



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



**Audit of the Office of Justice Programs  
and Office on Violence Against Women  
Grants Awarded to the Penobscot  
Indian Nation  
Indian Island, Maine**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS AND OFFICE ON  
VIOLENCE AGAINST WOMEN GRANTS  
AWARDED TO THE PENOBSCOT INDIAN NATION  
INDIAN ISLAND, MAINE**

**EXECUTIVE SUMMARY**

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit of the Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) FY 2009 Tribal Courts Assistance Program grant number 2009-IC-BX-0026, Office of Juvenile Justice Delinquency and Prevention (OJJDP) FY 2009 Tribal Youth Program grant number 2009-TY-FX-0032, Office of Juvenile Justice Delinquency Prevention FY 2011 Tribal Youth Program grant number 2011-TY-FX-0019, and an Office on Violence Against Women (OVW) Indian Tribal Governments and Sexual Assault Services Program grant number 2009-TW-AX-0001 awarded to the Penobscot Indian Nation (Penobscot Nation) located in Indian Island, Maine. Collectively, these grants totaled \$1,189,554.

The objective of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, program performance, expenditures, budget management and control, drawdowns, and federal financial reports. The criteria we audited against are contained in the *OJP Financial Guide* and the grant award documents.

As of May 2014, Penobscot Nation drew down \$1,130,170 of the total grant funds awarded. We examined Penobscot Nation's accounting records, financial and progress reports, and operating policies and procedures, and found that Penobscot Nation did not comply with essential award conditions related to the use of funds, performance, and monitoring.

The audit revealed that Penobscot Nation did not ensure grant funds were safeguarded, consultants were adequately monitored, consultant time and effort reports were detailed, and budgets were adequately monitored. As a result, we identified questioned costs totaling \$561,160, which included \$167,679 in duplicate costs that were questioned for more than one reason, resulting in net questioned costs of \$393,480. The questioned costs include unsupported and unallowable consultant expenditures, unsupported and unallowable personnel expenditures, and other unsupported, unallowable, and unnecessary items.

Specifically, we determined that Penobscot Nation's policies and procedures were not sufficient to ensure compliance with the grant award terms and conditions for purchases less than \$5,000 because these purchases were not reviewed by another Penobscot Nation official to ensure compliance with the grant award budgets. In addition, the documentation provided by Penobscot Nation was not sufficient to support the consultant payments because the documents provided for

our review lacked sufficient details such as pay rates, hours worked, or reference to a contract. We also identified grant-funded positions that were not approved by OJP or OVW and determined that the salary adjustments charged retroactively to three of the grants were not properly supported. Lastly, we determined that Penobscot Nation's method for recording expenditures was not reliable.

Our report contains 14 recommendations to OJP and OVW. Our audit objective, scope, and methodology are discussed in Appendix 1. Our Schedule of Dollar-Related Findings is located in Appendix 2.

We discussed the results of our audit the Penobscot Nation officials and have included their comments in the report, as applicable. In addition, we requested responses to the draft report from Penobscot Nation, OJP, and OVW and their responses are appended to this report as Appendix 3, 4, and 5, respectively. Our analysis of the responses, as well as a summary of actions necessary to close the recommendations can be found in Appendix 6 of this report.

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**INTRODUCTION**

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit of the Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) FY 2009 Tribal Courts Assistance Program grant number 2009-IC-BX-0026, Office of Juvenile Justice Delinquency and Prevention (OJJDP) FY 2009 Tribal Youth Program grant number 2009-TY-FX-0032, Office of Juvenile Justice Delinquency Prevention FY 2011 Tribal Youth Program grant number 2011-TY-FX-0019, and an Office on Violence Against Women (OVW) Indian Tribal Governments and Sexual Assault Services Program grant number 2009-TW-AX-0001 awarded to the Penobscot Indian Nation (Penobscot Nation) located in Indian Island, Maine. Collectively, these grants totaled \$1,189,554.

**Table 1  
Grants Awarded to Penobscot Indian Nation**

<b>AWARD NUMBER</b>	<b>AWARD DATE</b>	<b>PROJECT START DATE</b>	<b>PROJECT END DATE</b>	<b>AWARD AMOUNT</b>
2009-IC-BX-0026 (BJA)	9/16/2009	9/01/2009	2/29/2012	\$ 149,954
2009-TW-AX-0001 (OVW)	9/28/2009	10/01/2009	9/30/2013	450,000
2009-TY-FX-0032 (OJJDP)	9/17/2009	10/01/2009	9/30/2013	250,000
2011-TY-FX-0019 (OJJDP)	9/14/2011	10/01/2011	9/30/2014	339,600
<b>Total</b>				<b>\$1,189,554</b>

Note: The project end date includes all award period extensions.

Source: Office of Justice Programs

**Office of Justice Programs**

OJP, within DOJ, provides the management and oversight of three grants we audited. According to its website, OJP provides innovative leadership to federal, state, local, and tribal justice systems, by disseminating state-of-the-art knowledge and practices across America, and providing grants.

**Bureau of Justice Assistance**

As a component of OJP, BJA's mission is to provide leadership and services in grant administration and criminal justice policy development to support local, state, and tribal justice strategies to achieve safer communities. BJA's Tribal Courts Assistance Program helps develop new tribal courts; improves the operations of existing tribal courts; provides assistance with the development, enhancement, and continuing operation of tribal justice systems; and provides funding for training and technical assistance of tribal court staff. The program's goals are to (1) provide planning grants to develop a comprehensive strategy and

implementation plan to establish a court, (2) provide grants for an existing tribal court system to enhance tribal court services, and (3) provide planning grants for tribal justice system strategies.

### **Office of Juvenile Justice and Delinquency Prevention**

As a component of OJP, the Office of Juvenile Justice Delinquency and Prevention (OJJDP) works to contribute to the reduction of youth crime and violence through comprehensive and coordinated efforts at the federal, state, and local levels. OJJDP's Tribal Youth Program supports and enhances tribal efforts to prevent and control delinquency and strengthen the juvenile justice system for American Indian/Alaska Native youth.

### **Office on Violence Against Women**

The mission of the Office on Violence Against Women (OVW), a component of the DOJ, is to provide federal leadership in developing the national capacity to reduce violence against women and administer justice for and strengthen services to victims of domestic violence, dating violence, sexual assault, and stalking. The purpose of the Tribal Sexual Assault Services Program is to help tribes establish, maintain, and expand programs and projects to directly assist victims of sexual assault.

### **Penobscot Indian Nation**

Penobscot Indian Nation is located along the Penobscot River in central Maine. There are approximately 2,500 citizens of the Penobscot Nation with about 600 residents living on Indian Island. The majority of the Penobscot Nation citizens reside in Maine. Penobscot Nation belongs to the Wabanaki Confederacy that includes the Passamaquoddy, Maliseet, and MiqMaq Tribes.

### **OIG Audit Approach**

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

We tested compliance with what we consider to be the most important conditions of the grants. The criteria we audited against are contained in the *OJP Financial Guide* and the award documents.<sup>1</sup> The results of our analysis are discussed in detail in the Findings and Recommendations section of the report.

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<sup>1</sup> Although the Office on Violence Against Women issued its 2012 OVW Financial Grants Management Guide in February 2012, this guide is not applicable to the Penobscot Nation's OVW Grants to Indian Tribal Governments Program grant awarded in FY 2009.

Appendix 1 contains additional information on this audit's objective, scope, and methodology.

## FINDINGS AND RECOMMENDATIONS

We determined that Penobscot Nation did not fully comply with grant requirements in the areas we tested. Specifically, we found Penobscot Nation: (1) charged unallowable and unsupported expenditures, (2) had deficiencies in its financial management of the grants, (3) based consultant payments on budget estimates, (4) did not adequately monitor consultants, (5) did not require detailed consultant time and effort reports, (6) did not enter into contracts with consultants, (7) did not competitively procure consultants and equipment, and (8) did not adequately manage grant adjustments. We also identified internal control deficiencies that contributed to these audit findings. These conditions, including the underlying causes and potential effects on program performance, are further discussed in the body of this report. Based on our audit results, we made 14 recommendations to address these areas needing management improvement. In total, we identified \$561,160 in questioned costs, including \$237,080 questioned as unsupported, \$323,079 questioned as unallowable, and \$1,000 questioned as unnecessary.<sup>2</sup>

### Overview

Penobscot Nation is governed by a Tribal Council composed of 14 elected members, led by a Chief and Vice Chief. Penobscot Nation's Tribal Administration is comprised of administrative departments including Finance and Grants and Contracts, as well as, program departments including the Tribal Court and Social Services. These departments were responsible for administering the grants we audited.

In addition, we also determined that Penobscot Nation applied for two grants, the FY 2009 and 2011 Tribal Youth grants, with the intention of funding programs through a non-profit organization, separate and distinct from Penobscot Nation. This organization, the Penobscot Nation Boys and Girls Club of America (Boys and Girls Club) had a relationship with the Penobscot Nation since 2000.<sup>3</sup> According to a resolution passed by the Tribal Council in 2009, funding under the FY 2009 Tribal Youth grant was intended to "enhance and augment the delinquency prevention capacity of the Boys and Girls Club." In 2011, Penobscot Nation continued its relationship with the Boys and Girls Club through funding from the FY 2011 Tribal Youth grant. In May 2012, OJP approved Penobscot Nation's request to enter into a sole source contract with the Boys and Girls Club to create and implement a prevention program through a teen center. Penobscot Nation ended its relationship with the Boys and Girls Club in September 2012.

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<sup>2</sup> Some costs were questioned for more than one reason. Our audit identified \$167,679 in duplicate questioned costs, resulting in net questioned costs of \$393,480.

