



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



**Audit of the
Office of Justice Programs
Victims of Crime Act Grant
Sub-Awarded by the
California Governor's
Office of Emergency Services
To
Two Feathers
Native American Family Services
McKinleyville, California**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
VICTIMS OF CRIME ACT GRANT SUB-AWARDED BY THE
CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES
TO TWO FEATHERS NATIVE AMERICAN FAMILY SERVICES
MCKINLEYVILLE, CALIFORNIA**

EXECUTIVE SUMMARY

The U.S. Department of Justice Office of the Inspector General has completed an audit of three subgrants that the California Governor's Office of Emergency Services (Cal OES) awarded to Two Feathers Native American Family Services (Two Feathers) located in McKinleyville, California. The funds that the Cal OES awarded to Two Feathers were originally awarded to the Cal OES by the Office of Justice Programs (OJP) under the Victims of Crime Act. Two Feathers was awarded a total of \$411,695 under Cal OES grant numbers NA12051604, NA13061604, and NA14071604. The purpose of the subgrants was to provide comprehensive psychotherapy services to child victims with an emphasis on underserved children who are dependents of the court and children in the child welfare system, regardless of race, ethnicity, language, domestic violence, school violence, community violence or abduction. As of July 2015, Two Feathers had expended \$128,655 (100 percent) of subgrant NA12051604, \$140,382 (99 percent) of subgrant NA13061604, and \$139,637 (99 percent) of subgrant NA14071604.

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, budget management and control, drawdowns, expenditures, and program performance.

As a result of our audit, we found that Two Feathers generally complied with requirements related to progress reporting and program accomplishments. However, we found expenditures that were inadequately supported. Specifically, we identified \$6,324 in overhead expenses (e.g. office rent, auto insurance premiums, and utilities) and \$258,338 in salary and fringe benefit costs that were not based on actual expenditures but rather based on an unsupportable allocation methodology.

As a result, we questioned a total of \$264,662 and made two recommendations to OJP. These issues are discussed in detail in the Findings and Recommendations section of the report. We discussed the results of our audit with Two Feathers officials and have included their comments in the report, as applicable. Our audit objective, scope, and methodology are discussed in Appendix 1. Our Schedule of Dollar-related Findings is located in Appendix 2. In addition, we requested from Two Feathers, Cal OES, and OJP written responses to

our audit report. We received those responses and they are found in Appendices 3, 4, and 5, respectively. Our analysis of those responses and the status of the recommendations can be found in Appendix 6.

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INTRODUCTION

The U.S. Department of Justice Office of the Inspector General (OIG) has completed an audit of three subgrants that the California Governor's Office of Emergency Services (Cal OES) awarded to Two Feathers Native American Family Services (Two Feathers) located in McKinleyville, California. The funds that the Cal OES awarded to Two Feathers were originally awarded to the Cal OES by the Office of Justice Programs (OJP) under the Victims of Crime Act. Two Feathers was awarded a total of \$411,695 under Cal OES grant numbers NA12051604, NA13061604, and NA14071604, as shown in Table 1.

Table 1
OJP Subgrants Awarded to Two Feathers

Subgrant Award Number	Award Start Date	Award End Date^a	Award Amount
NA12051604	10/01/12	09/30/13	\$ 128,655
NA13061604	10/01/13	09/30/14	141,520
NA14071604	10/01/14	09/30/15	141,520
Total:			\$ 411,695

^a The Award End Date includes all time extensions that were approved by Cal OES.

Source: Cal OES

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, budget management and control, drawdowns, expenditures, and program performance.

Background Information

Two Feathers is a 501c not-for-profit entity of Big Lagoon Rancheria, a federally recognized tribe. It is located in McKinleyville, California, in the county of Humboldt, which is 284 miles North of San Francisco, California. According to the

2014 Census estimates, Humboldt County had a population of 8,358 Native American people. The 2013 Uniformed Crime Report stated that there were 18 rape cases in Humboldt County. Two Feathers provides services tribal members from any federally recognized Tribe residing in the county as well as American Indian children who are victims of abuse or neglect who may not be eligible for membership of a federally recognized tribe.

