



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



**Audit of the
Office of Justice Programs
Office of Juvenile Justice and
Delinquency Prevention Awards
to the National Children's Alliance
Washington, D.C.**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
AWARDS TO THE NATIONAL CHILDREN’S ALLIANCE
WASHINGTON, D.C.**

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of two Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP) cooperative agreements totaling \$28.4 million awarded to the National Children’s Alliance (NCA), which is based in Washington, D.C. OJP awards, numbered 2012-CI-FX-K008 and 2014-CI-FX-K006 and issued under the *Victims of Child Abuse Act* (VOCA), support a national grants program for local children’s advocacy centers that coordinate investigations and respond to child abuse.

The objective of this audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: program performance, financial management and federal financial reports, expenditures, budget management and control, and drawdowns.

Overall, we found that the NCA achieved the goals and objectives of the awards by successfully implementing a national subgrants program to expand children’s advocacy center geographic service coverage. The audit did not identify significant concerns regarding NCA’s general financial management, federal financial reports, budget management, and drawdowns. However, we found that the NCA did not comply with essential award conditions related to performance and use of funds. Specifically, we found that the NCA did not track and report performance measures pertaining to specific awards and submitted inaccurate progress reports. NCA’s method of combining progress reports for its awards does not allow the DOJ to measure accurately the outcomes achieved with the specific funding provided by each award. We also found that the NCA charged \$27,000 in unallowable mortgage costs to one of the awards and reimbursed \$3,700 in unsupported rent and personnel costs to one subrecipient. In addition, we found \$269,346 in funds not yet disbursed that we recommend OJP put to better use.

Based on our audit results, we make five recommendations to enhance the tracking of performance-related data to support more accurate progress reports, address a total of \$300,046 in dollar-related findings, and improve internal controls at one subrecipient.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
AWARDS TO THE NATIONAL CHILDREN’S ALLIANCE
WASHINGTON, D.C.**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
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In September 2012 and August 2014, the Office of Justice Programs (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded the two cooperative agreements shown in Table 1 that totaled over \$28 million to the National Children’s Alliance (NCA) based in Washington, D.C.

**Table 1
OJJDP Awards to the NCA**

Award Number	Award Date	Project Start Date	Project End Date	Award Amount (\$)
2012-CI-FX-K008 (2012 award)	9/19/2012	8/1/2012	9/30/2015	18,596,559
2014-CI-FX-K006 (2014 award)	8/25/2014	10/1/2014	9/30/2016	9,807,074
Total				\$28,403,633

Source: OJP’s Grants Management System

OJP awarded the cooperative agreements under the *Victims of Child Abuse Act* (VOCA), which authorized appropriations to implement multidisciplinary child abuse investigation and prosecution programs and to provide technical assistance and training to attorneys and others to prosecute child abusers in state and federal courts. From fiscal years (FY) 2010 through 2014, OJJDP awarded \$56.9 million in VOCA funding to the NCA.

The 2014 amendment of VOCA included a provision for the Department of Justice (DOJ) Office of the Inspector General (OIG) to conduct an audit of VOCA award recipients.¹

National Children’s Alliance

Established in 1988, the NCA is the national association and accrediting body for children’s advocacy centers (CACs). The NCA provides technical assistance and support to CACs, which then respond to victims of child abuse through multidisciplinary teams. According to the NCA, there are 795 CACs across the United States and these CACs served over 315,000 children in 2014. The goal of the cooperative agreements was to manage a national grants program for the local CACs.

¹ 42 U.S.C. § 132.13005(1)(B) (2014).

OIG Audit Approach

The objective of this audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

We tested compliance with what we consider to be the most important award conditions. The OJP's Office of Chief Financial Officer Financial Guide (OJP Financial Guide) and the award documents contained the primary criteria we applied during the audit.²

Appendix 1 contains additional information on the audit's objective, scope, and methodology and Appendix 2 presents a schedule of dollar-related findings.

² OJP requires award recipients to abide by the OJP Financial Guide, which provides guidance to award recipients on their fiduciary responsibility to safeguard and properly use OJP funds.

