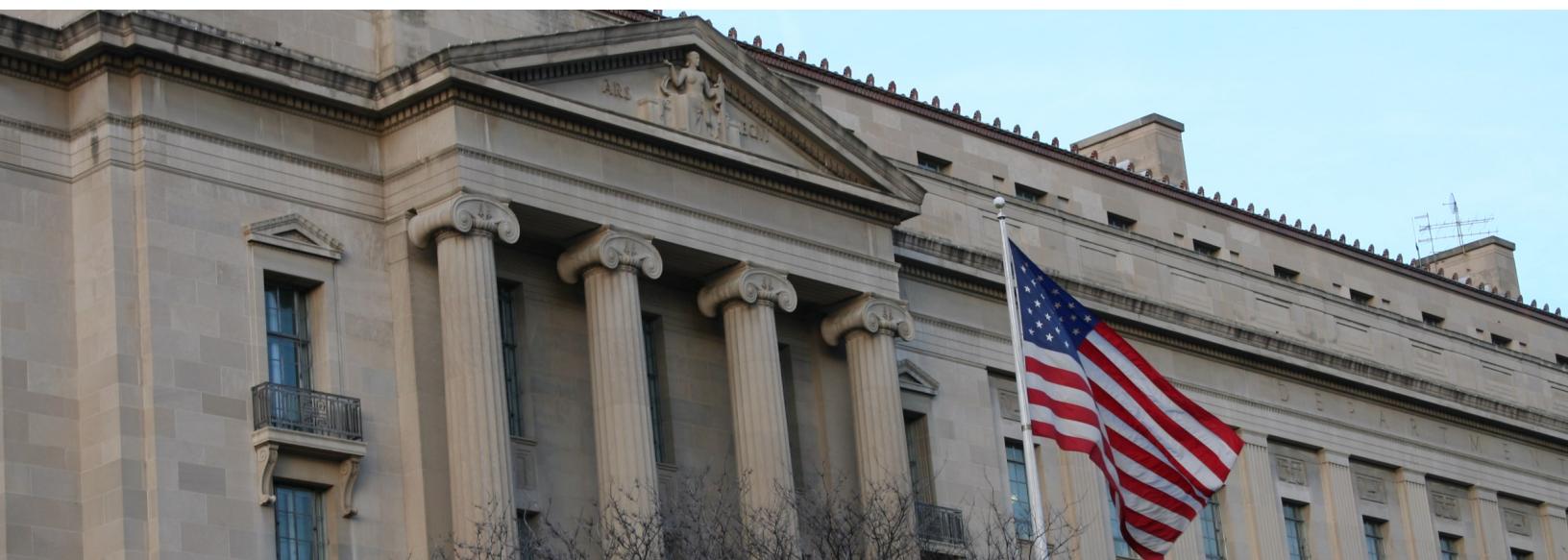




Office of the Inspector General

U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



Audit of the Office of Justice Programs Awards to the Kaw Nation Kaw City, Oklahoma

Audit Division GR-60-18-001

December 2017

REDACTED-FOR PUBLIC RELEASE



Executive Summary*

*Audit of the Office of Justice Programs Grants Awarded to the Kaw Nation,
Kaw City, Oklahoma*

Objectives

The Office of Justice Programs (OJP) Office for Victims of Crime (OVC) awarded the Kaw Nation three awards totaling \$1,340,213 under the Comprehensive Victim Assistance Program and the Children's Justice Act Partnerships for Indian Communities Program. 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 award; and to determine whether the Kaw Nation demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

As a result of our audit, we concluded that the Kaw Nation did not adhere to all of the grant requirements we tested, but demonstrated adequate progress towards achieving the grants' stated goals and objectives.

This audit did not identify significant concerns regarding drawdowns, budget transfers, required Progress Reports, and submitting timely Federal Financial Reports (FFRs). However, we found that the Kaw Nation did not comply with essential award conditions related to the use of award funds, application of indirect cost rates, and FFR accuracy. Specifically, we determined that the Kaw Nation prematurely expended funds, incorrectly charged personnel costs, incorrectly charged indirect costs, and submitted inaccurate FFRs. As a result of these deficiencies, we identified \$32,392 in questioned costs.

Recommendations

Our report contains five recommendations to OJP to assist the Kaw Nation to improve its grant management and administration.

Audit Results

The purpose of the OJP, OVC grants we reviewed under the Comprehensive Victim Assistance program were to support efforts to develop or enhance and sustain a comprehensive victim assistance program.

The purpose of the OJP, OVC grant we reviewed under the Children's Justice Act grant program was to support American Indian communities for the purpose of improving the investigation, prosecution, and handling of child abuse cases.

The grants' project periods were from October 2013 through September 2019. As of July 13, 2017, the Kaw Nation drew down \$650,534 for all of the grants we reviewed.

Program Performance and Accomplishments – We reviewed Kaw Nation's stated accomplishments for the three awards and found that the Kaw Nation had achieved or was on track to achieve the program goals.

Special Conditions – During our analysis of special conditions, we found that the Kaw Nation did not comply with five conditions which required submission of documents and two conditions which restricted spending resulting in \$32,044 in early unauthorized spending.

Indirect Costs – During our analysis of indirect costs, we found for Grant Number 2013-VF-GX-K017 the Kaw Nation used the incorrect indirect cost rate for fiscal year 2017 resulting in \$348 in excess indirect costs.

