to develop and implement technical assistance plans with four targeted coalitions, fund capacity building resources and tools for four targeted coalitions and familiarize them with the process of being an effective grantee, provide technical assistance to the four targeted coalitions on capacity building issue areas, and offer training to all of the tribal domestic violence/sexual assault coalitions on capacity building issue areas.

Overall, the goals and objectives of the four audited awards were to provide training and technical assistance to OVW-targeted coalitions. Based on our review of the items produced by FNDI, we did not identify any significant discrepancies with FNDI's completed and ongoing achievement of the awards' goals and

objectives. These items included: training and strategic planning agendas and attendance sheets, technical assistance write-ups, training materials and webinar power points, publications, and emails and planning phone call write-ups.

Categorical Assistance Progress Reports

According to the OJP Financial Guide and the OVW Financial Grants Management Guide, under the Government Performance and Results Act and Violence Against Women Act of 2000, awardees are required to collect and maintain data that measure the effectiveness of their award-funded activities. In order to verify the information in progress reports, we selected a sample of performance measures from the last two progress reports for Award Numbers 2011-TA-AX-K052, 2011-TA-AX-K070, and 2012-TA-AX-K037, and the last progress report for Award Number 2014-TA-AX-K014. Specifically, we selected performance measures including number and type of training events provided, number of people trained, number of technical assistance activities, and use of technical assistance award funds for product development, substantial revision, or distribution of products. We then traced the items to supporting documentation maintained by FNDI. We determined that some documentation was missing or an incorrect amount was reported for 4 of 29 facts reviewed; however, we concluded that overall these discrepancies were immaterial. Therefore, we do not offer a recommendation.

Conclusion

The objective of this audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. We examined FNDI's accounting records, budget documents, financial and progress reports, and financial management procedures. We found \$360,687 in unsupported expenditures, \$34,458 in unallowable expenditures, obligations that were not incurred during the funding period, and that federal financial reports were not supported by FNDI's accounting records or by FNDI drawdown spreadsheets. As a result, we made four recommendations to improve FNDI's management of the awards.

Recommendations

We recommend that OVW coordinate with FNDI to:

1. Remedy the \$360,687 in unsupported expenditures resulting from:
 - a. \$275,644 in unsupported salaries.
 - b. \$63,755 in unsupported fringe benefits.
 - c. \$21,288 in unsupported indirect costs.
2. Develop policies and procedures to ensure that obligations are incurred during the funding period.

3. Remedy the \$34,458 in unallowable expenditures resulting from:
 - a. \$3,882 in unallowable salaries.
 - b. \$29,432 in unallowable other direct costs.
 - c. \$1,144 in unallowable indirect costs transferred to direct costs.
4. Develop policies and procedures to ensure that federal financial reports are accurately supported by FNDI's accounting records.

APPENDIX 1

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether costs claimed under the awards 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 of award management: financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance.

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

This was an audit of four Office on Violence Against Women (OVW) cooperative agreements awarded to First Nations Development Institute (FNDI) under the OVW Technical Assistance Program. FNDI was awarded: \$225,000 under Award Number 2011-TA-AX-K052 and as of November 1, 2013, had drawn down the entire award; \$350,000 under Award Number 2011-TA-AX-K070 and as of January 27, 2015, had drawn down the entire award; \$409,750 under Award Number 2012-TA-AX-K037 and as of March 19, 2015, had drawn down \$240,181 of the total funds awarded; and \$225,000 under Award Number 2014-TA-AX-K014 and as of March 19, 2015, had drawn down \$752 of the total funds awarded. Our audit concentrated on, but was not limited to September 20, 2011, the award date for Award Number 2011-TA-AX-K052, through April 10, 2015, the last day of our fieldwork. Award Numbers 2011-TA-AX-K052 and 2011-TA-AX-K070 were fully expended and closed.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of FNDI's activities related to the audited awards. We performed sample-based audit testing for expenditures including payroll and fringe benefit charges; financial reports; and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The criteria we audited against are contained in the OJP Financial Guide, OVW Financial Grants Management Guide, and the award documents. In addition, we evaluated FNDI's (1) financial management, including award-related procedures in place for procurement, contractor and subawardee monitoring, financial reports, and progress reports; (2) budget management and controls; (3) drawdowns; and (4) program performance.