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

We found that the NCA generally complied with the essential requirements in the areas of financial management, budget management and control, and drawdowns. However, we found that the NCA did not track and report performance measures pertaining to specific awards. We also found that the NCA charged \$27,000 in unallowable mortgage costs to award number 2012-CI-FX-K008 and was unable to support \$3,700 in subrecipient rent and personnel expenses it charged to award number 2014-CI-FX-K006. In addition, one NCA award subrecipient did not have an adequate separation of duties over its payroll process. Finally, we identified \$269,346 in funds not yet disbursed that we recommend OJP put to better use.

Program Performance, Accomplishments, and Progress Reporting

The purpose of the awards was for the NCA to manage a national grant awards program for local CACs. In its cooperative agreement application, the NCA outlined four goals for the program: (1) implement a national subgrants program to expand CAC geographic service coverage, (2) facilitate CAC accreditation and improve the quality of services they provide to abused children via multidisciplinary teams, (3) strengthen state chapter and tribal partner involvement on CAC and multidisciplinary teams, and (4) expand CAC services and multidisciplinary team responses to child abuse investigations and prosecutions.³ To assess the NCA's progress towards meeting these goals, we interviewed NCA officials, reviewed required performance reports and documents that the NCA used to track goals and objectives, and assessed OJJDP's solicitation and award documents. Overall, we found that the NCA met these award goals and objectives. However, we identified that the procedures the NCA used to compile performance data resulted in inaccurate progress reports.

Award recipients must collect, maintain, and report data to measure and demonstrate the effectiveness of their funded program and activities. Such progress reports should compare anticipated program objectives with actual accomplishments and are due 30 days after the end of each semiannual reporting period. During our review, we found that the NCA submitted the same semiannual progress reports to OJJDP for both the 2012 and 2014 awards. In addition, even though OJP is not the only source of funding for the CAC activities and statistics, the NCA included in these progress reports statistics pertaining to children served, and more specifically, the services received, related family statistics, and the type of abuse, that appear to reflect the entire universe of children served by the CACs and not just those services funded through the OJP awards. Several CAC budgets revealed that award funding only accounted for a small portion of the overall budget for each CAC. For example, one CAC's overall annual budget was comprised

³ Both cooperative agreements have similar goals. However, the 2014 award states that the NCA will improve CAC success in achieving accreditation and measurably improve the quality of services and level of satisfaction for clients and multidisciplinary teams.

of nearly \$900,000, of which only \$25,000 was derived from one of the audited awards with the remaining funds provided through other sources, such as grants, gifts, and contributions.

To verify particular OJP award achievements, we tested two CACs' performance data, which the NCA included on its progress reports. Specifically, we tested the number of children reported served, type of abuse reported addressed, and the specific services reported received at each CAC. We found that both CACs maintained adequate documents to support these statistics and used NCA funds to build on the broader goals of the program. However, we found that these CACs did not track or report data to the NCA by funding source. Therefore, the progress reports submitted by the NCA included data reflecting the universe of children each CAC served, not just those services funded by the OJP award.

NCA officials stated that since both awards are essentially continuations and have nearly the same goals and objectives, they included the same activities and accomplishments for both awards in the progress reports. NCA officials also stated that because one of the intents of the VOCA is to create a network of care for abused children, they included the entire universe of recipients and services in their progress reports to DOJ, not just the work completed with OJP funding.

NCA's method of combining progress reports for its awards does not allow the DOJ to measure accurately the outcomes achieved with the specific funding provided by each award. For example, based on NCA's progress reporting for the 2012 award, it appeared that from January through June 2015, the award served about 150,000 children. The progress report for the 2014 award for the same period details the exact same accomplishment associated with that award's funding. Further, based on our review, we determined that this data reflects accomplishments from all funding sources, not just the audited DOJ awards. Collectively, the 2 progress reports incorrectly impute that the awards funded services to 300,000 abused children during the semiannual period.

In the 2014 amendment to the VOCA, Congress authorized appropriations of up to \$15 million each fiscal year through FY 2018 to support regional and local CAC programs.⁴ We believe that the NCA must ensure that progress report information accurately reflects the specific accomplishments supported by each award. By knowing the particular results of funding via accurate NCA progress reports, OJP will have information needed to monitor this funding and enhance the VOCA program. Therefore, we recommend that OJP ensures that the NCA develops and implements a method to track and report on specific award accomplishments supported by current or future OJP awards.

