



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



**Audit of the Office of Justice Programs
Office for Victims of Crime
Cooperative Agreements Awarded to
Colorado Legal Services
Denver, Colorado**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE FOR VICTIMS OF CRIME COOPERATIVE AGREEMENTS
AWARDED TO COLORADO LEGAL SERVICES
DENVER, COLORADO**

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General completed an audit of two cooperative agreements awarded by the Office of Justice Programs (OJP) Office for Victims of Crime (OVC) to Colorado Legal Services (CLS) in Denver, Colorado. CLS was awarded \$600,000 under Award Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002 to provide legal services to victims of sex and labor trafficking in the state of Colorado, including adults and minors, domestic and foreign national. Legal services include advocacy within the criminal justice system, civil litigation, preparation of immigration petitions, assistance in seeking protective orders, advice and representation in domestic relations matters, and public benefits and health care advocacy. Additionally, funding was awarded in order to educate at-risk individuals about legal options, as well as educate law enforcement agencies to better coordinate legal services across the state. As of July 26, 2016, CLS had drawn down \$454,576 of the total funds awarded.

The objectives of this audit were to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether the grantee demonstrated adequate progress towards achieving program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of award management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

As a result of our audit testing, we concluded that CLS did not adhere to all of the grant requirements we tested, but demonstrated adequate progress towards achieving the grants' stated goals and objectives. We found that the CLS did not comply with essential award conditions related to the use of award funds, accounting for award expenditures, and Federal Financial Reports (FFRs). Specifically, we determined that CLS: commingled funds between the awards; charged unallowable and/or unsupported personnel, consultant, subrecipient, and other direct costs to the awards; submitted FFRs that were generally not supported by the accounting records; and did not have an adequate general ledger to track matching expenditures or support the amount of matching expenditures reported on the FFRs. As a result of these deficiencies, we identified \$287,083 in net questioned costs.

Our report contains 19 recommendations to OJP which are detailed in the body of this report. Our audit objective, scope, and methodology are discussed in Appendix 1 and our Schedule of Dollar-Related Findings appears in Appendix 2. We discussed the results of our audit with CLS officials and have included their

comments in the report, as applicable. In addition, we requested a response to our draft audit report from CLS 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.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE FOR VICTIMS OF CRIME COOPERATIVE AGREEMENTS
AWARDED TO COLORADO LEGAL SERVICES
DENVER, COLORADO**

TABLE OF CONTENTS

The Grantee.....	1
OIG Audit Approach	2
Program Performance and Accomplishments.....	2
Program Goals and Objectives	2
Required Performance Reports.....	3
Compliance with Special Conditions	6
Grant Financial Management	6
Grant Expenditures	8
Personnel Costs	8
Consultant Costs	10
Subrecipient Costs	11
Matching Costs.....	12
Other Direct Costs	13
Proper Authorization	13
Budget Management and Control	14
Drawdowns.....	14
Federal Financial Reports	16
Conclusion.....	17
Recommendations	17
APPENDIX 1: OBJECTIVES, SCOPE, AND METHODOLOGY.....	20
APPENDIX 2: SCHEDULE OF DOLLAR-RELATED FINDINGS	21
APPENDIX 3: COLORADO LEGAL SERVICES' RESPONSE TO THE DRAFT AUDIT REPORT.....	22

APPENDIX 4: OFFICE OF JUSTICE PROGRAMS' RESPONSE TO THE DRAFT AUDIT
REPORT..... 30

APPENDIX 5: OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF
ACTIONS NECESSARY TO CLOSE THE REPORT 37

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE FOR VICTIMS OF CRIME COOPERATIVE AGREEMENTS
AWARDED TO COLORADO LEGAL SERVICES
DENVER, COLORADO**

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of two cooperative agreements awarded by the Office of Justice Programs (OJP) Office for Victims of Crime (OVC) to Colorado Legal Services (CLS) in Denver, Colorado.¹ CLS was awarded two grants totaling \$600,000, as shown in Table 1.

**Table 1
Cooperative Agreements Awarded to CLS**

Award Number	Award Date	Project Start Date	Project End Date	Award Amount
2012-VT-BX-K014	09/25/2012	10/01/2012	06/30/2015	\$300,000
2014-VT-BX-K002	09/16/2014	10/01/2014 ²	06/30/2017	\$300,000
Total:				\$600,000

Source: OJP's Grants Management System

The OVC is one of seven components within the OJP. OVC works to assist crime victims and to provide leadership in changing attitudes, policies, and practices to promote justice and healing for all victims of crime. OVC's Services for Victims of Human Trafficking Program awards funding for victim-servicing organizations in order to provide either comprehensive service, including shelter, advocacy, and health care, or specialized legal or mental health services. In fiscal years 2011 and 2012, the program funded four legal providers based in New York, Texas, Colorado, and California in order to serve trafficking victims in geographic areas encompassing 12 states.

The Grantee

CLS is a non-profit organization that has assisted persons with low income and seniors in the state of Colorado for over 90 years. CLS's mission is to provide meaningful access to high quality, civil legal services in the pursuit of justice for as many low-income persons and members of vulnerable populations throughout Colorado as possible. CLS provides various resources to the public, including self-help information for civil legal matters, where to find legal help, and court and

¹ Cooperative agreements are a type of grant for which the awarding agency is responsible for providing additional oversight and guidance throughout the project period. We use these words interchangeably throughout this report.

² OJP issued a Grant Adjustment Notice (GAN) extending the project end date for Award Number 2012-VT-BX-K014 to June, 30, 2015. The approved GAN stated that while the official project start date for Award Number 2014-VT-BX-K002 was October 1, 2014, CLS could not begin spending grant funds until July 1, 2015. We confirmed with CLS officials that the start date for Award Number 2014-VT-BX-K002 was July 1, 2015.

other referral information. Further, CLS provides support to other legal advocates helping low-income individuals in civil legal matters, including civil legal aid and pro bono attorneys, law students, and others.

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 program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

We tested compliance with what we consider to be the most important conditions of the grants. The OJP Financial Guide, DOJ Grants Financial Guide, and the award documents contain the primary criteria we applied during the audit. The results of our analysis are discussed in detail later in this report. Appendix 1 contains additional information on this audit's objectives, scope, and methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

Program Performance and Accomplishments

We reviewed progress reports, the award solicitations and grant documentation, and interviewed grantee officials to determine whether CLS demonstrated adequate progress towards achieving the program goals and objectives. We also reviewed the progress reports to determine if the required reports were accurate. Finally, we reviewed CLS's compliance with the special conditions identified in the award documentation.

Program Goals and Objectives

The goals and objectives for Award Number 2012-VT-BX-K014 included: (1) providing services to victims identified through successful outreach efforts; (2) providing prompt and reliable legal assessments and orientations with potential victims of human trafficking; (3) educating legal advocates and law enforcement agencies about the breadth of legal services provided by CLS, with the goal of improving access to legal services for domestic victims; (4) ensuring that CLS provide culturally competent services; and (5) meeting the need for more in-depth legal services beyond immigration advocacy. Legal services include advocacy within the criminal justice system, civil litigation, preparation of immigration petitions, assistance in seeking protective orders, advice and representation in domestic relations matters, and public benefits and health care advocacy.

The goals and objectives for Award Number 2014-VT-BX-K002 were the same as for Award Number 2012-VT-BX-K014, which include the continued effort to provide training, support, and services to trafficked persons throughout the state.

In order to complete the goals and objectives stated above, CLS partnered with Rocky Mountain Immigrant Advocacy Network (RMIAN) as a subrecipient. RMIAN specializes in providing legal services to survivors of human trafficking found in at-risk immigrant youth and detained adult populations. Similar to CLS, RMIAN's goals and objectives for both awards include improving RMIAN's ability to handle the growing number of human trafficking cases identified in the immigration detention system and among non-citizen youth, as well as expanding capacity to assist the organization in providing the services outlined above.

Based on our review, there were no indications that either CLS or RMIAN were not adequately achieving the stated goals and objectives of the grants. We review RMIAN's expenditures in the *Subrecipient Costs* section later in this report.

Required Performance Reports

According to the OJP Financial Guide and the DOJ Grants Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. In order to verify the information in the progress reports, we selected a judgmental sample of 10 performance measures from the 2 most recent reports submitted for each award for a total sample size of 20. We then traced the items to supporting documentation maintained by CLS.

For Award Number 2012-VT-BX-K014, we found that 7 out of the 10 performance measures we reviewed did not match the supporting documentation, or that the supporting documents provided were inadequate, as shown in Table 2.

Table 2
Progress Report Performance Measures
Award Number 2012-VT-BX-K014

Progress Report Performance Measure	Amount Reported in Progress Report	Amount Identified in Support	Issue with Support Provided
July through December 2014			
Total number of trafficking victims served during the period	59 active clients, 10 inactive clients, and 1 closed case	67 active clients, 11 inactive clients, 0 closed cases	CLS understated the amount of active and inactive client cases, and could not support the closed case
Number of professionals who received training during the period	1,379 professionals attended training events	Did not have sufficient support	Did not have sufficient support for trainings
Number of services provided during the period	4,190 service units provided	5,977 service units provided	CLS understated the amount of service units provided
January through June 2015			
Total number of trafficking victims served during the period	67 active clients, 16 inactive clients, and 12 closed cases	61 active clients, 16 inactive clients, 0 closed cases	CLS overstated the amount of active cases, and could not support the closed case
Number of professionals who received training during the period	365 professionals attended training events	Did not have sufficient support	Did not have sufficient support for trainings
Number of services provided during the period	5,835 service units provided	5,687 service units provided	CLS overstated the amount of service units provided
Number of Technical Assistance Hours provided during the reporting period	125 Technical Assistance Hours provided	133 Technical Assistance Hours provided	CLS understated the amount of Technical Assistance Hours provided

Source: OJP and CLS

For Award Number 2014-VT-BX-K002, we found that 7 out of the 10 performance measures we reviewed did not match the supporting documentation, or that the supporting documents provided were inadequate, as shown in Table 3.

Table 3
Progress Report Performance Measures
Award Number 2014-VT-BX-K002

Progress Report Performance Measure	Amount Reported in Progress Report	Amount Identified in Support	Issue with Support Provided
July through December 2015			
Total number of trafficking victims served during the period	59 active clients, 5 inactive clients, and 3 closed cases	75 active clients, 5 inactive clients, 0 closed cases	CLS understated the amount of active client cases, and could not support the closed cases
Number of professionals who received training during the period	438 professionals attended training events	Did not have sufficient support	Did not have sufficient support for trainings
Number of services provided during the period	5,417 service units provided	6,884 service units provided	CLS understated the amount of service units provided
January through June 2016			
Total number of trafficking victims served during the period	70 active clients, 12 inactive clients, and 7 closed cases	79 active clients, 12 inactive clients, 0 closed cases	CLS understated the amount of active cases, and could not support the closed case
Number of professionals who received training during the period	292 professionals attended training events	Did not have sufficient support	Did not have sufficient support for trainings
Number of services provided during the period	6,256 service units provided	6,970 service units provided	CLS understated the amount of service units provided
Number of Technical Assistance Hours provided during the reporting period	124 Technical Assistance Hours provided	134.5 Technical Assistance Hours provided	CLS understated the amount of Technical Assistance Hours provided

Source: OJP and CLS

CLS officials stated that they rely on reports produced by the Trafficking Information Management System (TIMS) to complete the semi-annual progress reports. The TIMS database is a tool provided by OVC in order to assist grantees in tracking human trafficking data, including client time, victim case information, and technical assistance hours. Therefore, CLS officials enter this type of information into TIMS over time, but do not keep the original source documentation. Consequently, when we requested support for our sample, CLS was unable to replicate all of the reported data because either: (1) the documentation to support the information in TIMS could not be obtained, or (2) the obtained documentation was not sufficient to support the information reported on the progress report.

