



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



**Audit of the Office of Juvenile Justice
and Delinquency Prevention National
Mentoring Programs Grants
Awarded to the National Council of
Young Men's Christian
Associations of the USA
Chicago, Illinois**

**AUDIT OF THE
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
NATIONAL MENTORING PROGRAMS GRANTS
AWARDED TO THE NATIONAL COUNCIL OF
YOUNG MEN'S CHRISTIAN ASSOCIATIONS OF THE USA
CHICAGO, ILLINOIS**

EXECUTIVE SUMMARY

The Department of Justice Office of the Inspector General (OIG) completed an audit of the Office of Justice Programs (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP) National Mentoring Programs grants 2014-JU-FX-0023 and 2015-JU-FX-0025 awarded to the National Council of Young Men's Christian Associations (YMCA) of the USA (Y-USA) in Chicago, Illinois. The purpose of these awards, which totaled \$6,952,517, was to enhance mentoring programs to reduce juvenile delinquency, gang participation, and school drop-out rates. As of December 2016, Y-USA had drawn down \$3,726,821 of the total grant funds awarded.

The objectives of our audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards; and to determine whether the grantee demonstrated adequate progress towards achieving program goals and objectives. To accomplish these objectives, we assessed Y-USA's performance in the following areas: grant administration; financial management, which included budget management and control, drawdowns, and federal financial reports; grant-related expenditures; subrecipient monitoring; and program performance and accomplishments.

We found significant issues with Y-USA's management of the National Mentoring Programs grants. Some of these issues impacted multiple areas of the administration of the awards and compliance with OJP guidance. In particular, we found that Y-USA did not have comprehensive grant management policies and procedures. This is important because Y-USA utilized personnel from an affiliate YMCA in San Francisco (the YMCA of San Francisco) to facilitate and implement the National Mentoring Programs grants and these personnel included the National Program Director and Associate National Director. Although OJJDP approved Y-USA's plans and budgets for using these personnel in executing the grant, Y-USA did not follow the administrative structure as described in the grant plans and budgets. Instead, Y-USA established a contract with the YMCA of San Francisco for its services related to the grant and tracked all of its expenditures in the aggregate rather than by OJJDP-approved budget categories. Further, we found that in addition to establishing a contract to use YMCA of San Francisco personnel in national grant management roles, Y-USA also selected the YMCA of San Francisco as a subrecipient for both audited grants. Because the YMCA of San Francisco was

both a subrecipient and responsible for monitoring all subrecipients, we believe that there is a potential conflict of interest that should be addressed.

Moreover, we determined that there were two fundamental flaws with Y-USA's execution of its financial management responsibilities that affected Y-USA's ability to manage and safeguard grant funds from fraud, waste, and abuse: (1) Y-USA's method for making payments to grant subrecipients was based upon a system of advancing a fixed amount of grant funds to each subrecipient every 6 months, and (2) Y-USA did not track expenditures against budgeted categories. Consequently, these improper procedures impacted Y-USA's compliance with OJP requirements related to drawdowns, budget management and control, and financial reporting. We also believe that advancing grant funds to subrecipients impacted Y-USA's ability to effectively monitor these subrecipients and impacted subrecipients' ability to comply with OJP requirements.

We found that Y-USA's financial management deficiencies resulted in Y-USA advancing more than \$3.5 million to its subrecipients, but only accounting for \$1.9 million in subrecipient expenditures. As a result, we are questioning \$1,588,614 in unallowable costs. Further, we identified various deficiencies with Y-USA's review and approval of grant expenditures and, as a result of our analysis and testing, we are questioning a total of \$74,443 in unsupported expenditures.

Finally, in regards to performance and accomplishments, we could not definitively determine if Y-USA accurately reported progress towards meeting the goals and objectives for its 2014 grant program because of deficiencies with Y-USA's data collection and reporting process. Moreover, for the 2015 grant, Y-USA had not yet reported any statistical accomplishments as of June 2016. We believe that there is an enhanced risk that the deficiencies we identified in Y-USA's 2014 grant performance reporting could affect the reporting for the 2015 grant.

We discussed the results of our audit with Y-USA officials and have included their comments in the report, as applicable. Throughout the audit, Y-USA and YMCA of San Francisco officials expressed a commitment to implementing successful grant programs that complied with OJP requirements. Moreover, we found that as a result of our audit findings and subsequent discussions with Y-USA officials, between April and June 2017, Y-USA stopped its practice of advancing funds to subrecipients, developed financial-related grant procedures, and modified its budget to better reflect the financial and administrative structure of the grant. While we believe that these actions demonstrate Y-USA's commitment to improve its programs, our report contains 12 recommendations to OJP related to grant management improvements and \$1,663,057 in questioned costs.

Our audit objectives, scope, and methodology are discussed in Appendix 1 and our Schedule of Dollar-Related Findings appears in Appendix 2. In addition, we requested a response to our draft audit report from Y-USA and OJP, and these responses are appended to this report in Appendices 3 and 4. Our analysis of the responses, as well as the summary of actions necessary to close the recommendations can be found in Appendix 5 of this report.

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**Table 1
Grants Awarded to Y-USA**

Award Number	Award Date	Project Start Date	Project End Date	Award Amount
2014-JU-FX-0023	09/15/2014	10/01/2014	09/30/2017	\$4,627,342
2015-JU-FX-0025	09/29/2015	10/01/2015	09/30/2018	\$2,325,175
Total:				\$6,952,517

Source: Office of Justice Programs

OIG Audit Approach

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether the grantee demonstrated adequate progress towards achieving the programs’ goals and objectives. To accomplish these objectives, we assessed Y-USA’s performance in the following areas: grant administration; financial management, which included budget management and control, drawdowns, and federal financial reports; grant-related expenditures; subrecipient monitoring; and program accomplishments. Our audit period covers Y-USA’s grant performance between October 2014 and December 2016.

We tested compliance with what we consider the most important conditions of the grants. The *OJP Financial Guide*, the *DOJ Financial Guide*, and the award documents contain the primary criteria we applied during the audit.¹ The results of our analysis are discussed in the following sections of this report. The audit objectives, scope, and methodology are included in the report as Appendix 1. The Schedule of Dollar-Related Findings appears in Appendix 2.

¹ The OJP Financial Guide governs the 2014 grant, while the revised 2015 DOJ Financial Guide applies to the 2015 grant. The revised DOJ Financial Guide reflects updates to comply with the Uniform Grant Guidance, 2 C.F.R. part 200.

Grant Administrative Structure

Y-USA is located in Chicago, Illinois, and is a non-profit organization for youth development, healthy living, and social responsibility. There are 2,700 affiliate YMCAs throughout the United States, and Y-USA serves as the national resource office for these affiliates.

OJJDP awarded these National Mentoring Programs funds to Y-USA to strengthen or expand existing mentoring activities within its affiliate network. The 2014 grant activities funded direct one-to-one mentoring services and the 2015 grant funded group mentoring services.² Both of these Y-USA national mentoring programs targeted at-risk and underserved youth populations with the goal of reducing negative outcomes, including juvenile delinquency, gang participation, and school dropout rates.

To accomplish the National Mentoring Programs grants goals and objectives, Y-USA stated it would capitalize on its national network of local YMCAs as grant subrecipients. As a result, approximately 90 percent of grant funds were to be subawarded to affiliate YMCAs as subrecipients. In addition to the subrecipients, Y-USA also planned to leverage programmatic expertise from personnel at the YMCA of San Francisco, who had experience overseeing a multi-state mentoring program, to support and implement both national mentoring programs. As such, both the National Program Director and Associate National Director were employees of the YMCA of San Francisco.

The original project plans submitted to OJJDP, in particular Y-USA's budget narratives, portrayed a coordinated effort and partnership between Y-USA and the YMCA of San Francisco to administer the grants, oversee subrecipients, and ensure that the goals of the grant programs were achieved. The project plans categorized the National Director, Associate National Director, and Vice President of Operations, all of whom were employees of the YMCA of San Francisco, as personnel within the grant management structure and framework. However, during the audit we found that, in practice, Y-USA instead executed a contract with the YMCA of San Francisco, designated the YMCA of San Francisco as an independent contractor, and set forth certain conditions and requirements for the YMCA of San Francisco's performance of services. According to the contract, the YMCA of San Francisco was generally responsible for selecting, training, and monitoring subrecipients, to include collecting and reviewing programmatic and financial data from subrecipients and reporting this information to Y-USA.

However, the YMCA of San Francisco was also a subrecipient for both the 2014 and 2015 awards. Given the subrecipient oversight responsibilities assigned to the national program personnel from the YMCA of San Francisco, we believe that this increases the risk for a conflict of interest. When we discussed this with the National Director from the YMCA of San Francisco, this individual stated that there

² OJJDP initially awarded funds to Y-USA in 2012 to implement a National Mentoring Program. The 2014 grant awarded to Y-USA, in part, as a continuation of services under the 2012 grant, which ended in January 2016. The 2012 grant was not included in our audit testing.

was a clear separation of duties between the personnel responsible for overseeing the national mentoring programs, as defined in the contract, and the personnel responsible for implementing the program, as defined in the subrecipient agreement. However, this does not negate that the National Program Director and Associate National Director were responsible for programmatic and financial subrecipient monitoring, which would include the YMCA of San Francisco's local mentoring programs. Moreover, we found that the Vice President from the YMCA of San Francisco was involved in overseeing both contract-related and subrecipient activities performed by the YMCA of San Francisco.

Overall, we believe that the grant administration format and structure defined in the project plans approved by OJJDP compared to the actual execution likely yield similar programmatic results. Nevertheless, we alerted both OJJDP and Y-USA to the differences between the original OJJDP-approved plan and the actual execution of the grant. Subsequently, in June 2017, Y-USA submitted and OJJDP approved a Grant Adjustment Notification (GAN) that modified the budget and grant structure and designated the YMCA of San Francisco as a sub-contractor.³ However, the GAN did not address the potential conflict of interest of having YMCA of San Francisco as a contractor with oversight responsibility of YMCA of San Francisco as a subrecipient. Therefore, we recommend that OJP coordinate with Y-USA to evaluate this issue.

Grant Financial Management

OJP guidance requires that all grant recipients and subrecipients establish accounting systems and maintain financial records that accurately account for awarded funds. We found that Y-USA and the YMCA of San Francisco implemented a segregated and loosely coordinated process to account for grant funds. Specifically, Y-USA's Financial Services Office was responsible for establishing and maintaining the general ledgers for the grants, YMCA of San Francisco was responsible for monitoring subrecipients and reviewing subrecipients' grant expenditures, and Y-USA's Office of Youth Development and Social Responsibility was responsible for tracking subrecipients' grant expenditures. However, we found this approach was not documented in formal grant financial management policies and procedures.

In addition, during the audit we found that there were two fundamental flaws with Y-USA's execution of its financial management responsibilities that affected Y-USA's ability to manage and safeguard grant funds from fraud, waste, and abuse: (1) Y-USA's method for making payments to grant subrecipients was based upon a system of advancing a fixed amount of grant funds to each subrecipient every 6 months, and (2) Y-USA did not track expenditures against budgeted categories. During the audit, we informed Y-USA and YMCA of San Francisco officials of these

³ A Grant Adjustment Notice (GAN) is a request submitted by the grantee to OJP to make a programmatic, administrative, or financial change to a grant. The GAN submitted by Y-USA and approved by OJP was specific to the 2014 grant. However, Y-USA and YMCA of San Francisco officials stated that a similar budget modification GAN for the 2015 grant is in process and will be submitted in the immediate future.

issues. In response, the officials stated that the process for advancing funds would cease and that they would submit a budget modification request to better reflect the current financial structure for expenditures related to the grant programs. Y-USA provided us with evidence that it officially stopped its practice of advancing funds to its subrecipients as of April 2017.