⁴ 42 U.S.C. § 132.13004(a) (2014)

Financial Management and Federal Financial Reporting

The OJP Financial Guide requires that award recipients and subrecipients establish and maintain adequate accounting systems and financial records to account accurately for funds awarded to them. In addition, each recipient's official accounting system must support all amounts reported to OJP and the financial activity reported to OJP should reconcile to recipient financial statements.

To assess NCA's financial management of the awards covered by this audit, we reviewed its FY 2013 and FY 2014 Single Audit reports and found that the audits disclosed no significant deficiencies or material weaknesses regarding NCA's internal controls.⁵ We conducted interviews with NCA personnel, reviewed NCA written policies and procedures, inspected award documents, and reviewed financial records in order to determine whether the NCA adequately accounted for awarded funds. We performed testing in the areas that were relevant for the management of these awards as discussed throughout this report. Except for the deficiencies we disclose, we did not identify any other concerns related to grant financial management.

The OJP Financial Guide states that award recipients should report quarterly the actual expenditures incurred for the reporting period on each financial report and that the recipient's accounting system records support the reported figures. To determine whether the NCA submitted accurate federal financial reports, we compared the four most recent federal financial reports for the 2012 award and three such reports submitted through July 2015 for the 2014 award to NCA accounting records. This found that overall the federal financial reports accurately reflected award-related expenditures as recorded in NCA's accounting records.

Expenditures

To be allowable, an expense charged to an award must be reasonable, consistently applied, adequately documented, and compliant with applicable policies and procedures. As shown in Table 2, as of July 2015, NCA's accounting records reported \$17.4 million in costs associated with the 2012 award and \$3.9 million in costs associated with the 2014 award.⁶

⁵ As of January 2015, non-federal entities that expended at least \$750,000 a year in federal awards must have a Single Audit conducted.

⁶ Subrecipients only submit for reimbursement twice a year – once in July and again in January. Therefore, due to the timing of the audit, the most recent data that we could obtain and use for purposes of testing and reporting on was that from July 2015.

Table 2
Summary of Award Expenditures

Cost Category	2012 Award (\$)	2014 Award (\$)
Personnel	425,680	0
Fringe Benefits	99,214	0
Travel	1,923	0
Supplies	25,808	0
Contract	342,240	0
Other	56,492	0
Subrecipients	16,230,942	3,845,979
Indirect	186,732	38,460
Totals	\$17,369,031	\$3,884,439

Source: NCA accounting records as of July 2015.

Our testing determined that the NCA maintained adequate support for costs associated with personnel, fringe benefits, travel, supplies, contracted accounting services, and indirect costs. However, as discussed below, the NCA charged unallowable costs associated with its mortgage to the 2012 award and unsupported costs associated with one 2014 award subrecipient.

Personnel and Fringe Benefits

Recipients must base salaries and fringe benefits charged to federal awards on payroll records approved by responsible officials and associated charges must comport with the generally accepted practices of the organization. In particular, whenever award recipient employees work on multiple programs and activities, the recipient must reasonably allocate personnel costs between the different programs with supporting records, such as time and effort reports and timesheets.

We reviewed NCA policies for timekeeping and charging salary and benefit costs to the grant. The NCA required employees to submit monthly timesheets that detail the time spent on each award or program. Employee supervisors, as well as the Executive Director or Deputy Director then reviewed and approved the submitted timesheets. The NCA charges personnel costs to its federal awards monthly using allocations based on actual hours worked according to the timesheets.

As of July 2015, the NCA reported spending \$425,680 on salaries and an additional \$99,214 in fringe benefits from the 2012 award.⁷ To verify how the NCA charged personnel costs to the award, we judgmentally selected personnel and fringe benefit costs associated with 4 pay periods totaling \$70,237 and \$16,158, respectively. We examined timesheets, paystubs, and award documents and compared hours recorded as worked on timesheets to the rate of pay and allowable fringe benefit costs for each employee. We determined that the tested NCA

⁷ At the time of our audit, the NCA had not charged salary or fringe benefit costs to the 2014 award.

personnel and fringe charges were generally allowable, supported, and accurately recorded.

Non-Payroll Costs

We selected a judgmental sample of 43 non-payroll transactions totaling \$940,255 to determine if the charges were included in the approved budget, allowable, and allocable to the DOJ awards. These transactions included 1 for travel, 2 for supplies, 3 for other items, 9 contract charges, and 28 charges listed as subrecipient expenses.⁸ We also tested indirect costs that the NCA charged to the 2012 award.

