



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

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



Audit of the Office of Justice Programs
Office of Juvenile Justice and
Delinquency Prevention Grants
Awarded to Nueva Esperanza, Inc.,
Philadelphia, Pennsylvania



Executive Summary

Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Grants Awarded to Nueva Esperanza Inc., Philadelphia, Pennsylvania

Objectives

The Office of Justice Programs (OJP) awarded Nueva Esperanza, Inc. (Esperanza) two grants totaling \$2,999,571 for multi-state mentoring initiatives. 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 Esperanza demonstrated adequate progress towards achieving program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance and accomplishments including special conditions, grant financial management, grant expenditures, budget management and control, drawdowns, and federal financial reports.

Results in Brief

As a result of our audit, we concluded that a majority of the cost claimed by Esperanza was allowable, supported and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. Additionally, Esperanza has demonstrated adequate progress in meeting program goals and objectives. This audit did not identify reportable deficiencies regarding Esperanza's compliance with requirements governing personnel, fringe, and indirect expenditures; or its budget management and federal financial reporting. However, we identified deficiencies with Esperanza's grant financial management documentation in the administration of consultants and subrecipients. We identified \$42,315 in questioned costs regarding the support of consulting expenditures. In addition, we found Esperanza's travel policy was not well-designed in some respects, and Esperanza did not always adhere to its own internal policy for maintaining supporting documentation related to subrecipients, supplies, consultants, travel, and other expenditures.

Recommendations

Our report contains five recommendations to OJP. We requested a response to our draft audit report from Esperanza and OJP, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is included in Appendix 5.

Audit Results

The purpose of the two OJP grant awards we reviewed was to provide planning, training, and support for organizations across various states to strengthen and expand programs that mentor youth at risk of being involved in juvenile crime and delinquency. The project period for the grants was from October 2013 through January 2018. As of July 2017, Esperanza drew down a cumulative amount of \$2,581,856 for the two grants we reviewed.

Program Goals and Accomplishments – The audit concluded that Esperanza demonstrated adequate progress towards achieving the grants' stated goals and objectives. Esperanza made progress toward meeting its performance goals and has aided its subrecipients in having mentors complete training, retain mentor participation in the program, as well as matching mentors to at-risk mentees.

Consulting Expenditures – We found Esperanza did not retain documentation to demonstrate that its consultant expenditures were reasonable. Additionally, Esperanza's consulting expenditures were not adequately supported with time and effort reports. This resulted in \$42,315 in unsupported cost.

Travel Expenditures – We found that Esperanza's travel policy, as implemented, did not prohibit the use of grant funds for gratuities. However, we determined the amount of grant funding potentially used for gratuities was not material.

Subrecipient Expenditures – We found Esperanza did not retain documentation to demonstrate the methodology used to select the grants' subrecipients.

Document retention – Esperanza was not able to demonstrate that it adhered to all of its internal policies and procedures related to supplies, consultants, travel, and other expenditures, however, we determined these costs to be allowable and supported.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS,
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
GRANTS AWARDED TO NUEVA ESPERANZA, INC.,
PHILADELPHIA, PENNSYLVANIA**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS,
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
GRANTS AWARDED TO NUEVA ESPERANZA, INC.,
PHILADELPHIA, PENNSYLVANIA**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of grants awarded by the Office of Justice Programs (OJP), under the Multi-state Mentoring Initiative and Mentoring Opportunities for Youth Initiative, to Nueva Esperanza, Inc. (Esperanza) in Philadelphia, Pennsylvania. Esperanza was awarded two grants totaling \$2,999,571 as shown in Table 1.