In addition, in June 2017, Y-USA submitted and OJJDP approved a budget modification GAN that realigned the grant program funding categories to correspond with how Y-USA tracked expenses in its general ledger. While we believe that Y-USA’s actions will improve its management of these awards, our report still provides information on how the deficiencies found during the audit impacted Y-USA’s compliance with OJP requirements related to drawdowns, budget management and control, and financial reporting, as described in the following sections.

Drawdowns and Advances to Subrecipients

As of December 2016, Y-USA had drawn down a total of \$3,726,821 from the two awards. The award and drawdown totals are detailed in the following table.

Table 2
Grant Drawdowns

Award Number	Award Amount	Drawdown Amount
2014-JU-FX-0023	\$4,627,342	\$3,265,427
2015-JU-FX-0025	2,325,175	461,394
Totals	\$6,952,517	\$3,726,821

Source: OJP

According to OJP, grantees must minimize the time between the transfer of funds from the U.S. Department of the Treasury and the disbursement of funds whenever advance payment procedures are used. Specifically, OJP guidance requires recipients to develop written policies and procedures for cash management of funds to ensure that federal cash on hand is the minimum needed for disbursement or reimbursements to be made immediately or within 10 days. As noted above, Y-USA did not have formalized policies for grant financial management and this included procedures for grant drawdowns. We determined that Y-USA’s Financial Services Office was responsible for overseeing Y-USA’s drawdowns from OJP. One Y-USA official stated that Y-USA’s calculations for its drawdown amounts were predominantly based on the amount to be advanced to subrecipients every 6 months. This official stated that Y-USA believed it had complied with OJP’s guidelines for cash minimization because it distributed the funds to subrecipients immediately after the drawdown. However, the practice of advancing funds to subrecipients is out of compliance with OJP’s guidelines because the subrecipients would then have excess cash on hand.

In addition, we found that while Y-USA posted the advances to subrecipients in the general ledgers for the grants, Y-USA financial personnel did not

subsequently account for or reconcile the subrecipients' actual grant expenditures to the advanced amounts. Rather, Y-USA's Financial Services Office generally relied upon the YMCA of San Francisco and Y-USA officials with programmatic responsibilities to monitor subrecipients' expenditures. To monitor subrecipients' expenditures, the YMCA of San Francisco used financial reporting templates that aligned with the original OJJDP-approved budget categories and identified the amount of funds allocated to each budget category. Subrecipients were required to use the templates to submit monthly "expense reports" along with supporting documentation. After YMCA of San Francisco personnel reviewed and approved subrecipients' expense reports, the reports were mailed to Y-USA's Office of Youth Development and Social Responsibility for tracking and retention purposes. However, the subrecipient expenditure information was never provided to the Y-USA Financial Services Office to reconcile with the advanced payments to each subrecipient that were tracked in the official general ledgers.

When we initiated our audit in September 2016, Y-USA had not received subrecipients' monthly expense reports related to the 2014 grant since approximately May 2016. Nevertheless, on November 11, 2016, Y-USA advanced more than \$1 million in grant funds to its subrecipients. In addition, as of September 2016 paid \$461,394 in 2015 grant funds to subrecipients without accounting for actual subrecipient expenditures.

As of December 2016, Y-USA had advanced more than \$3.5 million to its subrecipients, but had only accounted for \$1.9 million in subrecipient expenditures, as shown in the table below.⁴

Table 3
Grant Funds Advanced to Subrecipients and
Subrecipient Expenditures Reported to Y-USA
as of December 2016

Award Number	Total Payments to Subrecipients	Subrecipient Expenses Reported to Y-USA	Outstanding Advanced Funds
2014-JU-FX-0023	\$3,065,512	\$1,938,292	\$1,127,220
2015-JU-FX-0025	461,394	0	461,394
Total:	\$3,526,906	\$1,938,292	\$1,588,614

Source: OIG Analysis and Review of Y-USA Documentation

As noted above, during the audit Y-USA officials stated that Y-USA ceased its practice of advancing funds to subrecipients; however, as of December 2016, a total of \$1,588,614 remained inappropriately advanced to Y-USA's subrecipients.

⁴ Although the figures for funds advanced to subrecipients were obtained from Y-USA's official accounting records, the figures for subrecipient expenditures represent amounts as recorded by Y-USA and the YMCA of San Francisco in unofficial grant accounting records used to monitor subrecipient expenditures. We did not audit the entire universe of subrecipient advances and expenditures. We performed testing of individual subrecipient expenditures and our results are captured in the Grant Expenditures section of this report.

Therefore, we recommend that OJP remedy the questioned costs totaling \$1,588,614 in outstanding advances to grant subrecipients.

Moreover, when we analyzed the timing of Y-USA's drawdowns associated with the 2014 award, we found multiple instances where Y-USA failed to meet the requirement to disburse funds immediately or within 10 days of the drawdown. In one instance, Y-USA had over \$307,000 cash-on-hand for approximately 40 days, significantly longer than the 10-day timeframe. Additionally, our comparison of total expenditures to drawdowns for this award revealed that as of December 2016, Y-USA had drawn down \$21,541 more than the total expenses recorded in its accounting system. According to Y-USA officials, in September 2016, they mistakenly drew down \$400,000 from the 2014 grant that was supposed to account for expenses related to the 2015 grant. Y-USA officials stated that they subsequently used the 2014 funds to pay for the 2015 grant expenditures. Y-USA officials stated that upon discovering this error in November 2016, Y-USA refunded approximately \$309,000 to OJJDP for the 2014 grant, but still had excess cash on-hand. In February 2017, Y-USA refunded approximately \$67,000 to OJP to correct the drawdown error. Y-USA officials stated that they were not concerned with the drawdown errors because Y-USA "organizationally" did not have excess cash on-hand. However, OJP guidance explicitly states that funds specifically budgeted and/or received for one project may not be used to support another. Therefore, Y-USA did not comply with this requirement.

We believe these discrepancies result from a lack of comprehensive grant management policies and procedures, as well as a segregated and loosely coordinated grant financial management structure. In April 2017, Y-USA developed cash management procedures, which state that Y-USA will request funds from OJP based upon immediate needs as project costs are incurred or anticipated within 10 days. However, we have not received evidence that these procedures have been formalized, implemented, or disseminated to appropriate staff. Therefore, we recommend that OJP ensure Y-USA implements and adheres to written drawdown and cash management policies and procedures for grant funds that are compliant with all OJP accounting requirements and develops procedures to ensure its subrecipients also adhere to OJP accounting guidance.

Budget Management and Control

According to OJP guidance, grant recipients are 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 program and sub-award. Additionally, recipients may reallocate up to 10 percent of grant funds among the budget categories without submitting a formal GAN.

During the audit, we found that Y-USA's official accounting system and general ledgers for the grants did not align with its original OJJDP-approved budget categories and therefore could not be used to compare budgeted amounts to actual expenditures. An official from Y-USA's Financial Services Office, the office responsible for distributing grant funds and maintaining the grants' general ledgers,

stated that he was not included in the development of the program budgets that were submitted to and approved by OJJDP. This official stated that the Financial Services Office established grant accounts that tracked expenses by the categories that are universal to the entire Y-USA organization and not the categories included in the original OJJDP-approved budget.

In turn, the YMCA of San Francisco used a template that aligned with OJJDP-approved budget categories to support its contract-related expenses and also tracked each subrecipients' expenditures using the aforementioned templates that aligned to the original OJJDP-approved budget categories. However, there was no cross-walk or other formal methods to translate the expenditure information tracked in these templates by the original OJJDP-approved budget categories to the total expenditures recorded in the organization's official accounting system. As a result of these disconnected expense tracking procedures for both the 2014 and 2015 grants, the OIG was unable to determine if Y-USA reallocated funds among the original OJJDP-approved budget categories or violated the 10-percent transfer allowance.

In June 2017, OJJDP approved a GAN submitted by Y-USA to modify its budget. As reflected in the table below, the modified budget transferred \$4,502,967 in personnel, fringe benefits, travel, supplies, and other costs to the contractual budget category. Y-USA also submitted an updated budget narrative that explicitly stated that these costs were associated with subrecipients and the YMCA of San Francisco.

Table 4
OJP-Approved Original and Updated Grant Budgets
for the 2014 One-to-One Mentoring Grant

Category	Original Budget	Revised Budget
Personnel	\$3,520,014	\$18,750
Fringe Benefits	830,982	5,625
Travel	99,106	0
Supplies	23,800	0
Contractual	50,000	4,552,967
Other	103,440	0
Indirect Cost	0	50,000
Total	\$4,627,342	\$4,627,342

Source: OJP

In addition, Y-USA provided the OIG with updated procedures for tracking and monitoring grant-related expenditures. These procedures included the development of a financial reporting template that summarizes monthly expenditures against approved budgets. However, Y-USA did not provide evidence demonstrating that these procedures were implemented and distributed to the appropriate personnel responsible for grant management. Therefore, we recommend that OJP ensure that Y-USA implement procedures to monitor budget

expenditures by category and determine if transfers have exceeded the 10 percent threshold.

Federal Financial Reports

According to OJP, recipients shall report, on a quarterly basis, the actual expenditures and unliquidated obligations incurred for the reporting period, as well as cumulative expenditures for the award. To determine whether Y-USA submitted accurate Federal Financial Reports (FFRs), we reviewed all reports covering the periods of October 2014 through September 2016 and compared them to Y-USA's accounting records for the 2014 grant. For the 2015 grant, we reviewed four reports covering the periods from October 2015 to September 2016 and compared them to Y-USA's accounting records.

We found that Y-USA's process for completing the FFRs was solely reliant on the financial information contained in the grants' general ledgers. However, as stated, we found that the general ledgers only tracked the amounts advanced to subrecipients and not actual subrecipients' expenditures of grant funds. Therefore, while the quarterly and cumulative expenditures for the FFRs we reviewed generally matched Y-USA's accounting records, the information provided did not meet OJP requirements and did not provide an accurate reflection of cumulative program expenditures.

In addition, we reviewed the timeliness of FFR submissions to determine if Y-USA met the OJP requirement to submit FFRs within 30 days of the end of the quarterly reporting period. We found that four of the eight reports reviewed for the 2014 grant were submitted between 2 and 224 days late. The Y-USA Financial Services Office employee who was responsible for the FFRs stated that the reports were late due to an initial lack of knowledge of the reporting requirement. We found that Y-USA submitted the four reports for the 2015 award on time.

In April 2017, Y-USA provided the OIG with updated procedures for financial reporting. However, Y-USA did not provide evidence that these procedures were implemented and disseminated to the appropriate personnel responsible for grant management. Therefore, we recommend that OJP ensure Y-USA implement policies and procedures to ensure Y-USA submits accurate and timely reports in compliance with OJP requirements.

Single Audit Requirement

Non-federal entities that receive federal financial assistance are required to comply with the Single Audit Act of 1984, as amended. The Single Audit Act provides for recipients of federal funding above a certain threshold to receive an

annual audit of their financial statements and federal expenditures.⁵ We reviewed Y-USA's Single Audit Reports for fiscal years (FY) 2013 through 2015; none of the reports contained any findings related to the administration of federal awards.⁶

Additionally, OJP guidance states that grant recipients should ensure that subrecipients comply with single audit requirements. We found that Y-USA does not have procedures in place to verify subrecipients' compliance with the single audit requirement, nor has Y-USA communicated the audit requirement to subrecipients. When we asked Y-USA officials about this, they stated that they did not believe any of the subrecipients met the single audit expenditure threshold.