Travel, Supplies, Contractual, and Other Costs

We tested 15 transactions totaling \$56,757 that the NCA classified as travel, supplies, contractual, and other. We determined that all tested charges were properly supported and accurately recorded to the 2012 award.

Our testing, however, revealed that the NCA charged costs related to the mortgage of its headquarter facility to the 2012 award. According to the OJP Financial Guide, award recipients that have a financial interest in a real property should not charge rental costs to the award. As support for these costs, the NCA provided a copy of a mortgage statement and payment documentation. In response to our inquiry, NCA officials stated that OJP personnel have been made aware of NCA-space arrangements and that OJP approved for it to charge "space" to its 2012 award. OJP grant program specialists stated that they were aware that the NCA charged space as laid out in the budget, but were not aware that the NCA owned the building and was actually charging its mortgage costs to the cooperative agreement.

The NCA charged a total of \$27,000 in costs associated with its mortgage on the property to the 2012 award. Because an award recipient cannot charge costs associated with a property in which it has a financial interest, we recommend that OJP remedy \$27,000 in unallowable costs from the 2012 award.⁹

Once we discussed this issue with NCA officials, they told us that they would cease charging mortgage payments to the 2012 award. These officials also told us that they would work with OJP to determine another manner by which it could claim costs associated with space to perform grant-related activities.

⁸ We tested 36 transactions totaling \$838,034 from the 2012 award and 7 transactions totaling \$102,191 from the 2014 award.

⁹ Questioned costs are expenditures that are not supported by adequate documentation at the time of the audit or otherwise do not comply with legal, regulatory, or contractual requirements. Questioned costs may be remedied by offset, waiver, recovery of funds, or the subsequent provision of supporting documentation.

Subrecipient Costs

Through July 2015, the NCA reimbursed its subrecipient CACs \$16.2 million from the 2012 award, constituting 87 percent of the total costs it allocated to this award. Similarly, through July 2015, NCA reimbursed its CACs \$3.8 million from the 2014 award.

Considering that each subrecipient transaction consisted of up to dozens of separate transactions within itself, including funding awarded from the subrecipient to other CACs or non-profit organizations, we tested a total of 28 subrecipient transactions – 21 from the 2012 award, which totaled \$781,277 and 7 from the 2014 award that totaled \$102,191. For each transaction, we reviewed receipts, accounting records, and associated documents, and generally found that the subrecipients properly prepared invoices. However, we found that one subrecipient could not provide supporting documents for \$3,000 of \$12,542 in invoiced costs, which consisted of rent costs. In addition, the subrecipient did not maintain adequate support for \$700 of \$8,983 in reimbursed payroll costs. We also identified a lack of separation of duties in the subrecipient's payroll process.

According to the OJP Financial Guide, the cost of space used for the benefit of the project is allowable subject to the condition that (1) the award recipient does not have an ownership interest in the property, and (2) the total cost of space does not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality. We found that the subrecipient was subletting space in a building without an official lease that contained information on the square footage of the rented space. The subrecipient was also unable to provide evidence of payment of the rental charges. While the subrecipient did provide a methodology for charging \$500 in rent per month to the grant, we could not verify that the cost of the space did not exceed the rental cost of comparable space without the official square footage. As a result, we consider these costs to be unsupported and recommend that OJP remedy \$3,700 in questioned subrecipient rent and personnel costs.

Adequate separation of duties is an internal control concept that establishes procedures for certain types of financial transactions where no one person is able to execute the entire procedure alone. During testing of salary charges, we obtained the method of payment or the check associated with those costs. We found that the subrecipient's Director signed her own payroll checks. Not segregating this function increases the risk of errors and the chance of irregularities. Therefore, we recommend that OJP work with the NCA to ensure that the subrecipient implements proper controls and adequate segregation of duties over the payroll process.

Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. Examples of indirect costs include overhead and administrative expenses. According to the OJP Financial Guide, grantees need to

establish and seek approval for an indirect cost rate with their cognizant federal agency to receive reimbursement for indirect expenses.

An NCA official stated that the NCA draws down indirect costs at a lower rate than approved during its award period and that it subsequently recalculates indirect costs based on actual expenses after the end of the award. At the time of our audit, the NCA had only reconciled indirect costs charged to the 2012 award. Therefore, we tested indirect costs the NCA charged on this award through September 2015, totaling \$354,412, and ensured that the NCA had indirect rates approved for FY 2013, FY 2014, and FY 2015.