Federal Financial Reports – The audit determined that the Kaw Nation did not have adequate procedures to ensure quarterly expenditures reported on the FFRs were supported by financial records. However, during the course of this audit, the Kaw Nation developed and implemented policies and procedures to correct this condition prior to the issuance of this report.

Direct Costs – During our analysis of personnel costs, we found for Grant Number 2013-VF-GX-K017 the Kaw Nation incorrectly allocated hours and paid health benefits that were not budgeted for a part time individual.

* Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 3, the Kaw Nation's response, and are of an individual's names.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
AWARDS TO THE KAW NATION
KAW CITY, OKLAHOMA**

TABLE OF CONTENTS

INTRODUCTION.....	1
The Grantee.....	1
OIG Audit Approach	2
AUDIT RESULTS	4
Program Performance and Accomplishments.....	4
Program Goals and Objectives	4
Required Performance Reports.....	5
Compliance with Special Conditions	6
Grant Financial Management	7
Grant Expenditures	8
Direct Costs	8
Personnel Costs.....	8
Indirect Costs.....	9
Budget Management and Control	10
Drawdowns.....	10
Federal Financial Reports	11
CONCLUSION AND RECOMMENDATIONS.....	13
APPENDIX 1 - OBJECTIVES, SCOPE, AND METHODOLOGY.....	14
APPENDIX 2 - SCHEDULE OF DOLLAR-RELATED FINDINGS	16
APPENDIX 3 - KAW NATION'S RESPONSE TO THE DRAFT REPORT	17
APPENDIX 4 - OFFICE OF JUSTICE PROGRAMS' RESPONSE TO DRAFT REPORT	20
APPENDIX 5 - OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT	24

AUDIT OF THE OFFICE OF JUSTICE PROGRAMS AWARDS TO THE KAW NATION KAW CITY, OKLAHOMA

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three grants awarded by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC), to the Kaw Nation headquartered in Kaw City, Oklahoma. The Kaw Nation was awarded \$1,340,213 under Grant Numbers 2013-VF-GX-K017, 2015-VI-GX-K028, and 2016-VR-GX-K011. As of July 13, 2017, the Kaw Nation had drawn down \$650,534.

Table 1
Grants Awarded to the Kaw Nation

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2013-VF-GX-K017	OVC	09/18/2013	10/01/2013	03/31/2017	\$ 440,241
2015-VI-GX-K028	OVC	09/16/2015	10/01/2015	09/30/2018	\$ 450,000
2016-VR-GX-K011	OVC	09/26/2016	10/01/2016	09/30/2019	\$ 449,972
Total:					\$1,340,213

Source: OJP Grant Management System (GMS)

The Kaw Nation awards included in our audit were funded through two different programs. Grant Numbers 2013-VF-GX-K017 and 2016-VR-GX-K011 were funded under the Comprehensive Tribal Victim Assistance Program. Funding through this program funds supported efforts to develop or enhance and sustain a comprehensive victim assistance program that provides a coordinated collaborative multidisciplinary response to victims of crime, their families and community, and provides trauma-informed, culturally competent holistic services to victims of crime, family, and community. Grant Number 2015-VI-GX-K028 was funded under the Children's Justice Act Partnerships for Indian Communities Program. Funding through this program supported American Indian communities for the purpose of improving the investigation, prosecution, and handling of child abuse cases, especially cases of child sexual abuse, in a manner that increases support for and lessens trauma to child abuse victims. The funding further supports programs to provide comprehensive and coordinated multidisciplinary responses to child abuse victims and provide trauma-informed, culturally competent, holistic services to child abuse victims and their families.

The Grantee

The Kaw Nation is a federally-recognized self-governing tribe of 3,490 members headquartered in Kaw City, Oklahoma. The tribal jurisdictional area is within Kay County, Oklahoma in north central Oklahoma bordering southern Kansas.



Source: <http://thomaslegion.net/oklahomatterritoryandindianterritory.html>

The Kaw Nation General Council consists of all mentally competent citizens of the Kaw Nation who are 18 years of age or older. Matters of business for the General Council are decided by a majority vote of Kaw Nation citizens present. The Tribal Council, composed of seven elected officials, serves as the legislative body of the Kaw Nation and has the authority to act in and on all matters and subjects upon which the Kaw Nation is empowered to act.

OIG Audit Approach

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

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

¹ We collectively refer to the OJP Financial Guide and the DOJ Grants Financial Guide as the financial guides throughout this report.

Our report contains five recommendations to OJP which 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. The Kaw Nation's response to the draft report appears in Appendix 3 and OJP's response to the draft report appears in Appendix 4. A Summary of Actions Necessary to Close the Report appears in Appendix 5.

AUDIT RESULTS

Program Performance and Accomplishments

We reviewed required performance reports and award documentation, and interviewed Kaw Nation officials to determine whether the Kaw Nation demonstrated adequate progress towards achieving or, depending on the award, demonstrated adequate achievement of the program goals and objectives. We also reviewed the progress reports to determine if these required reports were accurate. Finally, we reviewed the Kaw Nation's compliance with the special conditions identified in the award documentation.