<sup>3</sup> Throughout this report we will refer to the Penobscot Nation Boys and Girls Club of America as the Boys and Girls Club.

## Financial Management System

According to the *OJP Financial Guide*, all grant 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 Penobscot Nation's Single Audit Reports from FY 2009 through FY 2013 and found that these reports had no findings. In addition, OJP performed two annual assessments for the BJA Tribal Courts Assistance Program and the FY 2009 Tribal Youth Program awards and a desk review for FY 2011 Tribal Youth Program award. We reviewed the assessments and desk review to determine whether any grant management issues significant within the context of our audit were identified by OJP. Both desk reviews reported that Penobscot Nation was a low-risk priority for monitoring and identified no grant management issues.

We met with Penobscot Nation officials and reviewed its grant financial management practices to understand the financial and accounting system internal controls Penobscot Nation used to ensure it complied with the terms and conditions of the grants. Penobscot Nation's accounting system tracked total revenue and expenditures for each grant separately, thereby avoiding commingling. However, we determined that Penobscot Nation's internal controls over grant expenditures were not sufficient to facilitate a review for compliance with the grant award terms and conditions.

The *Penobscot Indian Nation Accounting and Administrative Policies* hold the Grants and Contracts department responsible for grant compliance, but do not require purchases to be approved by the Grants and Contracts department (Grants and Contracts) unless the purchase amount exceeded \$5,000. For the four grants we reviewed, only 11 of the 3,986 purchases exceeded the \$5,000 threshold. As a result, Penobscot Nation's policies and procedures were not sufficient to ensure compliance with the grant award terms and conditions for the majority of the grant purchases because these purchases were not reviewed to ensure compliance with the grant award budgets.

Penobscot Nation's purchasing practices were also insufficient to ensure compliance with the grant award terms and conditions because Penobscot Nation recorded expenditures in its grant accounts based on the departmental director's allocation of expenditures to a particular grant and budget category when requesting payment of that expenditure. However, the allocation of expenditures would not be reviewed by Grants and Contracts unless the expenditure amount exceeded the \$5,000 threshold based on the *Penobscot Indian Nation Accounting and Administrative Policies*. We determined that the accuracy and reliability of Penobscot Nation's grant accounts were dependent upon departmental directors allocating grant expenditures in accordance with the approved grant award budgets.

As a result, we determined that Penobscot Nation's financial management system was not sufficient to ensure compliance with the grant award terms and

conditions including charging expenditures to the proper grant and budget category. We recommend Penobscot Nation implements and adheres to policies and procedures that ensure its grant accounts facilitate a review and grant expenditures are charged to the appropriate grant and budget category.

## Grant Expenditures

As previously mentioned in the Introduction section of the report, OJP and OVW awarded Penobscot Nation \$1,189,554 for the four grants. As shown in Table 2, as of September 2014, Penobscot Nation charged the grants we audited expenditures totaling \$1,175,538. The remaining \$14,016 in awarded funding was not charged to a grant because the grant period had not ended for the FY 2011 Tribal Youth grant.

**Table 2**  
**Expenditures by Cost Category and Grant**

<b>Cost Category</b>	<b>2011-TY-FX-0019</b>	<b>2009-TW-AX-0001</b>	<b>2009-TY-FX-0032</b>	<b>2009-IC-BX-0026</b>	<b>TOTAL</b>
Personnel	\$128,019	\$189,607	\$ 39,228	\$ 21,530	\$ 378,384
Indirect	69,539	101,020	21,081	11,575	203,215
Fringe	29,101	38,352	6,740	2,445	76,638
Consultants	4,419	26,190	566	35,403	66,578
PNBGC (Personnel)	31,100	0	126,039	0	157,139
Travel	30,514	68,765	23,667	11,896	134,842
Equipment	4,796	9,884	3,715	64,147	82,542
Supplies	25,744	16,182	12,298	2,958	57,182
Other	2,352	0	16,666	0	19,018
<b>Total</b>	<b>\$325,584</b>	<b>\$450,000</b>	<b>\$250,000</b>	<b>\$149,954</b>	<b>\$1,175,538</b>

Source: Penobscot Nation

To determine whether costs charged to the awards were allowable, supported, necessary, and properly allocated in compliance with award requirements, we judgmentally selected 176 expenditures totaling \$456,318. For the selected expenditures, we reviewed documentation, accounting records, and performed verification testing related to grant expenditures. Based on our review, we identified unallowable and unsupported questioned costs related to consultants, personnel, travel, supplies, and equipment. In total, we identified \$561,160 in questioned costs, including \$237,080 questioned as unsupported, \$323,079 questioned as unallowable, and \$1,000 questioned as unnecessary.<sup>4</sup> The following sections describe the results of our testing.

<sup>4</sup> This includes \$157,351 in duplicative consultant expenditures for the FY 2009 and 2011 Tribal Youth Program grants and \$10,328 in other duplicative questioned costs.

## Consultants

We reviewed consultant expenditures and contracts associated with the four grants to determine whether expenditures were allowable and supported and procured in compliance with the *Penobscot Indian Nation Procurement Policy* (dated December 2004).<sup>5</sup> The *Penobscot Indian Nation Procurement Policy* requires directors to prepare a competitive bid proposal and obtain at least two quotes for equipment or contracting services more than \$5,000 and less than \$25,000 and three vendor quotes for equipment and contracting services more than \$25,000.

### FY 2009 and 2011 Tribal Youth Programs

Penobscot Nation paid the Boys and Girls Club a total of \$194,964 from the FY 2009 and 2011 Tribal Youth Program grants. Even though Penobscot Nation was required to enter into a contract for the Boys and Girls Club services, in accordance with its *Penobscot Indian Nation Procurement Policy*, Penobscot Nation was not able to provide a copy of the Boys and Girls Club contract or agreement. As a result, we question \$157,351 in consultant payments as unallowable.<sup>6</sup>

We also determined that Penobscot Nation permitted the Boys and Girls Club Executive Director to submit internal Penobscot Nation documents to obtain payment for its services. While the Boys and Girls Club was a separate entity and a consultant for Penobscot Nation, it used Penobscot Nation forms and the Executive Director signed the forms as an employee. Instead, the Boys and Girls Club should have submitted an invoice to Penobscot Nation and a Penobscot Nation employee should have been responsible for reviewing the invoice and preparing the check requests before the supervisor or departmental director approved the request by signing the form. These payments included the annual budgeted consultant fee which was paid in advance.<sup>7</sup>

Additionally, the documentation provided by Penobscot Nation was not sufficient to support the Boys and Girls Club payments because it lacked sufficient details such as pay rates, hours worked, or reference to a contract. Because Penobscot Nation paid these invoices without sufficient documentation to support the advanced salaries and wages and did not maintain documentation to support the Boys and Girls Club's grant-funded activities, we determined that Penobscot Nation did not adequately monitor its consultant's time and effort, as required by the OJP Financial Guide. As a result, we question \$157,351 in payments as unsupported costs.

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<sup>5</sup> This policy was revised in March 2014.

<sup>6</sup> The Boys and Girls Club returned \$14,230 and \$23,383 in funding from the FY 2009 and 2011 Tribal Youth Program grants directly to OJP in November and December 2012. In addition, Penobscot adjusted these related expenditures in its accounting system.

<sup>7</sup> Based on our review, we determined that the Boys and Girls Club's requests for advance funding under the FY 2009 Tribal Youth Program grant totaled the same amount as the annual consultant expenditures included in the grant award budget.

### BJA Tribal Courts Assistance Program

According to the accounting records, Penobscot Nation made 22 grant funded payments totaling \$32,130 to a consultant. Although the approved grant budget included consultant services, we determined Penobscot Nation failed to maintain sufficient supporting documentation, including time and effort reports as required by the OJP Financial Guide. While Penobscot Nation provided invoices for the consultant, these invoices did not include sufficient detail to support time and effort. Penobscot Nation provided a consultant agreement to support the consultant's services, but we determined that the scope of work was not related to activities approved in the grant award budget. As a result, we questioned the \$32,130 in consultant payments as unsupported costs.

In addition, we found that Penobscot Nation charged \$2,444 in unemployment benefit payments for five employees whose positions were not approved by OJP. As a result, we questioned \$2,444 as unallowable.

### OVW Grants to Indian Tribal Governments

Penobscot Nation charged \$19,770 to the OVW grant for a consultant's legal services that were not approved by OVW. According to a Penobscot official, these legal services were charged to the wrong grant and should have been removed. We questioned \$10,476 as unallowable because \$9,293 was backed out of the grant account in March 2012.

We recommend Penobscot Nation maintains documentation to support consultant activities related to the grant awards and ensure that consultant expenditures are properly charged to the correct grant. In addition, we recommend that Penobscot Nation clearly document and comply with its own procurement policy related to professional services. To allow Penobscot Nation to comply with the requirements for obtaining and monitoring consultants, we recommend Penobscot Nation implements and adheres to written contract monitoring policies and procedures including a requirement that all consultants have written agreements.

### *Personnel and Fringe Benefit Expenses*

Penobscot Nation spent \$455,022 in grant funding for personnel and fringe benefit expenses for Penobscot Nation employees for the four grants we reviewed. We tested whether these costs were supported and allowable by selecting nonconsecutive pay periods for testing. Table 3 summarizes the total personnel and fringe benefit expenses by grant.

