



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



Audit of Office on Violence Against Women and Office of Justice Programs Awards to the Catawba Indian Nation Rock Hill, South Carolina

Audit Division GR-40-17-002

February 2017

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**AUDIT OF OFFICE ON VIOLENCE AGAINST WOMEN AND
OFFICE OF JUSTICE PROGRAMS AWARDS TO THE
CATAWBA INDIAN NATION
ROCK HILL, SOUTH CAROLINA**

EXECUTIVE SUMMARY*

The U.S. Department of Justice (DOJ) Office of the Inspector General completed an audit of two grants and one cooperative agreement awarded by the Office on Violence Against Women (OVW) and the Office of Justice Programs (OJP) to the Catawba Indian Nation (Catawba) in Rock Hill, South Carolina. Catawba was awarded \$1,671,570 under Grant Numbers 2012-TW-AX-0015, and 2013-TY-FX-0061, and Cooperative Agreement Number 2015-VR-GX-K044. These awards were designed to address violence against Indian women, prevent and control juvenile delinquency and strengthen the juvenile justice system for American Indian youth, and support tribal victim assistance efforts. As of April 5, 2016, Catawba had drawn down \$956,951 of the total grant funds awarded.

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; and to determine whether the grantee demonstrated adequate progress towards achieving program goals and objectives. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance and accomplishments.

Based on our audit testing, we concluded that Catawba did not manage the awards adequately and was unable to demonstrate its achievement of the awards' stated goals and objectives. Particular to its grant to prevent truancy, high school dropouts, and juvenile delinquency, Catawba reported it served several youths, but did not provide measurements of truancy and dropout rates. We believe this information is essential to determine whether the program is having an effect given the objectives of this particular grant.

We also found significant non-compliance and discrepancies in most of the other areas tested. Specifically, we determined that Catawba: (1) failed to comply with federal requirements to receive annual audits, (2) did not comply with financial management requirements, (3) charged unsupported and unallowable expenditures to the awards, (4) did not record expenditures in the accounting records to support

* Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 4, the grantee's response, and are of individuals' names.

grant drawdowns, (5) did not utilize all grant funds, and (6) did not submit accurate federal financial reports and performance reports. As a result of these deficiencies, we identified \$796,866 in questioned costs and \$21,939 in funds to better use. Our dollar-related findings represent 86 percent of funds drawn down at the time of our audit and 49 percent of total funds awarded.

Our report contains 18 recommendations to OJP and OVW, which are detailed later in this report. Our audit objective, scope, and methodology are discussed in Appendix 1, and our Schedule of Dollar-Related Findings appears in Appendix 2. We discussed the results of our audit with Catawba officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft audit report from Catawba, OJP, and OVW, and their responses are appended to this report as Appendix 4, 5, and 6, respectively. Our analysis of all responses, as well as a summary of actions necessary to close the recommendations, can be found in Appendix 7 of this report.

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**AUDIT OF OFFICE ON VIOLENCE AGAINST WOMEN AND
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The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of Office on Violence Against Women (OVW) Grant Number 2012-TW-AX-0015, Office of Juvenile Justice and Delinquency Prevention (OJJDP) Grant Number 2013-TY-FX-0061, and Office for Victims of Crime (OVC) Cooperative Agreement Number 2015-VR-GX-K044 awarded to Catawba Indian Nation (Catawba), which is located in Rock Hill, South Carolina. The awards totaled \$1,671,570, as shown in Table 1. OVW is an office within DOJ, while OJJDP and OVC are components of the Office of Justice Programs (OJP).

**Table 1
OVW and OJP Awards to Catawba**

Award Number	Awarding Agency	Award Start Date	Award End Date^a	Award Amount
2012-TW-AX-0015	OVW	10/1/2012	12/31/2015	\$749,538
2013-TY-FX-0061	OJJDP	10/1/2013	9/30/2017	\$499,639
2015-VR-GX-K044	OVC	10/1/2015	9/30/2018	\$422,393
Total:				\$1,671,570

^a The original award end date for the 2012 award was September 30, 2015. OVW approved an extension. The original award end date for the 2013 award was September 30, 2016. OJP approved an extension.

Source: OVW, OJJDP and OVC award documents

OVW’s Indian Tribal Governments Program, which includes the 2012 award, is designed to: (1) decrease the incidence of violent crime against Indian women, (2) strengthen the capacity of Indian tribes for exercising their sovereign authority responding to violent crimes committed against Indian women, and (3) ensure that perpetrators of violent crimes committed against Indian women are held accountable for their criminal behavior.

OJJDP made its 2013 award under OJP’s Tribal Youth Program. The program supports tribal development and implementation efforts to prevent and control juvenile delinquency and strengthen the juvenile justice system for American Indian/Alaska Native youth. OVC made its 2015 award under OJP’s Comprehensive Tribal Victim Assistance Program, which supports tribal victim assistance efforts.

The Grantee

Catawba is South Carolina’s only federally recognized tribe, and the tribal lands are located in York County. At the time of our audit, Catawba had more than 2,800 enrolled members. It has a housing program, several child care facilities, a seniors program, computer lab, transit service, and health clinic. Catawba reports

that it supports many tribal members in their pursuit of an education through scholarship and job placement and training programs.

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 of the awards; and to determine whether the grantee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish this objective, we assessed performance in the following areas of grant management: program performance and accomplishments, financial management, expenditures, budget management and control, drawdowns, federal financial reports.

We tested compliance with what we consider to be the most important conditions of the awards. The OJP Financial Guide, OVW Financial Grants Management Guide, the 2015 DOJ Grants Financial Guide, and the award documents contain the primary criteria we applied during the audit.¹

The results of our analysis are discussed in detail later in the report. Appendix 1 contains additional information on this audit's objective, scope, and methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

Program Performance and Accomplishments

To determine if Catawba met or demonstrated adequate progress towards achieving program goals and objectives, we reviewed progress reports and interviewed Catawba officials regarding the reports.

Program Goals and Objectives

Catawba's goals and objectives for its 2012 OVW award were to: (1) provide victims and their children a safe environment, free from domestic violence, and issues of power and control; and (2) educate residents and outreach clients about the dynamics of domestic violence, healthy relationships, lethality, and safety issues.

We could not determine if Catawba accomplished the goals and objectives for its 2012 OVW award because Catawba did not maintain adequate documentation to support its reported accomplishments. We discuss the lack of adequate support documentation in the Progress Reports Section below. Without adequate support documentation, OVW cannot determine if Catawba accomplished its goals and objectives. We recommend that OVW ensure that Catawba maintains support documentation for reported accomplishments.

¹ The 2013 OVW Financial Grants Management Guide applies to OVW Grant Number 2012-TW-AX-0015, and the 2014 OJP Financial Guide applies to OJJDP Grant Number 2013-TY-FX-0061 and OVC Cooperative Agreement Number 2015-VR-GX-K044. The 2015 DOJ Grants Financial Guide applies to all three awards. We refer to these guides in the report as, "the Financial Guide."

The goal and objective for Catawba's FY 2013 OJJDP award was to prevent truancy, high school dropouts, and juvenile delinquency. Catawba partnered with subrecipient to open a satellite teen center providing tribal teens with services designed for at-risk teens facing poverty, addiction, emotional distress, and otherwise harsh living conditions.

We could not determine if Catawba accomplished its goal and objective for its 2013 OJJDP award because Catawba's reported accomplishments do not support whether the program had an effect on truancy and high school dropout rates. Catawba reported it served many youths, but does not indicate that this resulted in preventing truancy and lowering dropout rates. Without knowing historical truancy and dropout rates and those during the grant period, we cannot determine whether the program is having an effect. An OJJDP official told us that OJJDP performance metrics measure overall Tribal Youth Program effectiveness in terms of outputs and outcomes through aggregated data reported by individual grantees. The OJJDP official also said that that Catawba's grant project addresses the Tribal Youth Program priority areas and that Catawba provides reports on performance indicators but the data in Catawba's reports appear to be incomplete. OJJDP planned to conduct a site visit at Catawba in early 2017 during which it planned to address performance measurement. The OJJDP official also told us that outcomes related to truancy prevention, high school dropout rates, and juvenile delinquency cannot be assessed absent an independent evaluation of the project. We disagree and believe that at a minimum Catawba can obtain data on truancy, dropouts, and delinquency prior to the grant and compare that to similar data captured during the grant. We recommend that OJP ensure that Catawba provides truancy and high school dropout data to support the program's outcomes. In addition, Catawba did not maintain adequate documentation to support its reported accomplishments. We discuss the lack of adequate support documentation in the Progress Reports Section below. Without adequate support documentation, OJP cannot determine if Catawba accomplished its goal and objective. We recommend that OJP ensure that Catawba maintains support documentation for reported accomplishments.

The goals and objectives for Catawba's 2015 OVC award were to: (1) reduce crime on the reservation; (2) expand the Office of Crime Victims Advocacy; (3) expand and more efficiently deliver appropriate crime victim services; (4) enhance communications, collaboration, and accountability in the victim services system and with victims of crime; (5) provide a collaborative multidisciplinary response to victims of crime, their families, and community; and (6) provide a culturally competent service to victims of crime, their family, and community. We could not determine if Catawba was meeting its goals and objectives because, at the time of our review, this program was new and Catawba reported that there was no activity in its first and, at that time, only required progress report.

Progress Reports

According to the Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support data collected for each

performance measure specified in the program solicitation. To verify the information in the OVW and OJP progress reports, we selected a sample of performance measures for the 2012 OVW award and the 2013 OJJDP award. We traced the items sampled to supporting documentation maintained by Catawba. We did not select performance measures for the 2015 OVC award because this program was new at the time of our audit and Catawba reported that there was no activity in its first progress report.

For the 2012 OVW grant, we selected five accomplishments from two progress reports submitted to OVW for the periods January 1 through June 30, 2015, and July 1 through December 31, 2015. As shown in Table 2, the five sampled accomplishments were either not supported or support was inadequate.

Table 2
Catawba’s Reported Accomplishments for the 2012 OVW Award

Accomplishment	Progress Report	Number Reported	Number Supported	Reason Documentation Is Inadequate
People Educated with Program Funds	1/1/2015-6/30/2015	200	0	Catawba could not provide sign-in sheets or other adequate documentation for educational program attendance.
	7/1/2015-12/31/2015	125	0	
Transportation Provided	1/1/2015-6/30/2015	30 rides	0	Transportation services were not tracked in a vehicle log or other adequate and verifiable documentation.
	7/1/2015-12/31/2015	32 rides	0	
Housing Provided	1/1/2015-6/30/2015	1 victim	2 victims	Catawba did not report the accurate number of victims that received housing assistance.
	7/1/2015-12/31/2015	0	1 victim	
Legal Assistance Provided	1/1/2015-6/30/2015	4 services	1 service	The case files do not support that Catawba provided legal assistance for all reported services.
	7/1/2015-12/31/2015	1 service	1 service	
Victims Receiving Multiple Legal Assistance Services	1/1/2015-6/30/2015	0	1	The case file does not specify the type of legal services provided.
	7/1/2015-12/31/2015	1	1	

Source: Catawba progress reports and supporting case files.