Based on the information outlined above, we determined that CLS could not readily provide valid and auditable source documentation in order to support the performance measures selected in our sample. Therefore, we recommend that OJP ensure that CLS implements policies and procedures to ensure CLS maintains valid

and auditable source documentation that supports performance measures reported in the semi-annual progress reports.

Compliance with Special Conditions

Special conditions are the terms and conditions that are included with the award. We evaluated the special conditions for each grant and selected a judgmental sample of four requirements per award that are significant to performance under the grants and are not addressed in another section of this report. We identified two instances where CLS was not in compliance with the award special conditions for Award Number 2014-VT-BX-K002.

First, the award special conditions stated that the recipient agreed that \$210,000 of the award will be withheld, and that the recipient may not obligate, expend, or drawdown that amount until the recipient submits updated program strategy and budget documents, these have been approved by the OVC, and a Grant Adjustment Notice (GAN) has been issued to remove this special condition. This limited CLS to obligate, expend, or drawdown no more than \$90,000 of Award Number 2014-VT-BX-K002 before the GAN removing this special condition had been issued. We determined that the GAN removing this special condition was issued on February 4, 2016. We reviewed the accounting records for this award and found that CLS charged \$94,202 in grant expenditures to this award prior to February 4, 2016. Therefore, CLS expended an excess amount of \$4,202 before this special condition was removed, and this amount is therefore unallowable under this grant criterion. As a result, we recommend that OJP remedy the \$4,202 in unallowable expenditures that were charged to the grant prior to the approval of strategy and budget documents, as outlined in the award special conditions.

Next, the award special conditions also stated that the grantee agreed to submit to OVC, within 30 days of award, a revised time-task plan. This revised time-task plan should be developed in consultation with the OVC program specialist assigned to the project. We found that the time-task plan was not submitted to OVC until June 17, 2016, and the GAN was not approved until June 26, 2016. Because both of these dates were over a year and half after the 30 days of the award date, we determined that CLS was not in compliance with this award special condition.

Overall, we found that CLS was not in compliance with two of the award special conditions that we reviewed. As a result, we recommend that OJP ensure that CLS implements policies and procedures to ensure that CLS complies with award special conditions.

Grant Financial Management

According to both the OJP Financial Guide and the DOJ Grants Financial Guide, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records, and to accurately account for funds awarded to them. To assess CLS's financial management of the grants

covered by this audit, we reviewed CLS's most recent Single Audit Report to identify internal control weaknesses and significant non-compliance issues related to federal awards. We also conducted interviews with finance staff, examined policies and procedures, and inspected award documents to determine whether CLS adequately safeguards the grant funds we audited. Finally, we performed testing in the areas that were relevant for the management of this grant, as discussed throughout this report.

During our analysis of drawdowns, we found that CLS commingled funds between the two grants. According to the OJP Financial Guide and the DOJ Grants Financial Guide, the accounting systems of all recipients and subrecipients must ensure that agency funds are not commingled with funds from other sources. The recipient must account for each award separately, and is prohibited from commingling funds on either a program-by-program or a project-by-project basis. Funds specifically budgeted and/or received for one project must not be used to support another. When accounting for expenditures, CLS uses the same funding code for both awards. CLS differentiates expenses in its accounting system based on the date of the expense. Any expense that occurred between October 1, 2012, and June 30, 2015, the project period for Award Number 2012-VT-BX-K014, is considered an expense for that award. Further, any expense that occurs between July 1, 2015, and June 30, 2017, the project period for Award Number 2014-VT-BX-K002, is considered an expense for that award. During our analysis of drawdowns, we found that CLS included \$14,676 in expenses from Award Number 2012-VT-BX-K014 in the accounting records for Award Number 2014-VT-BX-K002. When the expenses were entered into the accounting system, the project period for Award Number 2014-VT-BX-K002 had already started and the expenses were therefore misrepresented as expenses for Award Number 2014-VT-BX-K002.

Furthermore, we found that the final drawdown for Award Number 2012-VT-BX-K014 was inadvertently listed in general ledger for Award Number 2014-VT-BX-K002. Consequently, not using separate accounting codes for each award increases the risk of commingling funds at CLS. Therefore, we recommend that OJP ensure that CLS implements policies and procedures to ensure the proper accounting of grant funds by establishing a system to adequately track funds according to budget or project category in order to prevent the commingling of funds.

During our review, we identified further weaknesses in CLS's award financial management. Specifically, we found that CLS charged unallowable and/or unsupported personnel, consultant, subrecipient, and other direct costs to the awards. Additionally, we found that Federal Financial Reports (FFRs) were generally not supported by the accounting records, and determined that CLS did not have an adequate general ledger to track matching expenditures. As a result, we found that CLS could not support the amount of matching expenditures reported on the FFRs. These issues are discussed in more detail in the remaining sections of this report.

Based on the above information, we have concluded that award financial management related to the use of funds, the accounting for and the documenting of award expenditures could be improved. As a result, we made 15 recommendations in the remaining sections of this report to OJP to address these deficiencies.

Grant Expenditures

For Award Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002, CLS's approved budgets included personnel, fringe benefits, travel, supplies, consultants/contracts, and other costs. The grantee was also required to expend \$100,000 in local matching funds for Award Number 2012-VT-BX-K0014 and 2014-VT-BX-K002, which represents a 25 percent local match for each award.

To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a judgmental sample of transactions. We tested 49 federal expenditures, totaling \$148,131, which includes 29 transactions from Award Number 2012-VT-BX-K014, and 20 transactions from Award Number 2014-VT-BX-K002. Additionally, we tested 8 matching expenditures, totaling \$112,259, which includes 4 transactions from Award Number 2012-VT-BX-K014, and 4 transactions from Award Number 2014-VT-BX-K002. We reviewed documentation, accounting records, and performed verification testing related to grant expenditures. Based on this testing, we recommend that OJP remedy \$287,083 in questioned costs. The following sections describe the results of that testing.

Personnel Costs

We reviewed 29 salary and fringe benefit transactions totaling \$107,504 from 6 months of payroll for Award Number 2012-VT-BX-K014 and 3 months of payroll for Award Number 2014-VT-BX-K002. Within the 29 salary and fringe transactions, we reviewed 55 individual monthly salary payments to employees.

Based on our analysis, we identified significant issues related to the allocation and supporting documentation of personnel costs for each award. First, we determined that CLS does not allocate salary costs to the awards properly. According to the OJP Financial Guide and the DOJ Grants Financial Guide, when grant recipients work on multiple grant programs or cost activities, a reasonable allocation of costs to each activity must be made based on time sheets, which must reflect an after-the-fact distribution of the actual activity of each employee, and account for the total activity for which each employee is compensated. Additionally, the CLS Accounting Manual states that the hours recorded for timekeeping purposes is the basis for allocating the employee journal expense to all funding sources based on hours worked.

When calculating what portion of wages should be allocated to each award each month, CLS uses the employee's hourly rate multiplied by the number of hours worked on each award. The hourly rate is calculated by dividing the

employee's monthly salary by 162.50 hours, which is the average number of working hours each month at CLS for each employee. However, we found that the employees selected in our sample often worked more or less than 162.50 hours in one month. When CLS allocates wages based on 162.50 hours, it does not account for the actual activity of the employee. Therefore, CLS's method to allocate employee wages to the awards is incorrect.

Additionally, when employees work more than 162.50 hours in one month it results in an over allocation of payroll costs charged to that specific award. For example, our sample included an employee who worked 169.70 hours total in one month, but only worked 162.50 of those hours on the award. CLS allocated 100 percent of this employee's payroll to Award Number 2012-VT-BX-K014, and the remaining hours that the employee worked were not charged to any additional funding source. In this example, while 95.76 percent of the time worked that month was related to the award, CLS allocated 100 percent of the employee's payroll to that award. As shown in the example above, when CLS employees work more than 162.50 hours, CLS charges too much of the employees' payroll to the awards because CLS does not take account for the full amount of hours worked from all funding sources. As a result, CLS is not in compliance with the OJP Financial Guide, the DOJ Grants Financial Guide, and its existing cost allocation policy. We determined that for 28 of the salary payments we sampled, CLS over-allocated employee payroll to the awards. We identified \$2,061 in unallowable personnel payments for Award Number 2012-VT-BX-K014 and \$1,020 in unallowable personnel payments for Award Number 2014-VT-BX-K002 that were over-allocated to the awards.

Next, as it relates to the support provided for the personnel allocations, we found 11 instances out of the total 55 individual monthly salary payments where the amount of hours logged in Legal Server, the system CLS uses to track client time by funding source, did not match the amount of time listed on the employee's approved time and attendance record. Because employee work hours are recorded using both tracking mechanisms, we would expect the hours recorded in Legal Server to match the hours listed on the paper time and attendance records. Further, because CLS does not know which tracking mechanism reflects the accurate amount of hours, and therefore cannot determine the amount of hours that should be allocated to the awards, we determined that any salary allocations with inconsistent timesheets to be unsupported.

Last, we found 17 instances out of the total 55 individual monthly salary payments where CLS did not allocate payroll based on CLS's standard methodology explained above. These personnel allocations in our sample were not directly supported by hours listed on the employee timesheets or allocated based on a rate identified in the approved award budget. CLS was unable to provide adequate support for these allocations, and therefore consider these to be unsupported.

Due to the inadequate allocation methodology and unsupported employee work hours, we determined that the system used by CLS was not sufficient to properly account for or support the salary and fringe costs charged to the awards.

Therefore, we questioned \$110,585 in personnel and fringe costs, which included \$107,504 in unsupported costs, the total salary and fringe costs from our sample, and \$3,081 in unallowable costs, as shown in Table 4 below.

Table 4
Personnel Questioned Costs

Award Number	Unallowable	Unsupported	Total³
2012-VT-BX-K014	\$2,061	\$69,217	\$71,278
2014-VT-BX-K002	\$1,020	\$38,287	\$39,307
Total:	\$3,081	\$107,504	\$110,585

Source: CLS

As a result, we recommend that OJP remedy the \$3,081 in unallowable personnel costs and the \$107,504 in unsupported personnel and fringe benefits costs. We also recommend that OJP ensure that CLS properly accounts for the salary and fringe costs not tested during our transaction testing that was allocated to both grants and implements policies and procedures to ensure that future personnel and fringe benefits costs are properly supported and properly allocated to each funding source based on an approved allocation method.