**Table 3**  
**Personnel and Fringe Benefit Expenses by Grant**

<b>Award Number</b>	<b>Personnel</b>	<b>Fringe Benefits</b>	<b>Total</b>
2009-IC-BX-0026	\$ 21,530	\$ 2,445	\$ 23,975
2009-TW-AX-0001	189,607	38,352	227,959
2009-TY-FX-0032	39,228	6,740	45,968
2011-TY-FX-0019	128,019	29,101	157,120
<b>Total</b>	<b>\$378,384</b>	<b>\$76,638</b>	<b>\$455,022</b>

Source: OIG analysis of Penobscot Nation data

In addition, we tested salary adjustments retroactively charged to the grants to determine whether personnel expenditures were allowable and supported.<sup>8</sup> Based on our review, we determined that the salary adjustments for three of the four grants were not properly supported.

FY 2009 Tribal Youth Program

In April 2013, OJP approved one part-time Program Manager for the FY 2009 Tribal Youth Program grant. We selected a judgmental sample to determine whether personnel and fringe benefit expenses were allowable and supported. Based on our review, personnel and fringe benefits for six positions not approved by OJP were charged to the grant. As a result, we questioned the personnel and fringe benefit expenses of these employees, totaling \$20,598, as unallowable.

In addition, we reviewed the accounting entries and supporting documentation to determine whether the salary adjustments were allowable and supported. Penobscot Nation could not provide us with documentation to support the adjustments for personnel and fringe benefit expenses. As a result, we questioned \$17,023 as unsupported.

FY 2011 Tribal Youth Program

We also reviewed the accounting entries and supporting documentation for the FY 2011 Tribal Youth Program to determine whether the adjustments were allowable and supported. Similar to the FY 2009 Tribal Youth Program, Penobscot Nation could not provide us with documentation to support the adjustments for personnel and fringe benefit expenses. As a result, we questioned \$17,666 as unsupported.

BJA Tribal Courts Assistance Program

Under the BJA Tribal Courts Assistance Program grant, BJA approved Penobscot Nation to pay for 25 percent of the Deputy Clerk's salary to serve as the

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<sup>8</sup> Salary adjustments are accounting changes made after the fact that correct errors or make other adjustments to the personnel expenditures charged to specific accounts or grants.

program coordinator for the tribal court enhancement initiative. Based on our review, we found that Penobscot Nation charged her entire salary including fringe benefits to the grant totaling \$24,179. Because Penobscot Nation was not approved to charge more than a quarter of the Deputy Clerk's salary to the grant, we determined that 75 percent of the personnel costs totaling \$18,134 were unallowable.

We also selected a judgmental sample to determine whether the salary adjustments were allowable and supported. We reviewed supporting documentation, including a journal entry voucher and the request to transfer the Deputy Clerk's salary including fringe benefits and indirect costs to the BJA Tribal Courts Assistance Program. According to a grant official, the Tribal Court Program Coordinator's time was incorrectly charged to the wrong grant necessitating the adjustments to the accounting records and ultimately to the two grants involved. Penobscot Nation could not provide us with any additional documentation, such as; time sheets or time and effort reports to support the adjustments for salary and, as a result, we questioned \$11,372 as unsupported.

#### OVW Grants to Indian Tribal Governments

In May 2011, Penobscot Nation merged its Human Service programs and created Penobscot Nation Social Services. Shortly after the merger, the Domestic Violence Coordinator accepted a mid-level management position at Penobscot Nation. Instead of hiring one full-time position to replace the Domestic Violence Coordinator, Penobscot Nation requested to hire two part-time positions. Although Penobscot Nation received approval for two part-time positions, we found that Penobscot Nation used funding from the OVW grant to pay for three additional employees whose positions were not approved by OVW. Because funding for these positions was not approved, all personnel expenses charged to this grant totaling \$35,284 were questioned as unallowable.

#### *Travel*

We reviewed \$49,680 in travel expenses that Penobscot Nation charged to the four grants and found that \$29,262 of the expenses reviewed were unallowable because the travel expenses were not incurred in accordance with the *Penobscot Indian Nation Travel Policies* and the grant award terms and conditions. Specifically, Penobscot Nation permitted consultants to use its travel forms to obtain travel expense payments and approved travel expenses for the New Grantee Orientation that exceeded allowable costs specified in the grant award special conditions, hotel expenses that exceeded allowable rates, and unnecessary travel expenses. The \$29,262 includes \$6,730 for the BJA Tribal Courts Assistance Program grant, \$1,160 for the OVW Grants to Indian Tribal Governments grant, \$11,532 for the FY 2009 Tribal Youth Program grant, and \$9,840 for FY 2011 Tribal Youth Program grant.

In addition, we identified administrative inadequacies which limited our ability to effectively audit the charged travel expenses. Penobscot Nation's

recordkeeping for travel expenses did not facilitate a review of travel expenses by trip because expense payments were not always collated by trip or traveler. We also determined that the Penobscot Nation did not ensure travelers included all travel expenses on the travel forms, as required by its *Penobscot Indian Nation Accounting and Administrative Policies*. In May 2015, Penobscot Nation informed us that its policies for traveler's expense reports and payments were revised and will continue to be reviewed to record these expenses more accurately and efficiently. These revised policies were not reviewed as part of this audit.

We determined that Penobscot Nation did not comply with its *Penobscot Indian Nation Travel Policies* by allowing consultants to use its travel forms to obtain travel expense payments. As the consultants were not Penobscot Nation employees, these expenses should have been billed and supported as part of the consultant agreement. Penobscot Nation paid at least \$4,574 for the Penobscot Tribal Court consultant and \$12,038 for the Boys and Girls Club Executive Director, board members, and employees to attend trainings and conferences. Instead, Penobscot Nation permitted the consultants to use, as well as, approve Penobscot Nation travel forms.<sup>9</sup>

As a result, we question \$16,612 in travel expenses as unallowable because Penobscot Nation did not comply with its travel policies, as required by the grant award terms and conditions. These consultant travel expenses were also charged incorrectly to the "Travel" budget category instead of "Consultants/Contracts" category.

For the FY 2011 Tribal Youth Program, Penobscot Nation paid \$4,492 for the Boys and Girls Club Executive Director and two Boys and Girls Club employees to attend New Grantee Orientation. We determined that these costs were not allowable because Penobscot Nation did not comply with the grant award special conditions which required the grant recipient, or Penobscot Nation to incur no more than \$4,000 in costs to attend the orientation. Instead, Penobscot Nation paid its consultant more than the allowable \$4,000 to attend the orientation.

The Penobscot Nation Travel Policies limits travel reimbursements to the General Services Administration's "lodging plus per diem" rate, unless the traveler submits a written request to and receives approval from the Tribal Chief and Budget Manager for reimbursement of travel expenses that exceed the rate. We determined that Penobscot Nation approved \$7,193 in hotel expenses that exceeded the GSA rate in several instances.<sup>10</sup> In one instance, a consultant's cash advance was approved for two hotel rooms that exceeded the allowable rate. As a result, we determined that the \$7,193 in hotel expenses were not allowable

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<sup>9</sup> A total of \$7,546 was charged to the FY 2009 Tribal Youth Program grant, including \$4,327 to attend the 2012 Boys and Girls Club of America National Conference and Northeast Regional Conference. A total of \$4,492 was charged to the FY 2011 Tribal Youth Program grant.

<sup>10</sup> This amount includes \$1,191 for the BJA Tribal Courts Assistance Program grant, \$1,160 for the OVW Grants to Tribal Indian Governments grant, \$3,985 for the FY 2009 Tribal Youth Program grant, and \$865 for the FY 2011 Tribal Youth Program grant.

because Penobscot Nation did not approve these expenses in accordance with its *Penobscot Indian Nation Travel Policies*, as required by the *OJP Financial Guide*.

Additionally, Penobscot Nation also allowed three Penobscot Nation Tribal Court officials to attend training and conferences in Reno, Nevada and Las Vegas, Nevada several days before the events began, which resulted in the travelers incurring at least \$965 in unnecessary or unallowable hotel, meals, incidentals, and expenses.

We recommend that Penobscot Nation adheres to its policies and procedures that ensure grant funded travel expenses are properly approved and adequately documented to facilitate a review.

### *Supplies*

Penobscot Nation charged \$57,181 for supplies to the four grants we audited. To determine whether supply expenditures were allowable and supported, we reviewed the budget and receipts and invoices. We selected a judgmental sample of supply expenditures and found \$1,000 in unnecessary expenditures.

Under the FY 2009 Tribal Youth Program grant, Penobscot Nation received approval for \$2,000 in program incentives for recruitment and retention purposes. According to the budget narrative, incentives were to consist of t-shirts, field trips, and award banquets. The budget also included program incentives that participating youth could obtain by redeeming Power Points earned during Power Hour by for completing homework assignments and bonus activities.

We identified a \$1,000 expenditure for 100 \$10 gift cards. Based on our review, we found that all 100 of these gift cards were given to Penobscot Nation youth during a Christmas party. In our judgment, Penobscot Nation did not use the gift cards for their intended purpose of providing incentives, and as a result, we questioned \$1,000 in gift cards as unnecessary.

### *Other Expenditures*

Penobscot Nation charged the FY 2009 Tribal Youth Program grant, youth liability insurance totaling \$5,120. Liability insurance was not approved by OJP in the grant budget. As a result, we questioned \$5,120 in liability insurance as unallowable.

### *Indirect Costs*

Indirect costs are the shared costs incurred by an organization that may not be readily identifiable with a particular project or program but are necessary to the overall operation of the organization and the performance of its programs. In conjunction with its grant budget, a grantee must have a written indirect cost rate agreement approved by its agency in order to be reimbursed for indirect costs. We determined that indirect costs were approved in the budgets for the grants we audited, and Penobscot Nation had an approved indirect cost rate agreement.