During our audit, we obtained information from OJP's Grant Management System (GMS) as well as FNDI's accounting system specific to the management of

DOJ funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems was verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

| DESCRIPTION | AMOUNT | PAGE |
|--|------------------|-------------|
| Questioned Costs ¹⁰ | | |
| Unallowable Other Direct Costs: | \$29,432 | 8 |
| Unallowable Salaries: | 3,882 | 5 |
| Unallowable Indirect Costs Transferred to Direct Costs: | 1,144 | 9 |
| <i>Total Unallowable:</i> | <i>\$34,458</i> | |
| Unsupported Salaries: | \$275,644 | 5 |
| Unsupported Fringe Benefits: | 63,755 | 6 |
| Unsupported Indirect Costs: | 21,288 | 9 |
| <i>Total Unsupported:</i> | <i>\$360,687</i> | |
| <i>Total (Gross):</i> | <i>\$395,146</i> | |
| <i>Less Duplication¹¹:</i> | <i>(\$3,882)</i> | |
| Net Questioned Costs: | \$391,263 | |

¹⁰ **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.

¹¹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which include \$3,882 in unallowable and unsupported salaries.

FIRST NATIONS DEVELOPMENT INSTITUTE'S RESPONSE TO DRAFT REPORT



EDUCATING
GRASSROOTS
PRACTITIONERS

•
ADVOCATING
FOR SYSTEMIC
CHANGE

•
CAPITALIZING
RESERVATION
COMMUNITIES

August 19, 2015

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

RE: Response to Audit Findings of First Nations Development Institute technical assistance cooperative agreement grants through the Office of Violence Against Women

Mr. Sheeren,

Thank you for allowing First Nations the opportunity to respond to the findings of the audit.

Please find the following in response to the DOJ OIG audit of OVW technical assistance awards 2011-TA-AXK052, 2011-TA-AX-K070, 2012-TA-AX-K037 and 2014-TA-AXK014. Based on the audit recommendations we have to following responses.

1) Recommendation 1 – Remedy the \$360,687 in unsupported net expenditures:

- a) Unsupported Salaries – At any given point in time First Nations has 30 or 40 projects with as many individual funding partners and agencies. As a result, First Nations Development Institute (FNDI) has a documented method of charging salaries to grants, including weekly timekeeping that it has used for years. This methodology lets us allocate the total cost of an employee for the work they perform on each and every project. First Nations' time keeping and allocation methodology has repeatedly passed the scrutiny of our external auditors as a reasonable method of assigning the full cost of an employee to a project. We charge

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salaries to grants once per month based on actual hours worked and actual salaries paid.

- b) Unsupported Fringe Benefits – As noted in Note 1a, FNNDI allocates the full cost of an employee, including fringe costs to projects in proportion to gross salaries. This allocation method has repeatedly received the blessing of FNNDI's auditors.
- c) During the period in question, First Nations negotiated a new indirect cost agreement. We cannot confirm, but fully acknowledge that because of the change in the negotiated rate, the incorrect rate may have been used early in the grant period. We also acknowledge that early on we did not fully understand the requirements for the base to be used to calculate indirect costs. We have since changed our methodology and believe we are calculating indirect costs according to the negotiated rate.

2) Recommendation 2 – Develop policies and procedures to ensure that obligations are incurred during the funding period.

- a) First Nations believes that we have the necessary policies to ensure the accurate recording of costs in the correct periods to which they relate. Acknowledging that our policies and procedures could be stronger, we will draft a new policy to require that all expenses related to a project must be obligated BY THE CLOSING DATE OF THE PROJECT. On the K052 grant we did incur expenses and charge them to the grant for work completed after the close of the award on July 31, 2013. We did so, however, with the approval of the OVW Deputy Director, Lorraine Edmo. The costs relate to a training in September of 2013 and they were known and budgeted costs for K052. The reason for the conversation and the policy exception was that a key training was not able to be completed until September 2013 because of a scheduling problem with the sub-grantees.