To develop progress information for the 2012 OVW award, the grant administrator reviewed the previous progress report and met with other Catawba staff members regarding the number and quantity of services provided. The grant administrator told us that she made notes and documented data obtained during those meetings but did not retain the notes and documentation. During the audit, the grant administrator was unable to provide support documentation for the progress reports.

For the 2013 OJJDP award, we selected three accomplishments from two progress reports submitted to the OJJDP for the periods January 1 through June 30, 2015, and July 1 through December 31, 2015. As shown in Table 3, the three accomplishments were either not supported or support was inadequate.

Table 3
Catawba’s Reported Accomplishments for the 2013 OJJDP Award

Accomplishment	Progress Report	Number Reported	Number Supported	Reason Documentation Is Inadequate
Youths Served	1/1/2015-6/30/2015	71	21	Catawba reported the total numbers since the program began instead of calculating members served for the reporting period.
	7/1/2015-12/31/2015	76	42	
Service Hours Youths Completed	1/1/2015-6/30/2015	150	0	The subrecipient collected attendance data in a computer system. However, the person who knew how to calculate, report, and document the data no longer worked at the subrecipient, and therefore subrecipient could not provide documentation. Catawba has not provided additional support.
	7/1/2015-12/31/2015	150	0	
Number of Program Youth Who Offended	1/1/2015-6/30/2015	2	0	Catawba was unable to obtain support documentation from the subrecipient.
	7/1/2015-12/31/2015	2	0	

Source: Catawba progress reports and supporting files.

The grant administrator for the 2013 OJJDP grant told us that both Catawba and the subrecipient had undergone a number of staff changes during the year prior to our audit. She said that the staff changes resulted in the loss of knowledge for preparing and submitting progress reports and maintaining the support documentation. Catawba concurred with our assessment of problems with the performance reports and planned to begin maintaining adequate support documentation to support accomplishments. Catawba also planned to have the subrecipient develop sign-in sheets for all activities in the future and use a database to help track youth services and accomplishments and prepare custom reports.

Without adequate supporting documentation, OVW and OJP cannot determine if Catawba accomplished its grant objectives. We recommend that OVW and OJP ensure that Catawba develops written procedures to maintain support documentation for reported accomplishments.

Grant Financial Management

Prior to 2015, OMB Circular A-133 required that non-federal entities that expended \$500,000 or more a year in federal awards to undergo a single or

program-specific audit (Single Audit) pursuant to the Single Audit Act. As of December 26, 2014, an annual Single Audit is required for recipients that expend \$750,000 or more a year in federal funds.² OMB Circular A-133 and the Financial Guide allow for the suspension or withholding of federal awards if a required Single Audit is not completed within 9 months of the end of the fiscal year, which for Catawba is the same as the calendar year. Additionally, the Financial Guide states that failure to perform the audit may result in the awarding agency taking remedial action as allowed under law. In FYs 2012 through 2015, Catawba expended more federal funds than the OMB established thresholds, thereby requiring Single Audits.

According to the Financial Guide, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and accurately account for funds awarded. To assess Catawba's financial management of the grants and cooperative agreement covered by this audit, we reviewed Catawba's Single Audit Reports for 2012 to identify internal control weaknesses and significant non-compliance issues related to federal awards, if any. We also conducted interviews with financial staff, examined policy and procedures, and inspected grant and cooperative agreement documents to determine whether Catawba adequately safeguards the award funds that we audited. Finally, we performed testing in the areas that were relevant for the management of the grants and cooperative agreement, as discussed throughout this report.

Catawba last received an unqualified audit for the period covering the 2011 calendar year.³ Catawba's independent auditor issued the Single Audit for 2012 in September 2015, 2 years after its due date. The audit report included this disclaimer of opinion, "We were unable to complete our audit of the governmental activities, each major fund, and the internal service fund largely because the Nation's books and records were not up to date and reconciled." Catawba's independent auditor issued the Single Audit for 2013 in September 2016, 2 years after its due date. This audit also included a disclaimer of opinion and again stated, ". . .the Nation's books and records were not up to date and reconciled." The independent auditor determined that inadequate staffing caused inaccurate accounting records resulting in the disclaimer of opinion. Catawba has since filled open positions with experienced staff.

We concluded that Catawba was also required to perform single audits in FYs 2014 and 2015 based on draft schedules of expenditures provided by Catawba for those years. As shown in Appendix 3, federal award expenditures were \$3.5 million for 2014 and \$3.9 million for 2015, which exceeded the Single Audit thresholds of federal award expenditures. Catawba officials also told us they were aware of the need to conduct Single Audits for 2014 and 2015. As of October 2016, Catawba was seeking to engage an audit firm to complete the 2014 and 2015 audits, which were

² Title 2 C.F.R. Subpart F

³ An unqualified opinion is an independent auditor's judgment that an entity's financial records and statements are fairly and appropriately presented, and in accordance with Generally Accepted Accounting Principles.

due September 30, 2015, and September 30, 2016, respectively. Catawba officials told us that the accounting firm for the 2013 audit did not want to commit to completing the subsequent audits until later in the process of the 2013 audit.

The completion of a Single Audit, when required under federal regulation, is critical to the financial management and administration of award funds. Because Catawba obtained untimely Single Audits for 2012 and 2013, received disclaimed opinions on both of those audit, and has not obtained Single Audits for 2014 and 2015, OVW and OJP could not use the reports to make informed decisions regarding Catawba's ability to properly manage the awards. A Single Audit with an auditor's opinion would have also allowed for a determination of whether Catawba complied with laws, regulations, and grant and cooperative agreement award provisions that could have a direct and material effect on the federal program and would include the corrective action status of Catawba's prior audit findings. Moreover, the failure to perform a Single Audit may result in a grant recipient's designation as high risk. Under the Financial Guide, nonconformance with an award term and condition is grounds for a high-risk designation.⁴

In March 2015, OJJDP completed a programmatic monitoring site visit of Catawba's 2013 OJJDP award. The resulting report noted that Catawba was delinquent in completing its 2012 Single Audit. Even though Catawba's 2012 and 2013 Single Audits were delinquent, in February 2015, in its application for the 2015 OVC award, Catawba provided to OJP its standard assurances of compliance with audit requirements. An OJP official told us that in September 2015, OJP was not able to verify the status of Catawba's single audit report submissions for 2013 and 2014 because the Federal Audit Clearinghouse was inaccessible as a result of a cybersecurity incident. The OJP official said that OJP released the 2015 OVC award and did not include special conditions related to the delinquent single audit reports. The official also said that delinquent single audit reports would not make an applicant ineligible for an OJP award, but the award would have included withholding special conditions for the delinquent single audit reports.

Because Catawba did not comply with the Single Audit requirement, we question \$790,460, which represents all drawn down funds from January 1, 2014, through August 16, 2016. January 1, 2014, is the start of the most recent year for which Catawba did not obtain a Single Audit although it was required to do so. We consider these funds to be unallowable because Catawba was not compliant with award special conditions as a result of its Single Audit delinquency. Of the total questioned costs, \$498,060 is for the 2012 OVW award, \$225,238 is for the 2013 OJJDP award, and \$67,162 is for the 2015 OVC award. We recommend that OVW and OJP remedy \$790,460 in unallowable costs.

⁴ According to the financial guide, high-risk grantees are not prohibited from applying for or receiving new awards from DOJ. However, high-risk grantees should be managed and monitored closely, and any new awards these grantees receive are subject to additional restrictions, typically imposed through the inclusion of high-risk special conditions.

Catawba employs a Controller who is responsible for grant financial management. Catawba experienced a change in its Controller during May 2016. When we began our audit work in April 2016, we determined that Catawba's drawdowns exceeded grant expenses for all three awards totaling \$166,617. This includes \$98,944 from the 2012 award, \$65,076 from the 2013 award, and \$2,597 from the 2015 award. As a result, Catawba could not immediately provide support for \$166,617 in award funds. We notified Catawba's new Controller of this concern, and he determined that the former Controller did not record indirect costs and space costs believed to be attributable to the awards. Specifically, in August 2012 Catawba changed accounting systems and manually input transactions into the new system. The former Controller, who we interviewed at the start of the audit, told us she had focused on recording payroll and direct transactions into the new system instead of all transactions that would have included indirect and space costs. After we brought the issue to its attention, Catawba recorded indirect and space costs in its accounting records, although the grant period had expired for the 2012 OVW award. We accepted the updates made to the general ledger during our audit. However, the Financial Guide requires Catawba to maintain current accounting records.

As discussed in the paragraph above, the Financial Guide requires that Catawba's accounting system must support financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of awards. If accounting records are not current, reports generated by the accounting system do not reflect current expenses charged to awards. OVW and OJP should ensure that Catawba has policies and procedures to ensure all expenses are current in its accounting system.

Lastly, Catawba did not draw the remaining \$23,536 available as part of the 2012 award, and OVW de-obligated the funds on May 3, 2016. As a result, Catawba did not fully utilize program funds.

Grant Expenditures

For the three awards, Catawba's approved budgets included personnel, fringe benefits, travel, equipment, supplies, contractual, and other costs. To determine if costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested samples of transactions as described below. We reviewed documentation, accounting records, and performed verification testing related to grant expenditures. Based on this testing, we recommend that OVW and OJP remedy \$64,178 in questioned costs. The following sections describe the results of our testing.

Personnel Costs

We reviewed payroll records and timesheets to determine if labor charges were computed correctly, properly authorized, accurately recorded, and properly allocated to the awards. We also verified that pay rates and positions were those allowed in the approved budgets. We selected 3 non-consecutive pay periods of costs reimbursed from the 2012 OVW award and 2 non-consecutive pay periods of costs

reimbursed from the 2015 OVC award. We did not test personnel costs for the 2013 OJJDP award because Catawba was not reimbursed from that award for its direct personnel costs.

We determined that for the 2012 OVW and 2015 OVC awards Catawba computed correctly, properly authorized, accurately recorded, and properly allocated costs with one exception as discussed in the following paragraph. We also verified that pay rates and positions were those allowed in the approved budgets. Additionally, we determined that the fringe benefits tested were consistent with other employees and computed correctly.

The one exception we identified in our testing of personnel expenditures concerned Catawba paying employees a retroactive 2.4 percent pay increase for 5 years, beginning January 1, 2010, through December 31, 2014. Catawba made such payments totaling \$13,099 in three lump sum payments for three employees from the 2012 OVW award. During the audit, Catawba provided us its retroactive pay increase calculation that applied the increase to 2010, 2011, and the first 9 months of 2012, which were outside the award period. Catawba did not include these lump sum payments in the budgets approved by OVW. However, the OVW approved budget for the 2012 award allowed for a 6 percent cost of living adjustment for years 2 and 3 of the award period. Based on actual salaries in year 1 of the award period, we determined the allowable cost of living adjustments for the period should have been no more than \$10,596. We question \$2,503, which is the difference between the \$13,099 actually charged to the grant for salary increases and the \$10,596 that was allowable. We recommend that OVW remedy the \$2,503.

Other Direct Costs

The DOJ Financial Guide requires that all costs charged to the awards be allowable, supported, and properly allocated in compliance with award requirements. We reviewed purchase requests, receipts, invoices, and other support documentation to determine if costs were correctly computed, properly authorized, accurately recorded, and properly allocated to the awards. We reviewed a sample of 48 of 502 transactions (63 percent of total costs) for the 2012 OVW award, 25 of 100 transactions (52 percent of total costs) for the 2013 OJJDP award, and 25 of 36 transactions (75 percent of total costs) for the 2015 OVC award.