We found that five subrecipient YMCAs filed Single Audit Reports for FYs 2014 and four subrecipients filed Single Audit Reports for FY 2015. Of these subrecipients, two had findings related to federal awards, although none of the findings related to DOJ grants. However, an FY 2015 Single Audit Report for a subrecipient YMCA indicated that the YMCA had incurred a significant decrease in net assets and experienced negative cash flows from its operating activities for the year. According to the independent auditors, these factors raised doubt about the affiliate YMCA's ability to continue as a going concern.⁷ This particular YMCA participates in both audited grant programs and received a total of \$95,513 in grant funds from Y-USA, as of December 2016. This issue highlights the importance of reviewing subrecipient compliance with single audit requirements because the reports can provide valuable information about an organization's financial health and suitability for receiving federal funds. As a result, we recommend that OJP ensure that Y-USA establishes procedures to ensure that subrecipients comply with the Single Audit Act requirements and to evaluate the impact of any subrecipients' findings on Y-USA's federal awards.

Grant Expenditures

In reviewing individual grant expenditures, we concentrated on the use of funds for the 2014 one-to-one mentoring grant because Y-USA had not started tracking subrecipient expenditures for its 2015 group mentoring grant. Y-USA's original and updated grant budget for the 2014 award allocated more than \$4.1 million to subrecipients, accounting for approximately 90 percent of the award.

⁵ Under Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, such entities that expend \$500,000 or more in federal funds within the entity's fiscal year must have a "single audit" performed annually covering all federal funds expended that year. On December 26, 2014, OMB Circular A-133, was superseded by 2 C.F.R. 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The new guidance, which affects all audits of fiscal years beginning on or after December 26, 2014, raised the audit threshold from \$500,000 to \$750,000.

⁶ Y-USA's fiscal year begins on January 1 and ends on December 31.

⁷ A going concern is the basic underlying assumption that an entity will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations, and objectives.

As discussed below, we found various deficiencies with Y-USA’s review and approval of grant expenditures.

Subrecipient Expenditures

As of December 2016, Y-USA recorded subrecipient expenditures totaling \$1,938,292. To evaluate subrecipient expenditures, we selected a judgmental sample of 16 of the 36 subrecipients associated with the 2014 award. According to the National Program Director, these subrecipients accounted for \$815,314 in grant funds expended from October 1, 2015, through September 30, 2016. The following table provides an overview of the subrecipients we reviewed and their expenditures, as recorded by the YMCA of San Francisco.⁸

Table 5
Sample of Subrecipient Expenditures

YMCA Subrecipients	Personnel	Fringe	Travel	Supplies	Other	Totals
Subrecipient 1	\$43,112	\$11,563	\$794	\$65	\$401	\$55,935
Subrecipient 2	36,562	10,061	33	56	1,393	48,105
Subrecipient 3	39,488	12,953	1,707	36	619	54,803
Subrecipient 4	41,016	8,895	37	267	694	50,909
Subrecipient 5	30,289	9,143	1,142	401	474	41,449
Subrecipient 6	36,289	8,337	1,191	435	791	47,043
Subrecipient 7	36,192	8,324	523	180	491	45,710
Subrecipient 8	43,003	11,340	190	497	880	55,910
Subrecipient 9	42,766	7,536	864	283	2,029	53,478
Subrecipient 10	47,023	7,290	0	0	0	54,313
Subrecipient 11	39,554	13,708	622	1,858	1,225	56,967
Subrecipient 12	41,355	9,512	946	0	570	52,383
Subrecipient 13	35,016	10,281	563	573	360	46,793
Subrecipient 14	38,178	7,019	705	149	803	46,854
Subrecipient 15	39,349	13,257	1,996	399	885	55,886
Subrecipient 16	38,414	6,949	769	266	2,378	48,776
Total:	\$627,606	\$156,168	\$12,082	\$5,465	\$13,993	\$815,314

Source: YMCA of San Francisco Subrecipient Grant Expenditure Documentation

To test subrecipient expenditures, we relied on information contained in Y-USA’s subrecipient grant files, which included the internally developed tracking templates and supporting documentation that subrecipients submitted to the National Director and were subsequently mailed to Y-USA. In addition to reviewing documentation to ensure that expenditures were properly supported, we also tested the expenditures to determine if they were approved in the OJJDP budget.

⁸ The figures in Table 5 represent expenditure amounts by subrecipient, as recorded by the YMCA of San Francisco, which were based upon the expense report packages submitted by the various subrecipients.

The OJJDP-approved 2014 grant budget included salary and fringe benefit funds for subrecipients to hire a Program Director. The budgeted amounts for each subrecipient included a base salary and an additional 23 percent of this salary cost for fringe benefits. We determined that one subrecipient did not provide adequate support the amounts charged for both salary and fringe benefit expenditures; these expenditures totaled \$53,065. Therefore, we are questioning \$53,065 in unsupported costs related to subrecipients' salary and fringe benefit expenditures.

Y-USA's approved budget also authorized subrecipients to use grant funds for travel expenses and "other" grant-related expenses, such as cell phones, background checks, printing, telephone service, and mentor outreach. We found one subrecipient had \$271 in travel expenses that were not adequately supported. In addition, we found one subrecipient that did not provide adequate support for \$360 in cell phone service expenditures; two subrecipients that did not provide sufficient support for \$135 in expenses associated with background checks; and two subrecipients that did not provide adequate support for \$240 in printing expenses charged to the grant. We question these amounts, totaling \$1,006, as unsupported.

We also found a subrecipient that did not have any supporting documentation for expenses between January 2016 and April 2016. As a result, we question all of these expenses, totaling \$18,407, as unsupported. In total, we are questioning \$72,479 in unsupported subrecipient expenses and recommend that OJP resolve these question costs.⁹

YMCA of San Francisco – Contract Expenditures

The original budget Y-USA submitted to OJJDP stated that it would use grant funds for salaries and benefits for YMCA of San Francisco personnel, as well as provide funds for other grant-related expenses, such as travel and supplies. Because Y-USA designated the YMCA of San Francisco as an independent contractor, all payments to the YMCA of San Francisco were recorded in the Y-USA general ledger under a general "Consultant Fees and Expenses" category rather than the individual cost categories in the OJJDP-approved budget (e.g., salary, fringe benefits, and supplies). To test these expenditures, we reviewed the general ledger, Y-USA budget narratives and OJJDP-approved budget categories, and YMCA of San Francisco's expense reports and supporting documentation.

We reviewed \$63,834 in expenditures paid to the YMCA of San Francisco for its national grant management activities. In total, 99 percent of the \$63,834 was used to pay personnel and fringe benefits costs for YMCA of San Francisco employees who performed national grant management tasks. We found that the majority of these costs were allowable and supported. However, the YMCA of San Francisco charged the grant \$1,500 for personnel and fringe benefit expenses related to its Vice President, but did not provide time and effort certification reports to support that this individual worked directly on the grant. Therefore, we could

⁹ Differences in the total amounts are due to rounding.

not confirm that the \$1,500 charged to the grant was appropriate and we question this amount as unsupported.

In addition, we found that the YMCA of San Francisco did not provide adequate support for \$465 in grant-related non-personnel costs associated with phone bills, parking, a training course, and postage. Therefore, we question this amount as unsupported.

We recommend that OJP remedy the \$1,965 in unsupported costs associated with the YMCA of San Francisco's contract.

Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. We found that as of September 30, 2016, Y-USA charged the grant \$50,000 in indirect cost expenses. When asked about these expenditures, Y-USA officials stated that the amount of expenditures was based on Y-USA's approved indirect cost rate.¹⁰ In reviewing the original OJJDP-approved budget and other supporting documentation, we found that the approved grant budget did not specifically include indirect costs. However, Y-USA's budget request did include \$50,000 for "administration fees." In the approved grant budget, OJJDP approved \$50,000 for "contract" expenses, which was not an expense category incorporated in Y-USA's budget request and there is no explanation as to how these award funds were to be used. It is possible that the administration fees and contract expenses requested by Y-USA and approved by OJJDP, respectively, represented that the grant was expected to cover costs of an indirect nature. Nonetheless, because indirect costs were not approved by OJJDP in Y-USA's budget, we had initially inquired about the allowability of these costs and alerted Y-USA to our concerns. Y-USA's June 2017 OJJDP-approved budget modification incorporated \$50,000 in indirect costs.¹¹

Subrecipient Monitoring

According to OJP guidance, as the primary recipient of the grant awards, Y-USA is responsible for monitoring subrecipients and verifying that all financial and programmatic responsibilities are fulfilled. Furthermore, primary recipients must ensure that subrecipients' financial management systems are sufficient to ensure grant funds are utilized in accordance with OJP guidance. We sought to determine whether Y-USA monitored its subrecipients to ensure compliance with the OJP guidelines and the Y-USA pledge agreements.

¹⁰ Y-USA's federal indirect cost rate of 22 percent was approved by the Department of Health and Human Services on February 21, 2014.

¹¹ Y-USA's justification for its request for \$50,000 in indirect costs was based on it declining the 22 percent approved rate for the organization and instead using the indirect rate of .01 percent of total direct costs, which equaled \$50,000.

According to Y-USA officials, when they selected YMCAs as subrecipients for both grants, they conducted a formal bidding and selection process that involved financial health as a selection criteria. Y-USA officials stated that they did not specifically review subrecipients' financial management systems. We reviewed the results of the selection process and found that Y-USA and YMCA of San Francisco national mentoring program personnel identified the individuals who would manage financial tracking for the grant program at the subrecipient level, but did not evaluate subrecipients' internal controls or procedures for financial management.

In addition to responsibilities for evaluating subrecipient financial management systems, OJP guidance requires direct recipients to have written subrecipient monitoring policies and procedures. We found that the YMCA of San Francisco developed and promulgated grant-related policies and procedures to subrecipients on behalf of Y-USA for both national mentoring programs. These procedures were consolidated into two documents; a *Program Operations Manual* – outlining key subrecipient job duties, responsibilities, expectations, best practices, and programmatic and financial reporting requirements; and a *Risk Management Procedures Manual* – that included information on the code of conduct and procedures related to areas such as mentee and mentor case file management, training best practices, and incident reporting. In addition, subrecipient monitoring procedures included requirements for program participant file audits, monthly program performance reviews, and site visits. Moreover, subrecipients were required to submit monthly expense reports to the National Director to ensure that expenditures were both allowable and supported.

While Y-USA had policies and procedures in place for monitoring subrecipients, we believe that its implementation of these processes could be improved to better ensure that subrecipients fulfill programmatic and financial requirements. For instance, throughout the life of both grants, YMCA of San Francisco personnel had only conducted three site visits to subrecipients as of May 2017. The National Director stated that they conducted fewer site visits because they prioritized time and resources to training subrecipients' Program Directors. Further, our review of subrecipients' expenditures demonstrated that the Y-USA and YMCA of San Francisco should improve the process for reviewing subrecipients' expense reports and supporting documentation. Therefore, we recommend that OJP coordinate with Y-USA to ensure that subrecipient monitoring procedures are adequate and implemented effectively.

Program Performance and Accomplishments

To determine whether Y-USA demonstrated adequate progress towards achieving program goals and objectives for each award, we reviewed Y-USA progress reports, analyzed Y-USA documentation and data, and interviewed officials overseeing the awards.

