



Audit of the Office of Juvenile Justice and
Delinquency Prevention Grant Awarded to the
National Children's Advocacy Center,
Huntsville, Alabama



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EXECUTIVE SUMMARY

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Objectives

The Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded the National Children's Advocacy Center (NCAC) a grant totaling \$2,400,000 under the Victims of Child Abuse Act Training and Technical Assistance for Child Abuse Professionals program. The objectives of this audit were to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether the grantee demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

As a result of our audit, we concluded that the NCAC used its funding to provide training and technical assistance for child abuse professionals. In addition, we found that the NCAC has made progress in accomplishing its goals and objectives and complied with grant financial management requirements. However, we found that the NCAC did not accurately and completely report its indirect costs. The NCAC also inaccurately reported program income earned on the required quarterly Federal Financial Reports. This audit did not identify significant concerns regarding the NCAC's program performance, grant financial management, grant expenditures, budget management and control, and drawdowns.

Recommendations

Our report contains seven recommendations to OJP. We requested a response to our draft audit report from OJP and the NCAC, 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 OJP grant we reviewed was to support the development and implementation of a training and technical assistance program to improve the judicial system's handling of child abuse and neglect cases. The project period for the grant was from October 2017 through May 2021. As of April 22, 2021, the NCAC had drawn down a total of \$2,389,818 for the grant we reviewed.

Program Goals and Accomplishments

The NCAC demonstrated adequate progress toward achieving its goals and objectives, and information reported in the required progress reports was accurate.

Grant Financial Management

The NCAC implemented adequate controls over its financial activities for the grant program.

Grant Expenditures

Expenditures that we tested were generally allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We found the NCAC charged the grant \$455 in excess of the allowable budget for indirect costs. However, the NCAC took prompt corrective action to correct the error, and we make no recommendation for further action.

Federal Financial Reports

The NCAC did not receive approval for program income, did not accurately or completely report its program income, and did not always accurately report its indirect costs.

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Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of a grant awarded by the Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP), to the National Children’s Advocacy Center (NCAC) in Huntsville, Alabama. OJJDP awarded the grant under the Victims of Child Abuse Act Training and Technical Assistance for Child Abuse Professionals program. The grant, which supports the development and implementation of a model training and technical assistance program to improve the judicial system's handling of child abuse and neglect cases, was awarded for \$2,400,000, as shown in Table 1.

Table 1

Grant Awarded to the NCAC

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2017-CI-FX-K001	OJJDP	09/30/2017	10/01/2017	05/31/2021	\$2,400,000

Source: OJP’s Grant Management System

The Grantee

The NCAC was established in 1985 and is intended to serve as a model for the Children’s Advocacy Centers (CAC) now operating in the United States and more than 34 other countries. Its multidisciplinary team approach recognizes the need for a partnership of the various entities responsible for the protection of children. This approach is intended to coordinate the efforts of law enforcement, criminal justice, child protective services, and medical and mental health workers. The NCAC's Child Abuse Response Enhancement Program provides training and technical assistance to child abuse response professionals.

OIG Audit Approach

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

We tested compliance with what we consider to be the most important conditions of the grant. The DOJ Grants Financial Guide, the Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards (2 C.F.R. § 200), the OJJDP’s Training and Technical Assistance Core Performance Standards, and the grant 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.

Audit Results

Program Performance and Accomplishments

To determine whether the National Children’s Advocacy Center (NCAC) demonstrated adequate progress toward achieving grant goals and objectives, we reviewed required performance reports, grant solicitation and grant documentation, and interviewed NCAC officials. We also reviewed semi-annual progress reports to determine if the required reports were accurate. Finally, we assessed the NCAC’s compliance with the special conditions identified in the award documentation.

Program Goals and Objectives

The goal of the NCAC’s Child Abuse Response Enhancement Program is to enhance the coordinated multidisciplinary investigation and prosecution of child abuse. It seeks to accomplish this by providing training, technical assistance, and information resources. It also seeks to coordinate with other Victims of Child Abuse Act programs and professional organizations that offer services to child-abuse response professionals.

In the program narrative, the NCAC stated objectives to: (1) provide training opportunities for child abuse response professionals; (2) provide technical assistance for child abuse response professionals; (3) provide publications and information resources for child abuse response professionals; (4) create resources identified as needs by regional Children’s Advocacy Centers and other child abuse response professionals related to Human Trafficking and Sexual Exploitation of Children; and (5) coordinate training, technical assistance, and information services with Victims of Child Abuse Act programs and other complementary organizations.