According to Penobscot Nation's approved indirect cost rate agreement, indirect costs were calculated by multiplying the approved cost rate by the total eligible direct cost. For the grants we audited, we found that Penobscot Nation used salaries as its direct cost. Based on our review, we determined the Penobscot Nation calculated the correct indirect cost reimbursements for the grants.

### *Equipment*

We selected a judgmental sample to determine whether equipment expenditures were allowable and supported. We checked to see whether these expenditures were included in the award budget and permissible uses of funds outlined in the OJP Financial Guide. We identified a total of \$45,948 in questioned costs, including \$1,538 as unsupported and \$44,410 as unallowable.

#### OVW Grants to Indian Tribal Governments

Based on our review, we identified an equipment expenditure related to the OVW Grants to Tribal Indian Governments that was unsupported totaling \$1,538. To support this expenditure, Penobscot Nation provided us with a journal entry voucher. We determined that the journal entry voucher and documentation to support this expenditure lacked sufficient detail. As a result, we questioned \$1,538 as unsupported.

#### BJA Tribal Courts Assistance Program

In April 2011, OJP approved Penobscot Nation's budget modification to reallocate \$59,603 from several budget categories to the equipment category for a court data and file management system. Based on our review, we determined that Penobscot Nation used \$44,410 to enhance the Tribal Court database and file management system. We found that these costs were unallowable because Penobscot Nation could not provide us with a signed copy of the court database and file management system contract or demonstrate that the contract services were procured after conducting a formal competitive bidding process, as required by the *Penobscot Indian Nation Procurement Policy*.

#### Accountable Property

According to Penobscot Nation's property management policy, accountable property has an expected useful life of one year or more and an acquisition cost of \$5,000 or greater per unit. With the exception of the Tribal Court equipment, most of the items Penobscot Nation purchased with grant funds were less than \$5,000. While these items were less than \$5,000, we identified several items that were sensitive in nature; specifically, laptops and computers. The Penobscot Nation's policy also states that the department or program manager may at their discretion ask the property office to record items below the threshold.

A grant official provided us with a list of equipment that was purchased with grant funds. However, in reviewing this list, we found that it lacked sufficient detail to ensure that grant-related equipment was safeguarded. Specifically, it did not include the description of the property, a serial number, source of the property, identification of the title holder, acquisition date, cost of the property, percentage of federal participation in the cost of the property, location of the property, use and condition of the property, and disposition data.

To determine whether Penobscot Nation adequately safeguarded equipment, we selected an equipment expenditure that consisted of nine items. We inspected these items and identified one missing item. According to a grant official, the Executive Director of the Boys and Girls Club took the item when Penobscot Nation assumed responsibilities of the Tribal Youth Program. Because the dollar amount was not significant, we did not identify any questioned costs related to accountable property.

We recommend that Penobscot Nation implements and adheres to policies and procedures to safeguard sensitive items that were purchased with grant funds.

## **Drawdowns**

Between December 2009 and May 2014, Penobscot Nation made 111 drawdowns, or requests for grant funding, totaling \$1,130,170 related to the four grants. According to the OJP Financial Guide, funds should be requested based upon immediate disbursement or reimbursement need. Drawdown requests should be timed to ensure that federal cash on hand is the minimum needed for disbursements or reimbursements to be made immediately or within 10 days. Penobscot Nation did not have written policies and procedures for requesting grant funding. According to a grant official, Penobscot Nation generally requested the disbursement of grant funding on a monthly basis and based the drawdown amount on the accounting system expenditure report and payroll estimates for the week following the drawdown.

We reviewed the four most recent drawdowns related to each grant we audited to determine whether Penobscot Nation complied with minimum cash on hand requirements. For these 16 drawdowns, we determined that drawdowns were based on reimbursements. We found several instances where the cumulative expenditures between drawdown periods did not match the corresponding drawdown amount. However, the grant official responsible for preparing the drawdowns provided us with contemporaneous records that supported the amount of funding that was requested at the time the drawdown was made.

While we identified no issues with Penobscot Nation's drawdown process or compliance with the cash on hand requirements, Penobscot Nation did not have written grant management policies and procedures for requesting grant funding. As a result, we recommend that Penobscot Nation implements and adheres to written policies and procedures to ensure compliance with drawdown policies and cash on hand requirements.

## **Program Income**

According to the OJP Financial Guide, all income generated as a direct result of an agency-funded project shall be deemed program income. This income may be used to further the program objectives or refunded to the Federal Government. Additionally, program income may only be used for allowable program costs and must be expended prior to additional OJP drawdowns; program income must be used for the purposes of and under the conditions applicable to the award, and unless specified by the awarding agency, program income must be used as earned and expended as soon as possible. We found that Penobscot Nation did not identify that they would generate program income or report the total program income earned as required.

During our review of grant expenditures for the FY 2009 Tribal Youth Program grant, we identified costs related to two fundraising events where the Boys and Girls Club used grant funding totaling \$2,489 to raise money for the Tribal Youth Program. A Penobscot Nation official informed us that the Boys and Girls Club kept the proceeds from the fundraising events. However, due to lack of monitoring, we were unable to determine the amount of program income generated by these two fundraising events. It is unclear how much income the Boys and Girls Club generated because Penobscot Nation did not record program income.

We recommend that Penobscot Nation implements and adheres to policies and procedures to account for grant related program income and ensures that program income is recognized and applied in accordance with the OJP Financial Guide.

## **Federal Financial Reports**

According to the OJP Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report. Recipients must report expenditures online using the Federal Financial Report (FFR) no later than 30 days after the end of each calendar quarter. According to a grant official, Penobscot Nation used the same procedures to prepare FFRs for each of the grants. Therefore, for the purposes of testing whether the FFRs were accurate and timely, we selected the BJA Tribal Courts Assistance Program grant and the FY 2009 Tribal Youth Program. Between October 2009 and October 2013, Penobscot Nation submitted 27 FFRs related to the BJA Tribal Courts Assistance Program grant and the FY 2009 Tribal Youth Program grant.

To determine whether Penobscot Nation's FFRs were accurate and submitted in a timely manner, we selected the four most recent FFRs related to the grants listed above. Based on our assessment, we found that Penobscot Nation submitted the 8 reports within 30 days of the end of the calendar quarter as required. While the FFRs were timely, we identified discrepancies between the accounting records and FFRs. Specifically, we found expenditures that were incurred outside of the reporting period that was included in the FFR. According to a grant official, these

discrepancies were due to timing. Because these expenditures did not overlap in the following reporting period, we determined that these discrepancies were not a significant issue. As a result, we did not question the accuracy of the FFRs.

We also checked to see whether Penobscot Nation included the program income that the Boys and Girls Club generated with funds from the FY 2009 Tribal Youth Program grant on the FFRs. Based on our review, we determined that Penobscot Nation generated grant related program income as a result of expenditures made using grant funds. Penobscot Nation did not report the program income and, as a result, we determined that FFRs for the FY 2009 Tribal Youth Program grant were incomplete.

We recommend that Penobscot Nation implements and adheres to policies and procedures to ensure compliance with FFR requirements.

### **Budget Management and Control**

Penobscot Nation received approval from OJP and OVW to spend grant funding according to cost categories and the granting agency provided an approved budget for each of the grants audited. Following approval of grant budgets, grantees must request permission to modify these budgets, when (1) the proposed cumulative change is greater than 10 percent of the total award amount, (2) there is any dollar increase or decrease to the indirect cost category of an approved budget, (3) the budget modification changes the scope of the project, or (4) budget adjustment affects a cost category that was not included in the original budget.

Although Penobscot Nation remained within its approved budget category totals, we determined that Penobscot Nation's method for recording expenditures was not reliable. As a result, we were unable to assess whether Penobscot Nation met the 10 percent rule. According to an official, Penobscot Nation periodically checked to see whether the actuals for the different types of costs exceeded the budgeted amounts; however, our audit found several instances in which unallowable expenditures were charged to the grant and were informed that the Department of Grants and Contracts no longer reviews grant funded expenditures for budget compliance.

During our review, we also determined that Penobscot Nation changed the scope of its project for both Tribal Youth Program grants after Penobscot Nation closed the Boys and Girls Club in September 2012. Penobscot Nation implemented its own Youth Program for teens and youth in October 2012 and began offering program activities in February 2013.

#### *FY 2009 Tribal Youth Program*

We determined that Penobscot Nation continued to provide culturally-based activities to nation youth, but it did not offer alternative delinquency prevention services similar to the Boys and Girls Club's Smart Moves, Street Smarts, Family

Hour, and Power Hour. As a result, we determined that Penobscot Nation changed the scope of its project and should have requested approval from OJP.

#### *FY 2011 Tribal Youth Program*

Although Penobscot Nation continued to provide culturally-based activities to nation youth, it did not meet all of its grant objectives because Penobscot Nation did not incorporate court-involved youth. Based on our discussions with officials from the Penobscot Nation Tribal Youth Program, we determined that court-involved youth were not incorporated into the Tribal Youth Programs to the extent specified in the grant application. We also determined that the FY 2011 Tribal Youth Program funds may have been used to fund activities for youth, instead of Teen Center activities for youth ages 12-18, as specified in the grant application. As a result, we determined that Penobscot Nation made significant changes to its project scope and should have requested approval from OJP.

We recommend that Penobscot Nation implements and adheres to policies and procedures for budget management and control.

### **Program Performance and Accomplishments**

Based on our review, we determined that Penobscot Nation met the goals and objectives of the OVW grant. We also determined that the Penobscot Nation Tribal Court implemented its court database and file management system, but has not finalized its revised tribal codes and court policies and procedures. We could not assess performance for the FY 2009 and 2011 Tribal Youth Program grants.