Consultant Costs

We reviewed a sample of two consultant expenditures totaling \$15,471, which includes one transaction for Award Number 2012-VT-BX-K014, and one transaction for Award Number 2014-VT-BX-K002. For the expenditure charged to Award Number 2012-VT-BX-K014, we found that CLS could not provide adequate time and effort reports for the consultant's evaluation services. As stated in the OJP Financial Guide and DOJ Grants Financial Guide, time and effort reports are required for consultants and must be retained by the grant recipient. The invoices provided as support for the expenditure in our sample did not contain a breakdown of services by time. Therefore, we identified \$10,021 in unsupported consultant payments.

For the expenditure charged to Award Number 2014-VT-BX-K002, we found that the consultant did submit a time and efforts report. However, CLS paid the consultant for evaluation services using a rate of \$110 per hour. Because this rate is higher than the maximum hourly rate of \$81.25 outlined in the OJP Financial Guide and the DOJ Grants Financial Guide, we determined that any payment in excess of \$81.25 per hour to be unallowable. Therefore, we identified \$1,396 in unallowable consultant payments.

Additionally, we found that CLS did not competitively bid the contract for evaluation services provided by the consultant. According to the OJP Financial Guide and the DOJ Grants Financial Guide, grantees that do not file a GAN should be able to demonstrate justification for sole source contracts. Similarly, existing CLS policy states that for purchases in excess of \$10,000, the Executive Director

³ Here and throughout the report, differences in the total amounts are due to rounding.

should obtain written quotations from at least three vendors whenever possible, and that when contracts are sole sourced, CLS maintains written documentation that demonstrates the reason(s) for not obtaining competitive quotes. We found that CLS did not maintain documentation justifying why this contract was not competitively bid, and did not file a GAN with the awarding agency.

We also reviewed the agreement between CLS and the consultant and found that the contract did not specify in detail the cost and completion time for each of the contract deliverables. According to existing CLS policy, contracts in excess of \$2,500 shall specify with sufficient detail the services to be rendered, duration or term of the contract, and the full amount of the contract, including the hourly rate. It appears that CLS is not in compliance with its existing contractor and consultant policies and procedures. We identified similar control issues in our subrecipient analysis. To address both of these issues, we make a recommendation in the following section.

Overall, we identified \$11,417 in questioned consultant costs, including \$10,021 in unsupported costs and \$1,396 in unallowable costs. Therefore, we recommend that OJP remedy the \$10,021 in unsupported consultant costs and the \$1,396 in unallowable consultant costs. Additionally, we identified issues with the procurement and the administration of the agreement reviewed during our testing of consultant transactions.

Subrecipient Costs

We reviewed a judgmental sample of three subrecipient expenditures totaling \$19,096, which includes two transactions from Award Number 2012-VT-BX-K014 and one transaction from Award Number 2014-VT-BX-K002. According to the OJP Financial Guide and DOJ Grants Financial Guide, all recipients and subrecipients are required to maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. An adequate accounting system allows you to maintain documentation to support all receipts, expenditures, and obligations of federal funds. For all of the subrecipient expenditures we reviewed, we found that CLS was not able to provide supporting documentation for the expenses listed on the provided invoices. These invoices included various expenses, such as personnel time without timesheets, supplies and equipment without receipts, and mileage that did not include a rate or amount of miles traveled. Therefore, because CLS could not provide this documentation for its subrecipient, we identified \$19,096 in unsupported subrecipient payments.

Additionally, according to the OJP Financial Guide and the DOJ Grants Financial Guide, a grant recipient should ensure that each of their subrecipients prepare an adequate budget on which the award commitment will be based. The detail of this budget should be kept on file by the recipient. We found that CLS did not obtain a budget for two of the subrecipient expenditures we reviewed, including one transaction for Award Number 2012-VT-BX-K014, and one transaction for Award Number 2014-VT-BX-K002. Therefore, we identified an additional \$16,166 in subrecipient payments as unsupported.

We also assessed the monitoring and evaluation of subrecipient performance conducted by CLS. We determined that any monitoring of the subrecipient by CLS was informal, and that CLS did not conduct site visits, desk reviews, or phone reviews of the subrecipient. Additionally, we found that CLS did not properly evaluate the subrecipient's financial management system, and did not maintain documentation that demonstrated that the subrecipient had been evaluated. According to the OJP Financial Guide and the DOJ Grants Financial Guide, an organization with a subrecipient should have a monitoring process that includes developing systems, policies, and procedures to ensure that subrecipient reviews are conducted in accordance with federal program and grant requirements, laws and regulations. This entity must have established written policies on subrecipient monitoring. Consequently, because CLS does not have these policies, and did not provide documentation demonstrating that its subrecipient was monitored, we determined that CLS did not adequately monitor and evaluate subrecipient performance.

Overall, we identified \$35,262 in unsupported subrecipient payments. Therefore, we recommend that OJP remedy \$19,096 in unsupported subrecipient costs resulting from inadequate support for expenses listed on the subrecipient invoices and \$16,166 in unsupported subrecipient costs resulting from payments made without a budget. Furthermore, we identified that CLS had not adequately monitored or evaluated its subrecipient. Therefore, we recommend that OJP ensure that CLS implements policies and procedures to formally monitor and evaluate subrecipient performance. Finally, it appears that CLS is not in compliance with its existing subrecipient policies, as explained in the previous two sections of this report. Therefore, we also recommend that OJP ensure that CLS enforces existing subrecipient policies to ensure that contractor, consultant, and subgrantee agreements are administered properly, which includes: (1) conducting all procurement transactions in a manner that provides open, free, and fair competition; (2) ensuring that each subrecipient prepares a detailed budget; and (3) maintaining adequate supporting documentation for subrecipient transactions.

Matching Costs

Matching costs are the non-federal recipient's share of the total project costs. According to the OJP Financial Guide and the DOJ Grants Financial Guide, awardees and sub-awardees must maintain records for match expenses that clearly show the source, amount, and timing for all matched contributions. We reviewed a sample of eight match transactions, totaling \$112,259, which includes four transactions from Award Number 2012-VT-BX-K014 and four transactions from Award Number 2014-VT-BX-K002. These were lump sum amounts for the entire award period. We asked CLS for more detailed accounting records of matching expenditures organized by transaction date. CLS was not able to provide a general ledger that listed matching expenditures by the date of each expense. Instead, CLS provided a general ledger that listed each category of expense in lump sums for each FFR reporting period. CLS used a journal entry to assign each matching expense to its respective account. CLS did not provide further detail on what made up each lump sum amount for the quarterly matching expense.

Of the \$112,259 in matching expenditures we reviewed, \$20,667, or 18 percent of the matching costs were designated as rent transactions. While we were unable to determine the timing of these expenses, we were able to verify the annual rent expense was supported. Therefore we did not take issue with the \$20,667 in matching costs designated as rent.

However, CLS did not provide adequate accounting records to support the remaining \$91,592 in salary and fringe matching expenditures, or 82 percent of the matching expenditures we sampled. As outlined in the *Personnel Costs* section above, we identified significant issues related to the allocation and supporting documentation of those personnel costs for each award. We confirmed with CLS officials that payroll allocated as matching costs is completed in the same way that payroll is allocated for federal costs, except that matching costs cannot be traced to any individual transactions. Therefore, we determined that all personnel and fringe benefits costs charged as matching expenditures to the awards were unsupported, totaling \$129,329. We recommend that OJP remedy the \$129,329 in unsupported matching personnel and fringe benefits costs. Furthermore, we recommend that OJP ensure that CLS implements policies and procedures to ensure the proper accounting of matching contributions, which includes maintaining records that clearly show the source, amount, and timing of these expenditures.

Other Direct Costs

We reviewed a judgmental sample of 15 other direct cost transactions totaling \$5,281, which includes 7 transactions from Award Number 2012-VT-BX-K014 and 8 transactions from Award Number 2014-VT-BX-K002. Based on our analysis, we identified \$586 in unallowable direct cost expenditures. First, we determined that a \$128 purchase for a label writer was not in the approved grant budget, and is therefore unallowable. Next, we found that two expenditures totaling \$458 were both incurred during the project period for Award Number 2012-VT-BX-K014, but were charged to the general ledger for Award Number 2014-VT-BX-K002 and are therefore unallowable.⁴ Overall, we recommend that OJP remedy the \$128 in unallowable direct costs not approved in the grant budget, and the \$458 in unallowable direct costs resulting from expenditures that were listed in the wrong award general ledger.

Proper Authorization

Throughout our transaction testing, we identified four transactions without proper authorizing signatures. Specifically, one of the transactions we reviewed during our direct cost analysis did not have a proper authorizing signature on the disbursement request for that purchase. Similarly, the disbursement request we reviewed during our accountable property analysis did not contain any of the required authorizing signatures prior to the purchase of the equipment. Last, one of the transactions we reviewed during our consultant analysis, as well as one of

⁴ We also identified an additional \$14,565 in expenditures that were listed in the wrong grant general ledger in the *Drawdowns* section below.

the transactions we reviewed during our subrecipient analysis, did not have a proper authorizing signature on the disbursement request for that purchase.

Furthermore, we also found that the authorizing signatures listed on the employee time and attendance sheets we reviewed during our payroll analysis were not completed until after the employee had already been paid for the time worked that pay period. Because we identified numerous instances where CLS did not properly authorize grant expenditures, we recommend that OJP ensure that CLS implements policies and procedures to ensure grant expenditures are properly authorized, which includes ensuring disbursement requests are signed by the proper officials at CLS, and requires CLS officials to authorize employee timesheets prior to that employee being paid for hours worked.

Budget Management and Control

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

We compared grant expenditures to the approved budgets to determine whether CLS transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent. However, while categorizing expenditures during this analysis, we identified \$512 in litigation and miscellaneous costs that were not listed in the approved budget, and are therefore unallowable. As a result, we recommend that OJP remedy the \$512 in unallowable direct costs not approved in the grant budget.⁵

Drawdowns

According to the OJP Financial Guide and the DOJ Grants Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. To assess whether CLS managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. As of October 3, 2016, CLS had drawn down a total of \$454,576 from the two audited awards, as shown in Table 5.

⁵ The total amount of questioned costs identified in the recommendation for unallowable direct costs not approved in the grant budget is \$640, which includes the \$512 in unbudgeted costs identified in the *Budget Management and Control* section, as well as the \$128 in unbudgeted costs identified in the *Other Direct Costs* section.

Table 5
Total Drawdowns Compared to Expenditures

Award Number	Total Drawdowns	Total Expenditures	Expenditures Less Drawdowns
2012-VT-BX-K014	\$300,000	\$285,324	(\$14,676)
2014-VT-BX-K002	\$154,576	\$176,929	\$22,353
Total:	\$454,576	\$462,253	

Source: OJP and CLS

We found that for Award Number 2012-VT-BX-K014, the total amount of drawdowns exceeded the total expenditures listed in the CLS accounting records by \$14,676. CLS officials explained that certain expenditures were incurred during the project period for Award Number 2012-VT-BX-K014, but were charged to the general ledger for Award Number 2014-VT-BX-K002. We reviewed documentation for \$14,693 in expenditures that CLS officials stated were listed in the wrong grant general ledger and determined that they were, in fact, incurred during the project period for Award Number 2012-VT-BX-K014, and therefore support the \$14,676 difference in drawdowns and total expenditures for that award. We found that at the time when the expenditures were entered into the accounting system, the project period for Award Number 2014-VT-BX-K002 had already started, and were therefore incorrectly entered into the general ledger for that award due to the issues discussed in the *Grant Financial Management* section of this report.

