



Audit of the Office of Justice Programs Bureau of
Justice Assistance Fiscal Year 2018 Second Chance
Act Comprehensive Community-Based Adult Reentry
Program Grant to LOC Family Services LLC,
Farmville, Virginia



AUDIT DIVISION

22-090

JULY 2022



EXECUTIVE SUMMARY

Audit of the Office of Justice Programs Bureau of Justice Assistance Fiscal Year 2018 Second Chance Act Comprehensive Community-Based Adult Reentry Program Grant to LOC Family Services LLC, Farmville, Virginia

Objectives

The U.S. Department of Justice (DOJ) Office of Justice Programs (OJP) Bureau of Justice Assistance awarded LOC Family Services LLC (LOC) a grant totaling \$500,000 for the Fiscal Year 2018 Second Chance Act Comprehensive Community-Based Adult Reentry 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

LOC provided reasonable assurance that it provided reentry services to 90 individuals. While we did not identify significant concerns regarding LOC's performance reports or compliance with special conditions, we identified issues related to how it maintained support for personnel costs, direct costs, draw downs and federal financial reports. Specifically, we identified \$18,966 in questioned costs stemming from: (1) \$1,640 in unallowable costs related to duplicative salary and vacation pay, and (2) \$17,326 unsupported expenses in direct costs.

Recommendations

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

Audit Results

The \$500,000 grant sought to provide comprehensive re-entry services to 90 released offenders via trained mentors, volunteers, and clinical professionals. The grant's project period for the grant spanned October 2018 through December 2021. An LOC project goal was to reduce the rate of recidivism by 8 percent.

Program Goals and Accomplishments

LOC demonstrated reasonable assurance that it provided reentry services to at least 90 individuals. However, due to differences between how LOC assessed recidivism and Virginia calculated such rates, we could not ascertain whether LOC reduced recidivism by 8 percent.

Expenditures

Although the grant was to be used to pay for 100 percent of an LOC official's full-time salary, this official also received \$43,750 in wages from a separate federal award. While we did not identify evidence that time spent on the separate award was duplicative of time spent on the audited grant, LOC needs to implement a method to allocate costs reasonably among different activities and cost objectives. We further identified \$1,640 in duplicative payments for salary and vacation, and \$17,326 in unsupported direct costs.

Drawdowns

We found that 12 of 60 drawdowns requested by LOC resulted in it having more than \$10,000 of federal cash on hand for more than 10 days after drawdown receipt.

Federal Financial Reports

Financial reports did not match LOC accounting records, with differences ranging from \$16 to \$56,347. LOC could not ascertain the reasons for the variances as it did not retain paperwork to support FFR calculations.

Table of Contents

Introduction	1
The Grantee	1
OIG Audit Approach	1
Audit Results	3
Program Performance and Accomplishments	3
Program Goals and Objectives	3
Required Performance Reports.....	4
Compliance with Special Conditions.....	4
Grant Financial Management	4
Grant Expenditures	5
Personnel Costs	5
Direct Costs	6
Budget Management and Control	7
Drawdowns	7
Federal Financial Reports.....	8
Conclusion and Recommendations	9
APPENDIX 1: Objectives, Scope, and Methodology	10
Objectives	10
Scope and Methodology.....	10
Internal Controls.....	10
APPENDIX 2: Schedule of Dollar-Related Findings	12
APPENDIX 3: LOC Family Services LLC Response to the Draft Audit Report	13
APPENDIX 4: The Office of Justice Programs’ Response to the Draft Audit Report	16
APPENDIX 5: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report	20

Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of one grant awarded by the DOJ Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) under the Fiscal Year (FY) 2018 Second Chance Act Comprehensive Community-Based Adult Reentry Program (Program) to LOC Family Services LLC (LOC) in Farmville, Virginia. LOC was awarded one grant totaling \$500,000, as shown in Table 1.

Table 1

Grant Awarded to LOC Family Services

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2018-CY-BX-0023	OJP	09/26/2018	10/01/2018	12/31/2021	\$500,000
Total:					\$500,000

Source: JustGrants

The Second Chance Act of 2007 provides grant funds to develop and implement comprehensive and collaborative community strategies that address the challenges posed by individuals returning from prison, jail, or juvenile residential facilities and thus reduce recidivism. The term “re-entry” spans the time in which an individual is initially incarcerated and ends when he or she has been successfully reintegrated in the community as a law-abiding citizen.

The Grantee

Established in March 2018, LOC is a faith-based non-profit organization in central Virginia. The organization’s mission is to help individuals who have been released from incarceration develop to become not only productive citizens in their communities but to also become reestablished members of value in their families. LOC focuses on eight Virginia counties and works with local offenders based on results of a risk assessment.

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 grant management areas: 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 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, LOC's final evaluation, and grant documentation, interviewed grantee officials, and researched recidivism rates to determine whether LOC demonstrated adequate achievement of the program goals and objectives. We also confirmed the required performance reports, performance metrics reports, and final evaluation were submitted. Finally, we reviewed LOC's compliance with the special conditions identified in the award documentation.

Program Goals and Objectives

As the purpose of the Second Chance Act of 2007 is to reduce recidivism, program funds are meant to support mentoring and other transitional services for reintegrating offenders into the community. Award documentation specified that LOC was to use the grant to provide comprehensive, wrap-around re-entry services to released state and local offenders through the utilization of trained mentors, volunteers, and clinical professionals.