#### *BJA Tribal Courts Assistance Program*

Penobscot Nation planned to meet its project goals by purchasing new hardware and software to replace its court record and database system and revise its tribal codes and court policies and procedures necessary to transition to a restorative justice model. The grant would also fund community forums to develop the community's understanding of and support for restorative justice models. In April 2011, Penobscot Nation was approved to reallocate program funds to purchase a state-of-the-art court data and file management system.

Based on our discussions with the Tribal Court officials, we determined that the Penobscot Nation Tribal Court implemented a court database and file management system and revised its tribal codes and court policies and procedures. The revised tribal codes included its Domestic Violence, Juvenile Justice, and Child Welfare codes. The tribal court policies and procedures included the *Penobscot Nation Indian Nation Adult Wellness Court Policies and Procedures* and *A Guide to the Penobscot Indian Nation Juvenile Justice System*. However, the court codes, policies, and procedures were draft documents as of April 2015 and had not been approved by the Penobscot Nation Tribal Council.

## *OVW Grants to Indian Tribal Governments*

Penobscot Nation planned to meet its program goals by establishing a culturally specific and comprehensive domestic violence and sexual assault victim centered program on Indian Island. This program would offer direct service to victims of domestic violence and sexual assault and included a crisis hotline staffed by Penobscot Nation citizens. Penobscot Nation also planned to hold community forums, distribute public service announcements, and develop appropriate school curricula for the Indian Island School, to raise awareness of the program throughout the community.

Based on our review of the Penobscot Nation OVW Grants to Tribal Governments program activities, we determined that Penobscot Nation met the goals and objectives of the grant. We visited the Domestic Violence and Sexual Assault Program office; reviewed program flyers for events, awareness brochures and literature; and confirmed that victim services were provided between January and December 2012. We also determined that Penobscot Nation staffed a 24-hour hotline for victim outreach.

### FY 2009 and 2011 Tribal Youth Program

The Boys and Girls Club was responsible for the programmatic and financial management of the FY 2009 and 2011 Tribal Youth Program grants. During our review, Penobscot Nation officials informed us that documentation was not maintained to support the Boys and Girls Club grant award activities and accomplishments. This documentation is especially significant because the Boys and Girls Club provided youth services funded by other grants and organizations.

The Penobscot Nation closed the Boys and Girls Club in September 2012 and implemented its own in October 2012. Penobscot Nation began offering program activities in February 2013. We determined that Penobscot Nation's Youth Program consisted of youth program for ages 8-12 and a teen center program for ages 13-18.

### FY 2009 Tribal Youth Program

Penobscot Nation planned to meet its program goals through juvenile delinquency prevention services, which would be implemented by the Boys and Girls Club, to impact risk factors for delinquency to reduce the incidents of juvenile delinquency among the youth of the Penobscot Nation community. These services included:

- After-school activities for 200 youth, each year, for 4 years to reduce youth participation in juvenile delinquency;
- "Street SMART" activities for 25 youth, per year, for 4 years to increase the percentage of youth who are exposed to anti-gang education;

- “SMART Moves” activities for 25 youth, per year, for 4 years to reduce the percentage of youth participating in illegal substances and alcohol use;
- “Family Plus” activities for 75 families per year for 4 years to decrease the percentage of families reporting poor family management; and
- After-school homework help through the “Power Hour” to 25 youth, daily, for 4 years to decrease the percentage of youth that exhibit low academic achievement and low commitment to school.

Because the grant application identified such specific prevention services that were used as the program objectives, and Penobscot Nation did not submit a grant adjustment notice to change the scope of its project, we determined that it was not possible to assess whether Penobscot Nation met the grant award goals and objectives.

#### FY 2011 Tribal Youth Program Grants

Penobscot Nation was awarded funding through the FY 2011 Tribal Youth Program to further the activities of the FY 2009 Tribal Youth Program grant by establishing a Teen Center for youth 12-18 and offering cultural activities designed to enhance the native self-identity of Penobscot Nation youth. Penobscot Nation's project had two objectives to implement the Penobscot Nation graduated sanctions program for court-involved juveniles and establish a “tribal prevention/diversion program”. The program activities specified that the Penobscot Nation would (1) offer full range of diversion programs and leadership development through the Center and to 20 court-involved youth; and (2) implement cultural language programs to include Language Lunch Hour, one-on-one individualized language tutoring, and cultural activity-based language learning projects at Teen Center and for 20 court-involved youth on informal or formal diversion.

Although Penobscot Nation continued to offer culturally-based activities for youth ages 8-12, we determined it was not possible to assess performance because Penobscot Nation changed the scope of its project.

We recommend that Penobscot Nation implement and adhere to policies and procedures to ensure that it monitor its performance toward achieving its approved goals and objectives.

#### *Categorical Assistance Progress Reports*

According to the *OJP Financial Guide*, progress reports are prepared twice a year and are used to describe performance of activities or the accomplishment of objectives as set forth in the award application. Progress reports must be submitted within 30 days of the end of the reporting periods, which are June 30 and December 31. Therefore, progress reports are due semi-annually on January 30 and July 30 for the life of the award.

### BJA Tribal Courts Assistance Program

Penobscot Nation did not maintain records to support its semi-annual progress reports. As a result, we determined that it was not useful to review these reports for accuracy.

### OVW Grants to Indian Tribal Governments

We attempted to support the housing assistance costs reported in the progress report by reviewing case files for the associated victims. Although Penobscot Nation confirmed that the files we reviewed supported the services reported, we could not identify which collection of victim services were allocable to the OVW grant. Additionally, we determined that Penobscot Nation reported figures for its Domestic Violence Center, as a whole, and not for activities specific to the OVW grant.

### FY 2009 and 2011 Tribal Youth Program Grants

Penobscot Nation did not maintain records to support the progress reports completed by the Boys and Girls Club. For the FY 2009 and 2011 Tribal Youth grants progress reports completed by Penobscot Nation, we determined that Penobscot Nation was able to support the reported figures using daily sign-in sheets and monthly attendance reports for youth attending activities held at the Penobscot Nation Youth Program. However, Penobscot Nation revised the scope of its projects without prior written approval from OJP.

Based on our review of the progress reports, we recommend that Penobscot Nation implements and adheres to policies and procedures for completing progress reports accurately and supporting documentation is maintained.

### **Other Matters**

Based on our review of program activities, we determined that Penobscot Nation funded similar Domestic Violence and Sexual Assault Program activities including awareness activities and victim services with other funding sources. In accordance with a grant special condition, Penobscot Nation was required to submit a grant adjustment notice if it received future funding for similar projects included in its grant award budget to eliminate duplicative project costs. Any duplicative funding would be de-obligated from the current award. Penobscot Nation did not submit a request to revise its budget to eliminate any potential duplicative costs and program funds were not de-obligated from the award. The other funding sources were not included in the scope of our audit.

### **Conclusion**

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

Nation's accounting records, budget documents, financial and progress reports, and financial management procedures. We found that Penobscot Nation did not fully comply with all of the grant requirements in the areas we tested.

Specifically, we determined that Penobscot Nation's policies and procedures were not sufficient to ensure compliance with the grant award terms and conditions for purchases less than \$5,000 because these purchases were not reviewed by another Penobscot Nation official to ensure compliance with the grant award budgets. In addition, the documentation provided by Penobscot Nation was not sufficient documentation to support the consultant payments because the documents provided for our review lacked sufficient details such as pay rates, hours worked, or reference to a contract. We also identified grant-funded positions that were not approved by OJP and determined that the salary adjustments charged retroactively to three of the grants were not properly supported. Lastly, we determined that Penobscot Nation's method for recording expenditures was not reliable.

Our report contains 14 recommendations to the Office of Justice Programs and the Office on Violence Against Women.

## **Recommendations**

We recommend that OJP:

1. Remedy the \$235,542 in unsupported expenditures resulting from:
  - a. costs associated with consultant expenditures due to lack of time and effort reports (expenditures of \$157,351) and insufficient time and effort reports (expenditures of \$32,130), and
  - b. costs associated with personnel and fringe benefit expenditures that were not properly supported (expenditures of \$46,061; \$11,372 from the BJA Tribal Courts Assistance Program grant, \$17,023 from the FY 2009 Tribal Youth Program grant, and \$17,666 from the FY 2011 Tribal Youth Program grant).
2. Remedy the \$276,159 in unallowable expenditures resulting from:
  - a. costs associated with consultant expenditures where consultant did not enter into an agreement or contract with Penobscot Nation (expenditures of \$157,351) related to the Tribal Youth Program grants and a fringe benefit expenditure that was misclassified and was not approved in the BJA Tribal Courts Assistance Program grant (expenditure of \$2,444),
  - b. costs associated with personnel that was not properly supported or approved by OJP (expenditures of \$20,598) related to the FY 2009 Tribal Youth Program, and personnel that was not properly supported or

approved by OJP (expenditures of \$18,134) related to the BJA Tribal Courts Assistance Program,

- c. costs associated with travel expenditures that were not approved in compliance with the Penobscot Indian Nation Travel Policies and grant award terms and conditions (expenditures of \$28,102),
  - d. costs associated with other costs that was not approved in the grant budget (\$5,120), and
  - e. costs associated with equipment expenditures related to the BJA Tribal Courts Assistance Program grant that were not procured competitively and based on contract proposal (expenditures of \$44,410).
3. Remedy the \$1,000 in unnecessary expenditure resulting from costs associated with supplies that did not meet the intended purpose of the FY 2009 Tribal Youth Program (expenditures of \$1,000).