We verified that the NCAC has made progress in achieving the goals and objectives. To support its first objective, the NCAC provided documentation for training held in May 2018, August 2018, July 2019, and September 2019. In support of its second objective, the NCAC provided a list of attendees at technical assistance training during January 2020. In support of its third objective, the NCAC provided online links to fact sheets and articles designed to be used as public awareness tools by any organization, community, or individual. In support of its fourth objective, the NCAC created two resources for use by child abuse professionals: the Guide for Children’s Advocacy Centers Working with Exploited Children; and the Adapted Forensic Interview Protocol for Children and Adolescents when Exploitation and/or Trafficking is Suspected. Finally, in support of its fifth objective, the NCAC provided documentation to support in-person meetings and conference calls with regional agencies to schedule and plan training and conference activities.

Based on our review, it appeared that the NCAC has made adequate progress in achieving the stated goals and objectives of the grant.

Required Performance Reports

According to the DOJ Grants Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. To verify the information in semi-annual progress reports, we selected a sample of

6 performance measures from each of the 2 most recently submitted performance reports for a total sample size of 12. We then traced the items to supporting documentation maintained by the NCAC.

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.

Compliance with Special Conditions

Special conditions are the terms and conditions that are included with the award. We evaluated the special conditions for the grant and selected a judgmental sample of requirements that are significant to performance under the grant and are not addressed in another section of this report. We evaluated the following three special conditions for the grant.

Special condition 4 - Required training for Point of Contact and all Financial Points of Contact. Both the Point of Contact and all Financial Points of Contact for this award must have successfully completed an "OJP financial management and grant administration training" by 120 days after the date of the recipient's acceptance of the award.

Special condition 16 - Compliance with DOJ regulations pertaining to civil rights and nondiscrimination - 28 C.F.R. Part 38. The recipient, and any subrecipient at any tier, must comply with all applicable requirements of 28 C.F.R. Part 38, specifically including any applicable requirements regarding written notice to program beneficiaries and prospective program beneficiaries.

Special condition 36 - The recipient may not obligate, expend, or draw down funds until the Office of the Chief Financial Officer has approved the budget and budget narrative and a Grant Adjustment Notice has been issued to remove this special condition.

Based on our sample, we did not identify any instances of the NCAC violating these additional special conditions we reviewed.

Grant Financial Management

According to the DOJ Grants Financial Guide, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for awarded funds. To assess the NCAC's financial management of the audited grant and determine whether the NCAC adequately safeguarded the grant funds, we interviewed financial staff, examined policy and procedures, and inspected grant documents. We also reviewed the NCAC's Single Audit Reports for the years ended December 31, 2018 and December 31, 2019. Finally, we performed testing in the areas that were relevant for the management of this grant, as discussed throughout this report. Based on our review, we did not identify significant concerns related to grant financial management. We determined that the NCAC implemented adequate controls over its financial activities for the grant program.

Single Audit

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

threshold to receive an annual audit of their financial statements and federal expenditures. Under 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), such entities that expend \$750,000 or more in federal funds within the entity's fiscal year (FY) must have a "single audit" performed annually covering all federal funds expended that year.

We reviewed the two most recent Single Audit Reports filed by the NCAC, which included reports for FYs 2018 and 2019. The NCAC had no significant deficiencies, and the auditor's report expressed an unmodified opinion on the financial statements.

Grant Expenditures

The NCAC's approved grant budget included personnel, fringe, travel, supplies, contracts and consultant, indirect, and other costs. Between October 1, 2017 and April 22, 2021, the NCAC drew down \$2,389,818, or more than 99 percent of the total award. To determine whether costs charged to the award were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions. We selected a sample of 151 transactions for direct costs totaling \$428,371 or 18 percent of the total grant funds expended. In addition, we reviewed the indirect cost rate and related charges of \$247,386. We reviewed documentation, accounting records, and performed verification testing related to grant expenditures. Although we found immaterial errors that resulted in some corrections in the NCAC's records, the expenditures we tested were generally allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. The following sections describe the results of that testing.

Personnel and Fringe Benefit Costs

We reviewed 14 payroll transactions totaling \$67,972, which included all personnel and fringe benefit expenditures for 2 non-consecutive months during our audit period. We reviewed the NCAC's employee timecards, check stubs, and other supporting documentation to determine if the payroll costs were allowable, supported, calculated accurately, properly authorized, and properly allocated to the award.