Program Goals and Objectives

OJJDP awarded Y-USA the 2014 grant to implement a national one-to-one mentoring program designed to, among other things, provide trained mentors to 3,630 youth to foster healthy familial relationships. In 2015, OJJDP awarded Y-USA another grant to implement a national mentoring program designed to, among other things, provide trained mentors to foster healthy familial relationships for 2,738 youth in a group-mentoring setting. One of OJJDP's primary requirements for these awards was that the recipient ensure that the national mentoring programs be provided to a minimum of 38 states.

Y-USA modeled the overall goals and objectives of both programs on the above requirements and even selected subrecipient YMCAs that were able to provide services in two states due to their proximity to state borders. This allowed Y-USA to meet OJJDP's 38 state requirement. However, Y-USA officials reported difficulties related to sustaining subrecipients across the country because of funding limitations. In its award applications, Y-USA originally requested \$7.6 million for the 2014 mentoring program grant and \$9 million for the 2015 national group mentoring program grant, but OJJDP awarded Y-USA \$4.6 million and \$2.3 million, respectively. Y-USA had previously requested that OJJDP reduce the number of states required for the 2015 award for its group-mentoring program because OJJDP did not award Y-USA the full amount requested in its grant application to implement the program. However, OJJDP denied this request, and Y-USA agreed to fulfill the requirements of the program.

Required Performance Reports

According to OJP guidance, the award recipients should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. We reviewed three semiannual programmatic progress reports for the 2014 one-to-one mentoring program – covering the performance period of January 2015 through June 2016 – and two semiannual progress reports for the 2015 group mentoring grant program – covering the performance period of July 2015 through June 2016. We found that Y-USA had not collected data for the program and therefore, did not report any results for the 2015 grant, as of June 2016. Therefore, we focused our analysis on the 2014 grant program progress reports to determine if Y-USA's subrecipients were on track to carry out Y-USA's 2014 award-related performance objectives.

We spoke with Y-USA officials who stated that their process for tracking and reporting performance is two-fold. First, the National Program Director from the YMCA of San Francisco compiles monthly performance tracking reports that are submitted by each of the subrecipient YMCAs. The National Program Director uses information from these monthly tracking reports to develop the narrative portion of the progress report and provides this portion to Y-USA for review and inclusion in the official report to OJJDP. Officials at Y-USA review this narrative information, and then revise and add information as needed. Second, Y-USA utilizes its research team to collect and review quantitative data submitted by the subrecipient YMCAs.

The research team analyzes the subrecipients' performance metrics and submits this portion of the reporting to Y-USA officials for review and inclusion in the official report to OJJDP.

We reviewed a judgmental sample of Y-USA's quantitative data reported for the 2014 grant. Our sample consisted of the following 10 reported performance measures, for the reporting period July 2015 through June 2016.¹² We compared Y-USA's supporting documentation to the data Y-USA reported to OJJDP on the progress reports, as shown in the following table.

Table 6
2014 One-to-One Mentoring Grant
Progress Report Performance Measures Reviewed
July 2015 – June 2016

Performance Measures Tested	July 2015 – December 2015		January 2016 – June 2016	
	Reported to OJJDP	Y-USA Data	Reported to OJJDP	Y-USA Data
Number of youth served using an evidence-based program or practice	748	754	776	798
Total number of youth served during the reporting period	748	754	776	798
Number of youth enrolled at the beginning of the reporting period	260	584	510	528
Number of new youth added during the reporting period	777	242	263	270
Number of mentoring programs with active partners	34	34	0	33
Number of mentoring programs	34	36	40	37
Number of program youth who exited the program having completed program requirements	147	143	124	158
Total number of youth who exited the program during the reporting period (successful or unsuccessful)	228	226	193	247
Number of program youth served during the reporting period with the noted behavioral change	476	487	381	427
Total number of youth receiving services for the target behavior during the reporting period	744	754	674	798

Source: OJP and Y-USA Progress Report Documents

During our review, we found discrepancies between what Y-USA reported to OJJDP and its supporting documentation for each of the 10 performance measures we tested. When we apprised Y-USA officials of our preliminary findings, these Y-USA officials concurred with our assessment and similarly could not reconcile the differences between the supporting quantitative data and the values reported to OJJDP. These officials stated that the Y-USA employee who was responsible for

¹² Y-USA did not provide performance statistics in its progress report for the period of December 2014 to June 2015.

reporting the information had left Y-USA in December 2016. These officials also stated that they would improve Y-USA's reporting process for future progress reports.

As a result of the inconsistencies we found during our preliminary review of Y-USA's progress reports and supporting data, as well as Y-USA officials' inability to resolve the questions we raised, we could not definitively determine if Y-USA was accurately reporting progress toward the 2014 one-to-one mentoring program grant goals. Further, we believe the deficiencies with Y-USA's data collection and reporting process increase the risk that Y-USA may not be adequately tracking its performance related to the 2015 group mentoring program grant. Therefore, we recommend that OJP require Y-USA to improve its program performance collection and reporting methodology to ensure that Y-USA is reporting accurate performance information to OJJDP and measuring its efforts to meet the intended goals and objectives for both programs.

Compliance with Special Conditions

Federal grant awards establish specific requirements for grant recipients, commonly referred to as special conditions. OJP guidance defines special conditions as additional grant requirements covering areas such as programmatic and financial reporting, prohibited uses of federal funds, consultant rates, changes in key personnel, and proper disposition of program income. Failure to comply with special conditions may result in withholding of funds, suspension, or termination, as appropriate. We found that Y-USA agreed to all of the special conditions identified in both audited grants, including that the special conditions would be passed along to subrecipients. In order to fully assess Y-USA's program implementation, we identified and tested the following three administrative special conditions that were required in both grants and we deemed significant to grant performance, and are not addressed in other sections of this report:

1. Certify appropriate criminal background screening procedures are in place for employees, contractors, and volunteers who have direct and substantial contact with minor children;
2. Report first tier sub-awards of \$25,000 or more to the Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS); and
3. Include language in agreements or contracts with subrecipients and contractors that guarantees OJP's royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use, and authorize others to use (in whole or in part, including in connection with derivative works), for federal purposes: (a) any work subject to copyright developed under an award or subaward, and (b) any rights of copyright to which a recipient or subrecipient purchases ownership with Federal support.

We found that Y-USA reported its subawards to FSRS. However, during our review of Y-USA's contract with the YMCA of San Francisco, as well as its pledge agreement form for subrecipients, we found that Y-USA did not include appropriate copyright language related to OJP's guarantee to royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use, and authorize others to use (in whole or in part, including in connection with derivative works), for federal purposes. Therefore, we recommend that OJP ensure Y-USA incorporates this language in all of its contracts and agreements with subrecipients.

In addition, we found that Y-USA had a policy that required subrecipients to perform appropriate background checks on mentors and employees who participate in the grant programs and interact with youth. Y-USA officials stated that in conjunction with this policy, Y-USA has an organization-wide policy that requires its employees and volunteers who interact with children to undergo background checks. Y-USA's verification process was dependent on Program Directors performing case file audits and submitting the results to the Associate National Director, as well as Program Directors reporting monthly statistics (including certification of background checks) on mentors involved in the program to the YMCA of San Francisco. While we believe that these procedures provide adequate controls for background check requirements, we also found that since the beginning of the 2014 grant, some subrecipients have not reported expending any grant funds for mentor background checks. According to Y-USA and YMCA of San Francisco officials, the subrecipients that have not reported expenses are likely spending their local funds on background checks or have mentors who are involved in other YMCA programs and have already undergone background checks. We recommend that OJP coordinate with Y-USA to ensure that those subrecipients that have not reported background check expenditures are following Y-USA policies for ensuring that mentors receive appropriate background checks.

Conclusion

We found weaknesses in Y-USA's grant administrative structure, grant financial management system, and the oversight of subrecipients. We also found that Y-USA did not adhere to all of the grant requirements we tested and we cannot definitively determine whether Y-USA demonstrated adequate progress towards achieving the grants' stated goals. As a result of the deficiencies found during the audit, we question costs totaling \$1,663,057 and provide 12 recommendations to OJP to address these deficiencies. We discussed these matters with appropriate officials throughout our audit and included their responses in the relevant sections of our report. We also note that Y-USA and YMCA of San Francisco officials asserted their commitment to abiding by grant requirements and updating grant management procedures to not only ensure compliance, but to also implement a successful program.

Recommendations

We recommend that OJP:

1. Coordinate with Y-USA to address the potential conflict of interest with having YMCA of San Francisco as both a contractor and subrecipient.
2. Remedy the \$1,588,614 in unallowable advances to grant subrecipients.
3. Ensure Y-USA implements and adheres to written grant drawdown and cash management policies and procedures that are compliant with all OJP accounting requirements and develops procedures to ensure its subrecipients also adhere to OJP cash management guidance.
4. Ensure Y-USA implements procedures to monitor budget expenditures by category to determine if transfers have exceeded the 10 percent threshold.
5. Ensure Y-USA implements policies and procedures to submit accurate and timely quarterly financial reports in compliance with OJP requirements.
6. Ensure that Y-USA establishes procedures to ensure that subrecipients comply with Single Audit Act requirements and take appropriate action on relevant findings in subrecipient audit reports.
7. Remedy the \$72,479 in unsupported subrecipient expenditures charged to the grant.
8. Remedy the \$1,965 in unsupported contractor expenses charged to the grant.
9. Coordinate with Y-USA to ensure that subrecipient monitoring procedures are adequate and implemented effectively.
10. Require Y-USA to improve its program performance data collection and reporting methodology to ensure that Y-USA is reporting accurate performance information to OJJDP and measuring its efforts to meet the intended goals and objectives for both programs.
11. Ensure Y-USA complies with the special condition requiring appropriate copyright language in all of its contracts and agreements with subrecipients.
12. Require Y-USA to ensure that subrecipients that have not reported background check expenditures are following Y-USA policies for ensuring that mentors receive appropriate background checks.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; 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, including budget management and control, drawdowns, and federal financial reports; grant expenditures, subrecipient monitoring; and program performance. We also visited one sub-recipient affiliate YMCA where we conducted interviews about program objectives and administration.

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

This was an audit of Office of Juvenile Justice and Delinquency Prevention (OJJDP) National Mentoring Programs grants awarded to the National Council of Young Men's Christian Association of the USA (Y-USA). Award number 2014-JU-FX-0023 was for \$4,627,342; and as December 2016, Y-USA had drawn down \$3,265,427 of the total grant funds awarded. Award number 2015-JU-FX-0025 was for \$2,325,175, and as December 2016, Y-USA had drawn down \$461,394 of the total grant funds awarded. Our audit period covers Y-USA's grant performance from October 2014 to December 2016. In July 2017, Y-USA officials informed us that they had submitted a Grant Adjustment Notice and revised budget to OJP, and OJP subsequently approved these requests. We considered this subsequent event in developing our findings and have included that information in our report, as appropriate.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of Y-USA's activities related to the audited grants. We performed judgmental sample-based audit testing of grant expenditures, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants 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, 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 data from Y-USA's accounting system and expenditure tracking sheets specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems was verified with documentation from other sources.

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
Questioned Costs:		
Subrecipient Advance (2014 Award)	\$1,127,220	5
Subrecipient Advance (2015 Award)	<u>461,394</u>	5
Unallowable costs	\$1,588,614	
Unsupported Subrecipient Personnel and Fringe	\$53,065	11
Unsupported Subrecipient Travel and Other	1,006	11
Unsupported Subrecipient Costs (January to April 2016)	18,407	11
Unsupported YMCA of San Francisco Expenses	<u>1,965</u>	12
Unsupported Costs ¹³	\$74,443	
<i>Total Questioned Costs¹⁴</i>	\$1,663,057	
TOTAL DOLLAR-RELATED FINDINGS	<u>\$1,663,057</u>	

¹³ Differences in the total amounts are due to rounding.