Program Goals and Objectives

The overall goal of the OJP, OVC Grants we reviewed under the Comprehensive Tribal Victim Assistance Program was to develop a comprehensive program for victims of domestic violence and sexual assault which has a greater reach and accessibility for victims, and to identify and address any barriers victims face in receiving services. Objectives included: (1) conducting a needs assessment and developing a strategic plan and logic model to ensure a comprehensive response to victims of crime; (2) improve and enhance victim assistance services provided by the Kaw Nation; (3) enhance culturally-sensitive services for Native women and their families; (4) implement the enhanced program enumerated in the strategic plan and logic model; (5) work collaboratively with community and key stakeholders (tribal, local, state, federal) to achieve a victim-centered response; and (6) document promising practices so they may be shared and potentially replicated in other communities nationwide.

The overall goal of the OJP, OVC Grant we reviewed under the Children's Justice Act Partnerships for Indian Communities Program was to develop, establish, and operate a children's justice program that provides a comprehensive and coordinated multidisciplinary response to child abuse victims and their families and provide trauma-informed, culturally competent holistic services to child abuse victims and their families. Objectives included: (1) improving the investigation, prosecution and overall handling of cases of child abuse, child sexual abuse, and severe physical abuse through the development of a multidisciplinary team and the assistance of DOJ/OVC technical advisors by creating a strategic plan and logic model to set priorities, allocate resources, and determine the best direction for the program's future; (2) engaging in mandatory DOJ/OVC trainings and orientations, as well as provide onsite education and trainings to Kaw Nation staff and stakeholders in order to reinforce protocols for reporting, investigating, and prosecuting child abuse and neglect while working with training and technical assistance providers to establish effective data collection mechanisms to measure the program's effectiveness; and (3) creating a public awareness campaign for the prevention of child abuse and neglect.

We reviewed documentation the Kaw Nation provided as support for achieving goals which included client files, training attendance sheets, intake files,

phone logs, and other information. We compared the appropriate documentation to each stated goal to assess the likelihood that the goal was accomplished or is being accomplished. Based on our review, there were no indications that the Kaw Nation had not achieved or was not adequately progressing toward achieving the stated goals and objectives of all three grants.

Required Performance Reports

According to the financial guides, the funding recipient must ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation or award. In addition to reporting progress on goals and objectives, the progress reports for both programs required the Kaw Nation to capture and report performance measures including the number of victims assisted per month, the number of services provided per month, and the number of collaborative partnerships per month. Each of these categories had multiple line items averaging approximately 30 items encompassing 6 months for each report resulting in approximately 180 total data points.²

In order to verify the information in the progress reports, we selected a judgmental sample of 3 performance measures from the 2 most recent reports submitted for Grant Numbers 2013-VF-GX-K017 and 2015-VI-GX-K028, for a total of 12 measures. Kaw Nation officials had submitted one progress report for Grant Number 2016-VR-GX-K011, but that progress report covered the period of July 1, 2016 to December 31, 2016, and stated no activity had yet occurred.

For Grant Number 2013-VF-GX-K017, we selected reports 7 and 8 which covered the period January 1, 2016 through February 28, 2017. Specifically we looked at instances logged for April and October 2016 (see numbers in parentheses), for line items: Domestic Violence (8; 7), Emergency Hotline (5; 2), and Domestic Violence Shelter of Northern Oklahoma (3; 1). We asked the program coordinator to provide support documentation to verify the accuracy of these data points. We were provided with tally sheets that were used to mark the activities as they occurred. We also asked for documentation to support the tally sheets and were provided client files, training attendance sheets, intake files, phone logs, and other documents. Based on the sample evaluated, we were satisfied the data entries on the progress reports were supported and accurate.

For Grant Number 2015-VI-GX-K028, we selected reports 2 and 3 which covered the period January 1, 2016 through December 31, 2016. Specifically we looked at instances logged for May and November 2016, for line items: Physical Abuse (0; 5), Individual Child Counseling (5; 4), and Child Advocacy/Health and Mental Health Contacts (2; 16). We asked the program coordinator to provide support documentation to verify the accuracy of these data points. We were provided with tally sheets that were used to mark the activities as they occurred.

² The last progress report for Grant Number 2013-VF-GX-K017 included eight months of data from July 1, 2016 through February 28, 2017, as the program end date was March 31, 2017.

We also asked for documentation to support the tally sheets and were provided client files, training attendance sheets, intake files, phone logs, and other documents. Based on the sample evaluated, we were satisfied the data entries on the progress reports were supported and accurate.

Based on our progress report testing, we did not identify any instances where the accomplishments described in the required reports did not match the supporting documentation. Therefore, we make no recommendations concerning the performance data reported by Kaw Nation on its progress reports.

Compliance with Special Conditions

Special conditions are the terms and conditions that are included with the awards. We evaluated the special conditions for each grant and selected a judgmental sample of the requirements that are significant to performance under the grants and that are not addressed in another section of this report. We evaluated 4 special conditions from each of the 3 awards, for a total of 12. Based on our sample, we identified seven instances where the Kaw Nation was not in compliance with the special conditions.