3) Recommendation 3 – Remedy \$34,458 in disallowed net expenditures

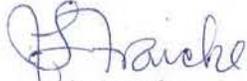
- a) Salaries of 2 employees not included on the approved budget were charged to the award. As you can see in examining the extensions granted for the project (most due to delays in approvals from OVW, and some due to changes in the scope of the grant) employees initially scheduled to work on the grant had left First Nations. To ensure that OVW received the high quality of service agreed upon by First Nations, we needed to assign additional employees to get tasks completed; unfortunately this happened without completing the proper GAN. These employees were essential to the timely and accurate completion of the award. We will complete the necessary GAN in the future.

- b) Unallowable other direct costs
 - i) First Nations was not aware that the grants' sub grantees need to be both aware of and required to follow the OJP Financial Guide and the OVW Financial Grants Management Guide. As a result, the sub grantees appear to have spent a small portion of their sub-grant funds on items not approved by OJP. That being said, the sub-grantees did comply with First Nations internal requirements for grant spending which included a budget for the sub-awards and monitoring of spending.
 - ii) Some of the deliverables in the grant to First Nations required that we hold meetings and convenings for sub-grantees, where First Nations booked travel, hotel rooms, and meetings space – all required either payment up front or cancellation costs. As such, and out of First Nations' control, some of the sub-grantees were not able make the meetings because of bad weather. Weather issues did not free First Nations from its obligation for the air travel, the hotel rooms and the meeting rooms. We were required to pay for cancellation fees and unused airline tickets. These were items out of our control. We believe the costs were properly charged to the award.
 - iii) Some costs questioned as excessive were costs that were unavoidable due to the required location and timing of events. Due to the remote location of some of the work we contracted for under the grant, the meeting and hotel facilities required specific meeting and, at times, audio/visual requirements. Due to the remote venues and limited choices it was not always possible to get competitive rates for lodging, meals and meeting costs, our deliverables to OVW required that we use the services that are available.
- c) We acknowledge that on award K070 we spent the entire grant balance but underspent indirect costs while overspending on direct costs by the same amount. We believe we appropriately spent the award money. We fully acknowledge that we were not aware that moving costs from indirect costs and increasing the spending on direct services required prior approval. In the future, we will monitor our actual to budget expenditures and submit a GAN for any changes.

4) **Recommendation 4 – Develop policies and procedures to ensure that Federal Financial Reports are supported by FNNDI's accounting records**

- a) First Nations acknowledges that early on in the award period we filed FFR reports that did not agree to our accounting records. We were new to the FFR filing process and were unaware that our filing methods were not allowed. Filing financial reports that do not match our books and records is against our policy and in the future we will ensure that our records match our FFR reports.

Sincerely,



Jackie Francke
Vice President of Programs and Administration



Thomas Reed
Finance Officer

OFFICE ON VIOLENCE AGAINST WOMEN'S
RESPONSE TO DRAFT REPORT



U.S. Department of Justice

Office on Violence Against Women

Washington, DC 20530

September 2, 2015

MEMORANDUM

TO: David Sheeren
Denver Regional Audit Manager
Washington Regional Audit Office

FROM: Bea Hanson *BH*
Principal Deputy Director
Office on Violence Against Women

Rodney Samuels *RS*
Audit Liaison/Staff Accountant
Office on Violence Against Women

SUBJECT: Draft Audit Report - Audit of the Office on Violence Against Women (OVW) Technical Assistance Cooperative Agreements Awarded to First Nations Development Institute (FNDI) Longmont, Colorado

This memorandum is in response to your correspondence dated August 4, 2015 transmitting the above draft audit report for First Nations Development Institute (FNDI). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains four recommendations with \$360,687 in unsupported net expenditures and \$34,458 in unallowable net expenditures. The Office on Violence Against Women (OVW) is committed to working with the grantee to address and bring these open recommendations to a close as quickly as possible. The following is our analysis of the audit recommendations.

- 1. Remedy \$360,687 in unsupported net expenditures resulting from:**
 - a. \$275,644 in unsupported salaries.
 - b. \$63,755 in unsupported fringe benefits.
 - c. \$21,288 in unsupported indirect costs.

OVW does agree with the recommendation. We will coordinate with FNDI to remedy the \$360,687 in unsupported expenditures as quickly as possible.