Nine of the 48 sampled transactions totaling \$29,615 tested for the 2012 OVW award were unallowable. For eight of these transactions totaling \$8,112, Catawba did not request OVW budget approval for the costs, which included utilities, insurance, software maintenance, and a copier. We question these costs as being unallowable. Catawba officials concurred that the costs were unallowable and told us that they plan to ensure that future expenditures are included in the approved budget. The remaining unallowable transaction totaling \$21,503 was for 24 months of rental space cost. Although it was an approved budget cost, the Financial Guide does not allow rental costs for property owned by the applicant. Catawba's grant application included a line item for rental space and identified Catawba as the owner of the rented space. Catawba inappropriately expended grant funds for rental space

costs based on OVW approval. An OVW official told us that OVW staff did not identify this problem but should have done so during final review of the award budget. We recommend that OVW remedy \$29,615 in unallowable costs for the 2012 award. We also recommend that OVW ensure Catawba implements appropriate accounting procedures to only charge the awards for items included in approved budgets.

Six of the 25 transactions totaling \$3,404 tested for the 2013 OJJDP award were unsupported. These transactions were for salary and fringe benefit, and club activities incurred by Catawba's subrecipient. The support provided to us regarding the transactions was insufficient in that timesheets did not always match the payroll registers. Two other transactions totaling \$613 were not included in the approved grant budget and so were unallowable. These items included \$463 for the repair of light poles and \$150 for subrecipient personnel overtime. We consider the \$613 immaterial and consequently do not make a recommendation. However, a Catawba official told us the Nation plans to implement policies to ensure that subrecipient expenses are approved in the budget and accurately reported. We recommend that OJP remedy \$3,404 in unsupported costs for the 2013 award. We also recommend that OJP require Catawba to strengthen controls so that subrecipients provide adequate source documentation for charges to the awards and charge the awards only for items included in approved budgets.

Five of the 25 transactions totaling \$722 tested for the 2015 OVC award were unallowable because Catawba did not request OVW budget approval for the costs. The transactions were for a copier and monthly Internet service. Catawba officials told us they concurred with our concern about these costs and planned to request a budget modification to correct the errors. We consider the \$722 immaterial and consequently do not make a recommendation.

We also noted that Catawba planned to charge rent, totaling \$21,939, to the 2015 OVC award for use of property that Catawba owns. Although OJP approved the budget item, it is unallowable and would be an inappropriate expenditure of grant funds, which OJP could obligate to other grant applicants. An OJP official told us OJP staff should have identified this problem during the budget review process but did not do so. The OJP official said that Catawba will be required to submit a budget modification requesting reallocation of the \$21,939 to an allowable cost category. We recommend that OJP ensures that Catawba makes adjustments to remove the \$21,939 unallowable budgeted rental space cost from its grant budget.

Contractor Costs

Catawba contracted with an independent accounting firm to conduct Single Audits for 2012 and 2013. The contract for the 2012 audit provided for costs up to \$32,000. The contract for the 2013 audit did not address the total costs to be incurred. A Catawba official told us the 2013 audit was established with only an hourly rate of \$150 because of Catawba's "high risk" classification. The contract did not establish a total value or limit because the contractor did not know how many hours it would require to complete the audit. The Catawba official told us in October 2016, that the audit required almost 980 hours to complete, and included expenses

totaling \$156,565. As of October 2016, Catawba had made 11 payments totaling \$6,575 under the contract for the 2012 audit and 1 payment totaling \$1,667 under the contract for the 2013 audit.

Catawba's procurement procedures require it to receive competing bids when selecting a contractor for procurements over \$10,000. In addition, the procedures require that Catawba maintain procurement records for 3 years after final payment. A Catawba official told us that the former Controller prepared one request for proposal of ongoing audit services and received three responses. The official also told us this solicitation did not specify the specific year for the proposed audit services. However, Catawba was unable to provide us with the requests for proposal or the responses. Because Catawba could not demonstrate that it utilized a competitive procurement process, in accordance with its procurement procedures, we question \$8,242. We recommend that OVW remedy \$6,575 in unsupported costs charged to the 2012 OVW award and OJP remedy the \$1,667 in unsupported costs charged to the 2015 OVC award. We also recommend that OVW and OJP ensure that Catawba maintains procurement records for 3 years after final payment in compliance with its own policy.

Indirect Costs

According to the Financial Guide, 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. The Financial Guide requires grantees to establish and maintain accounting systems and financial records to account accurately for funds awarded, including funds used to cover indirect costs. We reviewed Catawba's current Indirect Cost Negotiation Agreement and verified how Catawba applied the approved 25.05 percent indirect cost rate. Catawba charged \$121,649 in indirect costs to the 2012 OVW award and \$5,693 to the 2015 OVC award.⁵ We reviewed a sample of 8 of 30 indirect cost transactions for the 2012 OVW and 2015 OVC awards, totaling \$38,042. We found that for the 2012 OVW award, \$1,417 of indirect costs were unallowable. Of the \$1,417, \$1,003 is unallowable because Catawba included employees' share of health insurance expenses in the pool of direct costs to which the indirect cost rate was applied to determine total indirect costs. These costs are not allowable for inclusion in the direct cost pool. The remaining \$414 was unallowable because Catawba applied the approved indirect cost rate to costs not approved by OJP in the award budget. We believe that these errors occurred because Catawba has not established internal procedures to ensure it includes only allowable costs when calculating indirect costs, and we recommend that OVW and OJP ensure that Catawba develops such procedures. We also recommend that OVW remedy the \$1,417 in unallowable indirect costs reimbursed from the 2012 OVW grant. We also found that \$127 in indirect costs were unallowable for the FY 2015 OVC award because Catawba applied the approved indirect cost rate to costs not approved by OJP in the award budget. We consider the \$127 immaterial and consequently do not make a recommendation.

⁵ The 2013 OJJD award did not include indirect costs.

Accountable Property

Under the 2012 OVW award, Catawba purchased nine accountable property items consisting of a vehicle and computer equipment. OVW approved these items in the award budget, and Catawba listed each item in its inventory of federally funded items. We physically verified all nine items. Although Catawba was approved to purchase equipment with its 2013 OJJPD award, it had not purchased the equipment at the time of our audit. Catawba did not have approval to purchase equipment with its 2015 OVC award and it did not do so.

Budget Management and Control

According to the Financial Guide, the recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, the grant recipient must initiate a grant adjustment notice for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount.

We compared grant expenditures to the approved budgets to determine whether Catawba transferred funds among budget categories in excess of 10 percent. We determined that, based on Catawba's accounting records, the cumulative difference between category expenditures and approved budget category totals were not greater than 10 percent. However, as discussed in the Grant Financial Management section above, Catawba received disclaimers of opinion for its two most recent audits because it did not update and reconcile accounting records. Consequently, we have no assurance that the fund transfers between categories do not exceed 10 percent.

Drawdowns

According to the Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. Catawba's former controller told us that drawdowns were requested on a reimbursement basis. Catawba's internal financial management system manual does not include procedures for preparing drawdown requests. As of April 5, 2016, Catawba had total drawdowns of \$726,002 from the 2012 OVW award, \$206,019 from the 2013 OJJDP award, and \$24,930 from the 2015 OVC award. To assess whether Catawba managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed as of April 5, 2016, to the total expenditures in the accounting records.⁶

⁶ As discussed in the previous section of this report, Catawba's accounting system was determined in the most recent Single Audit to not be reliable. However, we have used Catawba's accounting data here because it is the only available source of data for performing this test.

For the 2012 OVW award, Catawba’s total drawdowns were \$726,002, but expenditures totaled \$724,496. This resulted in a drawdown in excess of \$1,533, and we question this amount as being unsupported. Drawdowns did not exceed expenditures during our testing of the 2013 OJJDP and 2015 OVC awards. We recommend that OVW remedy the \$1,533 and require Catawba to revise its financial management system manual to include specific procedures to prepare drawdown requests.

Federal Financial Reports

According to the Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. To determine whether Catawba submitted accurate Federal Financial Reports (FFR), we compared the federal share of expenditures for each quarter to Catawba’s accounting records. We used the four most recent reports for each of the two grants and the two most recent reports for the cooperative agreement.

As shown in Table 4, the federal share of expenses reported on the FFRs did not match Catawba’s accounting records for the 2012 OVW grant, 2013 OJJDP grant, and 2015 OVC cooperative agreement.

Table 4
Comparison of Federal Share of Expenditures Reported on Federal Financial Reports to Accounting Records

Award Number	Quarter Ended	Amount Reported on Federal Financial Report	Amount Reported on Accounting Records	Difference
2012-TW-AX-0015	3/31/2015	\$54,281	\$76,391	\$(22,110)
	6/30/2015	\$97,453	\$81,681	\$15,772
	9/30/2015	\$55,667	\$58,091	\$(2,424)
	12/31/2015	\$58,723	\$58,723	\$0
2013-TY-FX-0061	3/31/2015	\$6,980	\$20,486	\$(13,506)
	6/30/2015	\$0	\$23,886	\$(23,886)
	9/30/2015	\$0	\$20,683	\$(20,683)
	12/31/2015	\$96,636	\$17,926	\$78,710
2015-VR-GX-K044	12/31/2015	\$0	\$0	\$0
	3/31/2016	\$24,930	\$26,164	\$(1,234)

Source: OJP’s Grants Management System.

Catawba used drawdown information to report on its FFRs rather than actual expenditures. According to the Financial Guide, a grantee should report actual funds spent instead of drawdown amounts from the federal government. Inaccurate reporting prevents OVW and OJP from adequately monitoring award activity. We recommend that OVW and OJP ensure that Catawba has written procedures to ensure FFRs are accurate.

Conclusion

As a result of our audit testing, we conclude that Catawba did not adequately manage the awards. We found significant non-compliance and discrepancies in most of the areas we reviewed. Catawba was unable to demonstrate its achievement of the awards' stated goals and objectives. However, we found that Catawba did not comply with essential award conditions related to financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance and accomplishments. Our dollar-related findings represent 86 percent of funds drawn down at the time of our audit and 49 percent of total funds awarded. We provide 18 recommendations to address these deficiencies.

Recommendations

We recommend that OJP and OVW:

1. Remedy \$790,460 for DOJ Awards without a current Single Audit as described below.
 - a. OVW remedy \$498,060 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2012-TW-AX-0015.
 - b. OJP remedy \$225,238 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2013-TY-FX-0061.
 - c. OJP remedy \$67,162 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2015-VR-GX-K044.
2. Ensure that Catawba has policies and procedures to ensure expenses are current in its accounting system.
3. Ensure that Catawba maintains procurement records for 3 years after final payment in compliance with its own policy.
4. Ensure that Catawba has written procedures to ensure federal financial reports are accurate.
5. Ensure that Catawba implements appropriate accounting procedures to only charge the awards for items included in approved budgets related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TY-FX-0061.
6. Ensure that Catawba develops written procedures to maintain support documentation for reported accomplishments related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TY-FX-0061.
7. Ensure Catawba includes only allowable costs when calculating indirect costs related to deficiencies found in grants 2012-TW-AX-0015 and 2015-VR-GX-K044.