CLS did not provide evidence that they corrected these entries so that the expenses would be listed in the correct general ledger. Because these expenditures were inadvertently charged to the wrong grant general ledger, they are unallowable under Award Number 2014-VT-BX-K002. Of the \$14,693 in unallowable expenditures, one expenditure for \$128 was previously determined to be in the wrong grant general ledger in the *Other Direct Costs* section. Therefore, in this section, we questioned \$14,565 in new unallowable expenditures that were listed in the wrong grant general ledger.⁶

Additionally, when reviewing these expenditures, we identified \$179 in costs that were not liquidated within 90 days of the date of the expense. According to the OJP Financial Guide and DOJ Grants Financial Guide, obligation of expenses incurred prior to the project period end date must be liquidated no more than 90 days after the project period end date. Therefore, the \$179 in expenditures identified during this analysis that were not liquidated within 90 days is considered unallowable. Overall, we recommend that OJP remedy \$14,565 in new unallowable expenditures that were listed in the wrong award general ledger and \$179 in unallowable direct costs resulting from expenditures that were not liquidated within 90 days of the date the purchases were incurred.

⁶ The total amount of questioned costs identified in the recommendation for unallowable expenditures that were listed in the wrong grant general ledger is \$15,023, which includes the new \$14,565 in additional costs listed in the wrong grant general ledger identified by CLS in the *Drawdowns* section, as well as the \$458 in costs listed in the wrong grant general ledger originally identified in the *Other Direct Costs* section. The \$458 includes the one expenditure for \$128.

Federal Financial Reports

According to the OJP Financial Guide and the DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. To determine whether CLS submitted accurate FFRs, we compared the four most recent reports to CLS's accounting records for each grant. We found that the FFRs did not match CLS's accounting records for both awards within our scope, as shown in Table 6.⁷

Table 6
FFR Accuracy by Period

Report No.	Period Expenses Reported In FFR	Period Expenses Reported in the GL	Period Difference	Cumulative Expenses Reported in the FFR	Cumulative Expenses Reported in the GL	Cumulative Difference
Award Number 2012-VT-BX-K014						
8	\$32,978	\$32,978	-	\$157,666	\$153,987	(\$3,679)
9	\$52,059	\$55,946	\$3,887	\$209,725	\$209,933	\$208
10	\$36,041	\$36,041	-	\$245,766	\$245,974	\$208
11	\$54,234	\$39,350	(\$14,884)	\$300,000	\$285,324	(\$14,676)
Award Number 2014-VT-BX-K002						
4	\$31,109	\$45,823	\$14,715	\$31,109	\$45,823	\$14,715
5	\$47,139	\$47,465	\$326	\$78,248	\$93,288	\$15,040
6	\$43,077	\$43,077	-	\$121,325	\$136,365	\$15,040
7	\$33,251	\$40,563	\$7,312	\$154,576	\$176,929	\$22,353

Source: OJP and CLS

Additionally, we attempted to compare the amount of expenditures reported in the FFRs to the general ledger for matching expenditures under each award. However, as mentioned previously, CLS was not able to provide a general ledger that listed matching expenditures by the date each expense was incurred within each FFR reporting period. Instead, CLS provided a general ledger that listed each expense in lump sums by the date that CLS used a journal entry to assign each matching expense to its respective account. Further, this date is not the date the expense was incurred within each reporting period. Therefore, while CLS was able to support some matching expenditures we selected for testing, as explained in the *Matching Costs* section above, we still cannot compare the amount of expenses reported in the FFR to the general ledger provided by CLS.

Overall, based on Table 6 above, we recommend that OJP ensure that CLS implements policies and procedures to ensure the proper monitoring and tracking of both federal and matching expenditures so that CLS can properly report the correct amount of expenditures on its FFRs.

⁷ We did not identify any program income in CLS's accounting records, or on the FFRs.

Conclusion

As a result of our audit testing, we concluded that CLS did not adhere to all of the grant requirements we tested, but demonstrated adequate progress towards achieving the grants' stated goals and objectives. We found that the CLS did not comply with essential award conditions related to the use of award funds, accounting for award expenditures, and FFRs. We identified \$287,083 in net unallowable and unsupported costs related to personnel costs, contractor and consultant costs, subrecipient costs, matching costs, and other direct costs, which included \$19,554 in duplicated costs that were questioned for more than one reason. Additionally, we found that CLS commingled funds between the awards. Lastly, we found that CLS did not properly account for matching expenditures, and found that the FFRs submitted by CLS did not match the award accounting records. As a result, we provide 19 recommendations to OJP to address these deficiencies.

Recommendations

We recommend that OJP:

1. Remedy \$4,202 in unallowable expenses incurred prior to the approval of strategy and budget documents.
2. Remedy \$3,081 in unallowable personnel costs.
3. Remedy \$1,396 in unallowable consultant costs.
4. Remedy \$15,023 in unallowable direct costs related to:
 - a. \$128 in unallowable direct costs not approved in the grant budget, which also was listed in the wrong award ledger.
 - b. \$15,023 in unallowable direct costs resulting from expenditures that were listed in the wrong award general ledger.
 - c. \$179 in unallowable direct costs resulting from expenditures that were not liquidated within 90 days of the date the purchases were incurred, which was also listed in the wrong award ledger.
5. Remedy \$512 in unallowable direct costs not approved in the grant budget.
6. Remedy \$107,504 in unsupported personnel and fringe benefits costs.
7. Remedy \$10,021 in unsupported consultant costs.

8. Remedy \$19,096 in unsupported subrecipient costs related to:
 - a. \$19,096 resulting from inadequate support for expenses listed on the subrecipient invoices.
 - b. \$16,166 in unsupported subrecipient costs resulting from payments made without a budget, which also did not have adequate support in the subrecipient invoices.
9. Remedy \$129,329 in unsupported matching personnel and fringe benefits costs.
10. Ensure that CLS implements policies and procedures to ensure CLS maintains valid and auditable source documentation that supports performance measures reported in the semi-annual progress reports.
11. Ensure that CLS implements policies and procedures to ensure that CLS complies with award special conditions.
12. Ensure that CLS implements policies and procedures to ensure the proper accounting of grant funds by establishing a system to adequately track funds according to budget or project category in order to prevent the commingling of funds.
13. Ensure that CLS properly accounts for the salary and fringe costs not tested during our transaction testing that was allocated to both grants.
14. Ensure that CLS implements policies and procedures to ensure that personnel and fringe benefit costs are properly supported and properly allocated to each funding source based on an approved allocation method.
15. Ensure that CLS implements policies and procedures to formally monitor and evaluate subrecipient performance.
16. Ensure that CLS enforces existing subrecipient policy to ensure that contractor, consultant, and subgrantee agreements are administered properly, which includes: (1) conducting all procurement transactions in a manner that provides open, free, and fair competition; (2) ensuring that each subrecipient prepares a detailed budget; and (3) maintaining adequate supporting documentation for subrecipient transactions.
17. Ensure that CLS implements policies and procedures to ensure the proper accounting of matching contributions, which includes maintaining records that clearly show the source, amount, and timing of these expenditures.
18. Ensure that CLS implements policies and procedures to ensure grant expenditures are properly authorized, which includes ensuring disbursement requests are signed by the proper officials at CLS, and requires CLS officials

to authorize employee timesheets prior to that employee being paid for hours worked.

19. Ensure that CLS implements policies and procedures to ensure the proper monitoring and tracking of both federal and matching expenditures so that CLS can properly report the correct amount of expenditures on its Federal Financial Reports.

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: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

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

This was an audit of OJP cooperative agreements awarded to CLS under the OVC Services for Victims of Human Trafficking program. OJP awarded \$300,000 to CLS under Award Number 2012-VT-BX-K014 and \$300,000 under Award Number 2014-VT-BX-K002. As of October 3, 2016, CLS had drawn down \$454,576 of the total grant funds awarded. Our audit concentrated on, but was not limited to September 25, 2012, the award date for Award Number 2012-VT-BX-K014 through November 11, 2016, the last day of our audit work. Award Number 2014-VT-BX-K002 was still ongoing at the time of our review.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of CLS's activities related to the audited grants. We performed sample-based audit testing for award expenditures including payroll and fringe benefit charges; consultant charges; subrecipient charges; matching costs; 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, 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 CLS's accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems was verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
Questioned Costs:		
<u>Unallowable Costs</u>		
Premature Spending	\$4,202	6
Over-allocated Salary Costs	3,081	10
Consultant Costs	1,396	11
Unbudgeted Direct Costs	640	13-14
Misallocated Direct Costs	15,023	13, 15
Unliquidated Direct Costs	<u>179</u>	15
<i>Total Unallowable Costs</i>	<i>\$24,521</i>	
<u>Unsupported Costs</u>		
Personnel and Fringe Benefits	\$107,504	10
Consultant Costs	10,021	11
Inadequately Supported Subrecipient Costs	19,096	12
Unbudgeted Subrecipient Costs	16,166	12
Matching Personnel and Fringe Benefits	<u>129,329</u>	13
<i>Total Unsupported Costs</i>	<i>\$282,116</i>	
<i>Gross Questioned Costs</i> ⁸	<i>\$306,637</i>	
Less Duplicate Questioned Costs ⁹	<u>(19,554)</u>	
Net Questioned Costs	\$287,083	
TOTAL DOLLAR-RELATED FINDINGS	<u>287,083</u>	

⁸ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

⁹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts, which include \$3,081 in personnel costs that were both unallowable and unsupported, \$307 in direct costs that were unallowable for more than one reason, and \$16,166 in subrecipient costs that were unsupported for more than one reason.

**COLORADO LEGAL SERVICES'
RESPONSE TO THE DRAFT AUDIT REPORT¹⁰**

Colorado Legal Services

1905 Sherman Street, Suite 400
Denver, CO 80203-1811
www.ColoradoLegalServices.org

Direct Line: 303-866-9399

June 30, 2017

David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1120 Lincoln St., Suite 1500
Denver, CO 80203

Via: U.S. Mail and Electronic Mail at: David.M.Sheeren@usdoj.gov

Re: OIG Draft Audit Report

Dear Mr. Sheeren:

Pursuant to your letter dated May 24, 2017 enclosing the OIG Draft Audit Report, and your kind extension of time in which to reply, attached please find CLS' response to the Draft Report. The response includes CLS' comments and responses to each of the findings and recommendations.

If you or Ms. Taylor have any questions concerning the comments or responses, please let me know at your convenience. Otherwise, CLS looks forward to resolving all issues to our mutual satisfaction. Thank you for your kind cooperation in this important regard.