The Crime Victims Fund (CVF) was established by the Victims of Crime Act (VOCA) of 1984. The CVF is financed by fines and penalties paid by convicted federal offenders, not from tax dollars. As of September 2013, the CVF balance had reached almost \$9 billion and included deposits from federal criminal fines, forfeited bail bonds, penalties, and special assessments collected by U.S. Attorneys' Offices, federal U.S. courts, and the Federal Bureau of Prisons. Federal revenues deposited into the CVF also come from gifts, donations, and bequests by private parties, as provided by an amendment to VOCA through the USA PATRIOT Act in 2001 that went into effect in 2002. From 2002 to 2013, over \$300,000 have been deposited into the CVF through this provision.

The purpose of the subgrants was to provide comprehensive psychotherapy services to child victims with an emphasis on underserved children who are dependents of the court and children in the child welfare system, regardless of race, ethnicity, language, domestic violence, school violence, community violence or abduction.

OIG Audit Approach

We tested Two Feathers' compliance with what we consider to be the most important conditions of the grant award. Unless otherwise stated in our report, the criteria we audited against were contained in the *OJP Financial Guide*, award documents, Code of Federal Regulations, and Office of Management and Budget Circulars. Specifically, we tested:

- **Internal Control Environment** – to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard the funds awarded to Two Feathers and ensure compliance with the terms and conditions of the grants.
- **Drawdowns** – to determine whether drawdowns were adequately supported and if Two Feathers was managing receipts in accordance with federal requirements.
- **Expenditures** – to determine whether costs charged to the grant, including payroll and fringe benefits, were accurate, adequately supported, allowable, reasonable, and allocable.
- **Matching** – to determine if Two Feathers provided the required matching share of grant costs.

- **Budget Management** – to determine whether there were deviations between the amounts budgeted and the actual costs for each category.
- **Monitoring of Sub-Recipients and Contractors** - to determine whether there was adequate oversight and monitoring of its sub-recipients and contractors.
- **Reports** – to determine if the required financial and programmatic reports were submitted on time and accurately reflected grant activity.
- **Additional Award Requirements** – to determine whether Two Feathers complied with award guidelines, special conditions, and solicitation criteria.
- **Program Performance and Accomplishments** – to determine whether Two Feathers made a reasonable effort to accomplish stated objectives.

The results of our audit are discussed in detail in the Findings and Recommendations section of this report. Our report contains two recommendations to OJP. The audit objective, scope, and methodology are discussed in Appendix 1. Our Schedule of Dollar-related Findings is located in Appendix 2. In addition, we requested from Two Feathers, Cal OES, and OJP written responses to our audit report. We received those responses and they are found in Appendices 3, 4, and 5, respectively. Our analysis of those responses and the status of the recommendations can be found in Appendix 6.

FINDINGS AND RECOMMENDATIONS

We found that Two Feathers complied with grant requirements except for instances where it failed to maintain adequate support for its expenditures. Specifically, we found \$6,324 in non-personnel expenditures and \$258,338 in salary and fringe benefit costs that were not based on actual expenditures, but rather an unsupportable allocation methodology. As a result, we questioned a total of \$264,662 and made two recommendations.¹

Internal Control Environment

We reviewed Two Feathers' policies and procedures, 2011 and 2012 Single Audit Reports, and financial management system to assess its risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the grant. We also interviewed Two Feathers' Director regarding internal controls and processes related to payroll, purchasing, and accounts payable functions.

Single Audit

According to Office of Management and Budget Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted. At the start of our fieldwork, the most recent Single Audits available for Two Feathers were for fiscal years ending June 30, 2011, and June 30, 2012. We reviewed these Single Audit Reports and found that the independent auditors had issued an unqualified opinion for both fiscal years. The independent auditors reported no significant deficiencies in the design or operation of the internal controls over major federal programs. In addition, the auditors found no deficiencies that were considered material weaknesses. However, the auditors did report a finding related to fiscal year-ending June 30, 2010, Single Audit. Specifically, Two Feathers did not ensure that a Single Audit was performed and submitted in a timely manner. Two Feathers corrected this finding by having the required audit for fiscal year-ending June 30, 2010, completed in December 2011.

Financial Management System

The OJP Financial Guide requires that all grant fund recipients ". . . establish and maintain accounting systems and financial records to accurately account for funds awarded to them." This requirement includes maintaining adequate maintenance of financial data to record and report on the receipt, obligation, and

¹ The Inspector General Act of 1978, as amended, contains our reporting requirements for questioned costs. However, not all findings are dollar-related. See Appendix 2 for a breakdown of our dollar-related findings and the definitions of questioned costs.

expenditure of grant funds. Furthermore, the guide stipulates that grantees must account for each award separately and may not commingle grant funds).