We recommend that OJP:

8. Remedy \$21,939 in funds to better use for unallowable budgeted rental space costs approved in its 2015-VR-GX-K044 grant budget.
9. Remedy \$3,404 in unsupported subrecipient costs for grant 2013-TY-FX-0061.
10. Remedy \$1,667 in unsupported contractor costs for grant 2015-VR-GX-K044.
11. Ensure that Catawba strengthens controls so that subrecipients provide adequate source documentation for charges to DOJ awards, related to deficiencies found in grant 2013-TY-FX-0061.
12. Ensure that Catawba provides truancy and high school dropout data in its progress reports to support the program's effect, related to deficiencies found in grant 2013-TY-FX-0061.

We recommend that OVW:

13. Remedy \$2,503 in unallowable questioned costs for grant 2012-TW-AX-0015 for unallowable pay increases more than the approved amount.⁷
14. Remedy \$29,615 in unallowable costs as a result of items purchased that were not included in an approved budget for Grant Number 2012-TW-AX-0015.
15. Remedy the \$6,575 in unsupported contractor costs for grant 2012-TW-AX-0015.
16. Remedy \$1,533 in unsupported drawn down funds in excess of expenditures for grant 2012-TW-AX-0015.
17. Remedy the \$1,417 in unallowable indirect costs for grant 2012-TW-AX-0015.
18. Ensure Catawba revises its financial management system manual to include specific procedures to prepare drawdown requests for grant 2012-TW-AX-0015.

⁷ In a draft of this report, we initially questioned \$13,099 for pay increases, which we reduced to \$2,503 in this final report. See Appendix 7 for more information about this reduction.

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; and to determine whether the grantee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance and accomplishments.

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

This audit was a review of an OVW grant and an OJP grant and cooperative agreement awarded to Catawba Indian Nation (Catawba) under the Comprehensive Tribal Victim Assistance Program, Tribal Youth Program, and Tribal Governments Program. Catawba was awarded a total of \$1,671,570 under Grant Numbers 2012-TW-AX-0015, and 2013-TY-FX-0061, and Cooperative Agreement Number 2015-VR-GX-K044. As of April 5, 2016, Catawba had drawn down \$956,951 of the total funds awarded. Our audit concentrated on, but was not limited to October 1, 2012, the project start date for Grant Number 2012-TW-AX-0015, through November 29, 2016, the last day of our audit work. Catawba's 2012 award is closed.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of Catawba's activities related to the audited grants and cooperative agreement. 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, OVW Financial Grants Management Guide, the 2015 DOJ Grants 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, as well as Catawba'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, when possible, any findings identified involving information from those systems were verified with documentation from other sources. However, for the findings related to Budget Management and Control, Drawdowns, and Federal

Financial Reports, other sources of information were not available. We used the accounting system data alone for those findings because it was the only source of information available for use.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
<u>Questioned Costs</u>		
Drawdowns for the 2012 OVW, 2013 OJJDP, and 2015 OVC Awards Without a current Single Audit	\$790,460	7
Pay Increases for the 2012 OVW Award More than the Approved Amount	2,503	9
Various Other Direct Costs for the 2012 OVW Award	29,615	10
Indirect Costs for the 2012 OVW Award	<u>1,417</u>	11
Unallowable Costs	\$823,995	
Various Other Direct Costs for the 2013 OJJDP Award	\$3,404	10
Contractor Costs for the 2012 OVW Award	6,575	11
Contractor Costs for the 2015 OVC Award	1,667	11
Excess Drawdowns	<u>1,533</u>	13
Unsupported Costs	\$13,179	
<i>Gross Questioned Costs</i> ⁸	<i>\$837,174</i>	
Less Duplicate Questioned Costs ⁹	<u>(40,308)</u>	
Net Questioned Costs	\$796,866	

⁸ 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.

⁹ Some costs were questioned for more than one reason. We question all draws since January 1, 2014, totaling \$790,460, because Catawba was not compliant with Single Audit requirements. The duplicated questioned costs include all additional questioned costs incurred since January 1, 2014, identified during our expenditures testing. For the 2012 OVW award, this includes \$2,503 in pay increases over the approved amount, \$24,755 in other direct costs, \$279 in indirect costs, \$6,167 in contractor costs, and \$1,533 in excess drawdowns. For the 2013 OJJDP award, this includes \$3,404 in other direct costs. For the 2015 OVC award, this includes \$1,667 in contractor costs.

Funds to Better Use:¹⁰

Unallowable Budgeted Rental Space Costs	<u>\$21,939</u>	10
Total Funds to Better Use	\$21,939	

TOTAL DOLLAR-RELATED FINDINGS **\$818,805¹¹**

¹⁰ Funds to Better Use are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations. Potential remedies for Funds to Better Use include repurposing or deobligation of the funds.

¹¹ The total dollar-related findings represent 86 percent of funds drawn down at the time of our review and 49 percent of total funds awarded.

APPENDIX 3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR 2014 AND 2015**

Catawba Indian Nation Schedule of Expenditures of Federal Awards for the year ended December 31, 2014					
Grantor / Funding Source	Program Title	Federal CFDA Number	Award Number	Project Period	Expenditures
<i>Department of Health and Human Services (DHHS)</i>	Title VI: Part A	93.047	1101SCT6NS	4/01/2011-3/31/2014	\$ 54,575.29
	Title VI: Part C	93.054	1101SCT6CG	4/01/2011-3/31/2014	\$ 15,262.38
	Title VI: Section 311	93.053	1101SCNSIP	4/01/2011-3/31/2014	\$ 23,002.00
	Title IVB: Subpart 1	93.645	G-13PASCCWSS	10/01/2012-09/30/2014	\$ 4,565.00
	Title IVB: Subpart 2	93.556	G-13PACSFPS	10/01/2012-09/30/2014	\$ 12,341.21
	FVPSA	93.671	G-13PASCVPSP	10/01/2012-09/30/2014	\$ 10,304.26
	FVPSA	93.671	G-14PASCVPSP	10/01/2013-09/30/2015	
<i>Started Using Funds 10/01/2014</i>	Assets For Independence	93.602	90EI0843-01-00	09/30/2013-09/29/2018	
Total:					\$ 120,050.14
<i>US Dept of Interior Bureau of Indian Affairs</i>	Aid to Tribal Government	15.020	A14AV00252	1/01/2014-12/31/2016	\$ 509,921.60
	Economic Development	15.032	A14AV00251	1/01/2014-12/31/2016	\$ 185,442.40
	EMDP	15.148	CTS50T03224	9/21/2010-12/30/2012	\$ 2,161.57
	JP&T Program	15.108	A14AV00249	1/01/2014-12/31/2016	\$ 99,827.54
	ICWA	15.144	A14AV00250	1/01/2014-12/31/2016	\$ 139,800.92
	Social Services	15.025	A14AV00247	1/01/2014-12/31/2016	\$ 100,055.41
	Transportation	20.509	CTS50T0322	1/01/2009-12/31/2011	\$ 2,998.02
	REORP	15.040	A14AV00248	1/01/2014-12/31/2016	\$ 123,652.47
	Road Maintenance	15.033	A12AV00309	10/1/2012-12/31/2015	\$ 51,878.20
	Total:				
<i>US Dept of Transportation</i>	2007-2009 Tribal Transit	20.509	SC-18-X029-00	10/01/2009-4/30/2012	\$ -
	2009 ARRA Tribal Transit	20.509	SC-86-X002-00	06/01/2010-05/31/2012	\$ 16,994.88
	2010 Tribal Transit	20.509	SC-18-X032-00	10/01/2012-04/30/2014	\$ -
	2011 Tribal Transit	20.509	SC-18-X034-00	01/01/2013-12/31/2014	\$ 212,715.56
	Total:			*Extended	
<i>US Dept of Agriculture (USDA)</i>	RBOG (extended)	10.773	46-046-571001665	07/01/2008-11/16/2015	\$ 900.46
	RBEG (small business loan)	10.769	SC-090304-933	09/29/2009-11/16/2015	\$ -
	Total:				\$ 900.46
<i>US Dept of Housing & Urban Development (HUD)</i>	RHED	14.250	RH-09-SC-T-0076	3/26/2010-3/26/2015	\$ 2,161.56
	ICDBG	14.867	B-11-SR-45-0268	9/07/2011-9/07/2014	\$ 395,619.51
	Total:			*Extended	
<i>US Dept of Justice (US DOJ)</i>	12' OVW/Circle of Hope	16.806	2012-TW-AX-0015	10/01/2012-12/31/2015	\$ 212,798.87
	Boys & Girls Club	?	2013-TY-FX-0061	10/01/2013-09/30/2016	\$ 114,715.35
	Total:				\$ 327,514.22
<i>Environmental Protection Agency (EPA)</i>	Indian Environmental GAP	66.926	GA-96494713	10/01/2012-12/31/2015	\$ 2,196.47
	Indian Environmental GAP	66.926?	GA-96494714	10/01/2013-09/30/2015	\$ 129,032.17
	Clean Air		TX-95493112-5	10/01/2011-9/30/2016	\$ 121,334.78
	Solid Waste Management	66.808	X1-95470411-1	12/07/2010-09/30/2013	\$ 74,445.41
	Water Quality	?	I-00D07713-0	10/01/2013-09/30/2015	\$ 27,582.10
	Total:			*Extended	
<i>Federal Emergency Management</i>	Pre-Disaster Mitigation	?	PDMC-PL-04-SC-2012-006	05/30/2012-12/31/2015	\$ 17,822.72

	FY 2013 Homeland Security	97.067	EMW-2013-SS-00106	09/01/2013-08/31/2015	\$ 31,725.64
					<u>\$ 49,548.36</u>
<i>US Department of Transportation(US DOT)</i>	Indian Reservation Roads Programs	AGREEMENT	DTFH69-12-H-0084 DTFH69-13-H-00084	10/01/2011 for FY2012 10/25/12 for FY2013	\$ 700,586.19
Total:					<u>\$ 700,586.19</u>
<i>National Congress Of American Indians</i>	NCAI Investment Project	?	Received All Funds Up Front	12/01/2013-11/30/2015	\$ 8,944.00
Total:					<u>\$ 8,944.00</u>
<i>SC Dept of Health (STATE GRANT)</i>	HPP/DHEC	93.889	ER-3-439	07/01/2013-06/30/2014	\$ 32,906.08
	HPP/DHEC	93.074	ML-4-621	07/01/2013-06/30/2014	\$ -
Total:					<u>\$ 32,906.08</u>
<i>SC Dept of Public Safety</i>	12' VAWA/STOP	16.588	1K12019	10/01/2012-09/30/2013	\$ -
	13' VAWA/STOP	16.588	1K13018	10/01/2013-09/30/2014	\$ 29,712.46
Total:					<u>\$ 29,712.46</u>
	GRAND Total:				<u>\$ 3,467,982.48</u>

Catawba Indian Nation
Schedule of Expenditures of Federal Awards
for the year ended December 31, 2015