**Table 1
Grants Awarded to Esperanza**

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2013-JU-FX-0017	OJP	9/30/13	10/01/13	12/31/15	\$1,999,571
2015-JU-FX-0020	OJP	9/28/15	10/01/15	1/31/18	\$1,000,000
Total:					\$2,999,571

Source: Office of Justice Programs – Grants Management System

Funding through the Multi-state Mentoring Initiative, Award 2013-JU-FX-0017, was provided to help established mentoring programs, expand services to underserved at-risk youth, and enhance program services by implementing additional research and evidence based mentoring practices. The Mentoring Opportunities for Youth Initiative, Award 2015-JU-FX-0020, was provided to produce the same outcomes as the 2013 award, with an additional objective of enhancing mentoring services to enhance approaches to engaging families of at-risk youth.

The Grantee

Esperanza is a nonprofit organization that operates educational institutions, community economic development (CED) programs, and social change programs. One of its educational institutions is a fully-accredited Associate’s degree-awarding branch campus of Eastern University. Esperanza’s CED programs focus on housing counseling, neighborhood revitalization, and workforce development. Esperanza’s mentoring initiative, Real Time Mentoring, is one of its national programs and the program to which the grants were awarded. According to Esperanza, the program has been in operation since 2011 and has aided mentoring programs in several cities, focusing on the strengthening of existing activities and providing youth development services.

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 Esperanza demonstrated adequate progress towards achieving program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance and accomplishments, including special conditions - specifically background checks for persons working with youth; grant financial management; grant 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. Our testing was sample-based, using a judgmental selection method for the following grant expenditures; personnel, fringe benefits, supplies, travel, consultants/contracts, subrecipients, other, and indirect. We choose a judgmental selection based on our assessment of risk, program performance and accomplishments, the grantee's policies and procedures, and the type of expenditure. The use of judgmental selections did not allow us to project our results across the universe of expenditures, however, it did provide sufficient coverage upon which to draw a conclusion. The 2011 OJP Financial Guide, the 2015 DOJ Grants Financial Guide, 2 CFR 200 Uniform Guidance, the grantee's policies, 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.

AUDIT RESULTS

Program Performance and Accomplishments

We reviewed required performance reports and grant documentation and determined that Esperanza demonstrated adequate progress towards achieving grant-funded program goals and objectives. We also reviewed progress reports and determined both to be accurate and timely.

Program Goals and Objectives

The goal of Grant Awards 2013-JU-FX-0017 and 2015-JU-FX-0020 was to implement a multi-state mentoring program that would deliver programmatic and fiscal oversight, coordination, training, and networking to youth-serving community-based programs. Esperanza's grant objectives were to:

- provide mentoring services to at-risk low-income, underserved youth through several sites in numerous states, and
- enhance mentoring services at the sites to implement additional research and evidence based practices.

Grant Award 2015-JU-FX-0020 included each of the previous objectives and the additional objective of enhancing mentoring services at the sites by providing additional training on research-based approaches to engaging families.

Esperanza used the funds from Grant Awards 2013-JU-FX-0017 and 2015-JU-FX-0020 to serve 13 sites and 9 sites, respectively. Esperanza's program provided mentors with ongoing training in various areas. The program was also used to assess and serve at-risk youth through improvements in mentee behavior, increased school attendance, and participation in youth athletic programs.

Based on our review, there were no indications that Esperanza was not adequately achieving the stated goals and objectives of the grants.

Required Performance Reports

According to the OJP Financial and DOJ Grants Financial Guides, award recipients are required to submit progress reports semiannually to provide information relevant to the performance and activities of grant-funded programs. The reports are due 30 days after the end of the reporting periods, which for Esperanza are periods ending on June 30th and December 31st. We found that Esperanza submitted all of its semiannual reports, 10 in total for both awards, in a timely manner.

We determined that the information included in these performance reports was supported by documentation maintained by Esperanza. We reviewed several of the metrics used to support Esperanza's performance, and discussed with Esperanza officials how these metrics are captured, tracked, and reported. We reviewed the process and tools designed to capture and track progress and

determined them to be well designed. According to its reports and discussions with officials, Esperanza demonstrated adequate progress towards meeting the award objectives including mentor recruitment and retention, as well as the number of youth served.