Overall, we found that Two Feathers adequately maintained grant-related financial records and data in accordance with the OJP Financial Guide. Two Feathers utilized an accounting system called QuickBooks. Based on our review of grant-related transactions that were recorded in QuickBooks, we generally found that the system accurately accounted for grant-related receipts and expenditures. Further, we found that grant-related transactions (i.e., receipts and expenditures) were separately tracked from all other funding.

In our evaluation of internal controls, we found that Two Feathers did not establish any policies and procedures to ensure that it received the correct items that it purchased. We asked Two Feathers' Director why policies and procedures had not been developed for its receiving process and she stated that she did not realize it was needed. After we pointed out this deficiency to Two Feathers, the Director established a policy. Specifically, in April 2015, Two Feathers implemented its Receiving and Inspecting Materials policy to ensure items purchased are received. We believe that Two Feathers' new policy addressed our concern.

Drawdowns

According to the OJP Financial Guide, grant recipients should request funds based upon immediate disbursement or reimbursement needs. Specifically, recipients should time their drawdown requests to ensure that federal cash-on-hand is the minimum needed for disbursement or reimbursement to be made immediately or within 10 days. Two Feathers officials stated that grant funds were drawn down on a reimbursement basis. Further, at the time we performed our audit, Cal OES grant numbers NA12051604 and NA13061604 were fully drawn down.

For each of the three subgrants, we analyzed all drawdowns from the subgrants' start dates through the subgrant's end dates or the start of our fieldwork on March 9, 2015. We compared the amounts and dates of the drawdowns to Two Feathers' accounting records. Based on our analysis we found that Two Feathers' accounting records accounted for the requested drawdowns.

Expenditures

As of November 2015, Two Feathers had fully expended the total award amounts for Cal OES grant numbers NA12051604 and NA13061604. For Cal OES grant number NA14071604, Two Feathers had expended a total of \$139,637 (99 percent) of the total subgrant award. The expenditures were comprised of salaries, fringe benefits, travel, supplies, and other costs. For all 3 subgrants, we judgmentally selected a total sample of 25 non-personnel transactions totaling \$11,763 in order to determine if costs charged to the subgrants were allowable, properly authorized, adequately supported, and in compliance with grant and

subgrant terms and conditions. Thirteen of the sample transactions were selected from the highest dollar transactions in the universe and the remaining sample transactions were judgmentally selected. The expenditures we selected included travel, rent, and other expenditures. We reviewed supporting documentation including purchase orders, invoices, receipts, and check copies. Additionally, we judgmentally selected two non-consecutive payroll periods for the testing of salaries and fringe benefits. For these expenditures, we reviewed payroll reports, timesheets, and other supporting documentation. Each of these tests (direct costs, payroll, and fringe benefits) is discussed below.

Other Non-Personnel Direct Costs

In our judgmental sample, we selected 25 non-personnel direct cost transactions pertaining to rent, contractor payments, auto insurance premiums, and other expenditures in the amount of \$11,863. We reviewed these transactions to determine if costs charged to the subgrants were accurate, adequately supported, allowable, reasonable, and allocable.

We found 16 transactions totaling \$6,324 for rent, auto insurance premiums, and other expenditures that were allocated to the subgrants based on the various budgeted rates and not actual award activity. The remaining nine sample transactions were adequately supported, allowable, reasonable, and allocable.

We asked Two Feathers' Director why these expenditures were allocated based on budgeted amounts and not based on actual subgrant activity. The Director stated that she allocated these costs to the subgrants based on the approved budgets because these amounts were developed based on historical rates from prior subgrant activity. Since the expenditures that we reviewed were not based on actual payments, but rather budgeted amounts, we questioned these transactions in the total amount of \$6,324. We recommend that OJP remedy \$6,324 in questioned costs associated with an unsupported allocation methodology.

Personnel

We tested the subgrant-related payroll expenditures to determine if these expenditures were allowable, reasonable, and adequately supported. Specifically, we selected a judgmental sample of two non-consecutive pay periods to test, which included salaries and fringe benefit expenditures for the months of June 2013 and September 2014. In our review, we reviewed supporting documentation, such as time and attendance records, to determine: (1) if the positions paid with subgrant funds appeared reasonable with the stated intent of the program and were consistent with the final Cal OES-approved budget, (2) whether the salaries of the employees paid with subgrant funds were within a reasonable range, and (3) if the salary and fringe benefit expenditures were adequately supported.