We recommend that OVW:

- 4. Remedy the \$1,538 in unsupported expenditures resulting from costs associated with an equipment expenditure that was not properly supported.
- 5. Remedy the \$46,920 in unallowable expenditures resulting from:
  - a. costs associated with a consultant that was not approved in the award budget (expenditures of \$10,476) related to the OVW Grants to Indian Tribal Governments grant,
  - b. costs associated with personnel and fringe benefit expenditures related to the OVW Grants to Tribal Governments grant that were not approved by OVW (expenditures of \$35,284), and
  - c. costs associated with travel expenditures that were not approved in compliance with the Penobscot Indian Nation Travel Policies and grant award terms and conditions (expenditures of \$1,160).

We recommend that OJP and OVW:

- 6. Ensure Penobscot Nation implements and adheres to policies and procedures that ensure that its grant accounts facilitate a review and grant expenditures are charged to the appropriate grant and budget category.
- 7. Ensure that Penobscot Nation maintains documentation to support consultant activities related to the grant awards and ensure that consultant expenditures are properly charged to the grant, clearly documents and complies with its own procurement policy related to professional services,

and develops and implements written contract monitoring policies and procedures that ensure all consultants have written agreements.

8. Ensure that Penobscot Nation adheres to its policies and procedures that ensure grant funded travel expenses are properly approved and adequately documented to facilitate a review.
9. Ensure that Penobscot Nation implements and adheres to policies and procedures to safeguard sensitive items that were purchased with grant funds.
10. Ensure that Penobscot Nation implements and adheres to written policies and procedures to ensure compliance with drawdown policies and cash on hand requirements.
11. Ensure that Penobscot Nation implements and adheres to policies and procedures to account for grant related program income and ensures that program income is recognized and applied in accordance with grant rules as directed by the OJP Financial Guide.
12. Ensure that Penobscot Nation implements and adheres to policies and procedures to ensure compliance with FFR requirements.
13. Ensure that Penobscot Nation implements and adheres to policies and procedures for budget management and control.
14. Ensure Penobscot Nation implements and adheres to policies and procedures monitoring performance towards achieving its approved goals and objective

## OBJECTIVE, SCOPE, AND METHODOLOGY

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

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

This was an audit of OJP and OVW grants awarded to the Penobscot Nation under the Bureau of Justice Assistance FY 2009 Tribal Courts Assistance Program, Office Juvenile Justice Delinquency and Prevention FY 2009 Tribal Youth Program, Office of Juvenile Justice and Delinquency Prevention FY 2011 Tribal Youth Program and Office on Violence Against Women FY 2009 Grants to Indian Tribal Governments and Sexual Assault Services Program.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of Penobscot Nation's activities related to the audited grants. The criteria we audit against are contained in the *OJP Financial Guide* and the award documents. In conducting our audit, we tested the following:

- **Grant Financial Management.** To determine whether Penobscot Nation's financial management procedures adequately safeguard grant funds and ensure compliance with grant conditions, we developed an understanding of the financial and accounting system and related internal controls Penobscot Nation used to ensure it complied with the terms and conditions of the grants. We reviewed financial reporting and accounting system data to determine if controls were adequate to separately account for and maintain grant funds. We reviewed the Single Audit Report for FY 2009 to FY 2013 and OJP desk reviews to identify control weaknesses and significant non-compliance issues related to Penobscot Nation.

Our review of Penobscot Nation's financial management system was specific to the management of DOJ funds during the audit period. We did not test the reliability of the financial management system as a whole. We reviewed grant-related procedures in place for: drawdowns, budget management and control, financial status reports, progress reports, procurement, and contractor monitoring. The internal control deficiencies that are significant within the context of our objectives are addressed in our report and recommendations.

- **Grant Expenditures.** To determine the accuracy, support, and allowability of expenditures that Penobscot Nation allocated or charged to the grant with respect to the applicable laws, regulations, guidelines, and terms and conditions of the grant, we reviewed source documentation for a judgmentally selected sample of 176 transactions totaling \$456,318.

To assess accountable property purchased with grant funds, we selected an expenditure that contained equipment and discretionary items.

- **Drawdowns.** To assess whether Penobscot Nation adequately supported grant drawdowns and managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records.
- **Federal Financial Reporting.** To determine whether the Federal Financial Reports (FFR) submitted by Penobscot Nation accurately reflected the activity of the grant, we performed limited testing of the last four FFRs submitted. We compared FFRs to the expenditures in the accounting records.
- **Budget Management and Control.** To ensure Penobscot Nation was in compliance with the *OJP Financial Guide* requirements, we attempted to compare budget to actual expenditures. However, due to the insufficient detail describing Penobscot Nation's actual expenditures recorded in its accounting system, we were unable to determine whether Penobscot Nation complied with the OJP requirements.
- **Program Performance and Accomplishments.** To determine if Penobscot Nation met or can meet the grant's objectives and whether Penobscot Nation collected the data and developed the performance measures necessary to assess the accomplishment of its objectives for Grant Number(s) 2009-IC-X-0026, 2009-TW-AX-0001, 2009-TY-FX-0032, and 2011-TY-FX-0019, we discussed program accomplishments with Penobscot Nation officials for all grants. We observed the Tribal Court's use of its JustWare system and assessed status of the Tribal Court's revision of court codes and policies for the BJA Tribal Courts Assistance Program grant. We reviewed client folders to determine if victim services were provided, as reported in both semi-annual reports for 2012, and reviewed documentation provide to support program activities for the OVW Grants to Indian Tribal Governments Program grant. We reviewed Penobscot Nation Youth Program daily sign-in sheets and monthly attendance reports and activity summaries for Penobscot Nation's Youth Program that was funded by both OJJDP Tribal Youth Programs. We also performed limited testing of Penobscot Nation's Categorical Assistance Progress Reports to ensure the reports accurately reflected award activity by comparing these reports to program activities we reviewed. Our review was limited because Penobscot Nation did not maintain documentation to support its program accomplishments.

In conducting our audit, we performed sample-based audit testing for payroll and fringe benefit charges, consultant charges, Progress Reports, and financial reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant reviewed, such as payroll and fringe benefits adjustments throughout the award periods. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected.

During our audit, we obtained information from OJP's Grant Management System as well as Penobscot Nation's accounting system. 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.

## SCHEDULE OF DOLLAR-RELATED FINDINGS

<b><u>QUESTIONED COSTS</u></b> <sup>11</sup>	<b>AMOUNT</b>	<b>PAGE</b>
<b><u>Unsupported Costs</u></b>		
Consultant Expenditures		
Penobscot Nation Boys and Girls Club	\$157,351	7
BJA Tribal Courts Assistance Program	32,130	8
Personnel and Fringe Benefit Expenditures		
FY 2009 Tribal Youth Program	17,023	9
FY 2011 Tribal Youth Program	17,666	9
BJA Tribal Courts Assistance Program	11,372	10
Equipment		
OVW Grants to Tribal Indian Governments	1,538	13
<b>Total Unsupported Costs</b>	<b>\$237,080</b>	
<b><u>Unallowable Costs</u></b>		
Consultant Expenditures		
Penobscot Nation Boys and Girls Club	\$157,351	7
BJA Tribal Courts Assistance Program	2,444	8
OVW Grants to Tribal Indian Governments	10,476	8
Personnel and Fringe Benefit Expenditures		
FY 2009 Tribal Youth Program	20,598	9
BJA Tribal Courts Assistance Program	18,134	10
OVW Grant to Tribal Indian Governments	35,284	10
Travel		
BJA Tribal Courts Assistance Program	6,730	10
OVW Grants to Tribal Indian Governments	1,160	10
FY 2009 Tribal Youth Program	11,532	10
FY 2011 Tribal Youth Program	9,840	10
Other Costs		
FY 2009 Tribal Youth Program	5,120	12
Equipment		
BJA Tribal Courts Assistance Program	44,410	13
<b>Total Unallowable Costs</b>	<b>\$323,079</b>	

<sup>11</sup> **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.

**Unnecessary Costs**

Supplies

FY 2009 Tribal Youth Program	\$1,000	12
<b>Total Unnecessary Costs</b>	<b>\$1,000</b>	
<b><u>GROSS QUESTIONED COSTS</u></b>	<b>\$561,160</b>	
<i>Less Duplicative Costs</i> <sup>12</sup>	<i>(\$167,679)</i>	
<b>NET QUESTIONED COSTS</b>	<b>\$393,480</b>	

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<sup>12</sup> Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which includes \$157,351 for advance payments to the Tribal Youth Program consultant, \$4,492 in consultant travel expenses that did not comply with the FY 2011 Tribal Youth Program grant award special conditions, \$5,747 for consultant travel expenses that exceeded the allowable GSA rate, and \$89 in unnecessary BJA travel expenses.

PENOBSCOT NATION RESPONSE TO THE DRAFT AUDIT REPORT

PENOBSCOT NATION  
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September 22, 2015

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VIA: U.S. Mail and Electronic Mail to Thomas Puerzer

Dear Mr. Puerzer:

The Penobscot Nation acknowledges the receipt of the "Draft Audit Report". It is our understanding that after you submit this report the Nation will have an opportunity to respond and provide additional justifications to the findings and recommendations. We have reviewed the "Draft Report" and are prepared for this report to be issued "as is" so we can start working to research and resolve the "Findings and Recommendations" in the report.

We have nothing further to add at this time.

Sincerely,

A handwritten signature in cursive script that reads "Daniel J. Nelson".