2. Develop policies and procedures to ensure that obligations are incurred during the funding period.

OVW does agree with the recommendation. We will coordinate with FNDI to ensure that they develop policies and procedures to ensure that obligations are incurred during the funding period.

3. Remedy \$34,458 in unallowable net expenditures resulting from:

- a. **\$3,882 in unallowable salaries.**
- b. **\$29,432 in unallowable other direct costs.**
- c. **\$1,144 in unallowable indirect costs transferred to direct costs.**

OVW does agree with the recommendation. We will coordinate with FNDI to remedy the \$34,458 in unallowable expenditures as quickly as possible.

4. Develop policies and procedures to ensure that federal financial reports are accurately supported by FNDI's accounting records.

OVW does agree with the recommendation. We will coordinate with FNDI to ensure that they develop policies and procedures to ensure that federal financial reports are accurately supported by FNDI's accounting records.

We appreciate the opportunity to review and comment on the draft report. If you have any questions or require additional information, please contact Rodney Samuels of my staff at (202) 514-9820.

cc Donna Simmons
Associate Director, Grants Financial Management Division
Office on Violence Against Women (OVW)

Louise M. Duhamel, Ph.D.
Acting Assistant Director
Audit Liaison Group
Justice Management Division

Darla Sims
Program Manager
Office on Violence Against Women (OVW)

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

The Office of the Inspector General (OIG) provided a draft of this audit report to the Office on Violence Against Women (OVW) and to First Nations Development Institute (FNDI). OVW's response is incorporated in Appendix 4 and FNDI's response is incorporated in Appendix 3 of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation:

- 1. Remedy the \$360,687 in unsupported expenditures resulting from:**
 - a. \$275,644 in unsupported salaries.**
 - b. \$63,755 in unsupported fringe benefits.**
 - c. \$21,288 in unsupported indirect costs.**

Resolved. OVW concurred with our recommendation. OVW stated in its response that it will coordinate with FNDI to remedy the \$360,687 in unsupported expenditures as quickly as possible.

FNDI responded to each of the three unsupported expenditure categories separately and had the following comments related to the specific recommendations.

For recommendation subpart a, FNDI neither agreed nor disagreed with our recommendation and stated in its response that "At any given point in time First Nations has 30 or 40 projects with as many individual funding partners and agencies. As a result, First Nations Development Institute (FNDI) has a documented method of charging salaries to grants, including weekly timekeeping that it has used for years. This methodology lets us allocate the total cost of an employee for the work they perform on each and every project. First Nations' time keeping and allocation methodology has repeatedly passed the scrutiny of our external auditors as a reasonable method of assigning the full cost of an employee to a project. We charge salaries to grants once per month based on actual hours worked and actual salaries paid." However, as stated on pages 4 through 5, we found that salaries charged to the awards were not supported because the amounts were based on estimates rather than actual costs. Additionally, by using this

methodology, FNDI is incorporating paid time off into the estimated hourly rate used to calculate salaries charged to the awards, which is not allowable because paid time off was not an approved fringe benefit and therefore the salaries charged to the awards are not based on actual time and effort

For recommendation subpart b, FNDI neither agreed nor disagreed with our recommendation and stated in its response that “FNDI allocates the full cost of an employee, including fringe costs to projects in proportion to gross salaries. This allocation method has repeatedly received the blessing of FNDI’s auditors.” However, as described on page 6, we found that the fringe benefits charged to the awards are also based on estimated amounts rather than actual costs. Further, because FNDI is allocating all fringe benefits for the organization as a whole, the fringe benefits pool may include costs that are not applicable to award-funded employees.

For recommendation subpart c, FNDI neither agreed nor disagreed with our recommendation and stated in its response that “During the period in question, First Nations negotiated a new indirect cost agreement. We cannot confirm, but fully acknowledge that because of the change in the negotiated rate, the incorrect rate may have been used early in the grant period. We also acknowledge that early on we did not fully understand the requirements for the base to be used to calculate indirect costs. We have since changed our methodology and believe we are calculating indirect costs according to the negotiated rate.” However, no additional documentation was provided.

This recommendation can be closed when we receive documentation supporting that the \$360,687 in unsupported expenditures have been remedied.