¹⁴ Questioned Costs are expenditures that do not comply with legal, regulatory, or contractual requirements, are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

Y-USA'S RESPONSE TO THE DRAFT AUDIT REPORT¹⁵



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

YMCA OF THE USA
RESPONSE TO OFFICE OF INSPECTOR GENERAL
DRAFT AUDIT REPORT
OF CONTRACTS AWARDED BY
YMCA OF THE USA USING OFFICE OF JUSTICE PROGRAMS
GRANT FUNDS

¹⁵ Y-USA's response included several appendices. These appendices are not included in this report due to their technical nature.

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ATTACHMENTS

Attachment Number	Document Description
1	GAN Approval
2	Financial Management Webinar Content
3	Grant Management Policies & Procedures
4	Pledge Agreement
5	Policy & Procedure Handbook
6	Reach and Rise Risk Management Manual



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

MEMORANDUM

Date: August 28, 2017
To: Carol S. Taraszka, Regional Audit Manager, OIG, USDOJ
From: Nancy L. Owens, Chief Financial Officer, YMCA of the USA

YMCA OF THE USA RESPONSE TO
OFFICE OF INSPECTOR GENERAL DRAFT AUDIT REPORT
OF CONTRACTS AWARDED BY
YMCA OF THE USA
USING OFFICE OF JUSTICE PROGRAMS
GRANT FUNDS

I. INTRODUCTION

YMCA of the USA ("Y-USA") appreciates the opportunity to respond to the U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) Draft Audit report dated August 7, 2017 ("Audit Report"). Since 2013, YMCA of the USA has been a proud partner with the U.S. Department of Justice, Office of Justice Programs (OJP) in providing quality, evidence-based mentoring services to youth across the nation working with YMCAs nationwide.

Federal funding helps YMCAs leverage additional resources to advance the Y's cause of strengthening community through youth development, healthy living and social responsibility. Research and experience show that when Y-USA uses federal funding to coordinate projects with respected national partners (e.g., the DOJ) whose involvement reinforces our work, Ys across the country and the communities they serve benefit. Ys can leverage this support to partner with local philanthropic organizations and obtain additional funding to innovate, scale and sustain their work. When the Y receives federal funds and establishes itself as a good steward of public dollars, it earns the respect and trust of state and local government agencies. Consequently, these agencies see Ys as go-to partners for funding, collaboration and shared expertise.

Y-USA is cognizant of the critical role it plays in the oversight of the grant awards made by OJP's Office of Juvenile Justice and Delinquency Prevention (OJJDP).

a. Executive Summary of Y-USA Response

Y-USA appreciates the opportunity to respond to the findings of the OIG's Draft Audit Report dated August 7, 2017. Furthermore, Y-USA appreciates the OJP's remarkable support of the Y's mission-critical work to provide vital mentoring services to America's youth. Y-USA will respond fully and with documented support to each recommendation but respectfully highlights the following points associated with the Audit Report.

- Consistent with Y-USA's expectations and its core values of caring, honesty, respect and responsibility, the comprehensive audit clearly showed that Y-USA's use of OJP funds was ethical and well-intentioned.
- OIG affirmed in the Audit Report that Y-USA and YMCA of San Francisco officials expressed a commitment to implementing successful grant programs that complied with OJP requirements, took proactive steps to further develop grant procedures and modified their budget to better reflect the financial and administrative structure of the grant.
- For all of the findings and recommendations in the OIG draft report Y-USA has provided responses clearly outlining steps taken or to be taken to address such findings. In cases where Y-USA doesn't agree that a finding exists, we have provided additional documentation that we hope will clarify OIG's understanding and alleviate the need for a finding.

Y-USA wants to emphasize that it values its relationship with both OJP and OIG and already has begun to implement steps to bring its process into compliance with OIG's expectations. In short, while Y-USA does not concur with all findings expressed in the Audit Report, it is prepared to work with OJP to make whatever changes are necessary to address OJP's concerns.

b. Y-USA and DOJ History

In 2012, the Office of Juvenile Justice and Delinquency Prevention(OJJDP) awarded Y-USA a \$4 million grant to support the implementation of Reach & Rise®, a mentoring program which seeks to engage underserved youth in therapeutic relationships with trained adult mentors who can lead them to a path of achievement. Developed in 1992 by the YMCA of San Francisco, Reach & Rise® targets youth between the ages of 6 and 17 who live in low income communities disproportionately impacted by crime, poverty and untreated trauma. The mentoring experience provides youth with positive, consistent and nurturing relationships with adults, improving their self-esteem, decision-making skills, school performance and interpersonal relationships. Based upon the success of its initial grant, OJJDP renewed its commitment to Y-USA in 2014 with an additional \$4.6 million grant to serve at-risk youth for three years.

In 2015, OJJDP also awarded Y-USA a \$2.3 million grant to support Reach & Rise® small group mentoring programs in local Ys throughout the country. This new approach provides youth with the opportunity to receive support through the presence of peers as well as dedicated mentors trained through the traditional Reach & Rise® curriculum. The group mentoring program includes activities to build trust among the youth involved and competence in skills such as problem-solving, communication and anger management. OJJDP is Y-USA's sole funder of Reach & Rise®, and its valued investment has allowed the program to scale nationally serving youth across the nation. At the local level, subrecipients may be leveraging OJJDP funding to secure additional dollars to support the program.

The original Reach & Rise® model is a one-to-one mentoring program where employees with a mental health background match each youth with an adult for 12 to 18 months of mentoring. This experience provides youth with positive, consistent and nurturing relationships with adults, improving their self-esteem, decision-making skills, school performance and interpersonal relationships. In 2016, the Y expanded the Reach & Rise® one-to-one model to also include small group mentoring. Using a psychoeducational model with a ratio of two mentors for every six youth, this new approach provides youth with the opportunity to receive support through the presence of peers as well as dedicated mentors trained through the traditional Reach & Rise® curriculum. The group mentoring program includes activities to build trust among the youth involved and competence in skills such as problem-solving, communication and anger management. The Reach & Rise® One-to-One and Group program is offered by 43 local YMCAs serving children in 40 states and the District of Columbia.

Since 2013, Y-USA has received more than \$10 million from OJJDP for this program which has been sub-granted to local Ys to support the Reach & Rise® programs. These grant funds have enabled the Y to scale Reach & Rise nationally from five states to 40 states and the District of Columbia.

c. Y-USA and YMCA of San Francisco Contract Relationship

Within the Draft Audit Report, numerous references are made to the relationship between the YMCA of the USA and the YMCA of San Francisco, as a program subcontractor. To provide context for the readers of this response, outlined below is the scope of the contractual relationship with related roles and responsibilities.

San Francisco agrees to perform the following services within the approved budgetary and timeline framework:

1. Assist with Recruiting (38) YMCA's in (38) states:
 - a. Develop the strategy to recruit YMCAs including but not limited to:
 - i. Outreach to YMCAs and providing information about the program
 - ii. Developing application
 - iii. Reviewing/scoring applications;
2. Develop Materials for Mentoring Program

- a. Create a program operations and risk management manual for group mentoring
- b. Create a mentor training curriculum for mentoring programs
- c. Create an activities guide for mentoring programs;
- 3. Train (38) YMCAs:
 - a. Conduct training for (38) new program directors on the model
- 4. Ongoing Support of the (38) YMCAs:
 - a. Provide regularly support (clinical & risk management support)
 - b. Facilitate monthly check-in calls
 - c. Monitor outcomes and reinforce grant deliverables
 - d. Perform file audits
 - e. Conduct site visits as needed
 - f. Review financial tracking documentation

YMCA of the USA agrees to the following:

- 1. Provide on-going support of the Mentoring Program.
- 2. Provide program oversight in conjunction with the National Director and the Associate Director of the Mentoring Program.
- 3. Convene meetings of the National Director and the Associate Director of the Mentoring Program on a monthly basis.
- 4. Review budgets and outcome data as need to support grant continuation.
- 5. Support the development of Risk Management best practices through on-going communication with Presidium, National Director and Associate Director of the Mentoring Program.
- 6. Support all selected program sites as required by demands of contract, their Associations, and YMCA of the USA.
- 7. Assist in all hiring processes as needed and requested.
- 8. Support the annual evaluation process.
- 9. Assist and provide input on the design evaluation tools for data collection

II. Y-USA DETAILED RESPONSE TO OIG RECOMMENDATIONS

Response to OIG Recommendation Number 1

OIG Recommendation No. 1: Coordinate with Y-USA to address the potential conflict of interest with having YMCA of San Francisco as both a contractor and subrecipient.

Y-USA Response: Y-USA understands the nature of the recommendation and agrees to coordinate with OJP as to whether a conflict of interest exists with having YMCA of San Francisco as both a contractor and subrecipient.

Y-USA's perspective is that no conflict of interest exists because of the clearly-defined subcontract relationship between Y-USA and YMCA of San Francisco as approved by OJJDP.

Y-USA made the determination to sub grant funds to the San Francisco YMCA on the basis that they successfully ran the program locally for 25 years and designed the high-quality model. They, as part of their contract with Y-USA, helped determine which other Ys should receive the funds as well. As a leader in the Y movement and implementer of the program model, the San Francisco YMCA has long provided support to peer YMCAs and was well positioned to help develop the strategy to recruit Ys for participation in the scaling of the program with support from the OJJDP grant.

Our grantee selection process includes multiple application reviewers/scores to make certain there is no conflict of interest. For this particular award there were 11 reviewers; four (4) Y-USA, three (3) San Francisco YMCA and, four (4) individual YMCAs from around the country.

YMCA of the USA has the ultimate power to choose or not choose a grantee based on scores and other internal membership guidelines that govern our YMCAs.

Each grantee gets up to the same amount of funding (direct) for grant activities. The San Francisco YMCA does not get more funding for their activities.

The agreements in the project plans, approved by OJJDP, detail the roles and responsibilities of Y-USA, YMCA of San Francisco and the panel of reviewers for grant fund subrecipients. As evidence that no conflict of interest exists, Y-USA references the Audit Report on page 3: "we believe that the grant administration format and structure defined in the project plans approved by OJJDP compared to the actual execution likely yield similar programmatic results." Additionally, "in June 2017, Y-USA submitted and OJJDP approved a Grant Adjustment Notification (GAN) that modified the budget and grant structure and designated the YMCA of San Francisco as a sub-contractor." GAN Approval is Attachment 1.

Response to OIG Recommendation Number 2

OIG Recommendation No. 2: Remedy the \$1,588,614 in unallowable advances to grant subrecipients.

Y-USA Response: Y-USA understands the conclusion reached during the audit by DOJ. As of August 28, 2017, grant subrecipients have now reported and provided documentation for \$1,200,000 (Table 1). We expect the remaining advances to be expensed by grant subrecipients by September 30, 2017. Consequently, we expect these advances to be deemed allowable costs.

Further, Y-USA has changed its policies and procedures to avoid future unallowable advances. As noted in the audit report, on page 4, "Y-USA provided us with evidence that it officially stopped its practice of advancing funds to its subrecipients as of April 2017." Additionally, Y-USA held a series of financial management webinars (Attachment 2) with each grantee's Program Manager, Local Y Chief Executive Officer (CEO) and Chief Financial Officer (CFO) and were educated on allowable expenses, tracking funds, documentation and linking to the US Department of Justice's 2014 Financial Guide.