Daniel J. Nelson, CFO

## OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

*Office of Justice Programs*

*Office of Audit, Assessment, and Management*

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*Washington, D.C. 20531*

SEP 25 2015

MEMORANDUM TO: Thomas O. Puerzer  
Regional Audit Manager  
Philadelphia 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 and Office on Violence Against Women Grants Awarded to the Penobscot Indian Nation, Indian Island, Maine*

This memorandum is in reference to your correspondence, dated August 27, 2015, transmitting the above-referenced draft audit report for the Penobscot Indian Nation (Penobscot Nation). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **14** recommendations and **\$393,480<sup>1</sup>** net questioned costs, of which three recommendations (Numbers 1-3) and \$345,022 in net questioned costs are directed to the Office of Justice Programs (OJP); two recommendations (Numbers 4-5) and \$48,458 in questioned costs are directed to the Office on Violence Against Women (OVW); and the remaining nine recommendations (Numbers 6-14) are directed to both OJP and OVW. The following is OJP's analysis of the draft audit report recommendations directed to OJP. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP remedy the \$235,542 in unsupported expenditures resulting from:**
  - a. **costs associated with consultant expenditures due to lack of time and effort reports (expenditures of \$157,351) and insufficient time and effort reports (expenditures of \$32,130), and**

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

- b. costs associated with personnel and fringe benefit expenditures that were not properly supported (expenditures of \$46,061; \$11,372 from the Bureau of Justice Assistance (BJA) Tribal Courts Assistance Program grant, \$17,023 from the FY 2009 Tribal Youth Program grant, and \$17,666 from the FY 2011 Tribal Youth Program grant).

OJP agrees with all subparts of the recommendation. We will coordinate with Penobscot Nation to remedy the \$235,542 in questioned costs, related to unsupported expenditures that were charged to Grant Numbers 2009-IC-BX-0026, 2009-TX-FX-0032, and 2011-TY-FX-0019.

2. **We recommend that OJP remedy the \$276,159 in unallowable expenditures resulting from:**

- a. costs associated with consultant expenditures where the consultant did not enter into an agreement or contract with Penobscot Nation (expenditures of \$157,351) related to the Tribal Youth Program grants, and a fringe benefit expenditure that was misclassified and was not approved in the BJA Tribal Courts Assistance Program grant (expenditures of \$2,444);
- b. costs associated with personnel that were not properly supported or approved by OJP (expenditures of \$20,598) related to the FY 2009 Tribal Youth Program, and personnel costs that were not properly supported or approved by OJP (expenditures of \$18,134) related to the BJA Tribal Courts Assistance Program;
- c. costs associated with travel expenditures that were not approved in compliance with the Penobscot Indian Nation Travel Policies and grant award terms and conditions (expenditures of \$28,102);
- d. costs associated with other costs that were not approved in the grant budget (\$5,120); and
- e. costs associated with equipment expenditures related to the BJA Tribal Courts Assistance Program grant that were not procured competitively and based on a contract proposal (expenditures of \$44,410).

OJP agrees with all subparts of the recommendation. We will coordinate with Penobscot Nation to remedy the \$276,159 in questioned costs, related to unallowable expenditures that were charged to Grant Numbers 2009-IC-BX-0026, 2009-TX-FX-0032, and 2011-TY-FX-0019.

3. **We recommend that OJP remedy the \$1,000 in unnecessary expenditures resulting from costs associated with supplies that did not meet the intended purpose of the FY 2009 Tribal Youth Program (expenditures of \$1,000).**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to remedy the \$1,000 in questioned costs, related to unnecessary expenditures associated with supplies that did not meet the intended purpose under Grant Number 2009-TY-FX-0032.

6. **We recommend that OJP and OVW ensure that Penobscot Nation implements and adheres to policies and procedures that ensure that its grant accounts facilitate a review and grant expenditures are charged to the appropriate grant and budget category.**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that future grant accounts are periodically reviewed, and the related grant expenditures are charged to the appropriate grant and posted to the correct budget category.

7. **We recommend that OJP and OVW ensure that Penobscot Nation maintains documentation to support consultant activities related to the grant awards and ensure that consultant expenditures are properly charged to the grant, clearly documents and complies with its own procurement policy related to professional services, and develops and implements written contract monitoring policies and procedures that ensure all consultants have written agreements.**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that documentation is maintained to support consultant activities related to Federal grant awards; consultant expenditures are properly charged to the appropriate grant; and adequate oversight is established for Federal grant funds awarded to contractors/consultants.

8. **We recommend that OJP and OVW ensure that Penobscot Nation adheres to its policies and procedures that ensure grant funded travel expenses are properly approved and adequately documented to facilitate a review.**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that grant-funded travel expenses are properly approved and adequately documented.

9. **We recommend that OJP and OVW ensure that Penobscot Nation implements and adheres to policies and procedures to safeguard sensitive items that were purchased with Federal grant funds.**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that sensitive items purchased with Federal funds are adequately safeguarded.

10. **We recommend that OJP and OVW ensure that Penobscot Nation implements and adheres to written policies and procedures to ensure compliance with drawdown policies and cash on hand requirements.**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that future 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.

11. **We recommend that OJP and OVW ensure that Penobscot Nation implements and adheres to policies and procedures to account for grant related program income and ensures that program income is recognized and applied in accordance with grant rules as directed by the OJP Financial Guide.**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that program income is recognized, recorded, and applied in accordance with the Department of Justice (DOJ) Financial Guide.

12. **We recommend that OJP and OVW ensure that Penobscot Nation implements and adheres to policies and procedures to ensure compliance with Federal Financial Report requirements.**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that future Federal Financial Reports are in compliance with the DOJ Financial Guide.

13. **We recommend that OJP and OVW ensure Penobscot Nation implements and adheres to policies and procedures for budget management and control.**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure proper budget management and control processes are established.

14. **We recommend that OJP and OVW ensure Penobscot Nation implements and adheres to policies and procedures monitoring performance towards achieving its approved goals and objectives.**

OJP agrees with the recommendation. We will coordinate with Penobscot Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that appropriate monitoring is performed to facilitate attainment and tracking of approved goals and objectives.

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

Denise O'Donnell  
Director  
Bureau of Justice Assistance

Tracey Trautman  
Deputy Director for Programs  
Bureau of Justice Assistance

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Leigh A. Benda  
Chief Financial Officer

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

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OJP Executive Secretariat  
Control Number IT20150831092101

OFFICE ON VIOLENCE AGAINST WOMEN RESPONSE TO THE  
DRAFT AUDIT REPORT



U.S. Department of Justice

Office on Violence Against Women

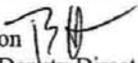
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Washington, DC 20530

September 17, 2015

MEMORANDUM

TO: Thomas O. Puerzer  
Regional Audit Manager  
Philadelphia Regional Audit Office

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

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

SUBJECT: Draft Audit Report - Audit of the Office of Justice Programs and  
Office on Violence Against Women (OVW) Grants Awarded to  
the Penobscot Indian Nation Indian Island, Maine

This memorandum is in response to your correspondence dated August 27, 2015 transmitting the above draft audit report for Penobscot Indian Nation. We consider the subject report resolved and request written acceptance of this action from your office.

The report contains 14 recommendations and \$393,480 in net questioned costs in which 2 recommendations and \$48,458 in questioned costs are directed to OVW. Additionally, there are 9 recommendations directed to OVW and OJP jointly. OVW is committed to working with the OJP and Penobscot Indian Nation to address and bring these recommendations to a close as quickly as possible. The following is our analysis of the audit recommendations.

**OIG recommends that OVW:**

- 4. Remedy the \$1,538 in unsupported expenditures resulting from costs associated with an equipment expenditure that was not properly supported.**

OVW does agree with the recommendation. We will coordinate with the grantee to remedy the \$1,538 in unsupported expenditures resulting from costs associated with an equipment expenditure that was not properly supported.

**5. Remedy the \$46,920 in unallowable expenditures resulting from:**

- a) costs associated with a consultant that was not approved in the award budget (expenditures of \$10,476) related to the OVW Grants to Indian Tribal Governments grant,
- b) costs associated with personnel and fringe benefit expenditures related to the OVW Grants to Tribal Governments grant that were not approved by OVW (expenditures of \$35,284), and
- c) costs associated with travel expenditures that were not approved in compliance with the Penobscot Indian Nation Travel Policies and grant award terms and conditions (expenditures of \$1,160).

OVW does agree with the recommendation. We will coordinate with the grantee to remedy the \$46,920 in unallowable expenditures.

**OIG recommends that OVW and OJP:**

**6. Ensure Penobscot Nation implements and adheres to policies and procedures that ensure that its grant accounts facilitate a review and grant expenditures are charged to the appropriate grant and budget category.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure they implement and adhere to policies and procedures that ensure that its grant accounts facilitate a review and grant expenditures are charged to the appropriate grant and budget category.

**7. Ensure that Penobscot Nation maintains documentation to support consultant activities related to the grant awards and ensure that consultant expenditures are properly charged to the grant, clearly documents and complies with its own procurement policy related to professional services, and develops and implements written contract monitoring policies and procedures that ensure all consultants have written agreements.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they maintain documentation to support consultant activities related to the grant awards and ensure that consultant expenditures are properly charged to the grant, clearly document and comply with its own procurement policy related to professional services, and develop and implement written contract monitoring policies and procedures that ensure all consultants have written agreements.

**8. Ensure that Penobscot Nation adheres to its policies and procedures that ensure grant funded travel expenses are properly approved and adequately documented to facilitate a review.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they adhere to its policies and procedures that ensure grant funded travel expenses are properly approved and adequately documented to facilitate a review.

**9. Ensure that Penobscot Nation implements and adheres to policies and procedures to safeguard sensitive items that were purchased with grant funds.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they implement and adhere to policies and procedures to safeguard sensitive items that were purchased with grant funds.

**10. Ensure that Penobscot Nation implements and adheres to written policies and procedures to ensure compliance with drawdown policies and cash on hand requirements.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they implement and adhere to written policies and procedures to ensure compliance with drawdown policies and cash on hand requirements.