Grantor / Funding Source	Program Title	Federal CFDA Number	Award Number	Project Period	Expenditures
<i>Department of Health and Human Services (DHHS)</i>	Title VI: Part A	93.047	1101SCT6NS	4/01/2011-3/31/2014	\$ 67,446.36
	Title VI: Part C	93.054	1101SCT6CG	4/01/2011-3/31/2014	\$ 19,406.93
	Title VI: Section 311	93.053	1101SCNSIP	4/01/2011-3/31/2014	\$ 12,274.96
	MPPA	93.071	1301SCMTRB	09/30/2013-09/29/2014	\$ -
	Title IVB: Subpart 1	93.645	G-13PASCWSS	10/01/2012-09/30/2014	\$ 10,189.52
	Title IVB: Subpart 2	93.656	G-13PACFPSS	10/01/2012-09/30/2014	\$ 16,594.44
	FVPSA	93.671	G-14PACFVPS	10/01/2013-09/30/2015	\$ 17,370.41
<i>Started Using Funds 10/01/2014</i>	Assets For Independence	93.602	90EI0843-01-00	09/30/2013-09/29/2018	
<i>Center for Disease Control (CDC)</i>	Good Health & Wellness	93.762	NU58DP005436-02-01	9/30/2014-9/30/2019	\$ 150,290.80
Total:					\$ 293,573.42
<i>US Dept of Interior Bureau of Indian Affairs</i>	Aid to Tribal Government	15.020	A14AV00252	1/01/2014-12/31/2016	\$ 604,415.39
	Economic Development	15.032	A14AV00251	1/01/2014-12/31/2016	\$ 282,952.74
	EMDP	15.148	CTS50T03224	9/21/2010-12/30/2012	\$ 100.86
	J&T Program	15.108	A14AV00249	1/01/2014-12/31/2016	\$ 121,355.15
	ICWA	15.144	A14AV00250	1/01/2014-12/31/2016	\$ 136,864.05
	Social Services	15.025	A14AV00247	1/01/2014-12/31/2016	\$ 125,812.30
	Transportation	20.509	CTS50T0322	1/01/2009-12/31/2011	\$ 2.60
	RECRP	15.040	A14AV00248	1/01/2014-12/31/2016	\$ 120,167.63
	Road Maintenance	15.033	A15AV00309	10/1/2015-12/31/2017	\$ 53,244.69
	Total:				\$ 1,444,915.41
<i>Department of the Interior U.S. Fish & Wildlife Commission</i>	Tribal Wildlife Grant		SC-U-F14AP00515	7/1/2014 - 6/30/2016	\$ 40,343.90
Total:				\$ 40,343.90	
<i>US Dept of Transportation</i>	2011 Tribal Transit	20.509	SC-18-X034-00	01/01/2013-12/31/2014	\$ 57,039.90
	2012 Tribal Transit	20.509	SC-18-X036-00	01/01/2014-12/31/2015	\$ 299,448.18
	2013-14 Tribal Transit	20.509	SC-18-X038-00	01/01/2015-12/31/2016	\$ 104,848.17
Total:				\$ 461,336.25	
<i>US Dept of Agriculture (USDA)</i>	RBOG (extended)	10.773	46-046-571001665	07/01/2008-11/18/2015	\$ 11,939.32
	RBEG (small business loan)	10.769	SC-050304-933	09/29/2009-11/18/2015	\$ -
Total:				\$ 11,939.32	
<i>US Dept of Housing & Urban Development (HUD)</i>	RHED	14.250	RH-09-SC-T-0076	3/26/2010-3/26/2015	\$ -
	ICDBG	14.867	B-11-SR-45-0269	9/07/2011-9/07/2014	\$ 8,061.06
Total:				\$ 8,061.06	
<i>US Dept of Justice (US DOJ)</i>	12' OVW/Circle of Hope	16.806	2012-TW-AX-0015	10/01/2012-12/31/2015	\$ 274,886.17
	Boys & Girls Club	?	2013-TY-FX-0061	10/01/2013-09/30/2016	\$ 82,980.04
Total:				\$ 357,866.21	
<i>Environmental Protection Agency (EPA)</i>	Indian Environmental GAP	66.926	GA-96494713	10/01/2012-12/31/2015	\$ 11,129.46
	Indian Environmental GAP	66.925?	GA-96494714	10/01/2013-09/30/2015	\$ 115,740.00
	Clean Air		TX-95493112-5	10/01/2011-9/30/2016	\$ 104,848.17
	Solid Waste Management	66.808	X1-95470411-1	12/07/2010-09/30/2013	\$ 74,445.41

	DWG / TSA Grant				\$ 166,624.75
	Water Quality	?	I-00D07713-0	10/01/2013-09/30/2015	\$ 55,750.72
Total:				*Extended	<u>\$ 528,538.51</u>
<i>Federal Emergency Management</i>	Pre-Disaster Mitigation	?	PDMC-PL-04-SC-2012-006	05/30/2012-12/31/2015	\$ 11,450.77
	FY 2013 Homeland Security	97,067	EMW-2013-SS-00106	09/01/2013-08/31/2015	\$ 130,806.67
Total:					<u>\$ 142,357.44</u>
<i>US Department of Transportation(US DOT)</i>	Indian Reservation Roads Programs		AGREEMENT DTFH69-12-H-0084	10/01/2011 for FY2012	\$ 577,884.99
Total:				10/25/12 for FY2013	<u>\$ 577,884.99</u>
<i>National Congress Of American Indians</i>	NCAI Investment Project	?	Received All Funds Up Front	12/01/2013-11/30/2015	\$ 9,828.07
Total:					<u>\$ 9,828.07</u>
<i>SC Dept of Health (STATE GRANT)</i>	HPP/DHEC	93,889	ER-3-439	07/01/2013-06/30/2014	\$ 3,063.33
	HPP/DHEC	93,074	ML-4-621	07/01/2013-06/30/2014	\$ -
Total:					<u>\$ 3,063.33</u>
<i>SC Dept of Public Safety</i>	13' VAWA/STOP	16,588	1K13018	10/01/2013-09/30/2014	\$ 37,036.84
Total:					<u>\$ 37,936.84</u>
	GRAND Total:				<u>\$ 3,916,744.75</u>

CATAWBA INDIAN NATION RESPONSE TO THE DRAFT AUDIT REPORT¹²



THE CATAWBA INDIAN NATION
OFFICE OF TRIBAL GOVERNMENT
996 AVENUE OF THE NATIONS ROCK HILL, SOUTH CAROLINA 29730
TELEPHONE (803) 366-4792 FACSIMILE (803) 366-0629

January 12, 2017

Ferris B. Polk
Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
75 Ted Turner Drive SW, Suite 1130
Atlanta, Georgia 30303

RE: Response to Draft Report of OIG Audit regarding DOJ grants 2012-TW-AX-0015, 2013-TY-FX-0061, and 2015-VR-GX-K044 of the Catawba Nation

Dear Mr. Polk,

Thank you for the opportunity to respond to the draft audit report issued Dec. 19, 2016 by your office. As stated in the accompanying management letter, the Catawba Indian Nation (CIN) understands the objective of the Department of Justice Office of the Inspector General's audit and is committed to correcting any and all issues identified during the course of the audit process.

During 2013 the Catawba Nation was dealing with a poorly executed conversion of computer software that took place in 2012 for the accounting department. There were also important vacancies of accounting staff positions. The heavy workload was difficult to manage while short-handed and new staff members initially lacked the training to complete their duties in a timely manner. This caused many issues, the major one being falling behind on our single audits. In 2016 the Nation filled two important positions. [REDACTED] replaced [REDACTED] as Controller. [REDACTED] filled a long vacant position of Senior Accountant. These experienced individuals had an immediate impact on the operation of the accounting department and new procedures are being implemented to ensure separation of duties, correct allocation of expenditures, and regular reconciliation of accounts is being done.

In addition, CIN has finalized an engagement letter with our auditing firm, Scott & Co, to complete all outstanding audits 2014, 2015, and 2016 by Decembers 31, 2017. A copy is included for your review. All finance related policies and procedures are being reviewed to ensure compliance with the recommendations in this audit, sound financial principles, and the OMB Super Curricular. We believe that we are making significant strides to address the recommendations in a timely manner.

The CIN is committed to showing the programs that we work with from the Department of Justice that we are correcting the mistakes made. The program funds that we have received have had a positive

Jason Harris
Assistant Chief

William Harris
Chief

Roderick Beck
Secretary/Treasurer

¹² Attachments referenced in this response were not included in this final report.



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impact on the citizens of the tribe. We want to continue to work with the Department of Justice as we continue to expand these programs and create new ones.

Thank you again for allowing us a chance to respond to the recommendations listed in the draft report. If you need any additional information or have any questions please feel free to contact Elizabeth Harris, Tribal Administrator at 803-366-4792 or Elizabeth.harris@catawbaindian.net.

Sincerely,

A handwritten signature in cursive script that reads "William Harris".

William Harris
Chief
Catawba Indian Nation

Jason Harris
Assistant Chief

William Harris
Chief

Roderick Beck
Secretary/Treasurer

Recommendation #1

Remedy \$790,460 for DOJ Awards without a current Single Audit as described below.

- a. OVW remedy \$498,060 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2012-TW-AX-0015.
- b. OJP remedy \$225,238 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2013-TY-FX-0061.
- c. OJP remedy \$67,162 in unallowable costs as a result of Catawba not having a Single Audits for FY 2014 and FY 2015 for grant 2015-VR-GX-K044.

Response: The Catawba Nation does not agree with this recommendation. We are aware that we are out of compliance with the Single Act requirement, but we have kept the individual agencies up to date on our progress towards remedying this situation. We receive regular emails for updates from OJP and have constant communication with them. We currently have engaged our auditing firm to complete 2014, 2015, and 2016 audits by December 31, 2017. See attached engagement letter. We feel that we are actively working to remedy this recommendation and have been forth coming with agency representatives about this. The \$790,460 associated with this recommendation was used to provide the services outlined in our grant applications providing great benefit to our community. Therefore, we feel that the purposes of the grant were satisfied, and the recommendation to remedy this amount is severe.

Recommendation #2

Ensure that Catawba has policies and procedures to ensure expenses are current in the accounting system.

Response: The Catawba Nation agrees with this recommendation. The addition of a new Controller and Senior Accountant has already helped facilitate this process. In addition, we are reviewing and updating our Financial Management Policies and Procedures to ensure that expenses are current in our CSI Accounting system.

Recommendation #3

Ensure that Catawba maintains procurement records for 3 years after final payment in compliance with its own policy.

Response: The Catawba Nation is in agreement with this recommendation. While it is our policy for all departments to maintain their procurement records for 3 years after final payment, through this process we have identified a need to have a centralized system to maintain this information. The Office of Procurement will be the dedicated repository for this information.

Recommendation #4

Ensure that Catawba has written procedures to ensure federal financial reports are accurate.

Response: The Catawba Nation agrees with this recommendation. We are currently updating our Grants Management Handbook to ensure that all reports both programmatic and financial are done accurately. As we are updating this handbook, we are also ensuring that our procedures are in compliance with the OMB Super Circular.

Recommendation #5

Ensure that Catawba implements appropriate accounting procedures to only charge the awards for items included in approved budgets related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TY-FX-0061.

Response: The Catawba Nation is in agreement with this recommendation. We feel that having the new Controller and Senior Accountant on staff has been integral in addressing this recommendation. In addition, we will put new measures in place within both the Financial Management Policies and Grants Management Handbook to ensure that budgets are checked by accounting staff before applying expenses, that the program managers have more regular updates of their expenses so any questioned charges can be remedied quickly, and develop a procedure for program managers to check expenses before they are paid.