Respectfully,


Jonathan D. Asher
Executive Director

JDA/sw

cc: Linda J. Taylor
Lead Auditor, Audit Coordination Branch
Audit and Review Division
Office of Justice Programs
Linda.Taylor2@usdoj.gov



¹⁰ Attachments to this response were not included in this final report.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE FOR VICTIMS OF CRIME
COOPERATIVE AGREEMENTS AWARDED TO COLORADO LEGAL SERVICES**

**RESPONSE TO DRAFT AUDIT REPORT BY
COLORADO LEGAL SERVICES**

June 30, 2017

Colorado Legal Services (CLS) respectfully submits this response to the U.S. Department of Justice (DOJ), Office of Inspector General's (OIG) Draft Audit Report of the Office of Justice Program's (OJP) Office for Victims of Crime (OVC) Cooperative Agreements Awarded to Colorado Legal Services.

In this introduction, CLS provides general comments, followed by responses to the 19 OIG specific findings and recommendations.

The two cooperative agreements reviewed by the OIG, 2012-VT-BX-K014 and 2014-VT-BX-K002, were CLS's first OJP/OVC awards. Due to the numerous special conditions and authorities applicable to these cooperative agreements, including the DOJ Grants Financial Guide and the OJP Financial Guide, these are complex and difficult grants to administer. CLS made a good faith effort to comply with award requirements, attended grantee conferences and participated in all monthly grantee calls during the project periods. At no point did CLS have indications that its practices were problematic, either via desk reviews or reviews of CLS programmatic reports and Federal Financial Reports. Now that CLS had been made aware that some of its fiscal practices can be improved, CLS is committed to working cooperatively with OJP to remedy the specific recommendations, as discussed below.

Notwithstanding the OIG recommendations, CLS never has had problematic audit reports either through its annual independent audit or through other federal, state or private funders. It is not disputed that CLS had impressive programmatic achievements. CLS would highlight that the draft audit report concludes CLS has demonstrated adequate progress towards achieving the awards' stated goals and objectives.

There is insufficient information to agree or disagree with some of the assertions made in the OIG draft report, particularly those related to performance measures. For example, CLS does not have sufficient information regarding reported discrepancies in some of the performance measures identified in Tables 2 and 3, such as the total numbers of clients or technical assistance hours identified by the OIG in the support provided. It is likely that discrepancies arise from the timing of entries into the Trafficking Information Management System (TIMS) and differences in the units of time used in CLS's timekeeping system, LegalServer and its predecessor, Kemp's case management system, versus those required in the TIMS system. As an example of the TIMS issue, when CLS assigned clients to the grant in the TIMS system, but the client case first was opened by CLS in a prior reporting period, it appears the internal "opening" date for the client

file, before assignment to the grant, was allocated to the previous reporting period retroactively, thus changing totals for that period. Such discrepancies reflect no disingenuousness on the part of CLS, rather unfamiliarity with the TIMS system's nuances. CLS would be happy to work with OJP to better understand and utilize the system to avoid these discrepancies. CLS will note, however, that Tables 2 and 3 assert that CLS "understated" performance measures more than it "overstated" them, again demonstrating CLS's good faith in recording and entering data.

Although its Human Trafficking Project is small, CLS is a large organization with more than sixty grants and funders. The CLS controller's office makes every effort to comply with the myriad requirements of every funder, although, at times it is enormously difficult to track time and other data in a manner that satisfies every funder based on their various criteria.

Finally, CLS's controller during the tested project periods has since retired, due to poor health, not the result of the OIG audit. The new controller will assess CLS's various systems in collaboration with OJP to resolve and remedy the various recommendations.

CLS responses to OIG recommendations. OIG recommended that OJP:

1. Remedy \$4,202 in unallowable expenses incurred prior to the approval of strategy and budget documents.

Disagree: CLS can demonstrate it made repeated good faith efforts to comply with the special condition and secure the necessary Grant Adjustment Notice (GAN) between October 13, 2015 and January 27, 2016, including no fewer than six electronic mail message inquiring or providing additional information. During this time, a grant manager returned from leave in October and departed for a different division in December, when a new grant manager assumed the position. On January 26, 2016 CLS inquired about the appropriate course of action as the initial 30 percent of funds dwindled. There was no direct response apart from confirmation that a GAN was being processed. CLS responded to all four inquiries/messages from OVC on the same day the message was received. *See*, Exhibit A. If necessary, CLS requests a retroactive GAN to correct this overage that it made repeated efforts to prevent.

2. Remedy \$3,081 in unallowable personnel costs.

Disagree: CLS will work with OJP to demonstrate that staff time spent on the program and salaries devoted to project work exceeded even the amounts allocated and drawn down; overall staff time was not over-allocated to the awards. Nonetheless, CLS will work with OJP to reconcile the salary expenditures to provide adequate accounting records for these costs.

3. Remedy \$1,396 in unallowable consultant costs.

Disagree: The time and efforts report contained in the invoice submitted by the consultant and reimbursed by CLS under Award Number 2014-VT-BX-K001 was based on an hourly rate of \$81.25. The CLS controller has prepared a reconciliation of this December 26, 2016 invoice

verifying the hourly rate for each date of service. *See*, Exhibit B (reconciliation and copy of original invoice).

4. Remedy \$15,023 in unallowable direct costs related to:

CLS proposes creating two (2) separate fund sources for awards 2012-VT-BX-K014 and 2014-VT-BX-K002 which will remedy any commingled fund issue. The costs of \$15,023 will be recorded to the proper award general ledger to remedy the unallowable direct costs issue.

a. \$128 in unallowable direct costs not approved in the grant budget, which also was listed in the wrong award ledger.

Disagree: This purchase does not fit within the type of budget modification requiring a GAN, pursuant to the OJP Financial Guide¹ and does not seem to be addressed in OMB Circular A-122.² The relevant portions of the OJP guide *require* a GAN for budget modification if: The proposed cumulative change is greater than 10 percent of the total award amount; the budget modification changes the scope of the project; a budget adjustment affects a cost category that was not included in the original budget. Here, supplies were an original cost category, the \$128 purchase did not represent a change of greater than 10 percent of the budget category and the purchase of a label maker did not change the scope of the project, but in fact made project operations more efficient by reducing the staff time required to generate labels. While the OJP guide *advises* grantees to submit a GAN, one was not *required*, as CLS understood these provisions. If CLS was in error in making this assessment, CLS will work with OJP to remedy this amount.

Regarding the apparent listing of this amount in the wrong general ledger, CLS proposes creating two (2) separate fund sources for awards 2012-VT-BX-K014 and 2014-VT-BX-K002 which will remedy any commingled fund issue. As part of the costs of \$15,023, this \$128 purchase will be recorded to the proper award general ledger to remedy the unallowable direct costs issue.

b. \$15,023 in unallowable direct costs resulting from expenditures that were listed in the wrong award general ledger.

CLS proposes creating two (2) separate fund sources for awards 2012-VT-BX-K014 and 2014-VT-BX-K002 which will remedy any commingled fund issue. The costs of \$15,023 will be recorded to the proper award general ledger to remedy the unallowable direct costs issue.

c. \$179 in unallowable direct costs resulting from expenditures that were not liquidated within 90 days of the date the purchases were incurred, which was also listed in the wrong award ledger.

¹ <https://ojp.gov/financialguide/PostawardRequirements/chapter10page1.htm#a>

² <https://www.gpo.gov/fdsys/pkg/CFR-2011-title2-vol1/pdf/CFR-2011-title2-vol1-part230.pdf>

CLS proposes creating two (2) separate fund sources for awards 2012-VT-BX-K014 and 2014-VT-BX-K002 which will remedy the commingled fund issue. The costs of \$15,023 will be recorded to the proper award general ledger to remedy the unallowable direct costs issue.

5. Remedy \$512 in questioned costs in unallowable direct costs not approved in the grant budget.

Please see response to 4.a., above.

6. Remedy \$107,504 in unsupported personnel and fringe benefits costs.

Partially agree. CLS proposes pulling all relevant time records from (1) hours logged in LegalServer, and (2) CLS's employee time and attendance record for the periods in question. Time records will be reviewed and all errors between time sources reconciled. Differences in time records will be reviewed and corrected by the employee's direct supervisor to ensure accuracy. Once time record reconciliation is complete, all personnel and fringe benefits costs will be reallocated based on *actual hours worked* and not based on the average number of working hours for CLS (162.5 hours). The correction and reconciliation of time records, along with the reallocation of costs will remedy the \$107,504 in unsupported personal and fringe benefit costs.

7. Remedy \$10,021 in unsupported consultant costs.

Partially disagree. CLS acknowledges that the DOJ Grants Financial Guide states that time and effort reports are required for consultants. The final budget revision submitted June 21, 2013 and ultimately approved, however, was based on a "per deliverable" fee structure for the consultant. The invoice at issue, therefore, reported based on these deliverables, as was CLS's understanding of the requirement in this particular situation. If this was in error, CLS will work with OJP to remedy this, including securing consultant time records.

8. Remedy \$19,096 in unsupported subrecipient costs related to:

a. 19,096 resulting from inadequate support for expenses listed on the subrecipient invoices.

b. Remedy \$16,166 in unsupported subrecipient costs resulting from payments made without a budget, which also did not have adequate support in the subrecipient invoices.

Partially agree. CLS demonstrated it complies with the DOJ Grants Financial Guide and other authority in various substantial respects, including ensuring that the subrecipient undergoes an annual audit, reviewing its financial systems, reviewing invoices to ensure expenses are allowable and programmatic reports to assess progress made, among other efforts. CLS also received budgets from the subrecipient that apparently were not as detailed as the OIG is recommending. Further, CLS was under the impression the subrecipient accounted for staff time in providing TIMS data sheets documenting hours of grant work performed, which were provided to the auditors, but apparently these were not sufficient. CLS agrees to work with OJP

to have more formalized subrecipient monitoring policies as described in 2 C.F.R. § 200.331 and pursue any other necessary remedies.

9. Remedy \$129,329 in unsupported matching personnel and fringe benefits costs.

Partially agree. CLS proposes reconciling the salary and fringe benefit matching expenditures to provide adequate accounting records for these costs. All matching entries will be reviewed and the proper accounting of matching contributions will be recorded to include source, amount, and timing of these expenditures.

10. Ensure that CLS implements policies and procedures to ensure CLS maintains valid and auditable source documentation that supports performance measures reported in the semi-annual progress reports.

Insufficient information to agree or disagree. As stated in the introduction, CLS does not have sufficient information to determine how the variances set forth in Tables 2 and 3 were calculated and developed. Nonetheless, CLS will work with OJP to implement policies and procedures that ensure CLS maintains valid and auditable source documentation that supports performance measures, including demonstrating to OJP the procedures that currently are in place.

11. Ensure that CLS implement policies and procedures to ensure that CLS complies with award special conditions.

Partially disagree. As stated in the response to Recommendation #1, CLS attempted to comply with award special conditions, such as the approval of strategy and budget documents. Further, as a newer grantee, CLS was unaware that a revised time-task plan was required even when the project plan had not changed. Nonetheless, CLS will work with OJP to implement policies and procedures to ensure that CLS complies with award special conditions.