Compliance with Special Conditions

As the main purpose of the programs funded by these grants involves adults mentoring youth, OJP included in each award a special condition requiring that Esperanza ensure anyone working directly with children have a background check. We determined that Esperanza personnel managing the grant did not interact with youth, however the grant programs' subrecipients did interact with youth.

We found that Esperanza required all of its subrecipients to maintain documentation demonstrating a background check was performed for all personnel who interact with youth. Additionally, we found that Esperanza conducted administrative desk reviews during its annual site visit with subrecipients, in which personnel files were reviewed for required documentation. We evaluated Esperanza's process of review and determined it was being followed.

Based on our review, we did not identify any instances of Esperanza failing to comply with the special condition on background checks for those working with children.

Grant Financial Management

According to the OJP Financial and DOJ Grants Financial Guides, 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 Esperanza's financial management of the grants, we interviewed its Controller and reviewed financial system operations and policies to determine whether Esperanza adequately safeguarded grant funds. Additionally, we reviewed Esperanza's Single Audit Reports for years 2013 through 2016 to identify any internal control weaknesses or significant non-compliance issues related to federal awards.

Based on our review, in regards to the administration of the grants within our scope, we determined that Esperanza's grant financial management system did not adequately document expenditures related to consultants and subrecipients. These issues are described in the following section of this report.

Grant Expenditures

For both grants, Esperanza's approved budgets included personnel, fringe benefits, supply, travel, consultants/contracts, subrecipients, other cost and indirect expenditures. The total of all expenditures within our scope for both awards was \$2,652,441, as shown in the following table.

Table 2
Funds Expended by Esperanza

Expenditure Category	Award 2013-JU-FX-0017	Award 2015-JU-FX-0020	Total
Personnel	\$400,404	\$169,670	\$570,074
Fringe Benefits	146,819	77,940	224,759
Travel	23,134	12,843	35,977
Supplies	47,432	19,820	67,252
Consultants/Contracts	35,930	6,385	42,315
Subrecipients	1,022,040	285,903	1,307,944
Other Costs	57,881	29,946	87,827
Indirect Costs	245,012	71,281	316,293
Total	\$1,978,652	\$673,788	\$2,652,441*

* There is a difference in the comparison of Totals due to rounding.

Source: Office of Justice Programs – Grants Management System

To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we judgmentally selected and tested a sample of transactions. We reviewed documentation, accounting records, and performed verification testing related to the grant expenditures we sampled. We did not identify any issues with personnel, fringe, and indirect costs charged to the grants. However, we identified issues in the expenditure categories of consultant/contracts, travel, subrecipients, supplies, and other costs. As a result of our testing, we recommend that OJP remedy \$42,315 of consultant expenditures that we determined were unsupported.

Consultants/Contractors Costs

The OJP Financial and DOJ Grants Financial Guides state that time and effort reports for consultants are required to be retained. We reviewed Esperanza’s policies regarding hiring and utilizing consultants and determined that the policies appear to ensure compliance with OJP Financial and DOJ Grants Financial Guides. Additionally, Esperanza officials told us that the policies we reviewed were followed for its consultants. However, we found that Esperanza did not obtain time and effort reports for consultants working on award-funded programs, and was unable to provide documentation that rates paid to consultants with grant funds were determined to be reasonable. Due to the lack of documentation demonstrating that the policies were followed, we identified \$42,315 in questioned costs discussed below.

We tested a sample of consultant expenditures by reviewing supporting documentation, financial system data, and interviewing personnel. Through that testing, we determined that Esperanza did not require consultants to submit time and effort reports as required by OJP Financial and DOJ Grants Financial Guides. Esperanza officials told us that due to the type of service being contracted, they did not require the consultants to submit time and effort reports. Instead, we were

told that Esperanza based its payments on invoicing, correspondence, and interaction with the consultants, and Esperanza officials noted that the scheduled deliverables were met by the consultants. We found that while Esperanza collected invoices, it did not require consultants to create and submit time and effort reports. As a result, we identified \$42,315 as unsupported.