For Grant Number 2013-VF-GX-K017, we found that for special condition 26, the Kaw Nation was required to submit to OVC its policies and procedures relating to information sharing between partners within 90 days of the award date of September 18, 2013. Grant Adjustment Notification (GAN) Number 16 released this special condition on June 18, 2015, 638 days after the award date. For special condition 30, the Kaw Nation was required to submit to OVC its revised time-task plan within 30 days of the award date of September 18, 2013. GAN Number 7 released this special condition on July 18, 2014, 303 days after the award date. For special condition 34, the Kaw Nation was prohibited from obligating, expending, or drawing down funds until the Office of the Chief Financial Officer (OCFO) approved the budget. GAN Number 5 on April 8, 2014, revised the special condition to limit indirect costs until such time as an indirect cost rate was submitted to the OCFO. This was accomplished 3 days later with GAN Number 6 on April 11, 2014. However, the Kaw Nation expended \$32,044 prior to the release of special condition 34 with GAN Number 5. Therefore, we questioned \$32,044 as unallowable costs due to early spending related to special condition 34.

For Grant Number 2015-VI-GX-K028, we found that special condition 30 required the Kaw Nation to submit, within 90 days of the award date of September 16, 2015, its policies and procedures to maintain the confidentiality of victims' names, addresses, telephone numbers, or any other identifying information, and its policies and procedures relating to information sharing between partners. GAN Number 6 released this special condition on July 6, 2016, 304 days after the award date. Special condition 35 required the Kaw Nation to submit a Tribal Council resolution authorizing the application on behalf of the Tribe prior to obligating, expending, or drawing down any funds. The Kaw Nation expended \$18,219 prior to release of special condition 35 with GAN Number 3 on February 16, 2016. This was brought to the attention of Kaw Nation officials upon

completion of our field work, which they acknowledged. The Kaw Nation prepared and submitted to OJP a GAN to retroactively approve the early spending. GAN number 17 was approved by OJP without any further inquiry or justification on September 19, 2017, waiving the early spending. Therefore, we are not including the \$18,219 in total questioned costs. Special condition 40 required the Kaw Nation to submit to OVC, within 30 days of the award date of September 16, 2015, a revised time-task plan. This special condition was never released with a GAN, and there was no indication the revised time-task plan was ever submitted. Therefore, we determined the Kaw Nation did not fully comply with this special condition.

For Grant Number 2016-VR-GX-K011, we found that special condition 34 required the Kaw Nation to submit, within 90 days of the award date of September 26, 2016, its policies and procedures to maintain the confidentiality of victims' names, addresses, telephone numbers, or any other identifying information, and its policies and procedures relating to information sharing between partners. There has not been a GAN submitted to release this special condition, and there is no indication the policies and procedures were ever submitted under this grant. It should be noted that GAN Number 16 for Grant Number 2013-VF-GX-K017 released special condition 26, which was the exact same requirement, and would logically be expected to be essentially the same. However, a GAN was never submitted to properly release this special condition. Therefore; we determined the Kaw Nation did not fully comply with this special condition.

In summary, we reviewed 12 special conditions, 4 from each of the 3 grants audited, and found that 5 were in compliance, 5 were not in compliance due to failure to provide documentation timely or submit a GAN to properly release the special condition, and 2 were not in compliance due to premature spending for total questioned costs of \$50,263. However, after the Kaw Nation was notified of these discrepancies in early spending, it submitted a GAN to OJP to retroactively approve the \$18,219 of early spending for Grant Number 2015-VI-GX-K028, which was approved by OJP without any further inquiry or justification with GAN Number 17 on September 19, 2017. Therefore, we questioned \$32,044 in early spending for Grant Number 2013-VF-GX-K017. As a result, we recommend OJP remedy \$32,044 in questioned costs related to early spending, and ensure the Kaw Nation develops and implements procedures to ensure compliance with all grant special conditions.

Grant Financial Management

According to the financial guides, all grant recipients and sub-recipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. To assess the Kaw Nation's financial management of the grants covered by this audit, we reviewed the Kaw Nation's Single Audit Report for Fiscal Year (FY) 2015 to identify internal control weaknesses and significant non-compliance issues related to federal awards. We also conducted interviews with financial staff, examined policies and procedures, reviewed site visit and desk review reports, and inspected grant documents to determine whether the Kaw Nation adequately safeguarded the grant

funds we audited. Finally, we performed testing in the areas that were relevant for the management of the awards, as discussed throughout this report.

In addition to the unallowable expenditures noted previously in the "Compliance with Special Conditions" section, based on our review, we concluded that grant financial management related to indirect costs could also be improved to mitigate the risk of fraud, waste, and abuse. This deficiency is discussed in more detail in the "Indirect Costs" section of the report.

Grant Expenditures

For Grant Numbers 2013-VF-GX-K017, 2015-VI-GX-K028, and 2016-VRGX-K011, the Kaw Nation's approved budgets included personnel, fringe benefits, travel, supplies, other, and indirect costs categories. Additionally, Grant Numbers 2013-VF-GX-K017 and 2015-VI-GX-K028 included contractual as a cost category in the approved budgets. The Kaw Nation was not required to provide any local matching funds. The following sections describe the details of our analysis.

Direct Costs

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 75 transactions totaling \$131,203. This included 25 transactions from each the 3 grants audited. We selected these samples attempting to provide a fair representation of all expense categories based on account type, size of transaction, transaction descriptions, dollar amounts, and items of interest. Overall, we did not find any discrepancies in our transaction testing. Therefore, we make no recommendation concerning direct costs and the allowability and allocability of direct costs charged to the awards.