12. Ensure that CLS implement policies and procedures to ensure the proper accounting of grant funds by establishing a system to adequately track funds according to budget or project category in order to prevent the commingling of funds.

Partially agree. CLS will institute policies and procedures that will ensure the proper accounting and tracking of grants funds based on a unique funding source number to prevent the appearance of any possible commingling of grant funds.

13. Ensure that CLS properly accounts for the salary and fringe costs not tested during our transaction testing that was allocated to both grants.

Agree. CLS will review and properly account for all salary and fringe costs not tested during the original transaction testing for both 2012-VT-BX-K014 and 2014-VT-BX-K002 awards.

14. Ensure that CLS implements policies and procedures to ensure that personnel and fringe benefits costs are properly supported and properly allocated to each funding source based on an approved allocation method.

Agree. CLS will institute policies and procedures that will ensure personnel and fringe benefit costs are properly supported and properly allocated to each unique funding source based on an approved allocation methodology.

15. Ensure that CLS implements policies and procedures to formally monitor and evaluate subrecipient performance.

As stated in the response to Recommendation #8, CLS agrees to work with OJP to formalize subrecipient monitoring policies as described in 2 C.F.R. § 200.331 and pursue any other necessary remedies.

16. Ensure that CLS enforces existing subrecipient policy to ensure that contractor, consultant, and subgrantee agreements are administered properly, which includes: (1) conducting all procurement transactions in a manner that provides open, free, and fair competition; (2) ensuring that each subrecipient prepares a detailed budget; and (3) maintaining adequate supporting documentation for subrecipient transactions.

Agree. CLS will work with OJP to have more formalized subrecipient policies as described in 2 C.F.R. § 200.331 and pursue any other necessary remedies.

17. Ensure that CLS implements policies and procedures to ensure the proper accounting of matching contributions, which includes maintaining records that clearly show the source, amount, and timing of these expenditures.

Agree. CLS will institute policies and procedures that will ensure the proper accounting of matching contributions and will include detailed supporting documentation listing source, amount and timing of all expenditures.

18. Ensure that CLS implements policies and procedures to ensure grant expenditures are properly authorized, which includes ensuring disbursement requests are signed by the proper officials at CLS, and requires CLS officials to authorize employee time sheets prior to that employee being paid for hours worked.

Disagree in part: CLS is scrupulous in requiring signatures from the proper authorizing officials on disbursement requests before disbursements are made. Although details were not provided in the Draft Report, based on conversations with the auditors, it appears the disbursement requests referenced here were those that were in off-site storage at the time of the audit. CLS staff was not requested to and did not visit the storage facility to retrieve the signed and authorized documents. CLS did produce dozens of other requested records; however, these four transactions were verified with unofficial copies received and maintained by the Project Director prior to their processing by the controller's office. CLS can and will produce the

original processed disbursements to demonstrate that signatures were, in fact, properly obtained prior to the disbursements, if necessary.

With regard to the CLS employee time sheet procedures, the OIG is correct that CLS officials do not authorize employee time sheets prior to that employee being paid for hours worked. However, CLS time sheet policies and procedure provide the following:

- An accounting structure and system which provides assurance that all personnel charges are accurate, allowable, and properly allocated;
- Time sheet reports reflect an after-the-fact distribution of the actual activities of each employee;
- Time sheet reports account for the total activity of the individual employee;
- Where employees work on multiple grant programs, time sheet reports reflect an after-the-fact allocation of time among specific activities;
- Time sheets are signed by the individual employee and their direct supervisor having first-hand knowledge of the activities performed by the employee;
- Time sheet reports are prepared monthly and coincide with the previous two payroll periods.

19. Ensure that CLS implements policies and procedures to ensure the proper monitoring and tracking of both federal and matching expenditures so that CLS can properly report the correct amount of expenditures on its Federal Financial Reports.

Agree. CLS will institute policies and procedures that will ensure the proper monitoring and tracking of both federal and matching expenditures in order for CLS to correctly and accurately report the amount of expenditures for its respective Federal Financial Report (FFR).

In conclusion, we are committed to working with the OJP Office of Audit, Assessment, and Management, Audit and Review Division to close out the recommendations successfully. CLS strives to meet all goals and refine its operations, whether programmatic or administrative, in order to better serve our clients and meet all grant requirements and responsibilities.

Thank you for your consideration of CLS' comments and specific responses.

**OFFICE OF JUSTICE PROGRAMS'
RESPONSE TO THE DRAFT AUDIT REPORT**



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

JUL 10 2017

MEMORANDUM TO: David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General

FROM: *for* Ralph E. Martin *Jerry Artabey*
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Office for Victims of Crime Cooperative Agreements Awarded to Colorado Legal Services, Denver, Colorado*

This memorandum is in reference to your correspondence, dated May 24, 2017, transmitting the above-referenced draft audit report for the Colorado Legal Services (CLS). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains 19 recommendations, **\$287,083¹** in net 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 remedy \$4,202 in unallowable expenses incurred prior to the approval of strategy and budget documents.**

OJP agrees with this recommendation. We will coordinate with CLS to remedy the \$4,202 in questioned costs, related to expenses incurred prior to the approval of strategy and budget documents for Cooperative Agreement Number 2014-VT-BX-K002.

2. **We recommend that OJP remedy \$3,081 in unallowable personnel costs.**

OJP agrees with this recommendation. We will coordinate with CLS to remedy the \$3,081 in questioned personnel costs that were charged to Cooperative Agreement Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002.

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

3. We recommend that OJP remedy \$1,396 in unallowable consultant costs.

OJP agrees with this recommendation. We will coordinate with CLS to remedy the \$1,396 in questioned consultant costs that were charged to Cooperative Agreement Number 2014-VT-BX-K002.

4. We recommend that OJP remedy \$15,023 in unallowable direct costs related to:

a. \$128 in unallowable direct costs not approved in the award budget, which also was listed in the wrong award ledger.

OJP agrees with this sub-part of the recommendation. We will coordinate with CLS to remedy the \$128 in questioned costs, related to direct costs that were not approved in the award budget for Cooperative Agreement Number 2012-VT-BX-K014, and were incorrectly entered into the general ledger for Cooperative Agreement Number 2014-VT-BX-K002.

b. \$15,023 in unallowable direct costs resulting from expenditures that were listed in the wrong award general ledger.

OJP agrees with this sub-part of the recommendation. We will coordinate with CLS to remedy the \$15,023 in questioned costs, related to expenditures for direct costs that were incorrectly entered into the general ledger for Cooperative Agreement Number 2014-VT-BX-K002.

c. \$179 in unallowable direct costs resulting from expenditures that were not liquidated within 90 days of the date the purchases were incurred, which was also listed in the wrong award ledger.

OJP agrees with this sub-part of the recommendation. We will coordinate with CLS to remedy the \$179 in questioned costs, related to expenditures for direct costs that were not liquidated within 90 days of the date the purchases were incurred, and were incorrectly entered into the general ledger for Cooperative Agreement Number 2014-VT-BX-K002.

5. We recommend that OJP remedy \$512 in questioned costs in unallowable direct costs not approved in the award budget.

OJP agrees with this recommendation. We will coordinate with CLS to remedy the \$512 in questioned costs, related to direct costs not approved in the award budget that were charged to Cooperative Agreement Number 2012-VT-BX-K014.

6. **We recommend that OJP remedy \$107,504 in unsupported personnel and fringe benefits costs.**

OJP agrees with this recommendation. We will coordinate with CLS to remedy the \$107,504 in questioned costs, related to unsupported personnel and fringe benefits costs that were charged to Cooperative Agreement Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002.

7. **We recommend that OJP remedy \$10,021 in unsupported consultant costs.**

OJP agrees with this recommendation. We will coordinate with CLS to remedy the \$10,021 in questioned costs, related to unsupported consultant costs that were charged to Cooperative Agreement Number 2012-VT-BX-K014.

8. **We recommend that OJP remedy \$19,096 in unsupported subrecipient costs related to:**

- a. **\$19,096 resulting from inadequate support for expenses listed on the subrecipient invoices.**

OJP agrees with this sub-part of the recommendation. We will coordinate with CLS to remedy the \$19,096 in questioned costs, related to inadequate support for expenses listed on the subrecipient invoices that were charged to Cooperative Agreement Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002.

- b. **\$16,166 in unsupported subrecipient costs resulting from payments made without a budget, which also did not have adequate support in the subrecipient invoices.**

OJP agrees with this sub-part of the recommendation. We will coordinate with CLS to remedy the \$16,166 in questioned costs, related to unsupported subrecipient costs resulting from payments made without a budget and without adequate support in the subrecipient invoices, that were charged to Cooperative Agreement Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002.

9. **We recommend that OJP remedy \$129,329 in unsupported matching personnel and fringe benefits costs.**

OJP agrees with this recommendation. We will coordinate with CLS to remedy the \$129,329 in questioned costs, related to unsupported matching personnel and fringe benefits costs that were charged to Cooperative Agreement Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002.

10. **We recommend that OJP ensures that CLS implements policies and procedures to ensure CLS maintains valid and auditable source documentation that supports performance measures reported in the semi-annual progress reports.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure CLS maintains valid and auditable source documentation that supports performance measures reported in the semi-annual progress reports.

11. **We recommend that OJP ensures that CLS implements policies and procedures to ensure that CLS complies with award special conditions.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure adherence to all Federal award special conditions.

12. **We recommend that OJP ensures that CLS implements policies and procedures to ensure the proper accounting of award funds by establishing a system to adequately track funds according to budget or project category in order to prevent the commingling of funds.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure the proper accounting of award funds by establishing a system to adequately track funds according to budget or project category in order to prevent the commingling of funds.

13. **We recommend that OJP ensures that CLS properly accounts for the salary and fringe costs not tested during our transaction testing that was allocated to both awards.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS properly accounts for the salary and fringe costs not tested during our transaction testing that was allocated to both awards.

14. **We recommend that OJP ensures that CLS implements policies and procedures to ensure that personnel and fringe benefits costs are properly supported and properly allocated to each funding source based on an approved allocation method.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS implements policies and procedures to ensure that personnel and fringe benefits costs are properly supported and properly allocated to each funding source based on an approved allocation method.

15. **We recommend that OJP ensures that CLS implements policies and procedures to formally monitor and evaluate subrecipient performance.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS implements policies and procedures to formally monitor and evaluate subrecipient performance.

16. **We recommend that OJP ensures that CLS enforces existing subrecipient policy to ensure that contractor, consultant, and subgrantee agreements are administered properly, which includes: (1) conducting all procurement transactions in a manner that provides open, free, and fair competition; (2) ensuring that each subrecipient prepares a detailed budget; and (3) maintaining adequate supporting documentation for subrecipient transactions.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS enforces existing subrecipient policy to ensure that contractor, consultant, and subgrantee agreements are administered properly, which includes: (1) conducting all procurement transactions in a manner that provides open, free, and fair competition; (2) ensuring that each subrecipient prepares a detailed budget; and (3) maintaining adequate supporting documentation for subrecipient transactions.