We obtained a list of employees paid using subgrant funds. We compared this list of personnel working on grant-related activities to the approved positions in

the Cal OES-approved budgets. We also compared the salaries paid with salaries paid in that area of the country for similar positions. We determined that the positions funded by the subgrants were in the approved budget and the salaries paid were reasonable.

According to 2 C.F.R. § 230, "The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards. . . The reports must be prepared at least monthly and must coincide with one or more pay periods." We reviewed Two Feathers' payroll records and supporting timecards and found that the payroll was generally supported. However, in our review of timesheets, we found that all of the timesheets did not record the actual labor efforts expended on this grant. Instead, the timesheets all had a pre-set percentage for the grant. Given that employees also work on non-grant related activities, it is important to account for the actual amount of time spent on grant related activities.

In April 2015 and in response to our payroll-related finding, Two Feathers informed us that it had implemented a new timekeeping method that allows employees to record actual labor efforts spent on each project daily. Two Feathers provided an example of actual timesheets recorded by employees for the pay period ending March 31, 2015. We reviewed the timesheet and noted that the new timekeeping method allows for recording of actual labor efforts spent on each project on a daily basis. This policy and process change should ensure future payroll costs are adequately supported. It does not address the previous payroll costs allocated to the subgrant based on an unsupportable allocation method. As a result of this unsupportable allocation methodology, we questioned \$258,338 in salary (\$226,287) and associated fringe benefit costs (\$32,051) prior to the March 31, 2015, payroll.

Table 2
Questioned Personnel Costs

Grant Award Number	Personnel Costs	Fringe Benefits	Total
NA12051604	\$ 84,007	\$ 13,702	\$ 97,709
NA13061604	97,651	12,172	109,823
NA14071604	44,629	6,177	50,806
		Total:	\$258,338

Source: Two Feathers' accounting records and OIG analysis

In our review of fringe benefits, we found the associated fringe benefits were generally computed correctly, properly authorized, accurately recorded,

and reasonable. However, as noted above, we questioned the fringe benefits that were associated with the timesheet that lacked a supportable methodology for allocating payroll to the subgrants. We recommend that OJP remedy \$258,338 in questioned salary and fringe benefit costs related to an unsupported allocation methodology.

Monitoring of Sub-Recipients and Contractors

Two Feathers had four contractors – a CPA, a licensed therapist, a drum leader, and a regalia leader that were all approved in the respective subgrant budgets. The CPA performed monthly journal entries, monthly financial statements, and prepared Two Feathers' tax returns. The licensed therapist was specifically a Marriage and Family Therapist who provided supervision and training to Two Feathers' Associate Clinical Social Worker, who provided services to victims of crime. The drum leader and regalia leaders provided culture therapeutics services to victims of crime. Each of the contractors had sole-source justifications based on a prior working relationship or by virtue of having a specialized expertise. The Director stated that the CPA had been performing services for Two Feathers when she became the Director 10 years ago. The Marriage and Family therapist at one point had contracted with Two Feathers to provide supervision for a previously employed therapist. The drum leader possessed a strong background in drum leadership and music while the regalia leader possessed a strong background in local Native American regalia, cultural foods, and gatherings. Additionally, sole-source justifications were provided to Cal OES when Two Feathers submitted its grant applications.

As part of our transaction testing of direct cost expenditures, we judgmentally selected one contractor transaction to determine if the cost charged to the grant was accurate, adequately supported, allowable, reasonable, and allocable. We determined the contractor's hourly rate, service, and total cost were in accordance with the approved budget. We did not take issue with the oversight of the contractors as it is clear the organization has a working relationship, which included close supervision, with the CPA and the therapist and it did obtain sole source approval for all the contractors funded by the subgrants.

Matching Costs

Two Feathers was required to expend \$4,446 in local funds for Cal OES grant number NA12051604, \$7,448 for Cal OES grant number NA13061604, and \$7,449 for Cal OES grant number NA14071604. According to the OJP Financial Guide, there are two kinds of match, a cash match (hard) includes cash spent for project-related costs or an in-kind match (soft) includes, but is not limited to, the valuation of non-cash contributions. In-kind match may be in the form of services, supplies, real property, and equipment. Grantees are required to maintain documentation supporting the source, amount, and timing of all matching contributions. We judgmentally selected the three highest dollar in-kind match transactions for testing, which all three happened to pertain to grant number NA13061604.