While the NCA had indirect rates approved by OJP, we found that the NCA did not calculate its indirect costs for the 2012 award in a manner consistent with the proposal it submitted to obtain its approved indirect rates. Based on the OJP Financial Guide and NCA's approved indirect cost agreement, the NCA may only apply its indirect rate to modified direct costs that exclude certain items, such as capitalized equipment, pass-through funds, and subawards or subcontracts over \$25,000. However, the NCA did not always accurately include or exclude subaward and subcontract costs from its indirect cost base and erroneously applied an indirect rate to expenses incurred outside of the time in which the rate was effective. Although our analysis of this issue did not identify material discrepancies with regard to the total amount of indirect costs the NCA ultimately charged to the award, we suggest that the NCA develop procedures to ensure that it accurately calculates and charges indirect costs consistent with its indirect cost agreement.

Budget Management and Control

Award recipients need to expend funds according to the budget approved by the awarding agency and included as part of the final award package. Approved award budgets document how much the awarding agency authorized the recipient to spend in high-level budget categories, such as personnel, supplies, and contractors. Recipients may request OJP approval to modify previously approved award budgets to reallocate funds between different budget categories within the same award.¹⁰ We compared the actual amount that the NCA spent in each budget category to the approved budgeted amounts in the same categories and found that NCA award expenditures align with the approved award budget.

Drawdowns

The OJJDP provides recipients access to an electronic financial management system by which they must request awarded funds via drawdowns. Award recipients should only request federal award funds when they incur or anticipate project costs. Therefore, recipients should time their requests for award funds to ensure they will have only the minimum federal cash on hand required to pay actual or anticipated costs within 10 days.

¹⁰ No prior approval is required if the reallocations between budget categories do not exceed 10 percent of the total award amount.

NCA personnel told us that they request drawdowns based on reimbursements for actual expenses of salaries, fringe benefits, travel, supplies, other and subrecipient costs. To ensure that the NCA requested funds properly and kept a minimum of federal cash on hand, we analyzed the drawdowns for each award through July 2015 and compared the overall amount of these drawdowns to NCA's general ledgers. Overall, we found that the amount of funds the NCA drew down did not exceed the expenditures in the accounting records. However, we noted that according to drawdown reports, the NCA had received \$18,327,213 of the total \$18,596,559 of the 2012 award, leaving \$269,346 in funds unused. As a result, we recommend that OJP deobligate and put to better use the remaining \$269,346 from award number 2012-CI-FX-K008.¹¹

Conclusion

We conclude that the NCA generally managed both the 2012 and 2014 awards appropriately and demonstrated adequate achievement of reaching and continuing to manage the performance and funding for the VOCA CACs. Specifically, both awards appeared to expand CAC coverage to underserved areas, reduced barriers to program advancement and improved quality of services, and leveraged partnerships and provided training. We also did not identify significant issues regarding award financial management, budget and management, drawdowns, and federal financial reports. However, we did identify \$300,046 in total dollar-related findings and believe that the NCA needs to improve how it tracks and reports performance measures to OJP and a subrecipient's payroll internal controls. We provide five recommendations to OJP to address the deficiencies identified during our audit.

Recommendations

We recommend that OJP:

1. Ensures that the NCA develops and implements a method to track and report on specific award accomplishments supported by specific current or future OJP awards.
2. Remedy \$27,000 in unallowable mortgage costs charged to award number 2012-CI-FX-K008.
3. Remedy \$3,700 in unsupported subrecipient rent and personnel costs.
4. Work with the NCA to ensure that the subrecipient implements proper controls and adequate segregation of duties over the payroll process.

¹¹ Funds to Better Use are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations.