Table 1. Grant Funds to Subrecipients and Subrecipient Expenditure Reported to Y-USA
As of August 28, 2017

<u>Grantee #</u>	<u>Subrecipient Expenses Reported to Y-USA</u>	<u>Outstanding Advanced Funds</u>	<u>Original Total</u>
1	\$ 35,684	\$ -	\$ 35,684
2	\$ 49,552	\$ -	\$ 49,552
3	\$ 39,365	\$ 13,636	\$ 53,001
4	\$ 71,983	\$ 4,137	\$ 76,120
5	\$ 32,358	\$ -	\$ 32,358
6	\$ 38,765	\$ 1,167	\$ 39,932
7	\$ -	\$ 12,242	\$ 12,242
8	\$ 37,869	\$ -	\$ 37,869
9	\$ 30,989	\$ 15,374	\$ 46,363
10	\$ 12,242	\$ -	\$ 12,242
11	\$ 36,715	\$ -	\$ 36,715
12	\$ 34,089	\$ 12,242	\$ 46,331
13	\$ 3,699	\$ 32,528	\$ 36,227
14	\$ -	\$ 12,242	\$ 12,242
15	\$ 27,090	\$ 7,005	\$ 34,095
16	\$ 35,392	\$ 11,026	\$ 46,418
17	\$ 19,425	\$ 3,282	\$ 22,707
18	\$ 42,911	\$ 7,131	\$ 50,042
19	\$ 20,338	\$ 25,588	\$ 45,926
20	\$ -	\$ 12,242	\$ 12,242
21	\$ 39,603	\$ -	\$ 39,603
22	\$ -	\$ 33,355	\$ 33,355

Grantee #	Subrecipient Expenses Reported to Y-USA	Outstanding Advanced Funds	Original Total
23	\$ -	\$ 12,242	\$ 12,242
24	\$ 38,501	\$ 2,260	\$ 40,761
25	\$ 40,861	\$ 1,135	\$ 41,996
26	\$ 25,632	\$ -	\$ 25,632
27	\$ 35,366	\$ 188	\$ 35,554
28	\$ 31,779	\$ 5,824	\$ 37,603
29	\$ 39,572	\$ 6,617	\$ 46,189
30	\$ 38,680	\$ -	\$ 38,680
31	\$ 34,604	\$ 3,942	\$ 38,546
32	\$ 30,889	\$ -	\$ 30,889
33	\$ 29,244	\$ -	\$ 29,244
34	\$ -	\$ 12,242	\$ 12,242
35	\$ 43,827	\$ -	\$ 43,827
36	\$ 29,706	\$ -	\$ 29,706
37	\$ 36,478	\$ -	\$ 36,478
38	\$ 45,310	\$ 8,896	\$ 54,206
39	\$ 37,150	\$ 12,242	\$ 49,392
40	\$ 31,275	\$ -	\$ 31,275
41	\$ 28,297	\$ -	\$ 28,297
42	\$ -	\$ 12,242	\$ 12,242
43	\$ 33,096	\$ 1,023	\$ 34,119
44	\$ 12,242	\$ -	\$ 12,242
45	\$ 37,533	\$ 18,453	\$ 55,986
	\$ 1,288,111	\$ 300,503	\$ 1,588,614

Attachment 3: Grant Management Policies and Procedures details Y-USA's written policies and procedures for cash management of OJP funds.

Response to OIG Recommendation Number 3

OIG Recommendation No. 3: Ensure Y-USA implements and adheres to written grant drawdown and cash management policies and procedures that are compliant with all OJP accounting requirements and develops procedures to ensure its subrecipients also adhere to OJP cash management guidance.

Y-USA Response: Y-USA concurs with the OIG request for new policies and procedures.

Y-USA has documented its policies and procedures regarding the drawdown and cash management of all federal funds, ensuring that they align with DOJ financial guidelines. Y-USA believes this will facilitate adherence to federal cash management requirements. Page 6 of the Audit Report notes: "In April 2017, Y-USA developed cash management procedures, which state that Y-USA will request funds from OJP based upon immediate needs as project costs are incurred or anticipated within 10 days."

Attachment 3: Grant Management Policies and Procedures details Y-USA's written policies and procedures for cash management of OJP funds.

Response to OIG Recommendation Number 4

OIG Recommendation No. 4: Ensure Y-USA implements procedures to monitor budget expenditures by category to determine if transfers have exceeded 10 percent threshold.

Y-USA Response: Y-USA concurs with the OIG request for new procedures.

Y-USA has documented its policies and procedures regarding the financial/budget management for all grants and awards whether federal or private. Also, a recently approved budget modification (Attachment 1) will assist Y-USA in monitoring all financial activities against the approved budget.

Attachment 3: Grant Management Policies and Procedures details Y-USA's written policies and procedures for budget monitoring.

Response to OIG Recommendation Number 5

OIG Recommendation No. 5: Ensure Y-USA implements policies and procedures to submit accurate and timely quarterly financial reports in compliance with OJP requirements.

Y-USA Response: Y-USA concurs with the OIG request to document procedures.

Y-USA has documented its policies and procedures regarding the preparation and submission of all financial reports for all grants and awards whether federal or private.

Issues related to computer access prevented timely reporting in the first year of the grants. Since fall 2015, Y-USA has compiled data for financial reports from subrecipients in a timely manner and Y-USA has been compliant since fall 2015.

Y-USA takes the fiscal management of grant funds very serious. Each grantee is mandated to attend a fiscal management webinar where grantees are educated about allowable expenses, monthly financial tracking, access to OJP's financial guidelines and other information pertaining to the award.

Each month, grantees are required to monitor expenses on a pre-populated tracking document and track each line item including personnel, fringe benefits, travel, supplies (office and program) and other costs (grant associated), and

provide supporting documents for every expenditure. Each grantee YMCA's CEO or designee must sign off on the accuracy of each month's financial report.

Grantee YMCAs send the tracking sheets, with supporting documentation, to the Reach & Rise® National Director in San Francisco, who reviews the sheets and, when there are inaccuracies, works with grantees to correct them. Y-USA's grant management team also reviews the sheets once they are received from the Reach & Rise® National Directors.

After reviews, Y-USA files the sheets as records, tracking monthly totals for each grantee's overall spending to assure there is no overspending.

Attachment 3: Grant Management Policies and Procedures details Y-USA's written policies and procedures for Periodic Financial Reporting.

Response to OIG Recommendation Number 6

OIG Recommendation No. 6: Ensure that Y-USA establishes procedures to ensure that subrecipients comply with Single Audit Act requirements and take appropriate action on relevant findings in subrecipient audit reports.

Y-USA Response: Y-USA concurs with the OIG request to document procedures.

Y-USA has documented its policies and procedures surrounding Single Audit requirements for subrecipients. Requirements for single audits request that organizations report on the amount of federal awards expended rather than the amount of federal awards received. According to Office of Management and Budget (OMB) Circular A-133, single audits are required of all nonfederal entities that expend \$500,000 or more of federal funds in a given fiscal year (i.e., 12-month period). The \$500,000 threshold includes expended funds that were awarded directly from the federal government and funds awarded by the federal government to a pass-through entity, in this case Y-USA. Beginning in 2015 (i.e., fiscal years beginning on or after January 1, 2015) the minimum threshold for reporting was raised to \$750,000 expended annually, according to OMB Revisions to the Single Audit Requirements.

Given the threshold increase, it is possible that fewer subrecipients will be required to file single audits. It is estimated that this change will help relieve more than 5,000 nonprofits of the Circular A-133 single audit burden. Nonetheless, Y-USA has taken steps to ensure that Ys are familiar with single audit requirements.

Attachment 3: Grant Management Policies and Procedures details Y-USA's written procedures for Single Audit Compliance.

Response to OIG Recommendation Number 7

OIG Recommendation No. 7: Remedy the \$72,479 in unsupported subrecipient expenditures charged to the grant.

Y-USA Response: Y-USA concurs with the OIG request to remedy the unsupported expenditures and has documented the expenses appropriately (Table 2).

Table 2

Grantee	Date Received	Total Amount
Assoc. #4468	April 8, 2016 (Jan-Mar) May 27, 2016 (Apr)	\$18,407
Assoc. #0877	August 22, 2017	\$53,065
Various Associations	Seeking detail	\$1,007

Response to OIG Recommendation Number 8

OIG Recommendation No. 8: Remedy the \$1,965 in unsupported contractor expenses charged to the grant.

Y-USA Response: Y-USA concurs with the OIG request to remedy the unsupported expenditures and has documented the expenses appropriately (Table 3).

Table 3

Grantee	Date Received	Total Amount
Assoc. #0654	August 21, 2017	\$1,965

Response to OIG Recommendation Number 9

OIG Recommendation No. 9: Coordinate with Y-USA to ensure that subrecipient monitoring procedures are adequate and implemented effectively.

Y-USA Response: Y-USA does not concur with the OIG finding.

On pages 12 and 13 of the Audit Report, OIG does not detail any areas that demonstrate deficiencies. The report acknowledges Y-USA has policies and procedures in place for monitoring subrecipients. In addition to these existing policies and procedures, Y-USA contends that its actions to remedy recommendations contained elsewhere in the Audit Report appropriately address the auditor's viewpoint that "review of subrecipients' expenditures demonstrated that Y-USA and YMCA of San Francisco should improve the process for reviewing subrecipient's expense reports and supporting documentation."

Detail of the roles and responsibilities for Y-USA and the YMCA of San Francisco related to subrecipient expense review is included in the introduction. Under San Francisco's responsibilities, item 4.f is "Review financial tracking documentation."

Response to OIG Recommendation Number 10

OIG Recommendation No. 10: Require Y-USA to improve its program and performance data collection and reporting methodology to ensure that Y-USA is reporting accurate performance information to OJJDP and measuring its efforts to meet the intended goals and objectives for both programs.

Y-USA Response: Y-USA concurs with the OIG finding.

Y-USA has enhanced oversight and data review to ensure that any delays or inaccuracies are identified and corrected.

DATA ASSESSMENT	*Tables included in Audit					
	July 2015 - December 2015		January 2016 - June 2016		January 2017 - June 2017	
	Reported to OJJDP	Y-USA Data	Reported to OJJDP	Y-USA Data	Reported to OJJDP	Y-USA Data
Number of youth served using an evidence-based program or practice	748	754	776	798	732	732
Total number of youth served during the reporting period	748	754	776	798	732	732
Number of youth enrolled at the beginning of the reporting period	260	584	510	528	527	527
Number of new youth added during the reporting period	777	242	263	270	207	205
Number of mentoring programs with active partners	34	34	0	33	37	37
Number of mentoring programs	34	36	40	37	37	37
Number of program youth who exited the program having completed program requirements	147	143	124	158	220	227
Total number of youth who exited the program during the reporting period (successful or unsuccessful)	228	226	193	247	326	324
Number of program youth served during the reporting period with noted behavioral change	476	487	381	427	449	449
Total number of youth receiving services for the target behavior during the reporting period	744	754	674	798	732	732

*submitted by former employee

While there were deficiencies in reporting accurate performance information, Y-USA, the San Francisco YMCA and other Y subrecipients collected information not only on programmatic outcomes, but the financial value and mission impact of the work supported by OJJDP funds. By collecting and sharing YMCA stories of impact, demonstrating community benefit, collaborating with community partners, and other activities, the Y has been successful in intentionally measuring the impact of OJJDP dollars and meeting the goals and objectives outlined.

Y-USA's evaluation activities have shown the significant value OJJDP is delivering to communities via its partnership with Y-USA. Recently enhanced Y-USA demographic surveys report our joint service to youth and communities of the highest need, including youth with special needs (63% of mentoring programs in the last program period), youth of military families (24%) and American Indian and Alaska Native youth (24%). Y-USA continues to collect and assess data that shows the program is transformational, with 40% of youth increasing the amount of time spent serving their communities. More than 57% of youth in this program period increased the amount of time spent on pro-social afterschool activities such as volunteering, arts and music, or participation in sports and recreation activities. Community members are critically invested in mentoring with Y-USA, and more than 26% of mentors exceeded the required time commitment to the Reach & Rise[®] program.