Charges of \$64 were included in our sample transactions for life insurance although life insurance was not included in the approved fringe benefits listed in the budget. We discussed the unallowable life insurance charges with NCAC officials. The NCAC officials agreed with our assessment and credited the grant for \$1,069 in February 2021, to remove the total life insurance charges over the life of the grant. The reduction in grant expenses resulted in a reduced reimbursement request on March 15, 2021, which corrected the previous over-reimbursements related to these charges. Because NCAC officials took prompt corrective action when we notified them of this concern, we make no recommendation regarding the unallowable costs. We found no other significant deficiencies in our review of payroll and fringe benefit costs.

Travel Costs

The NCAC charged a total of \$72,418 for travel costs. We selected a sample of 29 expenditures totaling \$22,563. We reviewed the supporting documentation and determined that the tested costs were allowable, supported, and properly allocated to the award.

Contractor and Consultant Costs

We selected a sample of 42 contract and consultant expenditures totaling \$127,095. We reviewed the supporting documentation to verify that the costs were allowable, supported, and properly allocated in compliance with award requirements. We determined that the NCAC complied with the established award requirements and accurately supported the charges that were reimbursed.

We selected three additional contracts, for a total of \$3,318, to examine in more detail. We verified that the contracts were paid in accordance with the contract terms, the charges were reasonable, and the contracts did not exceed the daily maximum rate, as established by the DOJ Grants Financial Guide.

Supplies

We selected a sample of 8 expenditures totaling \$7,489. We reviewed the supporting documentation and determined that the tested costs were allowable, supported, and properly allocated to the award.

Other

We selected a sample of 55 expenditures totaling \$199,934. We reviewed the supporting documentation and determined that the tested costs were allowable, supported, and properly allocated to the award.

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. The NCAC had an approved indirect cost budget and indirect cost rate agreements for 12 percent and 13 percent for the periods of October 1, 2017 through December 31, 2019, and January 1, 2020 through May 31, 2021, respectively. The NCAC appropriately applied the indirect rates to the direct cost base.¹

We conducted tests of indirect costs calculated as a part of the calculation of drawdowns. We used the direct costs from the general ledger as of February 28, 2021, and calculated the allowable indirect costs using the approved indirect cost rates. The calculated indirect costs exceeded the total budget of \$247,386 for indirect costs. As of February 28, 2021, the NCAC had charged the grant a total of \$247,841 in indirect costs, which exceeded the budget for indirect costs by \$455. We discussed the difference with NCAC officials. On April 1, 2021, the NCAC completed a return payment to correct the over-reimbursement of indirect cost charges. Because NCAC officials took prompt corrective action when we notified them of this concern, we make no recommendations to further address the over-drawn indirect costs.

Budget Management and Control

According to the DOJ Grants Financial Guide, the recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, the grant recipient must initiate a Grant Award

¹ The direct cost base includes all total direct costs excluding capitalized equipment, pass-through funds and grants, and the portion of contracts in excess of \$25,000.

Modification 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.²

We compared grant expenditures to the approved budgets to determine whether the NCAC transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent.

Drawdowns

According to the DOJ Grants Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. Additionally, the DOJ Grants Financial Guide states that recipients should develop written procedures for cash management of funds to ensure that federal cash on hand is kept at or near zero. NCAC's policies for financial management include written procedures for grant drawdowns. According to the NCAC's cash management procedures, the computation of amounts to be drawn down must be supported with documentation of expenditures from the accounting records. The NCAC Finance Department is responsible for tracking the grant expenditures and preparing drawdown worksheets and for submitting all drawdown requests.

To assess whether the NCAC managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. Based on our testing, the NCAC requested drawdowns only as reimbursements, and we did not identify significant deficiencies related to the recipient's process for developing drawdown requests. As of March 16, 2021, the NCAC had drawn down \$2,385,863 based on expenditures of \$2,138,022 plus indirect costs of \$247,841. However, as previously discussed, the budgeted amount for indirect costs was \$247,386. Therefore, the drawdowns included an excess of \$455 in indirect costs. We discussed the error with an NCAC official who told us he was aware of the error. The NCAC made a return payment of \$455 on April 1, 2021, resulting in a cumulative draw down total of \$2,385,408. We determined that the NCAC had taken adequate steps to correct the immaterial excessive drawdown. Consequently, we make no recommendation.

Federal Financial Reports

Reporting Expenses

The DOJ Grants Financial Guide requires award recipients to report expenditures, obligations, and other financial information to awarding agencies on Federal Financial Reports (FFR). These reports provide awarding agencies with the status of a recipient's grant funds and must be submitted quarterly. To

² According to OJP's online grant financial management guidance, a Grant Award Modification is created in the new JustGrants system, which replaced the prior Grants Management System, to update the award details but is used only to modify a key fact or detail about the award. OJP "Grants Financial Management: Frequently Asked Questions:" <https://www.ojp.gov/training-and-technical-assistance/tfsc/faq#faq-what-is-a-grant-award-modification-gam> (accessed June 16, 2021).

determine whether the NCAC submitted accurate FFRs, we compared six recent reports to the NCAC's accounting records.