We also found that Esperanza was not following OJP Financial and DOJ Grants Financial Guides regarding the determination of compensation rates paid to consultants. Esperanza officials told us that consultant compensation rates had been considered when making a selection. However, Esperanza did not maintain documentation demonstrating that the rates paid to consultants were determined to be reasonable, based on analysis or research regarding the services provided. It is important that Esperanza maintain adequate documentation to support the compensation for its consultants to ensure rates are reasonable and consistent with those paid for similar services in the marketplace. Without adequate documentation we were unable to determine if the compensation rates charged to the grant were reasonable. As a result, we recommend that OJP remedy \$42,315 in unsupported questioned costs.

We also recommend OJP ensures Esperanza takes steps to implement its written policies to address the use of consultants. These policies should address the documentation and retention of information used to establish consultant selection and related rates, as well as the requirement for time and effort reports for consulting services to ensure consultant invoices are supported in accordance with the DOJ Grants Financial Guide.

Travel Costs

According to the OJP Financial and DOJ Grants Financial Guides, gratuities associated with travel expenditures are not allowed. During our audit, we found Esperanza's general travel policy included an allowance for gratuities, and that the travel policy did not specify any exceptions to its policies for grant-related travel.

During our testing, we reviewed a sample of travel expenditures and identified instances of gratuities being included in expenditures charged to the grants. We reviewed the results of our testing with Esperanza officials, and they agreed that it was likely that grant funds were used for gratuities, but could not identify the exact amount without reviewing all travel expenditures. Although we did not determine the exact amount used for gratuities, we believe that the amount would not be material. We recommend that OJP ensure that Esperanza amend its policy on travel to make sure grant funds are not used for gratuities.

Subrecipients Costs

We reviewed Esperanza's selection process and practices for grant-funded subrecipients, and interviewed Esperanza officials who described its subrecipient selection process. During our review and interview process, we found Esperanza could not provide documents related to cost analyses or risk evaluations of subrecipients during the selection process.

While Esperanza did not document its determination of reasonableness for rates paid to grant-funded subrecipients, we were able to determine that the rates were reasonable through our review of expense documentation. We tested \$213,374 of subrecipient expenditures and determined these expenditures to be allowable and supported. Additionally, we determined that Esperanza's process for monitoring the performance of its subrecipients appeared effective.

Document Retention (Supplies, Consultants, Travel, and Other Costs)

In addition to testing the aforementioned expenditures, we tested \$15,517 and \$7,874 for Esperanza's Supply and "Other" budget category expenditures, respectively.¹ Our review of supporting documentation did not identify any issues related to reasonableness or support of these expenditures. However, we did identify issues with the documentation associated with these expenditures.

We found that Esperanza did not always retain complete supporting documentation as required by its policy. This included retaining purchase orders with a stated business purpose, signed/approved invoices, prior written approval for travel, and detailed travel expense reports. However, based on the supporting documentation that was provided and our interviews with Esperanza officials, we were able to determine that the tested expenditures were supported, reasonable, and necessary.

We recommend OJP ensure that Esperanza fully adheres to its own written policy to capture all required documentation fully supporting its decision processes and expenditures in the future.

Budget Management and Control

According to the OJP Financial and DOJ Grants Financial Guides, award recipients are responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures, or outlays, with budgeted amounts for each award. Additionally, the grant recipient must initiate a Grant Adjustment Notice (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.

For each award, we compared Esperanza's actual grant expenditures to the approved budget categories and determined that Esperanza did not exceed any budget category by more than 10 percent of the total award.