17. **We recommend that OJP ensures that CLS implements policies and procedures to ensure the proper accounting of matching contributions, which includes maintaining records that clearly show the source, amount, and timing of these expenditures.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS implements policies and procedures to ensure the proper accounting of matching contributions, which includes maintaining records that clearly show the source, amount, and timing of these expenditures.

18. **We recommend that OJP ensures that CLS implements policies and procedures to ensure award expenditures are properly authorized, which includes ensuring disbursement requests are signed by the proper officials at CLS, and requires CLS officials to authorize employee timesheets prior to that employee being paid for hours worked.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS implements policies and procedures to ensure award expenditures are properly authorized, which includes ensuring disbursement requests are signed by the proper officials at CLS, and requires CLS officials to authorize employee timesheets prior to that employee being paid for hours worked.

19. **We recommend that OJP ensures that CLS implements policies and procedures to ensure the proper monitoring and tracking of both federal and matching expenditures so that CLS can properly report the correct amount of expenditures on its Federal Financial Reports.**

OJP agrees with this recommendation. We will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure the proper monitoring and tracking of both federal and matching expenditures so that CLS can properly report the correct amount of expenditures on its Federal Financial Reports.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

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

Lara Allen
Senior Advisor
Office of the Assistant Attorney General

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

Marilyn Roberts
Acting Director
Office for Victims of Crime

Allison Turkel
Deputy Director
Office for Victims of Crime

Kristina Rose
Deputy Director
Office for Victims of Crime

James Simonson
Associate Director for Operations
Office for Victims of Crime

Silvia Torres
Victim Justice Program Specialist
Office for Victims of Crime

cc: Charles E. Moses
Deputy General Counsel

Silas V. Darden
Director
Office of Communications

Leigh A. Benda
Chief Financial Officer

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

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

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

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

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

OJP Executive Secretariat
Control Number IT20170525070019

**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 Colorado Legal Services (CLS) and the Office of Justice Programs (OJP) for review and official comment. CLS's response is incorporated in Appendix 3 of this final report, and OJP's response is incorporated as Appendix 4. OJP agreed with each recommendation contained in this report and discussed the actions necessary in order to address the recommendations. As a result, the report is resolved. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations to OJP:

1. Remedy \$4,202 in unallowable expenses incurred prior to the approval of strategy and budget documents.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to remedy the \$4,202 in questioned costs related to expenses incurred prior to the approval of strategy and budget documents for Cooperative Agreement Number 2014-VT-BX-K002.

CLS did not agree with this recommendation and stated in its response that it made repeated good faith efforts to comply with the special conditions and secure the necessary Grant Adjustment Notice (GAN) between October 13, 2015 and January 27, 2016, including no fewer than six electronic mail messages inquiring or providing additional information. However, because CLS still incurred \$4,202 in expenditures prior to the approval of the GAN on February 4, 2016, which approved the strategy and budget documents required by this special condition, the \$4,202 in expenditures is still considered to be unallowable.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$4,202 in unallowable expenses incurred prior to the approval of strategy and budget documents.

2. Remedy \$3,081 in unallowable personnel costs.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to remedy the \$3,081 in questioned personnel costs that were charged to Cooperative Agreement Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002.

CLS did not agree with this recommendation, but stated in its response that it will work with OJP to demonstrate that staff time spent on the program and

salaries devoted to project work exceeded even the amount allocated and drawn down, and that overall staff time was not over-allocated to the awards. CLS also stated that it will work with OJP to reconcile the salary expenditures to provide adequate accounting records for these costs.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$3,081 in unallowable personnel costs.

3. Remedy \$1,396 in unallowable consultant costs.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to remedy the \$1,396 in questioned consultant costs that were charged to Cooperative Agreement Number 2014-VT-BX-K002.

CLS did not agree with this recommendation and stated in its response that the time and efforts report contained in the invoice submitted by the consultant and reimbursed by CLS under Award Number 2014-VT-BX-K002 was based on an hourly rate of \$81.25. CLS provided a reconciliation and copy of an original invoice dated December 26, 2016, which reflects that the consultant was paid \$81.25 per hour for the work listed on that invoice. However, the unallowable costs questioned under this recommendation are the result of an invoice dated July 28, 2015, which reflects that the consultant was paid \$110 per hour for evaluation services, as opposed to the \$81.25 maximum rate stated above.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$1,396 in unallowable consultant costs.

4. Remedy \$15,023 in unallowable direct costs related to:

a. \$128 in unallowable direct costs not approved in the grant budget, which also was listed in the wrong award ledger.

Resolved. OJP agreed with this subpart of the recommendation and stated in its response that it will coordinate with CLS to remedy the \$128 in questioned costs related to direct costs that were not approved in the grant award budget for Cooperative Agreement Number 2012-VT-BX-K0104, and were incorrectly entered into the general ledger for Cooperative Agreement Number 2014-VT-BX-K002.

CLS did not agree with this subpart of the recommendation and stated in its response that this purchase does not fit within the type of budget modification requiring a GAN, pursuant to the OJP Financial Guide, and does not seem to be addressed in OMB Circular A-122. CLS also stated that the relevant portions of the OJP guide require a GAN for budget modification if:

the proposed cumulative change is greater than 10 percent of the total award amount; the budget modification changes the scope of the project; or a budget adjustment affects a cost category that was not included in the original budget. CLS stated that the \$128 purchase of a label maker was considered a supply, which was an original cost category, and that the purchase did not represent a change of greater than 10 percent of that budget category. Additionally, CLS stated that the purchase did not change the scope of the project, but in fact made project operations more efficient by reducing the staff time required to generate labels. However, this expenditure was listed in CLS's accounting records as equipment, which was not a category that was listed in the approved award budget, and is therefore unallowable.

Furthermore, in order to address the commingling of this purchase, CLS proposed creating two separate fund sources for Award Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002. CLS stated that the \$128 purchase will then be recorded in the proper award general ledger.

This subpart of the recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$128 in unallowable direct costs that were not approved in the grant budget, which also was listed in the wrong award ledger.

b. \$15,023 in unallowable direct costs resulting from expenditures that were listed in the wrong award general ledger.

Resolved. OJP agreed with this subpart of the recommendation and stated in its response that it will coordinate with CLS to remedy the \$15,023 in questioned costs related to expenditures for direct costs that were incorrectly entered into the general ledger for Cooperative Agreement Number 2014-VT-BX-K002.

CLS neither agreed nor disagreed with this subpart of the recommendation, but stated in its response that it will create two separate fund sources for Award Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002 in order to address the commingling of funds. CLS stated that the \$15,023 in expenditures will then be recorded in the proper award general ledger.

This subpart of the recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$15,023 in unallowable direct costs resulting from expenditures that were listed in the wrong award general ledger.

- c. \$179 in unallowable direct costs resulting from expenditures that were not liquidated within 90 days of the date the purchases were incurred, which was also listed in the wrong award ledger.**

Resolved. OJP agreed with this subpart of the recommendation and stated in its response that it will coordinate with CLS to remedy the \$179 in questioned costs related to expenditures for direct costs that were not liquidated within 90 days of the date the purchases were incurred, and were incorrectly entered into the general ledger for Cooperative Agreement Number 2014-VT-BX-K002.

CLS neither agreed nor disagreed with this subpart of the recommendation, and did not address in its response the \$179 in unallowable costs resulting from expenditures that were not liquidated within 90 days of the date the purchases were incurred. However, CLS did state in its response that it will create two separate fund sources for Award Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002 in order to address the commingling of funds. CLS stated that the \$15,023 in expenditures will then be recorded in the proper award general ledger.

This subpart of the recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$179 in unallowable direct costs resulting from expenditures that were not liquidated within 90 days of the date the purchases were incurred, which was also listed in the wrong award ledger.

5. Remedy \$512 in unallowable direct costs not approved in the grant budget.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to remedy the \$512 in questioned costs related to direct costs not approved in the award budget that were charged to Cooperative Agreement Number 2012-VT-BX-K014.

CLS did not agree with this recommendation and stated in its response that this purchase does not fit within the type of budget modification requiring a GAN, pursuant to the OJP Financial Guide, and does not seem to be addressed in OMB Circular A-122. CLS also stated that the relevant portions of the OJP guide require a GAN for budget modification if: the proposed cumulative change is greater than 10 percent of the total award amount; the budget modification changes the scope of the project; or a budget adjustment affects a cost category that was not included in the original budget. However, in our judgment, the \$512 in litigation fees and miscellaneous costs that were questioned under this recommendation are not within the scope of the project we reviewed.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$512 in unallowable direct costs not approved in the grant budget.

6. Remedy \$107,504 in unsupported personnel and fringe benefits costs.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to remedy the \$107,504 in questioned costs related to unsupported personnel and fringe benefit costs that were charged to Cooperative Agreement Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002.

CLS partially agreed with this recommendation and stated in its response that it proposes pulling all relevant time records from hours logged in Legal Server and CLS's employee time and attendance records for the periods in question. CLS stated that any differences found during reconciliation will be corrected to ensure accuracy. Once this reconciliation is completed, all personnel and fringe benefit costs will be reallocated based on actual hours worked and not based on an average number of working hours. CLS stated that the correction and reconciliation of time records, along with the reallocation of costs will remedy the \$107,504 in unsupported personnel and fringe benefit costs.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$107,504 in unsupported personnel and fringe benefit costs.

7. Remedy \$10,021 in unsupported consultant costs.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to remedy the \$10,021 in questioned costs related to unsupported consultant costs that were charged to Cooperative Agreement Number 2012-VT-BX-K014.

CLS partially agreed with this recommendation and stated in its response that the consultant's fee structure was based on a "per deliverable" fee, as stated in the approved award budget. However, the DOJ Grants Financial Guide states that the maximum daily rate a grantee can pay a contractor is \$650 per day, or \$81.25 per hour. The invoice provided to the OIG for this transaction does not provide sufficient detail to confirm that the consultant was paid within the guidelines set forth in the DOJ Grants Financial Guide. Therefore, this expenditure is still unsupported.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$10,021 in unsupported consultant costs.

- 8. Remedy \$19,096 in unsupported subrecipient costs related to:**
- a. \$19,096 resulting from inadequate support for expenses listed on subrecipient invoices.**
 - b. \$16,166 in unsupported subrecipient costs resulting from payments made without a budget, which also did not have adequate support in the subrecipient invoices.**

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to remedy the \$19,096 in questioned costs related to inadequate support for expenses listed on subrecipient invoices that were charged to Cooperative Agreement Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002, as well as the \$16,166 in questioned costs related to unsupported subrecipient costs resulting from payments made without a budget and without adequate support in the subrecipient invoices that were charged to Cooperative Agreement Number 2012-VT-BX-K014 and 2014-VT-BX-K002.

CLS partially agreed with this recommendation and stated in its response that complies with the DOJ Grants Financial Guide and other authority in various substantial respects, including ensuring that the subrecipient undergoes an annual audit, reviewing its financial systems, reviewing invoices to ensure expenses are allowable, and programmatic reports to assess progress made, among other efforts. CLS stated that it received budgets from the subrecipient, and that the subrecipient accounted for staff time in providing Trafficking Information Management System (TIMS) data sheets documenting hours of grant work performed.