We found that the NCAC had overstated direct expenses in its September 30, 2020 FFR by \$7,231. We discussed with NCAC officials the cause for the overstatement. They said that the overstatement resulted from an adjustment to accounting records that was not reflected in the FFR. After our discussion, the officials took actions to correct the error and, consequently, we make no recommendation.

We also found that the NCAC had overstated indirect costs by a net total of \$413 in its September 30, 2020 FFR; understated indirect costs by \$5,335 in its December 31, 2020 FFR; and understated indirect costs by \$7,004 in its March 31, 2021 FFR. We discussed these errors with NCAC officials. NCAC officials said the net overstatement of indirect costs on the September 2020 FFR occurred for two reasons. The indirect costs included \$868 in overstated indirect costs associated with the overstated direct costs discussed in the prior paragraph. The indirect costs also included \$455 in underreported indirect costs associated with the use of an outdated lower indirect cost rate. As previously stated, the NCAC corrected the overstated direct equipment costs, which corrected the related overstatement of indirect costs. We discussed the \$455 in underreported indirect costs with NCAC officials. The officials told us they recognized the error and were preparing to make a correction in the accounting records and in the amount claimed on the grant to match the amount reported on the FFR. On April 1, 2021, the NCAC processed a return payment to correct the amount claimed on the grant, which reconciled the amount charged to the grant with the amount reported on the FFR. Consequently, we make no recommendation regarding this amount.

The officials also said that the understatement of indirect costs on the December 2020 FFR occurred because those costs were reduced to ensure that reported costs did not exceed the grant budget for indirect costs. The official told us that the understatement of indirect costs on the March 2021 FFR occurred because those costs were again reduced to ensure that reported costs did not exceed the grant budget for indirect costs. The DOJ Grants Financial Guide requires that the FFR reflect actual indirect costs incurred as recorded in the accounting records and separately show the federal share of those costs. The NCAC's adjustment, to limit the indirect costs reported to the total indirect costs budgeted, would correct the amount that should be reported as the federal share of the indirect costs, but the total indirect costs incurred should also be reported. Consequently, we recommend OJP ensure the NCAC develops and implements procedures to reflect actual indirect costs in its FFRs. We also recommend that OJP ensure the NCAC provides all relevant staff with training regarding the procedures developed for properly reporting indirect costs.

Reporting Program Income

Program income is gross income earned by a non-federal entity that is directly generated from a supported activity or earned as a result of the federal award. Cumulative total program income is required to be reported on the FFR each quarter. We reviewed program income reported by the NCAC on its quarterly FFRs. We found that the NCAC earned program income without first obtaining approval from OJP, did not accurately report earned program income, and did not accurately report the use of the program income that was earned.

We discussed the requirements for program income with the OJP Program Manager who told us that grantees must receive prior approval for program income resulting from grant activity. The Program

Manager confirmed that the NCAC did not receive approval from OJP for program income as a part of the Training and Technical Assistance grant. However, the NCAC earned program income through admission fees for training conferences. NCAC officials requested approval for the training conferences that created the program income and believed that the approval for the conferences included approval for program income. As a result, the NCAC treated the program income as it would have treated approved program income.

The DOJ Grants Financial Guide states that program income may only be used for allowable program costs and must be spent prior to drawdowns. We verified that the NCAC used its program income in support of program objectives and for allowable program costs as the funds became available. However, the NCAC's FFRs did not accurately or completely reflect the total program income earned during the grant period. The NCAC reported program income in only 3 of 14 FFRs over the life of the grant through December 2020. The NCAC never reported program income for the individual periods covered by each FFR. Instead, in each of the three FFRs for which program income was reported, the NCAC reported the income as "cumulative program income." We sought to verify the reported program income by tying the reported amounts to supporting documentation and found that the reported program income was overstated because it included income earned through other projects. Consequently, as demonstrated in Table 2, the NCAC did not accurately report period or cumulative program income on its FFRs. Inaccurately reporting program income hinders OJP's understanding of the true status of the NCAC's grant funds. We noted that the support for program income was maintained by NCAC staff in spreadsheets used to supplement the official grant accounting records. We concluded that the use of these spreadsheets and an apparent misunderstanding of the requirements for reporting program income led to the misreporting of the income.