To assure future reports capture the value of the program and its progress towards goals and objectives, Y-USA will continue to conduct internal assessments of data collection and reporting methodology for further process improvement opportunities.

The tables below illustrate that all reports filed with OJJDP during the audited contract periods were received and approved.

Award Number 2014-JU-FX-0023

Report Number	Reporting Period	Type	Status	Last Edited	Action	
1	01-Oct-2015 - 31-Dec-2015	Regular	Approved	27-Jan-2016	View	
2	01-Jan-2016 - 30-Jun-2016	Regular	Approved	27-Jul-2016	View	
3	01-Jul-2016 - 31-Dec-2016	Regular	Approved	31-Jan-2017	View	
4	01-Jan-2017 - 30-Jun-2017	Regular	Approved	30-Jul-2017	View	
5	01-Jul-2017 - 31-Dec-2017	Regular	Draft	15-Oct-2015	View	Update
6	01-Jan-2018 - 30-Jun-2018	Regular	Draft	15-Oct-2015	View	Update
7	01-Jul-2018 - 30-Sep-2018	Final Report	Draft	15-Oct-2015	View	Update

Award Number 2015-JU-FX-00025

Report Number	Reporting Period	Type	Status	Last Edited	Action	
1	01-Oct-2014 - 31-Dec-2014	Regular	Approved	30-Jan-2015	View	
2	01-Jan-2015 - 30-Jun-2015	Regular	Approved	31-Jul-2015	View	
3	01-Jul-2015 - 31-Dec-2015	Regular	Approved	02-Feb-2016	View	
4	01-Jan-2016 - 30-Jun-2016	Regular	Approved	31-Jul-2016	View	
5	01-Jul-2016 - 31-Dec-2016	Regular	Approved	06-Feb-2017	View	

Response to OIG Recommendation Number 11

OIG Recommendation No. 11: Ensure Y-USA complies with the special condition requiring appropriate copyright language in all of its contracts and agreements with subrecipients.

Y-USA Response: Y-USA concurs with the OIG request to incorporate copyright language into the Pledge Agreement.

The following language will be included in a new Pledge Agreement (Attachment 4) that will be signed in September and take effect October 1, 2017:

RIGHTS IN INTELLECTUAL PROPERTY

1. In connection with OJP awards, the U.S. Department of Justice reserves certain rights with respect to data, patentable inventions, works subject to copyright, and other intellectual property associated with an award of Federal funds. See, e.g., 28 C.F.R. § § 66.34, 70.36, and 37 C.F.R. Part 401

Response to OIG Recommendation Number 12

OIG Recommendation No. 12: Require Y-USA to ensure that subrecipients that have not reported background check expenditures are following Y-USA policies for ensuring that mentors receive appropriate background checks.

Y-USA Response: Y-USA does not think there is a deficiency in this area. We agree with the need to perform background checks.

Further, Y-USA has always required proof that all subrecipients' mentors are subject to appropriate background checks prior to being matched. Mentor files include proof of the background check in accordance with standards detailed in the Policy and Procedure Handbook (Attachment 5) and Reach & Rise® Risk Management Manual (Attachment 6).

Y-USA requires that local Ys sign within their Pledge Agreements that they will do the following:

1. The local YMCA shall ensure that, prior to volunteers officially becoming mentors, all application paperwork is completed, background checks are conducted in accordance with the Praesidium, Inc. requirements, complete the Reach & Rise® Mentoring Program training, and complete any additional requirements as specified by the local YMCA. The Praesidium, Inc., Risk Management Procedures shall be viewed and downloaded via the Supplemental Documents link in the left-hand navigation of this application module. Additional screens shall include (but are not limited to):
 - Criminal background checks via the Department of Justice;
 - Department of Motor Vehicle checks for any history of DUIs;
 - Four (4) reference checks (two personal and two professional) to ensure suitability; and
 - Monitoring of mentor candidates during training sessions.

Attachment 4 is a sample Pledge Agreement that each Y's CEO signs, as well as the Risk Management Guide from Praesidium.

Praesidium, Inc. is a leader in the development of risk management practices and trainings to prevent child abuse.

Additionally, Y-USA contends that an audit of grant expenditures for background checks is not an accurate measure of compliance. In practice, youth-serving organizations including the Y typically absorb costs associated with background checks on staff and volunteers within their operating expenses, resulting in a savings of grant funds and no related grant expense for background checks. An audit of mentor or program files would have produced an accurate gauge of compliance with DOJ background check requirements. As one of America's largest

providers of youth and family programs, the Y has long made the safety of children a top priority and we take serious all background check requirements.

III. CONCLUSION

YMCA of the USA appreciates the unwavering support from OJP, which has allowed Ys to provide critical mentoring services to thousands of youth. With these resources, students are able to participate in a program that models the Y's core values of caring, honesty, respect and responsibility.

Throughout the audit period, Y-USA cooperated fully and transparently with OIG. Y-USA takes the recommendations of the Audit Report seriously and feels it has satisfactorily addressed each point.

Y-USA provided evidence and documentation to support its position for each of the recommendations, and includes significant documentation and references to address concerns about overall grant management. While Y-USA does not concur with some the findings in the report, the organization always has closely coordinated its work with OJJDP, including timely reporting and submission of grant modifications, as needed. As a result of this audit, Y-USA has enhanced its internal controls and processes to further strengthen its stewardship of DOJ grant funds.

For 166 years, the Y has been committed to equipping each generation of youth with the skills and resources necessary to be well-adjusted adults who contribute to the betterment of their community. Due in part to our partnership with government agencies, the opportunities for us to build the next generation of 21st Century leaders are limitless.

Please contact me directly with questions or concerns. Thank you for your support and consideration.

Sincerely,



Nancy L. Owens
Chief Financial Officer
YMCA of the USA

THE OFFICE OF JUSTICE PROGRAM'S 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

SEP 06 2017

MEMORANDUM TO: Carol Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Juvenile Justice and Delinquency Prevention National Mentoring Programs Grants awarded to the National Council of Young Men's Christian Associations of the USA*

This memorandum is in reference to your correspondence, dated August 7, 2017, transmitting the above-referenced draft audit report for the National Council of Young Men's Christian Associations (YMCA) of the USA (Y-USA). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **12** recommendations, **\$1,663,057** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by OJP's response.

- 1. We recommend that OJP coordinate with Y-USA to address the potential conflict of interest with having YMCA of San Francisco as both a contractor and subrecipient.**

OJP agrees with this recommendation. We will coordinate with Y-USA to address the potential conflict of interest with having YMCA of San Francisco as both a contractor and subrecipient.

- 2. We recommend that OJP remedy the \$1,588,614 in unallowable advances to grant subrecipients.**

OJP agrees with this recommendation. We will coordinate with Y-USA to remedy the \$1,588,614 in questioned costs, related to unallowable advances to grant recipients under Grant Numbers 2014-JU-FX-0023 and 2015-JU-FX-0025.

3. **We recommend that OJP ensure Y-USA implements and adheres to written grant drawdown and cash management policies and procedures that are compliant with all OJP accounting requirements and develops procedures to ensure its subrecipients also adhere to OJP cash management guidance.**

OJP agrees with this recommendation. We will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it implements and adheres to written grant drawdown and cash management policies and procedures that are compliant with all Department of Justice (DOJ) accounting requirements; and develops procedures to ensure its subrecipients also adhere to DOJ cash management guidance.

4. **We recommend that OJP ensure Y-USA implements procedures to monitor budget expenditures by category to determine if transfers have exceeded 10 percent threshold.**

OJP agrees with this recommendation. We will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it implements procedures to monitor budget expenditures by category, to determine if transfers have exceeded 10 percent threshold.

5. **We recommend that OJP ensure Y-USA implements policies and procedures to submit accurate and timely quarterly financial reports in compliance with OJP requirements.**

OJP agrees with this recommendation. We will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that quarterly financial reports are submitted accurately and timely, and are in compliance with DOJ requirements.

6. **We recommend that OJP ensure that Y-USA establishes procedures to ensure that subrecipients comply with Single Audit Act requirements and take appropriate action on relevant findings in subrecipient audit reports.**

OJP agrees with this recommendation. We will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it: establishes procedures to ensure that subrecipients comply with Single Audit Act requirements; and takes appropriate action on relevant findings in subrecipient audit reports.

7. **We recommend that OJP remedy the \$72,479 in unsupported subrecipient expenditures charged to the grant.**

OJP agrees with this recommendation. We will coordinate with Y-USA to remedy the \$72,479 in questioned costs, related to unsupported subrecipient expenditures charged to Grant Number 2014-JU-FX-0023.

- 8. We recommend that OJP remedy the \$1,965 in unsupported contractor expenses charged to the grant.**

OJP agrees with this recommendation. We will coordinate with Y-USA to remedy the \$1,965 in questioned costs, related to unsupported contractor expenditures charged to Grant Number 2014-JU-FX-0023.

- 9. We recommend that OJP coordinate with Y-USA to ensure that subrecipient monitoring procedures are adequate and implemented effectively.**

OJP agrees with this recommendation. We will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that its subrecipient monitoring procedures are adequate and implemented effectively.

- 10. We recommend that OJP require Y-USA to improve its program performance data collection and reporting methodology to ensure that Y-USA is reporting accurate performance information to the Office of Juvenile Justice and Delinquency Prevention (OJJDP) and measuring its efforts to meet the intended goals and objectives for both programs.**

OJP agrees with this recommendation. We will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it: improves its program performance data collection and reporting methodology; reports accurate performance information to Office of Juvenile Justice and Delinquency Prevention (OJJDP); and measures its efforts to meet the intended goals and objectives for both programs.

- 11. We recommend that OJP ensure Y-USA complies with the special condition requiring appropriate copyright language in all of its contracts and agreements with subrecipients.**

OJP agrees with this recommendation. We will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it complies with the special condition requiring appropriate copyright language in all of its contracts and agreements with subrecipients.

- 12. We recommend that OJP require Y-USA to ensure that subrecipients that have not reported background check expenditures are following Y-USA policies for ensuring that mentors receive appropriate background checks.**

OJP agrees with this recommendation. We will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that all of its subrecipients are following the Y-USA policy for ensuring that mentors receive appropriate background checks.

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
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OJP Executive Secretariat
Control Number IT20170808090427

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

The Department of Justice (DOJ) Office of the Inspector General (OIG) provided a draft of this audit report to the National Council of Young Men's Christian Associations (YMCA) of the USA (Y-USA) and the Office of Justice Programs (OJP). The individual responses from the Y-USA are contained in Appendix 3 of this final report, and OJP's response is incorporated in Appendix 4. In response to our draft report, OJP concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for OJP:

- 1. Coordinate with Y-USA to address the potential conflict of interest with having the YMCA of San Francisco as both a subcontractor and subrecipient.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to address the potential conflict of interest with Y-USA having the YMCA of San Francisco as both a contractor and subrecipient.

Y-USA also concurred with our recommendation, but stated that no conflict exists because of the clearly defined subcontract relationship between Y-USA and the YMCA of San Francisco. Although Y-USA recognizes that the YMCA of San Francisco was included in the process of selecting subrecipients, Y-USA asserted that its use of a multilayered selection approach ensured that there was no conflict of interest. Y-USA also referred to OJJDP's approval of the budget and grant structure that designated the YMCA of San Francisco as a sub-contractor as justification that there is no conflict of interest.