5. Deobligate and put to better use the remaining \$269,346 funds from award 2012-CI-FX-K008.

APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. To accomplish this objective, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and 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 objectives. 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 OJJDP cooperative agreements awarded to the NCA under the VOCA. In September 2012 and August 2014, OJP awarded the NCA cooperative agreement numbers 2012-CI-FX-K008 and 2014-CI-FX-K006, respectively, with a combined value of \$28.4 million. Our audit concentrated on, but was not limited to, the time period of September 19, 2012, the award date for cooperative agreement number 2012-CI-FX-K008, through March 2016, the end of our audit fieldwork. As of September 30, 2015, award number 2012-CI-FX-K008 closed. After reconciliation of expenses, the NCA spent and drew down \$18,327,213 of the total award number 2012-CI-FX-K008. As of June 23, 2016, the NCA drew down \$9,490,578 of the total award number 2014-CI-FX-K006.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of NCA's activities related to the audited awards. We performed sample-based audit testing for award expenditures including payroll and fringe benefit charges, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The OJP Financial Guide and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System (GMS), as well as NCA's accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems was verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS</u> ¹²	AMOUNT(\$)	PAGE
<u>Unallowable Costs</u>		
Unallowable Costs – Mortgage	27,000	7
Total Unallowable Costs	27,000	
<u>Unsupported Costs</u>		
Unsupported Costs – Subrecipient	3,700	8
Total Unsupported Costs	3,700	
NET QUESTIONED COSTS	<u>30,700</u>	
FUNDS TO BETTER USE ¹³	269,346	10
TOTAL DOLLAR-RELATED FINDINGS	\$300,046	

¹² 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.

¹³ Funds to Better Use are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations.

**NATIONAL CHILDREN'S ALLIANCE
WASHINGTON, D.C.
RESPONSE TO THE DRAFT AUDIT REPORT**



National Children's Alliance
516 C Street NE
Washington DC 20002
202 548 0090 telephone
202 548 0099 facsimile

John Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General
US Department of Justice
1300 North 17th St, Suite 3400
Arlington, VA 22209

July 31, 2016

Dear Mr. Manning:

I am in receipt of your letter and draft audit report date, dated July 21, 2016 related to an audit of cooperative agreement numbers 2012-CI-FX-K008 and 2014-C-FX-K006. In the audit, there were five (5) recommendations from the Office of Inspector General with respect to these awards. Herein this letter please find our responses to those recommendations:

- Recommendation 1:
- Ensures that the NCA develops and implements a method to track and report on specific award accomplishments supported by specific current or future OJP awards.
 - NCA Response:

NCA concurs. Since the audit exit interview, NCA has sought clarification and guidance from both DCTAT personnel and our grant manager in regard to reporting data specific to each award we hold with DOJ. Our recently submitted progress reports and DCTAT report, submitted 7/29/2016, reflect this guidance. Moreover, we have modified our sub-recipient reporting questions to inquire specifically regarding individuals served through the awards. While the first of these revised reports will not be submitted by sub-recipients until January, 2017, we are confident that these actions have and will resolve this recommendation.

- Recommendation 2:
 - Remedy \$27,000 in unallowable mortgage costs charged to award number 2012-CI-FX-K008.
 - NCA Response:

NCA concurs. NCA has conducted an analysis of all allowable costs which may be charged to the award in lieu of mortgage (such as depreciation). We have submitted this analysis to our grant manager for approval. We are awaiting that approval and expect it to fully remedy this finding.
- Recommendation 3:
 - Remedy \$3,700 in unsupported sub-recipient rent and personnel costs.
 - NCA Response:

NCA concurs. We have requested further direction regarding how to submit this payment. Upon receipt of that information, we are prepared to make the payment immediately.
- Recommendation 4:
 - Work with the NCA to ensure that the sub-recipient implements proper controls and adequate segregation of duties over the payroll process.
 - NCA Response:

NCA concurs. The identified former sub-recipient is no longer a sub-recipient of NCA. The entity chose not to apply for the most recent round of funding for FY15. Moreover, no further funds are due to this sub-recipient nor will be disbursed from the awards under audit. Should this organization ever again apply for and receive an award from NCA we will work closely with them to ensure that they have, and comply with, appropriate segregation of duties in managing payroll.
- Recommendation 5:
 - Deobligate and put to better use the remaining \$269,346 funds from award 2012-CI-FX-K008.

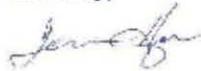
NCA Response:

NCA cannot comment upon actions beyond its control. NCA submitted all final fiscal and programmatic reports as required to close out this award on-time and on schedule. In addition, we enquired of our grant manager whether there were further actions that should be taken on our part in order to facilitate the administrative closure of the award. We were instructed that there were not. It is our understanding, through our audit exit interview, that such a finding is routine in situations in which close-out procedures have been completed by the grantee but any remaining award balance has not been de-obligated by OJP or other federal agencies/departments.