Table 2

Earned Program Income Reported

Dates	Period Program Income Reported	Period Program Income Supported	Cumulative Program Income Reported	Cumulative Program Income Supported	Cumulative Program Income Overstated/ Understated
10/1/17 - 12/31/17	\$0	\$0	\$0	\$0	\$0
1/1/18 - 3/31/18	\$0	\$0	\$0	\$0	\$0
4/1/18 - 6/30/18	\$0	\$0	\$0	\$0	\$0
7/1/18 - 9/30/18	\$0	\$2,574	\$3,103	\$2,574	-\$529
10/1/18 - 12/31/18	\$0	\$0	\$0	\$2,574	\$2,574
1/1/19 - 3/31/19	\$0	\$0	\$0	\$2,574	\$2,574
4/1/19 - 6/30/19	\$0	\$0	\$0	\$2,574	\$2,574
7/1/19 - 9/30/19	\$0	\$3,154	\$4,603	\$5,728	\$1,125
10/1/19 - 12/31/19	\$0	\$0	\$0	\$5,728	\$5,728
1/1/20 - 3/31/20	\$0	\$2,278	\$2,477	\$8,007	\$5,530
4/1/20 - 6/30/20	\$0	\$0	\$0	\$8,007	\$8,007
7/1/20 - 9/30/20	N/A	N/A	\$0	\$8,007	\$8,007
10/1/20 - 12/31/20	N/A	N/A	\$0	\$8,007	\$8,007
1/1/21 - 3/31/21	N/A	N/A	\$0	\$8,007	\$8,007

Source: OJP's Grants Management System, JustGrants, and NCAC Accounting Records

Award recipients may use program income either to advance program objectives (the addition alternative) or refund program income to the awarding agency (the deduction alternative). The DOJ Grants Financial Guide states that program income not anticipated at the time of the federal award must be used to offset total allowable costs, which reduces the federal award contributions. Exceptions to this rule are permitted when specified in the agency regulations or the terms and conditions of the federal award. However, those exceptions do not apply to the NCAC award we audited. We reviewed the NCAC's grant award documents, including the approved grant budget, to assess whether any program income was anticipated during performance of the grant program. NCAC's approved budget did not anticipate any program income and there was no other indication that program income was anticipated at the time of the grant award. Consequently, the NCAC should use its program income in accordance with the deduction alternative to offset total allowable costs.

We reviewed the NCAC's FFRs to determine how it reported the use of program income. We found that the NCAC reported the use of the program income in each of the three FFRs that reflected program income used, as expended in accordance with the addition alternative. Use of the addition alternative would increase the total federal share of funding. Without prior approval to generate program income or the anticipation of program income in the grant, the NCAC should not use the addition alternative. The deduction alternative would require the use of program income generated from grant supported activity to effectively offset total allowable costs. We consider the \$8,007 in program income to be funds to better use because the net effect of correcting the program income will be to reduce the grant award amount. We recommend that OJP ensure the NCAC accurately reflects the cumulative total program income of \$8,007 and its appropriate use in accordance with the deduction alternative in its final FFR. We also recommend that OJP coordinate with the NCAC to remedy the \$8,007 in program income.

We discussed with NCAC officials the errors in reporting earned program income. The officials agreed the reporting was in error and said that the NCAC will adjust to report cumulative program income in the future. Consequently, we recommend that OJP ensure that the NCAC: trains its staff on requirements for accounting for and reporting program income; trains its staff on the appropriate process for requesting OJP approval for earning program income resulting from grant activities; and develops and implements procedures for maintaining adequate support for all reported program income.

Conclusion and Recommendations

As a result of our audit testing, we concluded that, the NCAC generally managed the grant that we reviewed appropriately and demonstrated adequate progress towards achieving the grant's stated goals and objectives. We found the expenditures we tested were generally allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We did not identify significant issues regarding NCAC's management of the grant budget. However, we found that the NCAC did not accurately and completely report its expenditures. The NCAC also inaccurately reported program income earned on the required quarterly Federal Financial Reports. We provide seven recommendations to address these deficiencies.