Drawdowns

The term drawdown is used to describe the process when a grant recipient requests funding under an approved grant award agreement. OJP allows grant recipients two options for taking drawdowns, the recipient can either: (1) request a drawdown to reimburse past grant expenditures, or (2) take drawdowns in

¹ "Other" expenditures include those such as cost allocated to the program for its portion of copier charges, postage, and utilities.

advance, but must spend advance drawdowns within 10 calendar days after receiving the funding or return unspent funds. Between May 2014 and July 2017, Esperanza made 27 drawdowns, totaling \$2,581,856, from the 2 grants in the scope of our audit. We determined that all drawdowns were received as reimbursements and Esperanza complied with cash management requirements.

Federal Financial Reports

According to the OJP Financial and DOJ Grants 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. As part of this audit, we compared the three most recent Federal Financial Reports (FFRs) to Esperanza's accounting records and determined that the reports were accurate. We also reviewed the six most recent FFRs for timeliness and found Esperanza to be timely in its reporting.

CONCLUSION AND RECOMMENDATIONS

As a result of our audit testing, we concluded that Esperanza did not adhere to all of the grant requirements we tested, however, a majority of the cost claimed by Esperanza was allowable, supported and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.. Esperanza also demonstrated adequate progress towards achieving the grants' stated goals and objectives. We did not identify reportable deficiencies regarding Esperanza's compliance with requirements governing grant financial management, personnel, fringe, and indirect expenditures; or its budget management and federal financial reporting. However, we identified deficiencies with Esperanza's administration of consultants where we identified \$42,315 in questioned costs regarding the support of consulting expenditures. In addition, we found Esperanza's travel policy was not well-designed in some respects, and Esperanza did not always adhere to its own internal policy in maintaining supporting documentation related to supplies, consultants, travel, and other expenditures. We provided five recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Remedy \$42,315 in unsupported consultant costs, which include:
 - A. Unsupported questioned costs totaling \$42,315 for consultant charges not supported with time and effort reports, as required.
 - B. Unsupported questioned costs totaling \$42,315 in charges for consultants who Esperanza could not support were paid reasonable rates, as required.
2. Ensure Esperanza creates and implements written policy requiring time and effort reports for consulting services to ensure consultant invoices are supported in accordance with the DOJ Grants Financial Guide.
3. Ensure Esperanza creates and implements written policy for the consultant selection process and the determination of consultant compensation rates, and ensure such documentation is appropriately retained.
4. Ensure Esperanza amends its policy on travel gratuities to ensure such expenditures are not charged to federal grants.
5. Ensure Esperanza fully captures and retains all required documentation supporting its decision processes and expenditures.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

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 and accomplishments including special conditions, grant financial management, grant 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 Office of Justice Program grants awarded to the Nueva Esperanza Inc. under the Multi-State Mentoring Initiative. Esperanza was awarded \$1,999,571 under Grant Award 2013-JU-FX-0017, and \$1,000,000 under Grant Award 2015-JU-FX-0020, and as of July 2017, had drawn down \$2,581,856 of the total grant funds awarded. Our audit concentrated on, but was not limited to, October 1, 2013, the award date for Grant Award 2013-JU-FX-0017, through September 2018, the last month of our audit work. Grant Award 2015-JU-FX-0020 was 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 Esperanza’s activities related to the audited grants. We performed sample-based audit testing for supplies, travel, consultants/contracts, subrecipients, other, and indirect including payroll and non-payroll 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 OJP Financial and DOJ Grants Financial Guides, 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 Esperanza’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 were verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
Unsupported Questioned Costs:		
Consultant Costs Missing Time and Effort Reports	\$42,315	5
Consultant Costs Missing Documentation that Charges were Reasonable	42,315	6
Gross Questioned Costs	\$84,630	
Less Duplicate Questioned Costs ²	<u>(42,315)</u>	
Net Unsupported Questioned Costs	\$42,315	

² The same costs were questioned for more than one reason, therefore we subtracted the duplicate amount to identify the net.