However, it is not within NCA's power to de-obligate these funds. Therefore, it would seem that this is more appropriately responded to by OJP rather than the NCA.

Thank you to you and your staff for your assistance throughout the audit process. Please do not hesitate to contact me if I can be of further assistance or if you have any additional questions regarding these responses. I can be reached at 202-548-0090 ext. 102 or thuizar@nca-online.org.

Sincerely,



Teresa Huizar
Executive Director

OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

August 22, 2016

MEMORANDUM TO: John J. Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

FROM: /s/
Ralph E. Martin
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Awards to the National Children's Alliance, Washington, D.C.*

This memorandum is in reference to your correspondence, dated July 21, 2016, transmitting the above-referenced draft audit report for the National Children's Alliance (NCA). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains five recommendations, \$30,700 in questioned costs, and \$269,346 in funds put to better use. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations directed to OJP are restated in bold and are followed by our response.

1. **We recommend that OJP ensures that the NCA develops and implements a method to track and report on specific award accomplishments supported by specific current or future OJP awards.**

OJP agrees with the recommendation. We will coordinate with NCA to obtain a copy of written policies and procedures, developed and implemented, to ensure they are properly tracking and reporting on specific award accomplishments supported by specific current or future OJP awards.

2. **We recommend that OJP remedy \$27,000 in unallowable mortgage costs charged to award number 2012-CI-FX-K008.**

OJP agrees with the recommendation. We will coordinate with NCA to remedy the \$27,000 in questioned costs, related to mortgage expenditures that were charged to cooperative agreement number 2012-CI-FX-K008.

3. **We recommend that OJP remedy \$3,700 in unsupported sub-recipient rent and personnel costs.**

OJP agrees with the recommendation. NCA returned the \$3,700 in questioned costs to the U.S. Department of Justice, related to unsupported subrecipient rent and personnel costs, that were charged to cooperative agreement number 2014-CI-FX-K006 (see Attachment 1). The Office of Justice Programs requests closure of this recommendation.

4. **We recommend that OJP work with the NCA to ensure that the sub-recipient implements proper controls and adequate segregation of duties over the payroll process.**

OJP agrees with the recommendation. We will coordinate with NCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that its subrecipients have proper internal controls in place, including adequate segregation of duties over the payroll process.

5. **We recommend that OJP de-obligate and put to better use the remaining \$269,346 in funds from award number 2012-CI-FX-K008.**

OJP agrees with the recommendation. On August 9, 2016, OJP's Office of the Chief Financial Officer de-obligated the remaining \$269,346 in funds that have expired for cooperative agreement number 2012-CI-FX-K008 (see Attachment 2). The Office of Justice Programs requests closure of this recommendation.

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.

Attachments

cc: Maureen A. Henneberg
Deputy Assistant Attorney General
for Operations and Management

Anna Martinez
Senior Policy Advisor
Office of the Assistant Attorney General

Lara Allen
Senior Policy Advisor
Office of the Assistant Attorney General

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

cc: Patricia Cain
Senior Management Analyst
Office of Audit, Assessment, and Management

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

Chyrl Jones
Deputy Administrator
Office of Juvenile Justice and Delinquency Prevention

Eileen Garry
Deputy Administrator
Office of Juvenile Justice and Delinquency Prevention

Gregory Thompson
Senior Advisor
Office of Juvenile Justice and Delinquency Prevention

Amy Callaghan
Special Assistant
Office of Juvenile Justice and Delinquency Prevention

Cecilia Duquela
Grant Program Specialist
Office of Juvenile Justice and Delinquency Prevention

Charles E. Moses
Deputy General Counsel

Silas V. Darden
Director
Office of Communications

Leigh Benda
Chief Financial Officer

Mikki Atsatt
Deputy Chief Financial Officer

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

cc: Joanne M. Suttington
Associate Chief Financial Officer
Finance, Accounting, and Analysis Division
Office of the Chief Financial Officer

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

Alex Rosario
Assistant Chief Financial Officer
Finance, Accounting, and Analysis Division
Office of the Chief Financial Officer

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

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

OJP Executive Secretariat
Control Number IT20160722073049

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

The Office of the Inspector General (OIG) provided a draft of this audit report to the National Children's Alliance (NCA) and Office of Justice Programs (OJP) for review and comment. NCA's response is included as Appendix 3 and OJP's response is included as Appendix 4 of this final report. In response to our draft audit report, OJP concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation:

- 1. Ensures that the NCA develops and implements a method to track and report on specific award accomplishments supported by specific current or future OJP awards.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it would coordinate with the NCA to obtain a copy of the written policies and procedures, developed and implemented, to ensure they are properly tracking and reporting on specific award accomplishments supported by specific current or future OJP awards.