We reviewed documentation related to Two Feathers' matching expenditures for the judgmentally selected three matching transactions. We found that Two Feathers contributed an in-kind match with volunteer time. We reviewed timesheets supporting the hours worked by a volunteer and evaluated the hourly labor rate for reasonableness. We found Two Feathers' in-kind match to be properly supported and allocated to the subgrants.

Budget Management

The OJP Financial Guide and 28 C.F.R. 70 require prior approval from the awarding agency if the movement of dollars between budget categories exceeds 10 percent of the total award amount for awards over \$100,000. Based on our review of the award package and grant solicitation, we determined that each of the subgrants exceeded the \$100,000 threshold and were subject to the 10 percent rule. Our analysis of the related budgets as compared to actual expenditures did not identify budget deviations that would require Cal OES approval.

Reports

According to the OJP Financial Guide, award recipients are required to submit semi-annual Progress Reports. These reports describe the status of the funds, compare actual accomplishments to the objectives of the subgrants, and report other pertinent information. To determine whether the Progress Reports submitted by Two Feathers accurately reflected the activity of the subgrants, we performed testing of some of the accomplishments described in four categories for Cal OES grant numbers NA12051604 and NA13061604. When we began our audit, there were no Progress Reports to test for grant number NA14071604 because six months had not yet passed since the start of that particular subgrant.

Two Feathers had a Progress Report preparation process that included inputting victim intake forms and files into a database that was specifically designed for reporting purposes and contained all questions listed on the Progress Reports. The statistics used to submit each Progress Report to Cal OES are taken from this database. For each of the two reporting periods, we compared Two Feathers' case files to the statistics that were reported. We did not identify discrepancies with the accomplishments that were described in the Progress Reports.

Additional Award Requirements

We reviewed Two Feathers' compliance with specific program requirements outlined in the subgrant special conditions found in the award document for Cal OES grant number NA13061604. We tested the single special condition identified related to the approval of contractors' rates. We found that Two Feathers was in compliance with this special condition. The two other subgrants did not contain any special conditions.

Program Performance and Accomplishments

According to the subgrant solicitations, approved by Cal OES, the primary purpose of the subgrants were to provide comprehensive psychotherapy services to child victims, with an emphasis on underserved children who were dependents of the court and children in the child welfare system, regardless of race, ethnicity, language, domestic violence, school violence, community violence or abduction. The specific goals listed by Two Feathers within their subgrant applications were to: (1) provide psychotherapy services to American Indian child victims, (2) provide assistance with crime victim witness compensation services to child abuse victims, (3) provide assistance with participating in criminal justice proceedings to child abuse victims, and (4) use volunteers to assist in the execution of the project.

We discussed with Two Feathers' Director, who was also the Grant Manager for the subgrants we audited, its progress in accomplishing the subgrant objectives and we reviewed relevant supporting documentation. We found that as of March 2015, Two Feathers had provided on-site services including psychotherapy treatment, culturally-centered therapy, assistance with information on crime victim compensation services, assistance in helping a child victim in preparing to participate in the criminal justice system, and had used a volunteer to assist in the execution of the project. Therefore, based on our review of available documents and our interview of Two Feathers' Director, it appeared to us that Two Feathers was accomplishing its subgrant goals and objectives.

Conclusion

Based on our audit, we determined that the financial management system used by Two Feathers generally provided for adequate record keeping and reporting of grant-related financial activities. We also determined that Two Feathers' expenditures were generally within the approved budgeted constraints. Further, it appeared that Two Feathers was achieving the goals and objectives of the subgrants. However, \$6,324 in non-personnel expenditures and \$258,338 in salary and fringe benefit costs were allocated to the subgrants based on an unsupported allocation method.

Recommendations

We recommend that OJP:

1. Remedy \$6,324 in questioned non-personnel costs associated with an unsupported allocation methodology.
2. Remedy \$258,338 in questioned salary and fringe benefit costs related to an unsupported allocation methodology.

APPENDIX 1

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, budget management and control, drawdowns, expenditures, and program performance.

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

Unless otherwise specified, our audit covered, but was not limited to, activities that occurred between the start of Cal OES grant number NA12051604 on October 1, 2012, through the date of our fieldwork on March 9, 2015. We tested compliance with the single special condition identified related to the approval of contractors' rates. Unless otherwise stated in our report, the criteria we audit against are contained in the OJP Financial Guide, award documents, Code of Federal Regulations, and Office of Management and Budget Circular A-133.