Personnel Costs

We judgmentally selected two non-consecutive pay periods for each award that included 11 personnel transactions totaling \$14,284, including the associated fringe benefits. For each pay period, we reviewed the employees' hours, labor rates, and fringe benefits and examined payroll records, comparing budgeted and actual wages, labor hours, and fringe benefits.

For Grant Number 2013-VF-GX-K017, the hours for one individual were transposed resulting in the grant being undercharged for labor by 12 hours and another DOJ grant being over charged by 12 hours. Additionally, one employee received health insurance, which was not budgeted for that position, resulting in the fringe benefits category exceeding the approved budget. However, the overall expenditures for benefits did not violate the 10 percent rule, as detailed below. Additionally, we found that the personnel cost category was below budget. As a result, we are not questioning these costs. However, we recommend OJP ensure the Kaw Nation implements procedures to ensure personnel charges and benefits are correctly charged to the grant.

Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. We reviewed all indirect costs from the three awards in our audit scope. We verified whether indirect costs in our sample were charged to the awards using the approved rates.

Indirect cost rates are negotiated annually with the Department of the Interior as the Kaw Nation's cognizant agency. These rates vary from year to year as shown in Table 2.

Table 2
Indirect Cost Rates for the Kaw Nation

Fiscal Year	Negotiated IDC Rate (%)
2013	80.18
2014	61.64
2015	41.11
2016	54.87
2017	58.99

Source: OJP Grant Management System (GMS)

According to these indirect cost rate agreements, the basis for these rates is total direct salaries and wages, not including fringe benefits. To determine the amount of indirect costs to be billed under these agreements, direct salaries and wages should be totaled and multiplied by the negotiated rate. However, the negotiated rate is not necessarily the allowable rate for the purposes of allocation of expenses to grant awards.

According the Financial Guides, transferring funds into or out of the indirect cost category is not allowable without prior approval from the awarding agency. A budget modification is required. Based on this guidance, the highest rate that can be charged to the grant is the amount in the approved budget, or the negotiated rate, whichever is lower as neither of these rates may be exceeded without prior approval.

Typically grants are awarded for two- or three-year periods and the budget narrative uses the current negotiated IDC rate at the time of the grant application, and uses that rate for the life of the grant. Therefore, the approved rate is usually constant throughout the life of the award unless a GAN is approved modifying the indirect costs.

To evaluate indirect costs charged to the grants we reviewed and compared the budgeted rates with the actual rates and negotiated rates. We found that the Kaw Nation correctly charged indirect costs to Grant Numbers 2015-VI-GX-K028 and 2016-VR-GX-K011. However, for Grant Number 2013-VF-GX-K017, indirect costs for FY 2017 exceeded the allowable amount by \$348. This occurred as a

result of the extension of the project end date from September 30, 2016 to March 31, 2017, with GAN Number 24 issued on September 9, 2016.

Beginning in FY 2017, the Kaw Nation began using the new negotiated IDC rate which is 58.99 percent instead of the previously approved 2016 rate of 54.87 percent. The latest budget did not include switching to the 2017 IDC rate and no GAN was submitted requesting to revise the budget accordingly. As a result, use of the higher rate created excess indirect costs. Therefore, we are questioning \$348 as unallowable. We recommend OJP remedy the \$348 in questioned costs related to indirect costs, and ensure the Kaw Nation implements policies and procedures to ensure only the approved IDC rate is used in computing indirect costs.

Budget Management and Control

According to the financial guides, 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 the Kaw Nation transferred funds among budget categories in excess of 10 percent. We determined the cumulative differences between budget category expenditures and approved budget category totals was not greater than 10 percent. Therefore, we make no recommendations concerning budget and management control as it relates to transfers between budget categories.

Drawdowns

According to the financial guides an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. Kaw Nation officials stated that award drawdowns are generally requested monthly using expense reports generated by its accounting system. To assess whether the Kaw Nation managed grant receipts in accordance with federal requirements, we compared the total amounts reimbursed to the total expenditures in the accounting records. As of July 13, 2017, the Kaw Nation had drawn down a total of \$650,534 from the three audited awards, as shown in Table 3.

Table 3
Analysis of Drawdowns as of July 13, 2017

Award Number	Award Amount	Drawdowns	Expenses (Accounting Records)
2013-VF-GX-K017	\$ 440,241	\$ 440,241	\$ 477,889
2015-VI-GX-K028	450,000	155,012	165,112
2016-VR-GX-K011	449,972	55,281	62,755
Total:	\$ 1,340,213	\$ 650,534	\$ 705,756

Source: Award documents, Kaw Nation accounting records, and drawdown histories

In all three grants, expenses were greater than amounts withdrawn at the time of our fieldwork. Therefore, we make no recommendation concerning the process of drawing down funds.

Federal Financial Reports

According to the financial guides, 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 the Kaw Nation submitted accurate Federal Financial Reports (FFR), we compared the four most-recent reports to the Kaw Nation's accounting records for all three grants.³

For Grant Numbers 2015-VI-GX-K028 and 2016-VR-GX-K011, we only identified one FFR in which the expenditures reported on the FFR did not agree with the expenditures in the accounting records. Expenditures in the accounting records showed \$1,697 less than reported on the FFR for Grant Number 2015-VI-GX-K028. However, the cumulative totals matched exactly for all six of the reporting periods we reviewed for the two grants.