**11. Ensure that Penobscot Nation implements and adheres to policies and procedures to account for grant related program income and ensures that program income is recognized and applied in accordance with grant rules as directed by the OJP Financial Guide.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they implement and adhere to policies and procedures to account for grant related program income and ensures that program income is recognized and applied in accordance with grant rules as directed by the OJP Financial Guide.

**12. Ensure that Penobscot Nation implements and adheres to policies and procedures to ensure compliance with FFR requirements.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they implement and adhere to policies and procedures to ensure compliance with FFR requirements.

**13. Ensure that Penobscot Nation implements and adheres to policies and procedures for budget management and control.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they implement and adhere to policies and procedures for budget management and control.

**14. Ensure Penobscot Nation implements and adheres to policies and procedures monitoring performance towards achieving its approved goals and objectives.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure they implement and adhere to policies and procedures monitoring performance towards achieving its approved goals and objectives.

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 OIG provided a draft of this audit report to Penobscot Nation, the Office of Justice Programs (OJP), and the Office on Violence Against Women (OVW). Penobscot Nation's response is incorporated as Appendix 3 of this final report, OJP's response is included as Appendix 4, and OVW's response is included as Appendix 5.

Penobscot Nation acknowledged the receipt of the Draft Audit Report and did not disagree with any findings and recommendations. While Penobscot Nation's response did not address individual findings and recommendations, Penobscot Nation stated it will begin to research and resolve the findings and address the recommendations. In response to our audit report, OJP and OVW agreed with our recommendations and discussed the actions it will take to address each of our findings. As a result, the recommendations are resolved. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

### Recommendations to OJP:

- 1. Remedy the \$235,542 in unsupported expenditures resulting from:**
  - a. costs associated with consultant expenditures due to lack of time and effort reports (expenditures of \$157,351) and insufficient time and effort reports (expenditures of \$32,130), and**
  - b. costs associated with personnel and fringe benefit expenditures that were not properly supported (expenditures of \$46,061; \$11,372 from the BJA Tribal Courts Assistance Program grant, \$17,023 from the FY 2009 Tribal Youth Program grant, and \$17,666 from the FY 2011 Tribal Youth Program grant).**

Resolved. In its response, OJP agreed with all subparts of the recommendation and stated it will coordinate with Penobscot Nation to remedy the \$235,542 in questioned costs, related to unsupported expenditures that were charged to Grant Numbers 2009-IC-BX-0026, 2009-TX-FX-0032, and 2011-TY-FX-0019.

This recommendation can be closed when we receive documentation demonstrating that OJP remedied the \$235,542 in unsupported expenditures.

- 2. Remedy the \$276,159 in unallowable expenditures resulting from:**
  - a. costs associated with consultant expenditures where consultant did not enter into an agreement or contract with Penobscot Nation (expenditures of \$157,351) related to the Tribal Youth Program grants and a fringe benefit expenditure that was misclassified and**

**was not approved in the BJA Tribal Courts Assistance Program grant (expenditure of \$2,444),**

- b. costs associated with personnel that was not properly supported or approved by OJP (expenditures of \$20,598) related to the FY 2009 Tribal Youth Program, and personnel that was not properly supported or approved by OJP (expenditures of \$18,134) related to the BJA Tribal Courts Assistance Program,**
- c. costs associated with travel expenditures that were not approved in compliance with the Penobscot Indian Nation Travel Policies and grant award terms and conditions (expenditures of \$28,102),**
- d. costs associated with other costs that was not approved in the grant budget (\$5,120), and**
- e. costs associated with equipment expenditures related to the BJA Tribal Courts Assistance Program grant that were not procured competitively and based on contract proposal (expenditures of \$44,410).**

Resolved. In its response, OJP agreed with all subparts of the recommendation and stated it will coordinate with Penobscot Nation to remedy the \$276,159 in questioned costs, related to unsupported expenditures that were charged to Grant Numbers 2009-IC-BX-0026, 2009-TX-FX-0032, and 2011-TY-FX-0019.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$276,159 in unallowable expenditures.

- 3. Remedy the \$1,000 in unnecessary expenditures resulting from costs associated with supplies that did not meet the intended purpose of the FY 2009 Tribal Youth Program (expenditures of \$1,000).**

Resolved. In its response, OJP agreed with the recommendation and stated that it will coordinate with Penobscot Nation to remedy the \$1,000 in questioned costs, related to unnecessary expenditures associated with supplies that did not meet the intended purpose under Grant Number 2009-TY-FX-0032.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$1,000 in unnecessary expenditures.

**Recommendations to OVW:**

- 4. Remedy the \$1,538 in unsupported expenditures resulting from costs associated with an equipment expenditure that was not properly supported.**

Resolved. In its response, OVW agreed with our recommendation and stated that it will coordinate with Penobscot Nation to remedy the \$1,538 in unsupported expenditures.

This recommendation can be closed when we receive documentation demonstrating that OVW has remedied the \$1,538 in unsupported expenditures.

- 5. Remedy the \$46,920 in unallowable expenditures resulting from:**

- a. costs associated with a consultant that was not approved in the award budget (expenditures of \$10,476) related to the OVW Grants to Indian Tribal Governments grant,**
- b. costs associated with personnel and fringe benefit expenditures related to the OVW Grants to Tribal Governments grant that were not approved by OVW (expenditures of \$35,284), and**
- c. costs associated with travel expenditures that were not approved in compliance with the Penobscot Indian Nation Travel Policies and grant award terms and conditions (expenditures of \$1,160).**

Resolved. In its response, OVW agreed with our recommendation and stated that it will coordinate with Penobscot Nation to remedy the \$46,920 in unallowable expenditures.

This recommendation can be closed when we receive documentation demonstrating that OVW has remedied \$46,920 in unallowable expenditures.

**Recommendations to Both OJP and OVW:**

- 6. Ensure Penobscot Nation implements and adheres to policies and procedures that ensure that its grant accounts facilitate a review and grant expenditures are charged to the appropriate grant and budget category.**

Resolved. In their responses, OJP and OVW agreed with this recommendation and stated that they will coordinate with Penobscot Nation to ensure that they implement and adhere to policies and procedures that ensure that its grant accounts facilitate a review and grant expenditures are charged to the appropriate grant and budget category.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required policies and procedures.

- 7. Ensure that Penobscot Nation maintains documentation to support consultant activities related to the grant awards and ensure that consultant expenditures are properly charged to the grant, clearly documents and complies with its own procurement policy related to professional services, and develops and implements written contract monitoring policies and procedures that ensure all consultants have written agreements.**

Resolved. In their responses, OJP and OVW agreed with this recommendation and stated that they will coordinate with Penobscot Nation to ensure that they maintain documentation to support consultant activities related to the grant awards and ensure that consultant expenditures are properly charged to the grant, clearly document and comply with its own procurement policy related to professional services, and develop and implement written contract monitoring policies and procedures that ensure all consultants have written agreements.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required policies and procedures.

- 8. Ensure that Penobscot Nation adheres to its policies and procedures that ensure grant funded travel expenses are properly approved and adequately documented to facilitate a review.**

Resolved. In their responses, OJP and OVW agreed with this recommendation and stated that they will coordinate with Penobscot Nation to ensure that they implement policies and procedures that ensure grant funded travel expenses are properly approved and adequately documented to facilitate review.

This recommendation can be closed when we receive documentation demonstrating the required policies and procedures were adhered to.

- 9. Ensure that Penobscot Nation implements and adheres to policies and procedures to safeguard sensitive items that were purchased with grant funds.**

Resolved. In their responses, OJP and OVW agreed with this recommendation and stated that they will coordinate with Penobscot Nation to ensure that they implement policies and procedures to safeguard sensitive items that were purchased with grant funds.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required policies and procedures.

**10. Ensure that Penobscot Nation implements and adheres to written policies and procedures to ensure compliance with drawdown policies and cash on hand requirements.**

Resolved. In their responses, OJP and OVW agreed with this recommendation and stated that they will coordinate with Penobscot Nation to ensure that they implement and adhere to written policies and procedures to ensure compliance with drawdown policies and cash on hand requirements.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required policies and procedures.

**11. Ensure that Penobscot Nation implements and adheres to policies and procedures to account for grant related program income and ensures that program income is recognized and applied in accordance with grant rules as directed by the OJP Financial Guide.**

Resolved. In their responses, OJP and OVW agreed with this recommendation and stated that they will coordinate with Penobscot Nation to ensure that they implement and adhere to policies and procedures to account for grant related program income and ensure that program income is recognized and applied in accordance with grant rules as directed by the OJP Financial Guide.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required policies and procedures.

**12. Ensure that Penobscot Nation implements and adheres to policies and procedures to ensure compliance with FFR requirements.**

Resolved. In their responses, OJP and OVW agreed with this recommendation and stated that they will coordinate with Penobscot Nation to ensure that they implement and adheres to policies and procedures to ensure compliance with FFR requirements.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required policies and procedures.

**13. Ensure that Penobscot Nation implements and adheres to policies and procedures for budget management and control.**

Resolved. In their responses, OJP and OVW agreed with this recommendation and stated that they will coordinate with Penobscot Nation to ensure that they implement and adhere to policies and procedures for budget management and control.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required policies and procedures.

**14. Ensure Penobscot Nation implements and adheres to policies and procedures monitoring performance towards achieving its approved goals and objectives.**

Resolved. In their responses, OJP and OVW agreed with this recommendation and stated that they will coordinate with Penobscot Nation to ensure that they implement and adhere to policies and procedures monitoring performance towards achieving its approved goals and objectives.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required policies and procedures.