NUEVA ESPERANZA’S RESPONSE TO THE DRAFT AUDIT REPORT³



January 14, 2019

Thomas O. Puerzer
Regional Audit Manager
Office of the Inspector General (OIG)
Philadelphia Regional Audit Office
U.S. Department of Justice (DOJ)
701 Market Street, Suite 2300 Philadelphia, PA 19106

Dear Mr. Puerzer,

This letter is in response to the December 14, 2018 draft audit report for Grants 2013-JU-FX-0017 and 2015-JU-FX-0020 sent to the attention of Reverend Luis Cortes, President and CEO Nueva Esperanza, Inc. (NEI). Reverend Luis Cortes has completed and submitted the requested Management Representation Letter. This correspondence is the Auditee Response to the draft audit report recommendations. NEI will take the following actions in support of the recommendations on expenditures for consulting services, travel and subrecipients:

Consulting Expenditures- Non-Concurrence:

NEI will implement the corrective action to consolidate and retain adequate documentation to demonstrate the direct correlation of the consultant’s time and effort in one report. We will manage payment requests using a consultant services checklist to ensure consistency and completeness of the contracted services in the time and effort format. The internal policies and procedures manual will be updated to reflect this checklist implementation.

However, we are confident the audited \$42,315 consulting expenditures identified as unsupported were budgeted and reasonable. We have the appropriate documents to fully support the \$42,315 consultant expenditures. We included copies of consulting agreements which define the deliverables, scope of work, method, timeline and compensation for the contracted service; copies of signed invoices; and email correspondence between NEI program staff and the consultants on the progress of the services provided (see Attachment A).

Travel Expenditures - Concurrence:

NEI updated our internal policy and procedures manual to prohibit the use of federal grant funds for gratuities as follows: “**Travel** – Allowable as a direct cost where such travel will provide a direct benefit to a project. However, grant funds for gratuities are prohibited.” NEI’s cash management subdivision has ensured that no additional costs related to gratuities are charged to federal grants since the disclosure of this recommendation.

4261 North 5th St. | Philadelphia, PA 19140 | 215-324-2542 | www.esperanza.us

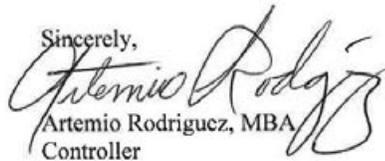
³ Attachments to this response were not included in this final report.



Subrecipient Expenditures - Concurrence:

NEI will implement and adhere to a written procedure to retain documentation on the methodology used to select the grants' subrecipients. For grant 2015-JU-FX-0020, we selected the top tier subrecipients of the prior grant. These recipients demonstrated program fulfillment capacity, achieved benchmark numbers, met the geographical requirements, and ensured that only allowable costs were charged to grant funds.

In conclusion, we thank the OIG for helping us to identify and address critical issues. Since 2002 NEI has been a steward of close to \$40 million in federal funds. We have an excellent record throughout our history managing these public dollars and clearing all audits and program reviews. As with our prior grants, NEI has demonstrated that we have met the objectives in program performance and accomplishments, grant fiscal management, grant expenditures, budget management and control, drawdowns, and federal financial reports. All of our reports have been submitted on a timely basis. NEI met and exceeded our benchmarks for both awards within this report with the assistance of the consultants and subrecipients. For both grants being reviewed, we have exceeded the number of mentors recruited, the number of high-risk youth served, the number of training hours. Additionally, 94% of the young people we served improved on their targeted behaviors in the areas of social, emotional, and educational behaviors. We are proud of our excellent track record and look forward to further improving our policies and procedures.

Sincerely,

Artemio Rodriguez, MBA
Controller

OFFICE OF JUSTICE PROGRAMS' RESPONSE TO THE DRAFT
AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

JAN 28 2019

MEMORANDUM TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia 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, Office of Juvenile Justice and Delinquency Prevention Grants, Awarded to Nueva Esperanza, Inc., Philadelphia, Pennsylvania*

This memorandum is in reference to your correspondence, dated December 14, 2018, transmitting the above-referenced draft audit report for Nueva Esperanza, Inc. (Esperanza). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **five** recommendations and **\$42,315¹** 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 our response.