However, CLS also stated in its response that it does not have sufficient information regarding discrepancies that were reported for some of the performance measures, such as the total number of clients or technical assistance hours identified by the OIG in the support provided. CLS stated that discrepancies arise from the timing of entries into the Trafficking Information Management System (TIMS) and difference in the units of time used in CLS's timekeeping system, Legal Server, and its predecessor, Kemp's case management system, versus those required in the TIMS system. CLS stated that discrepancies reflect no disingenuousness on the part of CLS, rather unfamiliarity with the TIMS system's nuances. CLS stated that it would be happy to work with OJP to better understand and utilize the system to avoid discrepancies.

In our judgment, the information in the TIMS database is not sufficient support for subrecipient hours, as this database is only used by CLS officials, and does not reflect the proper time and effort reports required by the OJP Financial Guide for subrecipients.

Finally, the applicable OJP Financial Guide states that a grantee should ensure that each of their subrecipients prepare an adequate budget on which the award commitment will be based. The detail of this budget should be kept on file by the recipient. The transaction sampled as part of the OIG audit did not have an associated Letter of Intent that contained sufficient budget detail.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$19,096 in unsupported subrecipient costs resulting from inadequate support for expenses listed on subrecipient invoices, as well as the \$16,166 in unsupported subrecipient costs resulting from payments made without a budget, which also do not have adequate support in the subrecipient invoices.

9. Remedy \$129,329 in unsupported matching personnel and fringe benefit costs.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to remedy the \$129,329 in questioned costs related to unsupported matching personnel and fringe benefit costs that were charged to Cooperative Agreement Numbers 2012-VT-BX-K014 and 2014-VR-BX-K002.

CLS partially agreed with this recommendation and stated in its response that it proposes reconciling the salary and fringe benefit matching expenditures to provide adequate accounting records for these costs. CLS also stated that the matching expenditures will be reviewed and the proper accounting of matching contributions will be recorded to include source, amount, and timing of these expenditures.

This recommendation can be closed when we receive documentation that OJP has remedied the \$129,329 in unsupported matching personnel and fringe benefit costs.

10. Ensure that CLS implement policies and procedures to ensure CLS maintains valid and auditable source documentation that supports performance measures reported in the semi-annual progress reports.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure CLS maintains valid and auditable source documentation that supports performance measures reported in the semi-annual progress reports.

CLS neither agreed nor disagreed with this recommendation and stated in its response that it has insufficient information to determine how the variances in the progress report measures were calculated and developed. However, CLS stated that it will work with OJP to implement policies and procedures

that ensure CLS maintains valid and auditable source documentation that supports performance measures, including demonstrating to OJP the procedures that currently are in place.

This recommendation can be closed when we receive documentation demonstrating that CLS has implemented policies and procedures that ensure that CLS maintains valid and auditable source documentation that supports performance measures reported in the semi-annual progress reports.

11. Ensure that CLS implement policies and procedures to ensure that CLS complies with award special conditions.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure adherence to all Federal award special conditions.

CLS partially agreed with this recommendation and stated in its response that it attempted to comply with award special conditions, such as the approval of strategy and budget documents. Further, CLS stated as a newer grantee, CLS was unaware that a revised time-task plan was required even when the project plan had not changed. However, CLS stated that it will work with OJP to implement policies and procedures to ensure that CLS complies with award special conditions.

This recommendation can be closed when we receive documentation demonstrating that CLS has implemented policies and procedures that ensure that CLS complies with award special conditions.

12. Ensure that CLS implements policies and procedures to ensure the proper accounting of grant funds by establishing a system to adequately track funds according to budget or project category in order to prevent the commingling of funds.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure the proper accounting of award funds by establishing a system to adequately track funds according to budget or project category in order to prevent the commingling of funds.

CLS partially agreed with this recommendation and stated in its response that it will institute policies and procedures that will ensure the proper accounting and tracking of grant funds based on a unique funding source number to prevent the appearance of any possible commingling of grant funds.

This recommendation can be closed when we receive documentation demonstrating that CLS has implemented policies and procedures that ensure the proper accounting of grant funds by establishing a system to adequately track funds according to budget or project category in order to prevent the commingling of funds.

13. Ensure that CLS properly accounts for salary and fringe costs not tested during our transaction testing that was allocated to both grants.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS properly accounts for salary and fringe costs not tested during our transaction testing that was allocated to both awards.

CLS agreed with this recommendation and stated in its response that it will review and properly account for all salary and fringe costs not tested during the original transaction testing for Award Numbers 2012-VT-BX-K014 and 2014-VT-BX-K002.

This recommendation can be closed when we receive documentation demonstrating that CLS has properly accounted for salary and fringe costs not tested during our transaction testing that was allocated to both grants.

14. Ensure that CLS implements policies and procedures to ensure that personnel and fringe benefit costs are properly supported and properly allocated to each funding source based on an approved allocation method.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that personnel and fringe benefits costs are properly supported and properly allocated to each funding source based on an approved allocation method.

CLS agreed with this recommendation and stated in its response that it will institute policies and procedures that will ensure personnel and fringe benefit costs are properly supported and properly allocated to each unique funding source based on approved allocation methodology.

This recommendation can be closed when we receive documentation demonstrating that CLS has implemented policies and procedures to ensure that personnel and fringe benefit costs are properly supported and properly allocated to each funding source based on an approved allocation method.

15. Ensure that CLS implements policies and procedures to formally monitor and evaluate subrecipient performance.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS formally monitors and evaluates subrecipient performance.

CLS neither agreed nor disagreed with this recommendation, but stated in its response that it will work with OJP to formalize subrecipient monitoring policies.

This recommendation can be closed when we receive documentation demonstrating that CLS has implemented policies and procedures to formally monitor and evaluate subrecipient performance.

16. Ensure that CLS enforces existing subrecipient policy to ensure that contractor, consultant, and subgrantee agreements are administered properly, which includes: (1) conducting all procurement transactions in a manner that provide open, free, and fair competition; (2) ensuring that each subrecipient prepares a detailed budget; and (3) maintaining adequate supporting documentation for subrecipient transactions.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS enforces existing subrecipient policy to ensure that contractor, consultant, and subgrantee agreements are administered properly, which includes: (1) conducting all procurement transactions in a manner that provides open, free, and fair competition; (2) ensuring that each subrecipient prepares a detailed budget; and (3) maintaining adequate supporting documentation for subrecipient transactions.

CLS agreed with this recommendation and stated in its response that it will work with OJP to have more formalized subrecipient policies and pursue any other necessary remedies.

This recommendation can be closed when we receive documentation demonstrating that CLS is enforcing existing subrecipient policy to ensure that contractor, consultant, and subgrantee agreements are administered properly, which includes: (1) conducting all procurement transactions in a manner that provide open, free, and fair competition; (2) ensuring that each subrecipient prepares a detailed budget; and (3) maintaining adequate supporting documentation for subrecipient transactions.

17. Ensure that CLS implements policies and procedures to ensure the proper accounting of matching contributions, which includes maintaining records that clearly show the source, amount, and timing of these expenditures.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that CLS properly accounts for matching contributions, which includes maintaining records that clearly show the source, amount, and timing of these expenditures.

CLS agreed with this recommendation and stated in its response that it will institute policies and procedures that will ensure the proper accounting matching contributions and will include detailed supporting documentation listing source, amount, and timing of all expenditures.

This recommendation can be closed when we receive documentation demonstrating that CLS has implemented policies and procedures to ensure the proper accounting of matching contributions, which includes maintaining records that clearly show the source, amount, and timing of these expenditures.

18. Ensure that CLS implements policies and procedures to ensure grant expenditures are properly authorized, which includes ensuring disbursement requests are signed by the proper officials at CLS, and requires CLS officials to authorize employee time sheets prior to that employee being paid for hours worked.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure that grant expenditures at CLS are properly authorized, which includes ensuring disbursement requests are signed by the proper officials at CLS, and requires CLS officials to authorize employee time sheets prior to that employee being paid for hours worked.

CLS partially agreed with this recommendation and stated in its response that CLS is scrupulous in requiring signatures from the proper authorizing officials on disbursement requests before disbursements are made. CLS stated that it appears the disbursement requests referenced in the Draft Audit Report were those that were in off-site storage at the time of the audit. CLS also stated that it can and will produce the original processed disbursements to demonstrate that signatures were, in fact, properly obtained prior to the disbursements, if necessary.

As stated in the report, we identified four different disbursement requests across four different areas of our audit that did not contain proper authorizations. We were unaware that additional documentation that may

demonstrate proper authorization may exist off-site, as this information was not told to the audit team during site work.

Additionally, CLS stated in its response that the OIG is correct in stating that CLS does not authorize employee timesheets prior to that employee being paid for hours worked. However, CLS stated that timesheet policies and procedures provide the following: (1) an accounting structure and system which provides assurance that all personnel charges are accurate, allowable, and properly allocated; (2) time sheet reports reflect an after-the-fact distribution of the actual activities of each employee; (3) timesheet reports account for the total activity of each individual employee; (4) where employees work on multiple grant programs, timesheet reports reflect an after-the-fact allocation of time among specific activities; (5) timesheets are signed by the individual employee and their direct supervisor having first-hand knowledge of the activities performed by the employee; and (6) timesheet reports are prepared monthly and coincide with the previous two payroll periods.

However, after review of the authorizations on each individual employee timesheet, it appears that CLS is not in compliance with this policy, as individual authorizations do not occur prior to that employee being paid for hours worked.

Therefore, this recommendation can be closed when we receive documentation demonstrating that CLS has implemented policies and procedures to ensure grant expenditures are properly authorized, which includes ensuring disbursement requests are signed by the proper officials at CLS, and requires CLS officials to authorize employee time sheets prior to that employee being paid for hours worked.

19. Ensure that CLS implements policies and procedures to ensure the proper monitoring and tracking of both federal and matching expenditures so that CLS can properly report the correct amount of expenditures on its Federal Financial Reports.

Resolved. OJP agreed with this recommendation and stated in its response that it will coordinate with CLS to obtain a copy of written policies and procedures, developed and implemented, to ensure the proper monitoring and tracking of both federal and matching expenditures so that CLS can properly report the correct amount of expenditures on its Federal Financial Reports.

CLS agreed with this recommendation and stated in its response that it will institute policies and procedures that will ensure the proper monitoring and tracking of both federal and matching expenditures in order for CLS to correctly and accurately report the amount of expenditures for its respective Federal Financial Report (FFR).

This recommendation can be closed when we receive documentation demonstrating that CLS has implemented policies and procedures that ensure the proper monitoring and tracking of both federal and matching expenditures so that CLS can properly report the correct amount of expenditures on its Federal Financial Reports.

The Department of Justice Office of the Inspector General (DOJ OIG) is a statutorily created independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct in the Department of Justice, and to promote economy and efficiency in the Department's operations. Information may be reported to the DOJ OIG's hotline at www.justice.gov/oig/hotline or (800) 869-4499.



Office of the Inspector General
U.S. Department of Justice
www.justice.gov/oig