Recommendation #6

Ensure that Catawba develops written procedures to maintain support documentation for reported accomplishments related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TY-FX-0061.

Response: The Catawba Nation agrees with this recommendation. As we update the Grants Management Handbook we are adding a policy that all program managers submit a copy of their reports to the Grants Management office with any backup needed for the report. The program managers will also be required to keep hard copies of each report in their files along with the associated support documentation.

Recommendation #7

Ensure Catawba includes only allowable costs when calculating indirect costs related to deficiencies found in 2012-TW-AX-0015 and 2013-TY-FX-0061.

Response: The Catawba Nation agrees with this recommendation. The specific items addressed in the report mainly consisted of IDC charged to employee's share of health insurance expenses and other costs deemed unallowable by the audit. The Financial Management policies when updated will address proper calculation of indirect cost. The accounting department already implemented a system to remove the employee portion of any health insurance before IDC is calculated.

Recommendation #8

Remedy \$21,939 in funds to better use for unallowable budgeted rental space costs approved in its 2015-VR-GX-K044 grant budget.

Response: The Catawba Nation agrees with this recommendation. When questions arose during the audit process, the Catawba Nation discontinued drawing down any space cost for this program even though it was approved in the budget. The program manager will complete a budget modification to move this money to another allowable cost category.

Recommendation #9

Remedy \$3404 in unsupported sub recipient costs for grant 2013-TY-FX-0061.

Response: The Catawba Nation is in agreement with this recommendation. We have incorporated measures to better scrutinize our sub recipient's invoices moving forward.

Recommendation #10

Remedy \$1667 in unsupported contractor costs for grant 2015-VR-GX-K044.

Response: The Catawba Nation does not agree with this recommendation. We do agree that we were unable to substantiate the competitive bid process that we followed, but we can substantiate that the monies were used for the audit which is an allowable cost within the grant budget.

Recommendation #11

Ensure that Catawba strengthens controls so that sub recipients provide adequate source documentation for charges to DOJ awards, related to deficiencies found in grant 2013-TY-FX-0061.

Response: We agree with this recommendation. We have incorporated measures to ensure that proper support documentation is included in all sub recipient invoices.

Recommendation #12

Ensure that Catawba provides truancy and high school dropout data in its progress reports to support the program's effect, related to deficiencies found in grant 2013-TY-FX-0061.

Response: The Catawba Nation agrees with this recommendation. As stated in the response to recommendation #6, policies are being created to address this. We will also hold any sub recipients to the same standard.

Recommendation #13

Remedy \$13,099 in unallowable questioned costs for grant 2012-TW-AX-0015 for the following reasons.

- a. \$13,099 in unallowable costs for retroactive pay increases for 2012-TW-AX-0015.
- b. \$8574 in unallowable questioned costs for retroactive pay increases made for work outside the grant period for 2012-TW-AX-0015.

Response: The Catawba Nation disagrees with this recommendation. The grant budget as approved by OVW included a 6% raise for all employees each year of the grant period 2012-2014. The employees were still being paid their salary rates from 2010 because raises had not been approved for employees during that time frame. The raise that was approved by the Executive Committee was only for 2012-2014 and 2010 was only mentioned in the minutes of the meeting because they had not received raises since that time not because the raises were retroactive back to that time period.

Recommendation #14

Remedy \$29,615 in unallowable costs as a result of items purchases that were not included in an approved budget for grant number 2012-TW-AX-0015.

Response: We are in partial agreement and partial disagreement with this recommendation. We have already agreed to the \$8812 of items improperly charged to the grant because they were not in the grant budget. We are addressing this in the future by updating our Financial Management policies. We do not agree with the part of the recommendation regarding rental space of \$21,503. Tribal Nations are isolated and there are no other available office spaces within our Nation or nearby our Nation to rent. We feel that this should be an allowable expense for us and other tribes. Since the item was approved in the budget submitted to OVW we also feel that we should not be penalized after the fact.

Recommendation #15

Remedy the \$6575 in unsupported contractor costs for grant 2012-TW-AX-0015.

Response: The Catawba Nation does not agree with this recommendation. We do agree that we were unable to substantiate the competitive bid process that we followed, but we can substantiate that the monies were used for the audit which is an allowable cost within the grant budget.

Recommendation #16

Remedy \$1533 in unsupported drawn down funds drawn down in excess of expenditures for grant 2012-TW-AX-0015.

Response: We do not agree with this recommendation. In preparing for the audit of our 2014 financial statements it was discovered that we had not recorded our expense for South Carolina Unemployment Tax. We calculated what was owed by each department and paid the money due through the State's online service. This expense did not go through our Accounts Payable system where it would have been recorded. In 2014 we were required to pay 5.082% in tax on the first \$12,000 paid to each employee. We believe that this unrecorded expense caused the drawdown discrepancy.

Recommendation #17

Remedy the \$1417 in unallowable indirect costs for grant 2012-TW-AX-0015.

Response: We agree with this recommendation and plan to create policies to address this moving forward.

Recommendation #18

Ensure Catawba revises its financial management system manual to include specific procedures to prepare drawdown requests for grant 2012-TW-AX-0015.

Response: Catawba Nation agrees with this recommendation in regards to all awards and will make sure this is part of the updates to our Financial Management policies.

**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 18 2017

MEMORANDUM TO: Ferris B. Polk
Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin
Director 

SUBJECT: Response to the Draft Audit Report, *Audit of the Office on Violence Against Women and Office of Justice Programs Awards to the Catawba Indian Nation, Rock Hill, South Carolina*

This memorandum is in reference to your correspondence, dated December 19, 2016, transmitting the above-referenced draft audit report for the Catawba Indian Nation (Catawba) in Rock Hill, South Carolina. We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains 18 recommendations and \$796,866¹ in net questioned costs, and \$21,939 in funds put to better use; of which five recommendations, \$292,400 in net questioned costs, and \$21,939 in funds put to better use are directed to the Office of Justice Programs (OJP); six recommendations and \$504,466 in net questioned costs are directed to the Office on Violence Against Women (OVW); and seven recommendations are directed to both OJP and OVW.

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 and OVW remedy \$790,460 for DOJ awards without a current Single Audit as described below:**
 - a. **OVW remedy \$498,060 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2012-TW-AX-0015.**
 - b. **\$225,238 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2013-TY-FX-0061.**

¹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount.

c. \$67,162 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2015-VR-GX-K044.

OJP agrees with all subparts of this recommendation, and will coordinate with Catawba to ensure submission of the delinquent Single Audit Reports for Fiscal Years (FY) 2014 and 2015. In February 2015, Catawba provided to OJP its standard assurances of compliance with audit requirements, in its application for funding under Cooperative Agreement Number 2015-VR-GX-K044. However, as indicated in this finding, Catawba is delinquent in submitting its FY 2014 and FY 2015 Single Audit Reports to the Federal Audit Clearinghouse (FAC). Accordingly, in conflict with its previous assurances, Catawba is not in compliance with Federal audit requirements and the related special conditions outlined in U.S. Department of Justice (DOJ) awards from OJP and OVW. Based on this non-compliance, and the serious nature of the audit findings, on December 29, 2016, the DOJ designated Catawba as a high-risk grantee. Further, in accordance with OJP Instruction OJP 14501.1A, *Temporarily Freezing Payments and Suspension or Termination of Grant or Cooperative Agreement Awards*, OJP imposed an immediate freeze on Catawba's funding under its open and active awards, on December 16, 2016. The high-risk designation will remain in effect until all open audit recommendations in this report are closed by the OIG, including submission of all delinquent Single Audit Reports to FAC.

2. We recommend that OJP and OVW ensure that Catawba has policies and procedures to ensure expenses are current in its accounting system.

OJP agrees with this recommendation. We will coordinate with Catawba to obtain a copy of written policies and procedures, developed and implemented, to ensure that expenses are timely and accurately posted in its accounting system.

3. We recommend that OJP and OVW ensure that Catawba maintains procurement records for 3 years after final payment in compliance with its own policy.

OJP agrees with this recommendation. We will coordinate with Catawba to obtain a copy of written procedures, developed and implemented, to ensure that procurement records are maintained for at least three years after final payment, in compliance with its own policy.

4. We recommend that OJP and OVW ensure that Catawba has written procedures to ensure federal financial reports are accurate.

OJP agrees with this recommendation. We will coordinate with Catawba to obtain a copy of written policies and procedures, developed and implemented, to ensure that financial information is accurately reported in future Federal Financial Reports.

5. **We recommend that OJP and OVW ensure that Catawba implements appropriate accounting procedures to only charge the awards for items included in approved budgets related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TY-FX-0061.**

OJP agrees with this recommendation. We will coordinate with Catawba to obtain a copy of written accounting procedures, developed and implemented, to ensure that Federal awards are only charged for items included in the approved budgets.

6. **We recommend that OJP and OVW ensure that Catawba develops written procedures to maintain support documentation for reported accomplishments related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TY-FX-0061.**

OJP agrees with this recommendation. We will coordinate with Catawba to obtain a copy of written policies and procedures, developed and implemented, to ensure that supporting documentation is maintained for accomplishments reported in future DOJ performance reports.

7. **We recommend that OJP and OVW ensure Catawba includes only allowable costs when calculating indirect costs related to deficiencies found in grants 2012-TW-AX-0015 and 2015-VR-GX-K044.**

OJP agrees with this recommendation. We will coordinate with Catawba to obtain a copy of written policies and procedures, developed and implemented, to ensure that only allowable costs are included when calculating indirect costs for DOJ awards.

8. **We recommend that OJP remedy \$21,939 in funds to better use for unallowable budgeted rental space costs approved in its 2015-VR-GX-K044 grant budget.**

OJP agrees with this recommendation. We will coordinate with Catawba to remedy the \$21,939 in funds to better use, related to unallowable rental space costs approved in the grant budget for Cooperative Agreement Number 2015-VR-GX-K044.

9. **We recommend that OJP remedy \$3,404 in unsupported subrecipient costs for grant 2013-TY-FX-0061.**

OJP agrees with this recommendation. We will coordinate with Catawba to remedy the \$3,404 in questioned costs, related to subrecipient expenditures that were charged to Grant Number 2013-TY-FX-0061.

10. **We recommend that OJP remedy \$1,667 in unsupported contractor costs for grant 2015-VR-GX-K044.**

OJP agrees with this recommendation. We will coordinate with Catawba to remedy the \$1,667 in questioned costs, related to unsupported contractor expenditures that were charged to Cooperative Agreement Number 2015-VR-GX-K044.

11. **We recommend that OJP ensure that Catawba strengthens controls so that subrecipients provide adequate source documentation for charges to DOJ awards, related to deficiencies found in grant 2013-TY-FX-0061.**

OJP agrees with this recommendation. We will coordinate with Catawba to obtain a copy of written policies and procedures, developed and implemented, to ensure that subrecipients provide adequate source documentation for charges reimbursed under future DOJ awards.