In conducting our audit, we performed sample testing in three areas, which included: grant expenditures, personnel costs, and Progress Reports. In this effort, we employed judgmental sampling design to obtain broad exposure to different facets of the subgrants we reviewed, such as dollar amounts or expenditure categories. We reviewed a judgmentally selected sample of transactions that were recorded in Two Feathers' grant-related accounting records as of March 5, 2015. This included 25 expenditures related to Cal OES grant numbers NA12051604, NA13061604, and NA14071604. Additionally, we judgmentally sampled two non-consecutive payroll periods. Further, we tested 2 Progress Reports and 29 drawdown requests. These samples are not projectable to the populations of expenditures, progress reports, and drawdown requests from which they were taken.

We did not test internal controls for Two Feathers taken as a whole or specifically for the subgrant programs administered by Two Feathers. An independent Certified Public Accountant conducted audits of Two Feathers' financial statements. The results of these audits were reported in the Single Audit Reports that accompanied the Independent Auditors' Reports for the year ending June 30, 2011, and June 30, 2012. The Single Audit Reports were prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the

independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to Two Feathers or the federal programs it was administering, and assessed the risks of those findings on our audit.

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

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:²	AMOUNT	PAGE
Unsupported Costs:		
Direct – Unsupported Allocation Method	\$6,324	6
Labor – Unsupported Allocation Method	\$226,287	7
Fringe Benefits – Unsupported Allocation Method	\$32,051	7
GROSS QUESTIONED COSTS	\$264,662	

² **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

APPENDIX 3

TWO FEATHERS NATIVE AMERICAN FAMILY SERVICES RESPONSE TO THE DRAFT REPORT



Two Feathers Native American Family Services

1560 Betty Court, Suite A, McKinleyville, California 95519
(707)839-1933 ♦ 1-800-341-9454 ♦ Fax (707)839-1726

December 9, 2015

David J. Gaschke
Regional Audit Manager
Office of the Inspector General
U.S. Department of Justice
90 7th Street, Suite 3-100
San Francisco, California 94103

Reference: Official Response Draft Audit Report OJP, VOCA Cal OES, DVAP grants NA12051604, NA13061604, and NA14071604

Mr. Gaschke,

This letter is Two Feathers official response to the draft audit report for the above referenced grants as requested to address the Recommendations. I understand that Two Feathers will work with the grant agencies to address the Recommendations from OIG.

Also, Two Feathers was not provided the breakdown of each questioned cost and only have the totals for the Recommendations.

1. \$6324 in questioned non-personnel costs associated with an unsupported allocation methodology. AGREE. Functional Time Sheets have been utilized since March 1, 2015, personnel percentages charged to payroll will reflect percentages of grants charged to operating expenses for a supported allocation methodology.
2. \$258,338 in questioned salary and fringe benefit costs related to an unsupported allocation methodology. AGREE. Functional timesheets for the project should have been utilized to support the time charged to the grants. Effective March 1, 2015 a functional time sheet is being utilized by all Two Feathers staff to support the grant allocation methodology.

If you have any questions or need additional information, please contact myself.

Sincerely,

Barbara E. Orr
Director
Enclosure

Cc: Virgil Moorehead Chairman, Big Lagoon Rancheria
Cal OES

APPENDIX 4

THE CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES RESPONSE TO THE DRAFT REPORT

EDMUND G. BROWN JR.
GOVERNOR

MARK S. GHILARDUCCI
DIRECTOR



January 13, 2016

David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
90 7th Street, Suite 3-100
San Francisco, California 94103

Dear Mr. Gaschke:

The California Governor's Office of Emergency Services (Cal OES) has received your letter regarding the draft audit report, dated December 9, 2015, to the Office of Justice Programs (OJP), related to three Victims of Crime Act (VOCA) sub-awards awarded to Cal OES. The U.S. Department of Justice (DOJ), Office of the Inspector General conducted an audit of funds awarded to Two Feathers Native American Family Services (Two Feathers). The audit included two recommendations requiring corrective actions. We appreciate the opportunity to provide our corrective action plan for those recommendations and do so as follows:

DOJ Recommendation #1

We recommend that OJP remedy \$6,324 in questioned non-personnel costs associated with an unsupported allocation methodology.

Cal OES Response to #1

We concur with the recommendation. We will work with our subrecipient, Two Feathers, to resolve the finding related to \$6,324 in questioned non-personnel costs.