1. **We recommend that OJP remedy \$42,315 in unsupported consultant costs, which include:**
 - a. **Unsupported questioned costs totaling \$42,315 for consultant charges not supported with time and effort reports, as required.**
 - b. **Unsupported questioned costs totaling \$42,315 in charges for consultants who Esperanza could not support were paid reasonable rates, as required.**

OJP agrees with both subparts of this recommendation. We will review the \$42,315 in questioned costs charged to Grant Numbers 2013-JU-FX-0017 and 2015-JU-FX-0020, related to unsupported consultant charges, and will work with Esperanza to remedy, as appropriate.

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

2. **We recommend that OJP ensure Esperanza creates and implements written policy requiring time and effort reports for consulting services to ensure consultant invoices are supported in accordance with the DOJ Grants Financial Guide.**

OJP agrees with this recommendation. We will coordinate with Esperanza to obtain a copy of written policies and procedures, developed and implemented, to ensure that detailed time and effort reports are maintained and submitted by consultants, to support the labor charges on their invoices.

3. **We recommend that OJP ensure Esperanza creates and implements written policy for the consultant selection process and the determination of consultant compensation rates, and ensure such documentation is appropriately retained.**

OJP agrees with this recommendation. We will coordinate with Esperanza to obtain a copy of written policies and procedures, developed and implemented, to ensure that documentation supporting the consultant selection process and the determination of consultant compensation rates is appropriately retained.

4. **We recommend that OJP ensure Esperanza amends its policy on travel gratuities to ensure such expenditures are not charged to Federal grants.**

OJP agrees with this recommendation. We will coordinate with Esperanza to obtain a copy of its revised and implemented policies and procedures, for ensuring that travel gratuities are not charged to Federal grants.

5. **We recommend that OJP ensure Esperanza fully captures and retains all required documentation supporting its decision processes and expenditures.**

OJP agrees with this recommendation. We will coordinate with Esperanza to obtain a copy of written policies and procedures, developed and implemented, to ensure that it fully captures and retains all required documentation, in support of its grant-related decisions and expenditures.

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: Matt M. Dummermuth
Principal Deputy Assistant Attorney General

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

cc: LeToya A. Johnson
Senior Advisor
Office of the Assistant Attorney General

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

Caren Harp
Administrator
Office of Juvenile Justice and Delinquency Prevention

Chyrl Jones
Deputy Administrator
Office of Juvenile Justice and Delinquency Prevention

James Antal
Associate Administrator
Youth Development Prevention and Safety Division
Office of Juvenile Justice and Delinquency Prevention

Tenzing Lahdon
Grants Management Specialist
Office of Juvenile Justice and Delinquency Prevention

Darian Hanrahan
Grants Management Specialist
Office of Juvenile Justice and Delinquency Prevention

Charles E. Moses
Deputy General Counsel

Robert Davis
Acting Director
Office of Communications

Leigh Benda
Chief Financial Officer

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

cc: Joanne M. Suttington
Associate Chief Financial Officer
Finance, Accounting, and Analysis 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 IT20190108084019

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 the OJP and Nueva Esperanza. OJP's response is incorporated in Appendix 4 and Esperanza's response is incorporated in Appendix 3 of this final report. In response to our draft audit report, OJP concurred with our recommendations and agreed to work with Esperanza to address the recommendations. As a result, the status of the audit report is resolved. Esperanza concurred with one recommendation, did not concur with three recommendations, and did not state whether it concurred with one recommendation. The following provides the OIG analysis of the responses and a summary of actions necessary to close the report.