12. **We recommend that OJP ensure that Catawba provides truancy and high school dropout data in its progress reports to support the program's effect, related to deficiencies found in grant 2013-TY-FX-0061.**

OJP agrees with this recommendation. We will coordinate with Catawba to obtain a copy of written policies and procedures, developed and implemented, to ensure that performance measures data reported in future progress reports submitted to OJP for Grant Number 2013-TY-FX-0061 reflect program accomplishments. In addition, OJP's Office of Juvenile Justice and Delinquency Prevention (OJJDP) will work with Catawba to improve performance measures reported in its Data Collection Training and Technical Assistance Tool overall, and, in particular, those related to target behaviors. OJJDP will also work with Catawba to determine whether performance measure data on truancy, dropout rates, and delinquency can be obtained, prior to grant implementation. However, regarding formal documentation of program outcomes, while OJJDP agrees that performance metrics address project activities related to specific program categories that can track data related to truancy prevention, high school dropout rates, and juvenile delinquency, OJJDP believes that a more rigorous evaluation design would be necessary to determine, with any confidence whether or not the program is solely responsible for outcomes.

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

cc: 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

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Office for Victims of Crime

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cc: James Simonson
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Beatrice Hanson
Principal Deputy Director
Office on Violence Against Women

cc: Donna Simmons
Associate Director
Grants Financial Management Division
Office on Violence Against Women

Rodney Samuels
Audit Liaison
Office on Violence Against Women

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

OJP Executive Secretariat
Control Number IT20161220071457

**OFFICE ON VIOLENCE AGAINST WOMEN
RESPONSE TO THE DRAFT AUDIT REPORT**



U.S. Department of Justice

Office on Violence Against Women

Washington, DC 20530

January 16, 2017

MEMORANDUM

TO: Ferris B. Polk
Regional Audit Manager
Atlanta 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 on Violence Against Women (OVW) and Office of Justice Programs (OJP) Awards to the Catawba Indian Nation, Rock Hill, South Carolina

This memorandum is in response to your correspondence dated December 19, 2016 transmitting the above draft audit report for Catawba Indian Nation. We consider the subject report resolved and request written acceptance of this action from your office.

The report contains 18 recommendations which include \$797,039 in net questioned costs, and \$21,939 in funds to better use; of which 6 recommendations and \$52,239 in questioned costs are directed to OVW; and 7 recommendations are directed to both OJP and OVW. OVW is committed to working with the grantee to address and bring these recommendations to a close as quickly as possible. The following is our analysis of the audit recommendations.

OIG recommend that OJP and OVW:

1. Remedy \$790,460 for DOJ Awards without a current Single Audit as described below.
 - a. OVW remedy \$498,060 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2012-TW-AX-0015.

- b. OJP remedy \$225,238 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2013-TY-FX-0061.**
- c. OJP remedy \$67,162 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2015-VR-GX-K044.**

OVW does agree with the recommendation. We will coordinate with the grantee to remedy \$790,460 for DOJ Awards without a current Single Audit as described.

2. Ensure that Catawba has policies and procedures to ensure expenses are current and in its accounting system.

OVW is requesting closure of this recommendation. We will coordinate with the grantee to ensure that they have policies and procedures to ensure expenses are current and in its accounting system.

3. Ensure that Catawba maintains procurement records for 3 years after final payment in compliance with its own policies.

OVW does agree with the recommendation. We will coordinate with the grantee ensure that they maintain procurement records for 3 years after final payment in compliance with its own policies.

4. Ensure that Catawba has written procedures to ensure federal financial reports are accurate.

OVW does agree with the recommendation. We will coordinate with the grantee to ensure that they have written procedures to ensure federal financial reports are accurate.

5. Ensure that Catawba implements appropriate accounting procedures to only charge the awards for items included in approved budgets related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TW-FX-0061.

OVW does agree with the recommendation. We will coordinate with the grantee to ensure that they implement appropriate accounting procedures to only charge the awards for items included in approved budgets related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TW-FX-0061.

6. Ensure that Catawba develops written procedures to maintain support documentation for reported accomplishments related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TW-FX-0061.

OVW does agree with the recommendation. We will coordinate with the grantee to ensure they develop written procedures to maintain support documentation for reported accomplishments related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TW-FX-0061.

7. Ensure Catawba includes only allowable costs when calculating indirect costs related to deficiencies found in grants 2012-TW-AX-0015 and 2015-VR-GX-K044.

OVW does agree with the recommendation. We will coordinate with the grantee to ensure that they include only allowable costs when calculating indirect costs related to deficiencies found in grants 2012-TW-AX-0015 and 2015-VR-GX-K044.

OIG recommends that OVW:

13. Remedy \$13,099 in unallowable questioned costs for grant 2012-TW-AX-0015 for the following reasons.

- a. \$13,099 in unallowable questioned costs for retroactive pay increases for 2012-TW-AX-0015.**
- b. \$8,574 in unallowable questioned costs for retroactive pay increases made for work outside the grant period for 2012-TW-AX-0015.**

OVW does agree with the recommendation. We will coordinate with the grantee to ensure that they remedy \$13,099 in unallowable questioned costs for grant 2012-TW-AX-0015.

14. Remedy \$29,615 in unallowable costs as a result of items purchased that were not included in an approved budget for Grant Number 2012-TW-AX-0015.

OVW does agree with the recommendation. We will coordinate with the grantee to remedy \$29,615 in unallowable costs as a result of items purchased that were not included in an approved budget for Grant Number 2012-TW-AX-0015.

15. Remedy \$6,575 in unsupported contractor costs for grant 2012-TW-AX-0015.

OVW does agree with the recommendation. We will coordinate with the grantee to remedy \$6,575 in unsupported contractor costs for grant 2012-TW-AX-0015.

16. Remedy \$1,533 in unsupported drawdown funds drawn down in excess of expenditures for grant 2012-TW-AX-0015.

OVW does agree with the recommendation. We will coordinate with the grantee to remedy \$1,533 in unsupported drawdown funds drawn down in excess of expenditures for grant 2012-TW-AX-0015.

17. Remedy \$1,417 in unallowable indirect costs for grant 2012-TW-AX-0015.

OVW does agree with the recommendation. We will coordinate with the grantee to remedy \$1,417 in unallowable indirect costs for grant 2012-TW-AX-0015.

18. Ensure Catawba revises its financial management system manual to include specific

procedures to prepare drawdown requests for grant 2012-TW-AX-0015.

OVW does agree with the recommendation. We will coordinate with the grantee to ensure that they revise its financial management system manual to include specific procedures to prepare drawdown requests for grant 2012-TW-AX-0015.

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

Suzanne Pugliese
Program Manager
Office on Violence Against Women (OVW)

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

The Office of the Inspector General (OIG) provided a draft of this audit report to the Catawba Indian Nation (Catawba), the Office on Violence Against Women (OVW), and the Office of Justice Program's (OJP). We incorporated Catawba's response in Appendix 4, OJP's response in Appendix 5, and OVW's response in Appendix 6 of this final report. In response to our draft audit report, OVW and 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.

Recommendations for OJP and OVW:

1. Remedy \$790,460 for DOJ Awards without a current Single Audit as described below.

- a. OVW remedy \$498,060 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2012-TW-AX-0015.**
- b. OJP remedy \$225,238 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2013-TY-FX-0061.**
- c. OJP remedy \$67,162 in unallowable costs as a result of Catawba not having Single Audits for FY 2014 and FY 2015 for grant 2015-VR-GX-K044.**

Resolved. OJP concurred with our recommendation and stated that it will coordinate with Catawba to ensure submission of the delinquent Single Audit Reports for Fiscal Years (FY) 2014 and 2015. OJP stated that, based on Catawba's non-compliance and the serious nature of the audit findings, the DOJ has designated Catawba as a high-risk grantee. OJP also imposed a freeze on Catawba's funding under its open and active awards. The high-risk designation will remain in effect until all open audit recommendations in this report are closed by the OIG, including submission of all delinquent Single Audit Reports.

OVW concurred with our recommendation and stated that it will coordinate with the grantee to remedy \$790,460 for DOJ awards without a current Single Audit as described.

Catawba did not concur with our recommendation. However, Catawba agreed that it was not in compliance with the Single Audit requirements and stated

that it has kept OVW and OJP up-to-date with its progress toward addressing the non-compliance. Catawba engaged an auditing firm to complete its FY 2014, FY 2015, and FY 2016 Single Audits. Catawba also stated that the costs we questioned were used to provide services outlined in the award applications, providing a benefit to the community. Catawba believes it satisfied the purposes of the grants.

Regarding Catawba's response to the draft report, OMB Circular A-133 imposed an annual requirement on Catawba to make an assessment of its federal expenditures and perform an audit for those years when expenditures exceeded the applicable threshold. Consequently, Catawba was required throughout the award project periods to obtain a Single Audit when necessary. Despite providing specific assurances of compliance with this requirement, and as we detailed in our audit report, Catawba did not comply. In addition, although Catawba now asserts that it used the funds to provide services to satisfy the grants, we could not verify this because, as detailed in our audit report, Catawba's performance reporting was inaccurate and unsupported.

This recommendation can be closed when we receive documentation that OJP and OVW have remedied \$790,460 in unallowable costs for non-compliance with Single Audit requirements.

2. Ensure that Catawba has policies and procedures to ensure expenses are current in its accounting system.

Resolved. OJP concurred with our recommendation and stated that it will coordinate with Catawba to obtain policies and procedures implemented to ensure that expenses are timely and accurately posted in the accounting system.

OVW concurred with our recommendation and requested closure. OVW did not provide a basis for closing the recommendation but stated that it will coordinate with Catawba to ensure it has policies and procedures to ensure expenses are current and in the accounting system.

Catawba concurred with our recommendation. Catawba stated that it is reviewing and updating its Financial Management Policies and Procedures to ensure expenses are current in its accounting system.

This recommendation can be closed when we receive documentation that Catawba has updated its policies and procedures to ensure expenses are current in its accounting system.

3. Ensure that Catawba maintains procurement records for 3 years after final payment in compliance with its own policy.

Resolved. OJP concurred with our recommendation and stated that it will coordinate with Catawba to obtain policies and procedures implemented to

ensure that procurement records are maintained for at least 3 years after final payment.

OVW concurred with our recommendation and stated that it will coordinate with Catawba to ensure that it maintains procurement records for 3 years after final payment.

Catawba concurred with our recommendation and stated that it centralized its system by designating its Office of Procurement as the dedicated repository for this information.

This recommendation can be closed when we receive documentation that Catawba has completed steps necessary to ensure procurement records are maintained for 3 years after final payment.

4. Ensure that Catawba has written procedures to ensure federal financial reports are accurate.

Resolved. OJP concurred with our recommendation and stated that it will coordinate with Catawba to obtain policies and procedures implemented to ensure that financial information is accurately reported in future federal financial reports.

OVW concurred with our recommendation and stated that it will coordinate with Catawba to ensure it has written procedures regarding the accuracy of federal financial reports.

Catawba concurred with our recommendation and stated that it is updating its Grants Management Handbook to ensure all future reports will be accurate. Catawba further stated that it will ensure procedures are in compliance with the Office of Management and Budget Super Circular.

This recommendation can be closed when we receive documentation that Catawba has updated its policies to ensure all federal financial reports are accurate.

5. Ensure that Catawba implements appropriate accounting procedures to only charge the awards for items included in the approved budgets related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TY-FX-0061.

Resolved. OJP concurred with our recommendation and stated that it will coordinate with Catawba to obtain policies and procedures implemented to ensure that Federal awards are charged for only items included in the approved budgets.