We recommend that OJP:

1. Ensure the NCAC develops and implements procedures to reflect actual indirect costs in its FFRs.
2. Ensure the NCAC provides all relevant staff with training regarding the procedures developed for properly reporting indirect costs.
3. Ensure the NCAC accurately reflects the cumulative total program income of \$8,007 and its appropriate use in accordance with the deduction alternative in its final FFR.
4. Coordinate with the NCAC to remedy the \$8,007 in program income.
5. Ensure that the NCAC trains its staff on requirements for accounting for and reporting program income.
6. Ensure that the NCAC trains its staff on the appropriate process for requesting OJP approval for earning program income resulting from grant activities.
7. Ensure that the NCAC develops and implements procedures for maintaining adequate support for all reported program income.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

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

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 an Office of Justice Programs (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP) grant awarded to the National Children's Advocacy Center (NCAC) under the Victims of Child Abuse Act Training and Technical Assistance for Child Abuse Professionals program. Grant Number 2017-CI-FX-K001 was awarded to the NCAC for \$2,400,000, and as of April 22, 2021, the NCAC had drawn down \$2,389,818 of the total grant funds awarded. Our audit concentrated on but was not limited to September 30, 2017 through May 31, 2021, the last day of our audit work. The grant was ongoing at the time of our audit with an anticipated project end date of May 31, 2021, with less than one percent of the total award funds to spend.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of NCAC's activities related to the audited grant. We performed sample-based audit testing for grant expenditures including payroll and fringe benefit charges, direct costs, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant 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 Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards, 2 C.F.R. § 200, the OJJDP's Training and Technical Assistance Core Performance Standards, and the grant the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System, the DOJ's JustGrants grant management system, as well as NCAC'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.

As a result of the COVID-19 pandemic response, we performed audit fieldwork remotely. We nevertheless discussed our audit results with NCAC officials throughout the audit and at a formal telephonic exit conference. We requested a response to our draft audit report from OJP and the NCAC.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of the NCAC to provide assurance on its internal control structure as a whole. The NCAC's management is responsible for the establishment and maintenance of internal controls in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. § 200. Because we do not express an opinion on the NCAC's internal control structure as a whole, we offer this statement solely for the information and use of the NCAC and OJJDP.³

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objectives. We reviewed the NCAC's design of control activities to achieve grant objectives and response to risk regarding: (1) local regulations, levels of reviews, and segregation of duties; (2) controls over their accounting systems; (3) their written policies and procedures; and (4) the validity and completeness of their accounting system.

We assessed the implementation and operating effectiveness of these internal controls through questionnaires relative to each topic, reviews of the NCAC's written policies and procedures, the granting agency's policies and procedures, the solicitation for this type of grant, and the NCAC's accounting records and controls. We did not identify any deficiencies that we believe could affect the NCAC's ability to effectively and efficiently operate, to correctly state financial and performance information, or to ensure compliance with laws and regulations. The internal control deficiencies that we found are discussed in the Audit Results section of this report. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

³ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: Schedule of Dollar Related Findings

Description	Amount	Page
Funds to be Put to Better Use:⁴		
Deduction of Program Income from the Grant Award	\$8,007	9
Total Funds to Better Use	\$8,007	
TOTAL DOLLAR-RELATED FINDINGS	<u>\$8,007</u>	

⁴ **Funds to be Put to Better Use** are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations.

APPENDIX 3: The 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

August 25, 2021

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

FROM: Ralph E. Martin *Ralph E. Martin*
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Juvenile Justice and Delinquency Prevention Grant Awarded to the National Children's Advocacy Center, Huntsville, Alabama*

This memorandum is in reference to your correspondence, dated August 3, 2021, transmitting the above-referenced draft audit report for the National Children's Advocacy Center (NCAC). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **seven** recommendations and **\$8,007** 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 our response.

- 1. We recommend that OJP ensure the NCAC develops and implements procedures to reflect actual indirect costs in its FFRs.**

OJP agrees with this recommendation. In its response, dated August 20, 2021, the NCAC stated that they implemented a new financial policy, effective August 18, 2021, which required the following information to be listed on its Federal Financial Reports (FFRs): type of indirect cost rate, percentage rate, period for the rate being applied, expense base, amount of indirect costs charged to the grant, and Federal share of indirect costs charged to the grant. However, the NCAC did not provide a copy of its policies and procedures with its response to this recommendation. Accordingly, we will coordinate with the NCAC to obtain a copy of its written policies and procedures, developed and implemented, to ensure that actual indirect costs are accurately reflected on future FFRs.

- 2. We recommend that OJP ensure the NCAC provide all relevant staff with training regarding the procedures developed for properly reporting indirect costs.**

OJP agrees with this recommendation. In its response, dated August 20, 2021, the NCAC stated that relevant staff, which comprise the Finance Director and Senior Accountant, helped to create its new indirect cost policy, and received a copy of the implemented policy. However, the NCAC did not provide a copy of its policies and procedures with its response to the recommendation, nor did they provide evidence that relevant staff have been trained on the new policy. Accordingly, we will coordinate with the NCAC to obtain: a copy of its new indirect cost policy; and evidence that relevant staff have been trained on the new policy.