Recommendations for OJP:

1. **Remedy \$42,315 in unsupported consultant costs, which includes;**
 - A. **Unsupported questioned costs totaling \$42,315 for consultant charges not supported with time and effort reports, as required, and**
 - B. **Unsupported questioned costs totaling \$42,315 in charges for consultants who Esperanza could not support were paid reasonable rates, as required.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will review the \$42,315 in questioned costs charged to Grant Numbers 2013-JU-FX-0017 and 2015-JU-FX-0020, related to unsupported consultant charges, and will work with Esperanza to remedy as appropriate.

Esperanza did not concur with this recommendation, and indicated that these expenditures were "budgeted and reasonable." Esperanza also included in its response various documents related to these expenditures. While we do not question that these expenditures were included in its grant budget, the documents provided, some of which we reviewed during our fieldwork, do not constitute time and effort reports for work performed by the consultants as required, or demonstrate that Esperanza ensured consultant rates were reasonable.

This recommendation can be closed when we receive evidence that OJP has remedied \$42,315 in consultant charges.

2. Ensure Esperanza creates and implements written policy requiring time and effort reports for consulting services to ensure consultant invoices are supported in accordance with the DOJ Grants Financial Guide.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with Esperanza to obtain a copy of written policies and procedures, developed and implemented, to ensure that detailed time and effort reports are maintained and submitted by consultants, to support the labor charges on their invoices.

Esperanza did not concur with this recommendation, however, it agreed to implement corrective actions to revise and retain time and effort reports.

This recommendation can be closed when we receive documentation demonstrating the changes made to Esperanza's internal policies and procedures for the creation, collection, and retention of consultant time and effort reports.

3. Ensure Esperanza creates and implements written policy for the consultant selection process and the determination of consultant compensation rates, and ensure such documentation is appropriately retained.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with Esperanza to obtain a copy of written policies and procedures, developed and implemented, to ensure that documentation supporting the consultant selection process and the determination of consultant compensation rates is appropriately retained.

Esperanza did not concur with this recommendation in its response, but provided various documents related to these expenditures. We do not believe that the documents provided, some of which we reviewed during our fieldwork, demonstrates that Esperanza has a well-designed process for creating and retaining documentation showing consultant rates were reasonable.

This recommendation can be closed when we receive Esperanza's updated policy and procedures on the consultant selection process, the determination of consultant compensation rates, and its document retention.

4. Ensure Esperanza amends its policy on travel gratuities to ensure such expenditures are not charged to federal grants.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with Esperanza to obtain a copy of its revised and implemented policies and procedures for ensuring that travel gratuities are not charged to federal grants.

In its response, Esperanza concurred with this recommendation and noted that it has updated an internal policy and procedures manual to prohibit the use of grant funds for gratuities as related to travel. The policy will state "Travel - Allowable as a direct cost where such travel will provide a direct benefit to a project. However, grant funds for gratuities are prohibited." Esperanza did not provide a copy of the policy with its response.

This recommendation can be closed when we receive a copy of Esperanza's updated policy which prohibits the use of grant funds to pay gratuities.

5. Ensure Esperanza fully captures and retains all required documentation supporting its decision processes and expenditures.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with Esperanza to obtain a copy of written policies and procedures, developed and implemented, to ensure that it fully captures and retains all required documentation, in support of its grant-related decisions and expenditures.

In its response, Esperanza neither agreed nor disagreed with the recommendation. However, it communicated plans to implement and adhere to written procedures to retain documentation on its selection methodology for subrecipients. Further, it indicated it will retain documentation for consultant expenditures. However, it did not address the retention of documentation for other expenditures or grant-related decision processes.

This recommendation can be closed when we receive a copy of the written procedures that address Esperanza's document retention of its decision processes and supporting documents for all expenditures that are paid using grant funds.



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U.S. DEPARTMENT OF JUSTICE OFFICE OF THE INSPECTOR GENERAL

950 Pennsylvania Avenue, Northwest
Suite 4760
Washington, DC 20530 0001

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oig.justice.gov

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