2. Develop policies and procedures to ensure that obligations are incurred during the funding period.

Resolved. OVW concurred with our recommendation. OVW stated in its response that it will coordinate with FNDI to ensure that they develop policies and procedures to ensure that obligations are incurred during the funding period.

FNDI neither agreed nor disagreed with our recommendation. However, FNDI stated in its response that “First Nations believes that we have the necessary policies to ensure the accurate recording of costs in the correct periods to which they relate. Acknowledging that our policies and procedures could be stronger, we will draft a new policy to require that all expenses related to a project must be obligated by the closing date of the project.

This recommendation can be closed when we receive documentation demonstrating that FNDI’s policies and procedures require that obligations are incurred during the funding period.

3. **Remedy the \$34,458 in unallowable expenditures resulting from:**
 - a. **\$3,882 in unallowable salaries.**
 - b. **\$29,432 in unallowable other direct costs.**
 - c. **\$1,144 in unallowable indirect costs transferred to direct costs.**

Resolved. OVW concurred with our recommendation. OVW stated in its response that it will coordinate with FNDI to remedy the \$34,458 in unallowable expenditures as quickly as possible.

FNDI responded to each of the three unallowable expenditure categories separately and had the following comments related to the specific recommendations.

For recommendation subpart a, FNDI neither agreed nor disagreed with our recommendation, but acknowledged in its response that salaries for two employees not included on the approved budgets were charged to the awards because employees initially scheduled to work on the awards left FNDI. Additionally, FNDI stated that in the future, it will complete the necessary GAN.

For recommendation subpart b, FNDI neither agreed nor disagreed with our recommendation, but stated in its response that it was not aware of the fact that sub awardees need follow the OJP Financial Guide and the OVW Financial Grants Management Guide. FNDI acknowledged that the sub awardees appeared to have spent award funds on items not approved by OJP. Additionally, FNDI stated in its response that some deliverables required that FNDI hold meetings for sub-awardees, where FNDI booked travel, hotel rooms, and meetings space, that required either payment up front or cancellation costs. FNDI stated that some of the sub-awardees were not able make the meetings because of bad weather, which did not free FNDI from its obligation for the air travel, the hotel rooms, and the meeting rooms. Therefore, FNDI believes these costs were properly charged to the awards. However, it should be noted that not all of the unallowable transactions related to unused airplane tickets and hotel rooms, and conference room cancellation/attrition fees, were related to events that were cancelled due to weather. Additionally, FNDI should have used the unused airplane tickets for other award-related travel and cancelled the hotel rooms prior to incurring a cancellation charge. Finally, FNDI stated in its response that "Some costs questioned as excessive were costs that were unavoidable due to the required location and timing of events." However, as mentioned on pages 7 through 8, FNDI did not comply with the travel cost and conference space policies specified by the OJP Financial Guide, the OVW Financial Grants Management Guides, and Special Condition 30 of Award Number 2012-TA-AX-K037; nor were there any GANs approving the excess costs.

For recommendation subpart c, FNDI neither agreed nor disagreed with our recommendation, but acknowledged in its response that for Award Number 2011-TA-AX-K070 a portion of the budgeted indirect costs were used for direct costs. FNDI stated that it was not aware of the fact that using funds budgeted for indirect costs for direct costs required prior approval and that in the future, they will monitor actual to budgeted expenditures and submit a GAN for any changes.

This recommendation can be closed when we receive documentation demonstrating that the \$34,458 in unallowable expenditures have been remedied.

4. Develop policies and procedures to ensure that federal financial reports are accurately supported by FNDI's accounting records.

Resolved. OVW concurred with our recommendation. OVW stated in its response that it will coordinate with FNDI to ensure that they develop policies and procedures to ensure that federal financial reports are accurately supported by FNDI's accounting records.

FNDI neither agreed nor disagreed with our recommendation but acknowledged that early on in the award period they filed federal financial reports that did not agree with the accounting records. FNDI stated in its response that in the future it will ensure that accounting records match federal financial reports.

This recommendation can be closed when we receive documentation supporting that FNDI developed policies and procedures that ensure federal financial reports are accurately supported by FNDI's accounting records.

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