Y-USA's response also points to the statement in our audit report that puts forward that the grant administration format and structure defined by the project plans compared to the actual execution likely yielded similar programmatic results. We believe this and OJJDP's budget approval do not contemplate the potential conflict of interest that exists with the National Program Director and Associate National Director from the YMCA of San Francisco monitoring the local mentoring program implemented by the YMCA of San Francisco as a subrecipient. Nor does Y-USA address the issue of the YMCA of San Francisco's Vice President's involvement in overseeing both contract-related and subrecipient activities performed by the YMCA of San Francisco.

Therefore, this recommendation can be closed when we receive evidence that OJP has coordinated with Y-USA to address the potential conflict of interest with having the YMCA of San Francisco as both a contractor and subrecipient.

2. Remedy the \$1,588,614 in unallowable advances to grant subrecipients.

Resolved. OJP concurred with our recommendation. OJP stated it would coordinate with Y-USA to remedy the \$1,588,614 in questioned costs related to unallowable advances to grant recipients under grant numbers 2014-JU-FX-0023 and 2015-IU-FX-0025.

Y-USA also concurred with our recommendation. In its response to our recommendation, Y-USA stated that as of August 28, 2017, grant subrecipients have reported and provided documentation for \$1,200,000 and expects grant subrecipients to expend the remaining advances by September 30, 2017. Y-USA reiterated that it changed its policies and procedures to avoid future unallowable advances.

This recommendation can be closed when we receive evidence that OJP has adequately remedied the \$1,588,614 in unallowable Y-USA advances to grant subrecipients.

3. Ensure Y-USA implements and adheres to written grant drawdown and cash management policies and procedures that are compliant with all OJP accounting requirements and develops procedures to ensure its subrecipients also adhere to OJP cash management guidance.

Resolved. OJP concurred with our recommendation and stated it would coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented to ensure that it implements and adheres to written grant drawdown and cash management policies and procedures that are compliant with all DOJ accounting requirements. This will include Y-USA's development of procedures to ensure its subrecipients also adhere to DOJ cash management guidance.

Y-USA also concurred with our recommendation. In its response to our recommendation, Y-USA stated that it has documented its policies and procedures regarding drawdowns and cash management of federal funds to ensure they align with DOJ financial guidelines. Y-USA reiterated that, as stated in our report, in April 2017 Y-USA developed cash management procedures to request funds from OJP based upon immediate needs as project costs are incurred or anticipated within 10 days. However, the documentation Y-USA provided does not include procedures to ensure that Y-USA's subrecipients also adhere to OJP drawdown and cash management guidance.

This recommendation can be closed when we receive evidence that OJP has reviewed and verified that Y-USA has implemented and disseminated grant drawdown and cash management policies and procedures that are compliant

with all DOJ accounting requirements, including procedures to ensure subrecipients also adhere to OJP cash management guidance.

4. Ensure Y-USA implements procedures to monitor budget expenditures by category to determine if transfers have exceeded the 10-percent threshold.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it implements procedures to monitor budget expenditures by category, to determine if transfers have exceeded the 10-percent threshold.

Y-USA also concurred with our recommendation. In its response to our recommendation, Y-USA stated it has documented its policies and procedures regarding the financial and budget management for all federal grants and awards. Specifically, the documentation that Y-USA provided for these policies and procedures states that, "program staff are expected to track spending against the approved budgets and, when necessary, address any significant line item variances with the donor." In addition, Y-USA stated that the recent OJP-approved budget modification will assist Y-USA in monitoring all financial activities against the approved budget for the OJJDP awards. Given the lack of coordination we found during our audit between the program staff and financial staff, we believe that Y-USA should consider incorporating more specific guidance to account for staff responsibilities for budget and financial management.

This recommendation can be closed when we receive evidence that OJP has ensured that Y-USA's new policies and procedures comply with OJP guidance and have been disseminated to appropriate program staff.

5. Ensure Y-USA implements policies and procedures to submit accurate and timely quarterly financial reports in compliance with OJP requirements.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that quarterly financial reports are submitted accurately and timely and are in compliance with DOJ requirements.

Y-USA also concurred with our recommendation. In its response to our recommendation, Y-USA stated it has documented policies and procedures regarding the preparation and submission of all financial reports. Additionally, Y-USA explained that issues related to computer access prevented timely reporting in the first year of the grants, and that Y-USA requires its staff to attend a fiscal management webinar that educates them

on allowable expenses, monthly financial tracking, access to OJP's financial guidelines, and other pertinent award information.

This recommendation can be closed when we receive evidence that OJP has ensured Y-USA's financial reporting policies and procedures are in compliance with DOJ requirements and have been implemented and disseminated to appropriate staff.

6. Ensure that Y-USA establishes procedures to ensure that subrecipients comply with Single Audit Act requirements and take appropriate action on relevant findings in subrecipient audit reports.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it: establishes procedures to ensure that subrecipients comply with Single Audit Act requirements; and takes appropriate action on relevant findings in subrecipient audit reports.

Y-USA also concurred with our recommendation. In its response to our recommendation, Y-USA stated it has documented policies and procedures surrounding Single Audit Act requirements for subrecipients and has taken steps to ensure that subrecipient YMCAs are familiar with these requirements. Y-USA included documentation of these revised policies and procedures, which state that Y-USA will require YMCAs applying to receive federal funds to certify compliance with Single Audit Act Guidelines. Y-USA will then periodically review available reports to determine whether there are any findings related to these subrecipients, and if so, Y-USA will determine the appropriate steps to take, to include the cancellation of the sub-award.

This recommendation can be closed when we receive evidence that OJP has reviewed Y-USA's new policies and procedures related to subrecipient Single Audit Act compliance and verified that Y-USA has implemented and disseminated them as appropriate.

7. Remedy the \$72,479 in unsupported subrecipient expenditures charged to the grant.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to remedy the \$72,479 in unsupported subrecipient costs related to salaries, fringe benefits, travel, and "other" expenses charged to grant number 2014-JU-FX-0023. Y-USA also concurred with our recommendation. In its response, Y-USA provided a table to document that it has received support for \$71,472 of questioned costs. However, Y-USA did not provide supporting documentation for these questioned costs.

This recommendation can be closed when we receive evidence that the \$72,479 in unsupported subrecipient expenditures have been remedied appropriately.

8. Remedy the \$1,965 in unsupported contractor expenses charged to the grant.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to remedy the \$1,965 in questioned costs related to unsupported contractor expenditures charged to grant number 2014-JU-FX-0023. Y-USA also concurred with our recommendation. In its response, Y-USA provided a table to document that it has received support for all of these questioned costs. However, Y-USA did not provide supporting documentation for these questioned costs.

This recommendation can be closed when we receive evidence that the \$1,965 in unsupported contractor expense has been remedied appropriately.

9. Coordinate with Y-USA to ensure that subrecipient monitoring procedures are adequate and implemented effectively.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that its subrecipient monitoring procedures are adequate and implemented effectively.

Y-USA did not concur with our recommendation. In its response to our recommendation, Y-USA stated that our report does not detail any specific deficiencies and that its actions to remedy recommendations contained elsewhere in the report appropriately address the OIG's concerns. We disagree.

In our report, we refer to our review of subrecipients' expenditures as evidence that Y-USA and the YMCA of San Francisco should improve the process for evaluating and approving subrecipients' expense reports and supporting documentation, which is an element of subrecipient monitoring. Our review of subrecipient expenses demonstrated inconsistencies in both the accuracy and timing of Y-USA's review of subrecipient expenses. During the audit we found that adequate support for subrecipient expenses was not sufficiently maintained by Y-USA or the YMCA of San Francisco and we believe the monitoring processes employed were not sufficient to identify the errors and missing documentation. Our report also specifically notes that Y-USA had not received or reviewed subrecipients' monthly expense reports between May 2016 and September 2016, which is a significant lapse in monitoring. While we believe that Y-USA has taken steps to improve these areas, we also believe that further improvements should be considered because subrecipients receive over 90 percent of the funding for these OJJDP awards.

This recommendation can be closed when we receive evidence that OJP has coordinated with Y-USA to ensure that subrecipient monitoring procedures are adequate and implemented effectively.

10. Require Y-USA to improve its program performance data collection and reporting methodology to ensure that Y-USA is reporting accurate performance information to OJJDP and measuring its efforts to meet the intended goals and objectives for both programs.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it improves its program performance data collection and reporting methodology, reports accurate performance information to OJJDP, and measures its efforts to meet the intended goals and objectives for both programs.

Y-USA also concurred with our recommendation. In its response to our recommendation, Y-USA stated it has enhanced oversight and data review to ensure that any delays or inaccuracies are identified and corrected. Moreover, Y-USA acknowledged that its performance data contained discrepancies. Y-USA also asserted that it has collected information on the financial and community impact of the mentoring programs and that it will continue to assess its data collection and reporting process to identify opportunities for improvement.

This recommendation can be closed when we receive evidence that OJP has ensured that Y-USA has improved its program performance data collection and reporting methodology and that OJP agrees that the data collected accurately supports Y-USA's progress in meeting the grant programs goals and objectives.

11. Ensure Y-USA complies with the special condition requiring appropriate copyright language in all of its contracts and agreements with subrecipients.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that it complies with the special condition requiring appropriate copyright language in all of its contracts and agreements with subrecipients.

Y-USA also concurred with our recommendation. In its response to our recommendation, Y-USA stated that it plans to include appropriate copyright language in its subrecipient Pledge Agreements, which are due to take effect in October 2017. We believe that Y-USA should also address this issue in its contract with the YMCA of San Francisco.

This recommendation can be closed when we receive evidence that OJP has coordinated with Y-USA to ensure that it complies with the special condition requiring appropriate copyright language in all of its contracts and agreements with subrecipients.

12. Require Y-USA to ensure that subrecipients that have not reported background check expenditures are following Y-USA policies for ensuring that mentors receive appropriate background checks.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with Y-USA to obtain a copy of written policies and procedures, developed and implemented, to ensure that all of its subrecipients are following the Y-USA policy for ensuring that mentors receive appropriate background checks.

Y-USA did not concur with our recommendation. In its response to our recommendation, Y-USA stated it agrees with the need to perform background checks and stated that it has always required proof that all subrecipients' mentors receive background checks prior to being matched with mentees. Y-USA referred to a documented requirement that its mentor files contain documentation of background checks and provided its Policy and Procedure Handbook and Reach and Rise Risk Management Manual as evidence of the requirement. Y-USA's response stated that it does not agree that reviewing grant financial transactions for background check-related expenses is an accurate measure of compliance with OJJDP background check requirements and contends that subrecipients typically absorb costs associated with background checks on staff and volunteers within their operating expenses, resulting in a savings of grant funds.

We believe that our report appropriately identifies a risk related to background checks because we found that some subrecipients had not, throughout the life of the audited grants, reported any expenditures for mentor background checks. While we understand Y-USA's explanation that subrecipients may be using other local funds to pay for mentor background checks, the budgets for both audited grants incorporated a substantial amount of funding for background checks and these budgets do not appear to factor in the use of outside funding. As a result, we believe that there is an increased risk that those YMCAs that have not submitted expenses for mentors background checks may not have complied with Y-USA's and OJJDP's requirement to ensure that mentors receive background checks. Our report clearly identifies this as an area of risk; we do not conclude that background checks were not obtained and our recommendation was to ensure that the lack of expenses was not an indicator that the procedures were not being followed.

This recommendation can be closed when we receive evidence that OJP has coordinated with Y-USA to ensure that subrecipients that have not reported

background check expenditures are following Y-USA policies for ensuring that mentors receive appropriate background checks.

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