The NCA agreed with our recommendation and stated in its response that it has sought clarification and guidance from OJP on reporting data specific to each DOJ award and recently submitted its July 2016 progress reports to reflect the guidance. The NCA also stated that it has modified its subrecipient reporting questions to inquire on the individuals served through the awards and the first of these revised subrecipient reports will be available in January 2017. We reviewed the July 2016 progress report for award 2014-CI-FX-K006 and found it reported data specific to each DOJ award that appeared to be more representative of the award funding. Therefore, the NCA has taken steps to address our recommendation. However, we could not determine the accuracy of the accomplishments contained within the July 2016 progress report without documentation supporting those accomplishments. Therefore, this recommendation can be closed when we receive: (1) NCA's updated method to track and report on those accomplishments specific to its OJP awards, including its modified subrecipient reporting questions and (2) NCA's January 2017 progress report and supporting documents that show the reported accomplishments are specific to DOJ awards.

2. Remedy \$27,000 in unallowable mortgage costs charged to award number 2012-CI-FX-K008.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it would coordinate with the NCA to remedy the \$27,000 in questioned mortgage costs that were charged to cooperative agreement number 2012-CI-FX-K008.

The NCA agreed with our recommendation and stated in its response that it analyzed all allowable costs that may be charged to the award in lieu of mortgage. The NCA stated that it submitted this analysis to the grant manager for approval, which it expects to fully remedy the situation. This recommendation can be closed once we receive evidence that OJP has coordinated with the NCA to remedy the \$27,000 in unallowable mortgage costs.

3. Remedy \$3,700 in unsupported subrecipient rent and personnel costs.

Closed. OJP agreed with our recommendation. OJP stated in its response that the NCA returned to DOJ the \$3,700 related to unsupported subrecipient rent and personnel costs, charged to cooperative agreement number 2014-CI-FX-K006. OJP also provided a copy of the check showing the return of the questioned \$3,700 and evidence showing that the OJP Grants Accounting Module has been adjusted to account for the returned funds.

The NCA agreed with our recommendation and stated in its response that it requested further direction regarding how to submit the payment and is prepared to make the payment immediately upon receipt of the information. Based on our review of OJP's response and the returned check and accounting records, this recommendation is closed.

4. Work with the NCA to ensure that the subrecipient implements proper controls and adequate segregation of duties over the payroll process.

Closed. OJP agreed with our recommendation. OJP stated in its response that it would coordinate with the NCA to obtain a copy of written policies and procedures, developed and implemented, to ensure that its subrecipients have proper internal controls in place, including adequate segregation of duties over the payroll process.

The NCA agreed with our recommendation and stated in its response that the identified subrecipient is no longer a subrecipient of the NCA. The NCA stated that the organization chose not to apply for FY 2015 funding and that no further funds are due to this subrecipient, nor will additional funds be disbursed to it from the awards under audit. Further, the NCA stated that if this organization ever again applies for and receives funding from the NCA,

then the NCA will work closely with them to ensure they comply with appropriate segregation of duties in managing payroll.

Based on the fact that the subrecipient is no longer a recipient of funding from the NCA, no further funds will be disbursed to the former subrecipient under the audited awards, and the NCA agrees to take necessary steps to ensure controls are in place if the organization applies for and receives future funds, we determined that the recommendation is closed.

5. Deobligate and put to better use the remaining \$269,346 funds from award 2012-CI-FX-K008.

Closed. OJP agreed with our recommendation and stated in its response that on August 9, 2016, OJP's Office of the Chief Financial Officer deobligated the remaining \$269,346 in funds that have expired for cooperative agreement number 2012-CI-FX-K008. OJP also provided documentation showing that it deobligated the remaining \$269,346 from award 2012-CI-FX-K008. This recommendation is therefore closed.

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