For Grant Number 2013-VF-GX-K017, the quarterly totals reported on the FFR and the quarterly expenses according to the general ledger did not match for any of the four periods reviewed. The most current period showed less expenses in the accounting records than reported in the FFR. The other three reports showed more expenses in the accounting records than reported in the FFRs. The cumulative totals for all four reporting periods matched exactly.

We discussed the discrepancies between reported numbers and the numbers from the accounting records with Kaw Nation officials and they believe it is related to multiple adjustments to the final financial numbers each quarter. As a result, the quarterly totals may match, but the expenses for the quarter when taken one month at a time do not align with the general ledger. We explained that the numbers reported on the FFR for each quarter as well as the cumulative totals must be accurate and properly supported. As a result, Kaw Nation officials immediately implemented a procedure by which they reconcile the monthly, quarterly, and

³ The Kaw nation had only submitted two FFRs for Grant Number 2016-VR-GX-K011 as our field work.

cumulative numbers prior to submitting an FFR. The most recent FFR submitted after the change is correct for both the quarter and the cumulative total as compared to the general ledger. Therefore, we make no recommendations concerning the preparation and submission of FFRs.

CONCLUSION AND RECOMMENDATIONS

As a result of our audit testing, we concluded that the Kaw Nation's management of federal awards needs improvement as we found non-compliance and deficiencies in some of the areas we reviewed. We did not make recommendations regarding the Kaw Nation's achievement of program goals, direct costs, management of drawdowns, timeliness of financial and progress reports, and accuracy of progress reports. However, we found that the Kaw Nation did not comply with all special conditions, had unallowable indirect costs charged to one of the awards, and incorrectly charged personnel expenses. As a result of these deficiencies, we identified \$32,392 in questioned costs. Therefore, we provide five recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Remedy \$32,044 in early spending relating to special conditions for Grant Number 2013-VF-GX-K017.
2. Remedy \$348 in indirect costs charged incorrectly to the grant for Grant Number 2013-VF-GX-K017.
3. Ensure the Kaw Nation implements procedures to ensure compliance with all grant special conditions.
4. Ensure the Kaw Nation implements procedures to ensure indirect costs are applied properly to the grant awards.
5. Ensure the Kaw Nation implements procedures to ensure personnel hours and benefits are charged properly to grant awards.

APPENDIX 1

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

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 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.

Scope and Methodology

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 objectives.

This was an audit of the OJP grants awarded to the Kaw Nation of Kaw City, Oklahoma. OJP awarded \$1,340,213 to the Kaw Nation through Grant Numbers 2013-VF-GX-K017, 2015-VI-GX-K028, and 2016-VR-GX-K011. These grants were issued under the Comprehensive Victim Assistance program to develop or enhance and sustain a comprehensive victim assistance program, and the Children's Justice Act grant program to support American Indian communities for the purpose of improving handling of child abuse cases. As of July 13, 2017, the Kaw Nation had drawn down \$650,534 of the total grant funds awarded. Our audit concentrated on, but was not limited to October 1, 2013, the period start date for Grant Number 2013-VF-GX-K017, through July 20, 2017, the last day of our fieldwork. Grant Number 2013-VF-GX-K017 was completed March 31, 2017, but has not closed pending closure of OCFO site visit 28837. Grant Numbers 2015-VI-GX-K028 and 2016-VR-GX-K011 were both active at the time of our field work, with program end dates of September 30, 2018 and September 30, 2019 respectively.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of the Kaw Nation's activities related to the audited grants. We performed sample-based audit testing for grant expenditures including payroll and fringe benefit charges, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the 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 DOJ Grants Financial Guide, the OJP financial guide, and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System as well as the Kaw Nation'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:⁴		
<u>Unallowable Costs</u>		
Early Spending	\$ 32,044	6
Unallowable Indirect Costs	348	10
Total Unallowable Costs	\$ 32,392	
Net Questioned Costs	\$ 32,392	
TOTAL DOLLAR-RELATED FINDINGS	<u>\$32,392</u>	

⁴ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

APPENDIX 3

KAW NATION RESPONSE TO THE DRAFT REPORT



KAW NATION

Drawer 50
Kaw City, OK 74641
(580) 269-2552 phone
(866) 404-5297 toll free
www.kawnation.com

November 17, 2017

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

RE: Kaw Nation OIG Audit Response

Dear Mr. Sheeren:

The Kaw Nation has received the draft report of the audit conducted by your office covering grants' project periods from October 2013 through September 2019, on grant #2013-VF-GX-K017, 2015-VI-GX-K028, and 2016-VR-GX-K011.

The Department of Justice has moved from very few Terms and Conditions to over 50 Special Conditions on many grant awards. Between that and late hiring of Program Directors by the Kaw Nation, determining program office placement, and required early trainings, the required removal of certain special conditions were put on the back burner, so to speak. The Department of Justice Site visit in December 2016 and the OIG Audit in July 2017 were a needed lesson for the Kaw Nation. The Grants and Contracts Department is proceeding with the required Special Conditions removal before hiring the Program Director/Coordinator.