OVW concurred with our recommendation and stated that it will coordinate with Catawba to ensure it implements appropriate accounting procedures to charge the awards for only items included in approved budgets.

Catawba concurred with our recommendation and stated that it is updating its Financial Management Policies and Grants Management Handbook to ensure that budgets are checked by accounting staff before applying expenses.

This recommendation can be closed when we receive documentation that Catawba implemented procedures to ensure it only charges awards for items included in the approved budgets.

6. Ensure that Catawba develops written procedures to maintain support documentation for reported accomplishments related to deficiencies found in grants 2012-TW-AX-0015 and 2013-TY-FX-0061.

Resolved. OJP concurred with our recommendation and stated that it will coordinate with Catawba to obtain policies and procedures implemented to ensure that supporting documentation is maintained for accomplishments reported in performance reports.

OVW concurred with our recommendation and stated that it will coordinate with Catawba to ensure it develops written procedures and maintains support documentation for reported accomplishments.

Catawba concurred with our recommendation and stated that it is updating its Grants Management Handbook to require all program managers to submit a copy of their reports along with support documentation to the Grants Management office. It also requires that program managers maintain a hard copy of the report along with support documentation.

This recommendation can be closed when we receive documentation that Catawba developed written procedures to maintain support documentation for reported performance.

7. Ensure Catawba includes only allowable costs when calculating indirect costs related to deficiencies found in grants 2012-TW-AX-0015 and 2015-VR-GX-K044.

Resolved. OJP concurred with our recommendation and stated that it will coordinate with Catawba to obtain policies and procedures implemented to ensure that only allowable costs are included when calculating indirect costs for DOJ awards.

OVW concurred with our recommendation and stated that it will coordinate with Catawba to ensure it includes only allowable costs when calculating indirect costs.

Catawba concurred with our recommendation and stated that it is updating its Financial Management Policies to ensure proper calculation of indirect costs. In addition, Catawba stated that it has implemented a system to remove the employee portion of any health insurance before calculating indirect costs.

This recommendation can be closed when we receive documentation that Catawba implemented procedures to ensure it only includes allowable costs when calculating indirect costs.

Recommendations for OJP:

8. Remedy \$21,939 in funds to better use for unallowable budgeted rental space costs approved in its 2015-VR-GX-K044 grant budget.

Resolved. OJP concurred with our recommendation and stated it will coordinate with Catawba to remedy the \$21,939 in funds to better use.

Catawba concurred with our recommendation and stated that it will complete a budget modification to move this funding to an allowable cost category.

This recommendation can be closed when we receive documentation that OJP has remedied the \$21,939 in funds to better use.

9. Remedy \$3,404 in unsupported subrecipient costs for grant 2013-TY-FX-0061.

Resolved. OJP concurred with our recommendation and stated it will coordinate with Catawba to remedy the \$3,404 in questioned costs.

Catawba concurred with our recommendation and stated that it has incorporated measures to better scrutinize subrecipient invoices.

This recommendation can be closed when we receive documentation that OJP has remedied the \$3,404 in unsupported questioned costs.

10. Remedy \$1,667 in unsupported contractor costs for grant 2015-VR-GX-K044.

Resolved. OJP concurred with our recommendation and stated it will coordinate with Catawba to remedy the \$1,667 in questioned costs.

Catawba did not concur with our recommendation. Catawba agreed it was unable to substantiate its competitive bid process but asserted that it could substantiate that the costs we questioned were allowable under the grant.

Regarding Catawba's response, although the funds were used for allowable purposes, Catawba's own policy requires a competitive bid process for contracts over \$10,000. Consequently, because Catawba could not demonstrate that it utilized a competitive procurement process in accordance

with its procurement procedures, these costs are properly questioned as unsupported.

This recommendation can be closed when we receive documentation that OJP has remedied the \$1,667 in unsupported contractor costs.

11. Ensure that Catawba strengthens controls so that subrecipients provide adequate documentation for charges to DOJ awards, related to deficiencies found in grant 2013-TY-FX-0061.

Resolved. OJP concurred with our recommendation and stated that it will coordinate with Catawba to obtain policies and procedures implemented to ensure that subrecipients provide adequate source documentation for charges reimbursed under future DOJ awards.

Catawba concurred with our recommendation and stated that it has incorporated measures to ensure proper documentation is included in all subrecipient invoices.

This recommendation can be closed when we receive documentation that Catawba's new measures ensure subrecipients submit adequate documentation for subrecipient charges.

12. Ensure that Catawba provides truancy and high school dropout data in its progress reports to support the programs effect, related to deficiencies found in grant 2013-TY-FX-0061.

Resolved. OJP concurred with this recommendation and stated that it will coordinate with Catawba to obtain policies and procedures implemented to ensure that performance data reported in future progress reports submitted to OJP for Grant Number 2013-TY-FX-0061 reflect program accomplishments. In addition, OJP stated that the Office of Juvenile Justice and Delinquency Prevention (OJJDP) will work with Catawba to improve performance measures. However, OJP stated that OJJDP believes a more rigorous evaluation design would be necessary to determine if the program is solely responsible for outcomes.

Catawba concurred with our recommendation and referred to its response to Recommendation 6.

This recommendation can be closed when we receive documentation that Catawba includes truancy and dropout data in its progress reports to demonstrate the program's effect.

Recommendations for OVW:

13. Remedy \$2,503 in unallowable questioned costs for grant 2012-TW-AX-0015 in unallowable pay increases more than the approved amount.

Resolved. In the draft audit report, we recommended that OVW remedy \$13,099 in unallowable questioned costs for retroactive pay increases for grant 2012-TW-AX-0015 and \$8,574 in unallowable questioned costs for retroactive pay increases made for work outside the grant period for grant 2012-TW-AX-0015. OVW concurred with our recommendation and stated that it will coordinate with Catawba to remedy the questioned costs.

Catawba did not concur with our recommendation and stated that the OVW-approved grant budget included a 6 percent raise for all employees each year of the grant period from 2012 through 2014. Award documents support that the grant period was originally from October 1, 2012, to September 30, 2015, and was extended to December 31, 2015. OVW's approved budget included a 6 percent cost of living adjustment for years 2 and 3 of the grant period. Years 2 and 3 extended from October 1, 2013, to September 30, 2015. In its response to the draft audit report, Catawba stated that the raise, approved by its Executive Committee, was only for 2012 through 2014. Catawba also stated that 2010 was only mentioned in the minutes of the meeting because staff had not received raises since that time and not because the raises were retroactive back to that time period.

We agree that OVW approved 6 percent cost of living adjustments for years 2 and 3 of the grant. We disagree that Catawba only mentioned 2010 in the minutes because staff had not received raises since that time and not because the raises were retroactive back to that time period. The Executive Committee meeting minutes indicate that, in March 2015, it approved an annual 2.4 percent salary increase that was applied retroactively for 5 years. The 5-year period began January 1, 2010, and ended December 31, 2014. During the audit, Catawba provided us its retroactive pay increase calculation that applied the salary increase to the period January 1, 2010, through September 30, 2012, all of which was outside the grant award period. In the grant budgets, OVW approved 6 percent cost of living adjustments for years 2 and 3 of the award period but did not approve the retroactive application of the salary increases to the period prior to the grant award.

We recalculated the allowable salary increases based on actual salaries in year 1 of the award period. We determined that the maximum allowable increases for the 2-year period were \$10,596. We question \$2,503, which is the difference between the \$13,099 actually charged to the grant for salary increases and the \$10,596 that was allowable. We recommend that OVW remedy the \$2,503 in questioned costs for grant 2012-TW-AX-0015 for unallowable pay increases more than the approved amount. We revised the

report to modify the discussion of this finding on page 9 and the Schedule of Dollar-Related Findings on page 18 to reflect our revised analysis.

This recommendation can be closed when we receive documentation that OVW has remedied the \$2,503 in unallowable pay increases over the approved amount.

14. Remedy \$29,615 in unallowable costs as a result of items purchased that were not included in an approved budget for Grant Number 2012-TW-AX-0015.

Resolved. OVW concurred with our recommendation and stated that it will coordinate with Catawba to remedy the questioned costs.

Catawba concurred with \$8,812 of the questioned costs pertaining to items charged to the grant but not approved in the grant budget. Catawba stated that it is updating its Financial Management policies to address this finding. Catawba did not concur with \$21,503 in questioned costs for rental space. Catawba stated that there is no other available space to rent within the Nation or nearby and that rent should be an allowable expense. Catawba also stated that it should not be penalized given that OVW had approved the expense in the grant budget.

Although OVW approved this expense in error, the Financial Guide clearly states that grantees may not charge rental space to a grant for property the grantee owns. In addition, for Recommendation 8, Catawba concurred with our conclusion and recommendation that this type of expense is unallowable, and Catawba stated that it plans to repurpose the funds.

This recommendation can be closed when we receive documentation that OVW has remedied the \$29,615 in unallowable rental space costs.

15. Remedy the \$6,575 in unsupported contractor costs for grant 2012-TW-AX-0015.

Resolved. OVW concurred with our recommendation and stated that it will coordinate with Catawba to remedy the questioned costs.

Catawba did not concur with our recommendation. Catawba agreed it was unable to substantiate its competitive bid process but asserted that it could substantiate that the costs we questioned were allowable under the grant.

Regarding Catawba's response, although the funds were used for allowable purposes, Catawba's own policy requires a competitive bid process for contracts over \$10,000. Consequently, because Catawba could not demonstrate that it utilized a competitive procurement process in accordance with its procurement procedures, these costs are properly questioned as unsupported.

This recommendation can be closed when we receive documentation that OVW has remedied \$6,575 in unsupported contractor costs.

16. Remedy \$1,533 in unsupported drawn down funds in excess of expenditures for grant 2012-TW-AX-0015.

Resolved. OVW concurred with our recommendation and stated that it will coordinate with Catawba to remedy the questioned costs.

Catawba did not concur with our recommendation. Catawba stated that while preparing for the 2014 audit, it discovered that expenses for the South Carolina Unemployment Tax had not been recorded in its accounts payable system. Catawba believes this unrecorded expense caused the unsupported drawdowns. We recognize that Catawba's response may explain the cause for the unsupported cost, but this explanation was not provided to us during the audit. Additionally, Catawba has not provided documentary support for the costs we questioned.

This recommendation can be closed when we receive documentation that OVW has remedied the \$1,533 in unsupported drawn down funds in excess of expenditures.

17. Remedy \$1,417 in unallowable indirect costs for grant 2012-TW-AX-0015.

Resolved. OVW concurred with our recommendation and stated it will coordinate with Catawba to remedy the questioned costs.

Catawba concurred with our recommendation and stated that it plans to create policies pertaining to this finding. However, Catawba did not address a remedy for the questioned costs.

This recommendation can be closed when we receive documentation that OVW has remedied \$1,417 in unallowable indirect costs.

18. Ensure Catawba revises its financial management system manual to include specific procedures to prepare drawdown requests for grant 2012-TW-AX-0015.

Resolved. OVW concurred with our recommendation and stated that it will coordinate with Catawba to ensure that it revises the financial management system manual to include specific procedures for drawdown requests.

Catawba concurred with our recommendation. Catawba stated that it is updating its Financial Management policies to include specific procedures for drawdown requests.

This recommendation can be closed when we receive documentation that Catawba updated its Financial Management policy to include specific procedures to prepare drawdown requests.

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