DOJ Recommendation #2

We recommend that OJP remedy \$258,338 in questioned salary and fringe benefit costs related to an unsupported allocation methodology.

Cal OES Response to #2

We concur with the recommendation. We will work with our subrecipient, Two Feathers, to resolve the finding related to \$258,338 in questioned salary and fringe benefit costs.

3650 SCHRIEVER AVENUE, MATHER, CA 95655
(916) 845-8506 TELEPHONE (916) 845-8511 FAX

Mr. David J. Gaschke, Regional Audit Manager
January 13, 2016
Page 2

On behalf of Cal OES, we appreciate the assistance and guidance offered during your review. If you have additional questions or concerns, please contact my Audit Chief, Anne Marie Nielsen, at (916) 845-8437.

Sincerely,



MARK S. GHILARDUCCI
Director

cc: Linda Taylor, Office of Audit, Assessment, and Management
Office of Justice Programs, U.S. DOJ

APPENDIX 5

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

JAN 20 2016

MEMORANDUM TO: David J. Gaschke
Regional Audit Manager
San Francisco 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' Victims of Crime Act Grant, Sub-Awarded by the California Governor's Office of Emergency Services to Two Feathers Native American Family Services, McKinleyville, California*

This memorandum is in reference to your correspondence, dated December 9, 2015, transmitting the above-referenced draft audit report for Two Feathers Native American Family Services (Two Feathers). Two Feathers received three sub-grants from the California Governor's Office of Emergency Services (Cal OES), under the Office of Justice Programs' (OJP) Victims of Crime Act Grant Program. We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains two recommendations and \$264,662 in questioned costs. The following is OJP's analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. Ensure that Two Feathers remedies \$6,324 in questioned non-personnel costs associated with an unsupported allocation methodology.

OJP agrees with this recommendation. We will coordinate with Cal OES to remedy the \$6,324 in questioned costs, related to non-personnel costs associated with an unsupported allocation methodology that Two Feathers charged to Cal OES sub-grant numbers NA12051604, NA13061604, and NA14071604.

- 2. Ensure that Two Feathers remedies \$258,338 in questioned salary and fringe benefit costs related to an unsupported allocation methodology.**

OJP agrees with this recommendation. We will coordinate with Cal OES to remedy the \$258,338 in questioned costs, related to salary and fringe benefit costs associated with an unsupported allocation methodology that Two Feathers charged to Cal OES sub-grant numbers NA12051604, NA13061604, and NA14071604.

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

Anna Martinez
Senior Policy Advisor
Office of the Assistant Attorney General

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

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

OJP Executive Secretariat
Control Number IT20151210142359

APPENDIX 6

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 Two Feathers, Cal OES, and OJP for their review and comment. The responses from Two Feathers, Cal OES, and OJP are incorporated in Appendices 3, 4, and 5, respectively, of this final report. The following provides the OIG's analysis of the responses and summary of actions necessary to close the report.

Recommendation:

1. Remedy \$6,324 in questioned non-personnel costs associated with an unsupported allocation methodology.

Resolved. OJP agreed with our recommendation and stated that it will coordinate with Cal OES to remedy the questioned cost. Cal OES agreed with our recommendation and stated that it will work with Two Feathers to resolve the finding related to \$6,324 in questioned non-personnel costs.

Two Feathers also agreed and stated that functional timesheets have been utilized since March 1, 2015, and that personnel percentages charged to payroll will reflect percentages of grants charged to operating expenses with a supported allocation methodology.

This recommendation can be closed when we receive and review documentation evidencing that OJP has remedied the questioned non-personnel costs related to the unsupported allocation methodology.

2. Remedy \$258,338 in questioned salary and fringe benefit costs related to an unsupported allocation methodology.

Resolved. OJP agreed with our recommendation and stated that it will coordinate with Cal OES to remedy the questioned cost. Cal OES agreed with our recommendation and stated that it will work with Two Feathers to resolve the finding related to \$258,338 in questioned salary and fringe benefit costs.

Two Feathers also agreed stated that functional time sheets have been utilized since March 1, 2015 and that personnel percentages charged to payroll will reflect percentages of grants charged to operating expenses with a supported allocation methodology.

This recommendation can be closed when we receive and review documentation evidencing that Two Feathers has remedied questioned salary and fringe benefit costs related to the unsupported allocation methodology.

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