The Kaw Nation has experienced a difference of instructions with the various Program Specialists regarding GAN implementations. Some GANs were submitted only to be denied because the request should have been sent to the Program Specialist first through email so they could submit the GAN instead. It has happened information was emailed to the specialist resulting in no GAN.

Response to Special Conditions Compliance 2015-VI-GX-K028

The expenditure of \$18,219 prior to release of special condition 35 was covering required February 2016 training, office set up, and salary after hiring of program coordinator in December 2015.

Regarding special condition 40, a GAN was submitted November 17, 2016, including the Kaw Nation Strategic Plan and Logic Model, then approved December 12, 2016. That plan

included a revised time-task plan. So, the Kaw Nation has complied with this Special Condition 40 although was not within 30 days of the award.

2016-VR-GX-K011

The Privacy Certification was submitted through a GAN August 4, 2017, then, again, on November 13, 2017 with a revised Privacy Certification, as requested. Since that GAN has not yet been approved, an email was sent to [REDACTED] on November 17, 2017, requesting that Special Condition #34 be removed per that GAN submission.

2013-VF-GX-K017

The early spending was definitely needed referred to in the audit. As referred to in the 2nd paragraph above, the former program coordinator was hired late, office location was undetermined, and training was due immediately, before special conditions were released. Also, that program experienced a change in personnel. This current program director has learned from these audits and is diligently working at being compliant.

Since the DOJ and OIG site visits, the Kaw Nation has been diligently ensuring compliance with all grant special conditions, still unsure when to submit the GAN directly and when to email information directly to the Program Specialist requesting the GAN.

Response to Grant Expenditures

Indirect Costs

As the result of the December DOJ site visit with [REDACTED], a GAN for 2013-VF-GX-K017 for a Budget Modification was submitted 3/8/17, again with revision on 5/12/17, and again 7/25/17. To date this GAN is still on the Active list- not approved or denied.

Most often Kaw Nation approved indirect cost rate is behind a year. The application has a rate used in preparing the budget, by the time the award is received, a new rate has been approved, and, when a three year grant, will change at least three times. The easiest grant world would have the same approved rate from application through closeout no matter the grant period length. Since that is not the case and since the site visits, Kaw Nation is working at keeping up with the changing budgets affected by changing approved indirect cost rates. When a program specialist is emailed the current approved rate, regardless of the referred grant number, would be nice for them to apply it to all Kaw Nation grants they are over.

Response to Conclusion and Recommendations

1. Remedy \$32,044 in early spending relating to special conditions.

Early spending for the audited grants was necessary because of explanation in 2nd paragraph on page 1. The Kaw Nation has learned from the audit by DOJ in December and the OIG audit in July that due diligence is required by the Kaw Nation regarding removal of special conditions in a timely manner regarding those required before paying out expenditures.

2. Remedy \$348 in indirect costs charged incorrectly to the grant.

The GAN has been submitted for 2013-VF-GX-K017 regarding revised budget for 2017 approved indirect cost 3/8/17, 5/12/17, and finally 7/25/17. Kaw Nation is awaiting approval. A grant period extension was approved through 3/30/2017 which extended into the 2017 indirect cost rate approved February 9, 2017.

3. Ensure the Kaw Nation implements procedures to ensure compliance with all grant special conditions.

The Kaw Nation has learned from the audit by DOJ in December and the OIG audit in July that due diligence is required by the Kaw Nation regarding removal of special conditions in a timely manner regarding those required before paying out expenditures.

4. Ensure the Kaw Nation implements procedures to ensure indirect costs are applied properly to the grant awards.

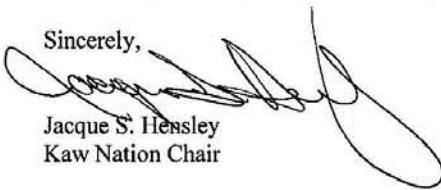
The Kaw Nation will ensure indirect costs are applied properly to the grant awards, which in turn requires Budget Modifications and current indirect cost rate email to program specialists requesting removal of special conditions.

5. Ensure the Kaw Nation implements procedures to ensure personnel hours and benefits are charged properly to grant awards.

The Kaw Nation will ensure personnel hours and benefits are charged properly to grant awards, with special attention to those being paid out of more than one grant at a time and their budgets listing all partial payment and partial benefits accordingly.

The Kaw Nation believes all questioned dollar-related findings to have been sincere and excusable with attempts to remedy any noncompliance, even though past the required special condition allotted time. The \$32,392 was not meant in a fraudulent manner or spent with malicious intent. The Kaw Nation will improve the management of federal awards with regard to special conditions, new indirect cost compliance, budget management, federal financial reporting, as well as, continued achievement of program goals, direct costs, management of drawdowns, timeliness of financial and progress reports, and accuracy of progress reports.

Sincerely,



Jacque S. Hensley
Kaw Nation Chair

JSH/ps

APPENDIX 4

OFFICE OF JUSTICE PROGRAMS RESPONSE TO DRAFT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

DEC - 6 2017

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

FROM: Ralph E. Martin 
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Grants Awarded to the Kaw Nation, Kaw City, Oklahoma*

This memorandum is in reference to your correspondence, dated November 2, 2017, transmitting the above-referenced draft audit report for the Kaw Nation. We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **five** recommendations and **\$32,392** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by OJP's response.