- 3. We recommend that OJP ensure the NCAC accurately reflects the cumulative total program income of \$8,007 and its appropriate use in accordance with the deduction alternative in its final FFR.**

OJP agrees with this recommendation. We will work with the NCAC to ensure that the cumulative total program income, earned and expended for Cooperative Agreement Number 2017-CI-FX-K001, is accurately reported on the final FFR.

- 4. We recommend that OJP coordinate with the NCAC to remedy the \$8,007 in program income.**

OJP agrees with this recommendation. We will review the \$8,007 in cumulative program income for Cooperative Agreement Number 2017-CI-FX-K001, and will work with the NCAC to remedy, as appropriate.

- 5. We recommend that OJP ensure that the NCAC trains its staff on requirements for accounting for and reporting program income.**

OJP agrees with this recommendation. In its response, dated August 20, 2021, the NCAC stated that they will no longer collect program income generated from its Federal awards. Accordingly, OJP will coordinate with the NCAC to obtain written confirmation that it will no longer earn program income generated from its Federal awards, and will ensure that its policies and procedures reflect the same.

- 6. We recommend that OJP ensure that the NCAC trains its staff on the appropriate process for requesting OJP approval for earning program income resulting from grant activities.**

OJP agrees with this recommendation. In its response, dated August 20, 2021, the NCAC stated that they will no longer collect program income generated from its Federal awards. Accordingly, OJP will coordinate with the NCAC to obtain written confirmation that it will no longer earn program income generated from its Federal awards, and will ensure that its policies and procedures reflect the same.

7. We recommend that OJP ensure that the NCAC develops and implements procedures for maintaining adequate support for all reported program income.

OJP agrees with this recommendation. In its response, dated August 20, 2021, the NCAC stated that they will no longer collect program income generated from its Federal awards. Accordingly, OJP will coordinate with the NCAC to obtain written confirmation that it will no longer earn program income generated from its Federal awards, and will ensure that its policies and procedures reflect the same.

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

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

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

Chyrl Jones
Acting Administrator
Office of Juvenile Justice and Delinquency Prevention

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Charlotte Grzebien
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cc: Phillip K. Merkle
Acting Director
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Christal McNeil-Wright
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Grants Financial Management Division
Office of the Chief Financial Officer

Louise Duhamel
Acting Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20210804084351

APPENDIX 4: The National Children's Advocacy Center Response to the Draft Audit Report



August 19, 2021

Mr. Ferris B. Polk
Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
75 Ted Turner Dr., Southwest
Atlanta, Georgia 30303

Official Response to the Audit Report for National Children's Advocacy Center,
Huntsville, AL

1. Ensure the NCAC develops and implements procedures to reflect actual indirect costs in its FFRs.

NCAC agrees with this recommendation.

A new financial policy has been written and added to NCAC's Financial Policies and Procedures effective August 18, 2021. The policy reads as follows:

1. The following shall be listed on each FFR related to indirect costs:
 - a. The type of indirect cost rate
 - b. The % rate. If the rate changes before the grant ends, add a new line on the FFR.
 - c. The period "from" and "to" for the rate being applied.
 - d. The expense base for which the rate will be applied. Cumulative
 - e. The amount of indirect costs charged to the grant. Cumulative
 - f. The federal share of indirect costs charged to the grant. Cumulative

If the grant runs out of indirect costs able to be charged, a zero will be entered for letter f. However, the amounts in letters d. and e. will continue to accumulate.

2. Ensure the NCAC provides all relevant staff with training regarding the procedures developed for properly reporting indirect costs.

NCAC agrees with this recommendation.

Relevant staff at NCAC related to the policy of indirect costs would include the Finance Director and the Senior Accountant. Both individuals not only have a copy of this new policy, but they also both helped create it.

The indirect cost section of the final FFR for the grant that was audited has already been revised in accordance with this new policy with help from the OCFO Helpdesk. All future FFR's will be in compliance.

3. Ensure the NCAC accurately reflects the cumulative total program income of \$8,007 and its appropriate use in accordance with the deduction alternative in its final FFR.

NCAC agrees with this recommendation.

With assistance from the OCFO helpdesk, this recommendation was completed on August 12th. The final FFR reflects the cumulative total program income of \$8,007.

4. Coordinate with the NCAC to remedy the \$8,007 in program income.

NCAC agrees with this recommendation.

NCAC reached out to our OJP program manager on August 11th. She directed us to speak with the OCFO helpdesk. We reached out to the helpdesk and our final FFR had been revised by the end of the day on August 12th.