1. We recommend that OJP remedy the \$32,044 in early spending relating to special conditions.

OJP agrees with the recommendation. We will work with the Kaw Nation to remedy the \$32,044 in questioned costs, related to expenditures incurred prior to the release of special conditions associated with Cooperative Agreement Number 2013-VF-GX-K017.

2. We recommend that OJP remedy the \$348 in indirect costs charged incorrectly to the grant.

OJP agrees with the recommendation. We will work with the Kaw Nation to remedy the \$348 in questioned costs, related to indirect costs that were charged to Cooperative Agreement Number 2013-VF-GX-K017.

3. We recommend that OJP ensure that the Kaw Nation implements procedures to ensure compliance with all grant special conditions.

OJP agrees with the recommendation. We will coordinate with the Kaw Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure compliance with all award special conditions.

4. We recommend that OJP ensure that the Kaw Nation implements procedures to ensure indirect costs are applied properly to the grant awards.

OJP agrees with the recommendation. We will coordinate with the Kaw Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that indirect costs are applied properly to the Federal awards based on the approved negotiated rates.

5. We recommend that OJP ensure that the Kaw Nation implements procedures to ensure personnel hours and benefits are charged properly to grant awards.

OJP agrees with the recommendation. We will coordinate with the Kaw Nation to obtain a copy of its written policies and procedures, developed and implemented, to ensure that personnel and fringe benefits costs are properly charged to Federal awards.

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.

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OJP Executive Secretariat
Control Number IT20171128081158

APPENDIX 5

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

The OIG provided a draft of this audit report to OJP and the Kaw Nation. The Kaw Nation's response is incorporated in Appendix 3 and OJP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for OJP:

1. Remedy \$32,044 in early spending relating to special conditions for Grant Number 2013-VF-GX-K017.

Resolved. OJP agreed with our recommendation. OJP stated in its response it will work with the Kaw Nation to remedy the \$32,044 in questioned costs related to expenditures incurred prior to the release of special conditions related with Cooperative Agreement Number 2013-VF-GX-K017.

The Kaw Nation did not specify whether it agreed with our recommendation and stated in its response that early spending for the audited grants was necessary because removal of special conditions was delayed due to high volume of special conditions, late hiring of Program Directors, determining program office placement, and required early trainings. The Kaw Nation stated that it learned from the audit by DOJ in December and the OIG audit in July that due diligence is required by the Kaw Nation regarding removal of special conditions in a timely manner regarding those required before paying out expenditures.

This recommendation can be closed when we receive documentation that \$32,044 in questioned costs associated with early spending have been remedied.

2. Remedy \$348 in indirect costs charged incorrectly to Grant Number 2013-VF-GX-K017.

Resolved. OJP agreed with our recommendation. OJP stated in its response it will work with the Kaw Nation to remedy the \$348 in questioned costs related to indirect costs charged to Cooperative Agreement Number 2013-VF-GX-K017.

The Kaw Nation did not specify whether it agreed with our recommendation and stated in its response that a GAN was submitted for Grant Number 2013-

VF-GX-K017 regarding revised budget for 2017 approved indirect costs March 8, 2017, May 12, 2017, and finally July 25, 2017, and the Kaw Nation is awaiting approval. A grant period extension was approved through March 30, 2017 which extended into the 2017 indirect cost rate approved February 9, 2017.

This recommendation can be closed when we receive documentation that \$348 in questioned costs associated with indirect costs have been remedied.

3. Ensure the Kaw Nation is in compliance with all special conditions.

Resolved. OJP agreed with our recommendation. OJP stated in its response it will coordinate with the Kaw Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure compliance with all award special conditions.

The Kaw Nation did not specify whether it agreed with our recommendation and stated in its response it has learned from the audit by DOJ in December and the OIG audit in July that due diligence is required by the Kaw Nation regarding removal of special conditions in a timely manner regarding those required before paying out expenditures.

This recommendation can be closed when we receive documentation that written policies and procedures have been developed and implemented to ensure compliance with special conditions.

4. Ensure the Kaw Nation implements procedures to ensure indirect costs are applied properly to the grants awards.

Resolved. OJP agreed with our recommendation. OJP stated in its response it will coordinate with the Kaw Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that indirect costs are applied properly to the federal awards based on the approved negotiated rates.

The Kaw Nation did not specify whether it agreed with our recommendation and stated in its response it will ensure indirect costs are applied properly to the grant awards, which in turn requires Budget Modifications and current indirect cost rate email to program specialists requesting removal of special conditions.

This recommendation can be closed when we receive documentation that written policies and procedures have been developed and implemented to ensure that indirect costs are charged correctly to each award.

5. Ensure the Kaw Nation implements procedures to ensure personnel hours and benefits are charged properly to the grant awards.

Resolved. OJP agreed with our recommendation. OJP stated in its response it will coordinate with the Kaw Nation to obtain a copy of written policies and procedures, developed and implemented, to ensure that personnel and fringe benefits costs are properly charged to the federal award.

The Kaw Nation did not specify whether it agreed with our recommendation and stated in its response it will ensure personnel hours and benefits are charged properly to grant awards, with special attention to those being paid out of more than one grant at a time and their budgets listing all partial payment and partial benefits accordingly.

This recommendation can be closed when we receive documentation that written policies and procedures have been developed and implemented to ensure personnel hours and benefits are charged properly to grant awards.



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