5. Ensure that the NCAC trains its staff on requirements for accounting for and reporting program income.

NCAC agrees with this recommendation.

NCAC has decided to no longer collect program income effective August 1, 2021.

6. **Ensure that the NCAC trains its staff on the appropriate process for requesting OJP approval for earning program income resulting from grant activities.**

NCAC agrees with this recommendation.

NCAC has decided to no longer collect program income effective August 1, 2021.

7. **Ensure that the NCAC develops and implements procedures for maintaining adequate support for all reported program income.**

NCAC agrees with this recommendation.

NCAC has decided to no longer collect program income effective August 1, 2021.

Prepared By:



Jonathan L. Kingsford, Finance Director
National Children's Advocacy Center
Huntsville, AL

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 Office of Justice Programs (OJP) and the National Children's Advocacy Center (NCAC). OJP's response is incorporated in Appendix 3 and the National Children's Advocacy Center's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP agreed with our recommendations and, as a result, the status of the audit report is resolved. The National Children's Advocacy Center also agreed with our recommendations. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for OJP:

- 1. We recommended that OJP ensure the NCAC develops and implements procedures to reflect actual indirect costs in its Federal Financial Reports (FFR).**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with the NCAC to obtain a copy of NCAC's written policies and procedures to ensure that indirect costs are accurately reflected on future FFRs.

The NCAC agreed with our recommendation and stated in its response that a new financial policy has been written and added to NCAC's Financial Policies and Procedures to ensure that indirect costs are accurately reflected on future FFRs. The new policy was effective August 18, 2021.

This recommendation can be closed when we receive documentation of the NCAC's new policy.

- 2. We recommended that OJP ensure the NCAC provides all relevant staff with training regarding the procedures developed for properly reporting indirect costs.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with the NCAC to obtain a copy of NCAC's new indirect cost policy and evidence that relevant NCAC staff have been trained on the new policy.

The NCAC agreed with our recommendation and stated in its response that relevant staff participated in the creation of the new policy with help from OJP's Office of the Chief Financial Officer (OCFO).

This recommendation can be closed when we receive evidence that the relevant staff have been trained on the new policy.

- 3. We recommended that OJP ensure the NCAC accurately reflects the cumulative total program income of \$8,007 and its appropriate use in accordance with the deduction alternative in its final FFR.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will work with the NCAC to ensure that the cumulative total program income, earned and expended for Cooperative Agreement Number 2017-CI-FX-K001, is accurately reported on the final FFR.

The NCAC agreed with our recommendation and stated in its response that with assistance from the OCFO helpdesk, the recommendation was completed on August 12, 2021.

This recommendation can be closed when we receive evidence that total program income is accurately reported on the final FFR.

- 4. We recommended that OJP coordinate with the NCAC to remedy the \$8,007 in program income.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$8,007 in cumulative program income for Cooperative Agreement Number 2017-CI-FX-K001 and that it will work with the NCAC to remedy the questioned cost, as appropriate.

The NCAC agreed with our recommendation and stated in its response that the final FFR had been revised by the end of the day on August 12, 2021.

This recommendation can be closed when we receive evidence that the \$8,007 in questioned cost has been remedied.

- 5. We recommended that OJP ensure that the NCAC trains its staff on requirements for accounting for and reporting program income.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with the NCAC to obtain written confirmation that it will no longer earn program income generated from its federal awards and will ensure that NCAC's policies and procedures reflect this.

The NCAC agreed with our recommendation and stated in its response that it has decided to no longer collect program income effective August 1, 2021.

This recommendation can be closed when we receive written confirmation that program income will not be generated and therefore the recommended training is unnecessary.

- 6. We recommended that OJP ensure that the NCAC trains its staff on the appropriate process for requesting OJP approval for earning program income resulting from grant activities.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with the NCAC to obtain written confirmation that NCAC will no longer earn program income generated from its Federal awards and that it will ensure that NCAC's policies and procedures reflect this.

The NCAC agreed with our recommendation and stated in its response that it has decided to no longer collect program income effective August 1, 2021.

This recommendation can be closed when we receive written confirmation that program income will not be generated and therefore the recommended training is unnecessary.

- 7. We recommended that OJP ensure that the NCAC develops and implements procedures for maintaining adequate support for all reported program income.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with the NCAC to obtain written confirmation that it will no longer earn program income generated from its Federal awards and that it will ensure that NCAC's policies and procedures reflect the same.

The NCAC agreed with our recommendation and stated in its response that it has decided to no longer collect program income effective August 1, 2021.

This recommendation can be closed when we receive written confirmation that program income will not be generated and therefore the recommended procedures are unnecessary.