LOC designed its Changing Lanes project to assist local and state male offenders deemed to be at a medium to high risk of re-offending. The project consists of an array of services, to include case-management, peer-to-peer support, job search and transportation assistance, skill-building opportunities, clinical outpatient services, and family reunification support. LOC administers the Changing Lanes project in two stages: pre-release and post-release.

- *Pre-release services* screen the participant and assess his risk for reoffending, develop an individualized service plan to address these risks, and seek to identify and sustain a support system for the re-entering participant. A case manager will meet with the participant and the participant's support system twice a month to set and review individual service plan accomplishments.
- *Post-release services* include assisting participants to implement and building on the transition plan. LOC maintains an 18-month target for post-release participants to complete individual service plan goals.

LOC's target was to enroll 90 participants in its Changing Lanes project with the goal of reducing recidivism by 8 percent. LOC officials stated that they provided re-entry services, primarily mentoring, to a total of 107 participants. As of September 2021, LOC reported that 90 participants received pre-release, post-release, or both pre- and post-release services via the Changing Lanes project and we reviewed documentation that supported this figure. Of these 90 participants, LOC reported 23 (26 percent) recidivated within 12 months.

To ascertain whether the Changing Lanes project reduced participant recidivism, we attempted to compare the recidivism rate of the 90 project participants to Virginia's overall, concurrent average re-arrest and reincarceration rates. Virginia's reported overall re-arrest rate was 55 percent and its reincarceration rate was 25 percent. However, due to differences between how LOC determined whether its participant recidivated and Virginia calculated rearrest and reincarceration rates, we found it untenable to compare

LOC program and Virginia state-wide figures.¹ As a result, we conclude obtaining reasonable assurance that LOC met the goal of providing reentry services to 90 participants, but we cannot ascertain whether the LOC project reduced recidivism by 8 percent.

Required Performance Reports

According to the DOJ Grants Financial Guide, the funding recipient is to maintain valid and auditable source documentation to support all data collected for each performance measure specified in the program solicitation. LOC collected data from a variety of agency sources and surveys, including a database associated with a statewide network of community action agencies, for which LOC maintains a contract. We spoke with personnel responsible for collecting and reviewing the data for LOC. We then assessed whether LOC appropriately submitted its semi-annual performance reports to OJP. Our testing did not identify instances in which LOC failed to submit performance reports as required.

Compliance with Special Conditions

Special conditions are the terms and conditions included with the award. LOC's grant application documents certified that it would comply with these special conditions. We reviewed the special conditions for the grant and selected a judgmental sample of the requirements that are significant to performance under the grant and are not addressed in another section of this report.

We judgmentally selected three special conditions to review in greater detail: (1) that all those responsible for grant financial matters complete grant training within 120 days of the acceptance of the award, (2) federal funds may not be used to pay an employee at a rate that exceeds 110 percent of the rate of basic pay for a member of the Senior Executive Service, and (3) the recipient agrees to comply with grant monitoring guidelines and procedures. We did not identify instances of LOC violating these special conditions.

Grant Financial Management

According to the DOJ Grants Financial Guide, grant recipients are to establish and maintain adequate accounting systems and financial records and account accurately for funds awarded to them. To assess the LOC's financial management of the grant covered by this audit, we interviewed financial staff, examined policies and procedures, and inspected grant documents to determine whether LOC adequately safeguarded the audited grant funds. We performed testing, to include sampling payroll and operational transactions, in the areas that we deemed relevant for the management of this grant.

¹ LOC's recidivation figures include: (1) all re-arrests, including those for traffic-related offenses, and (2) re-incarcerations for less than a year. Virginia's reincarceration rates focus only on prisoners convicted of a felony receiving a sentence of at least a year within 3 years of release. The scope of time covered by LOC and Virginia data also is different. LOC's data is based on 1 year of activity, and Virginia calculates its rearrest and reincarceration rates in 3-year increments.

We determined LOC could improve its financial controls and recordkeeping to include documenting personnel charges, operational transaction documentation, drawdown requests, and Federal Financial Reporting. Other sections of this report discuss these issues in more detail.

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 a fiscal year must have a “single audit” performed annually covering all federal funds expended that year.

According to LOC, its total expenditures of federal funds totaled less than \$750,000 for each of the fiscal years within our audit scope and therefore was not subject to a single audit.

Grant Expenditures

LOC’s approved award budget included personnel, fringe benefits, travel, equipment, supplies, contractual, and other costs. 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. LOC accounting records detailed salary and fringe benefits of \$366,639 and operational expenses of \$133,361. We judgmentally selected for testing \$4,634 in payroll transactions associated with two employees for two non-consecutive pay periods totaling and 28 direct transactions totaling \$18,633. We reviewed documentation, accounting records, and performed verification testing related to grant expenditures. The following sections detail the results of this testing.

Personnel Costs

LOC accounting records listed personnel expenses including both salary and fringe benefits of \$366,639. We selected and tested two non-consecutive pay periods associated with two employees, one part-time and one full-time. For each pay period, we tested whether timesheets were properly approved and the hours recorded and pay matched payroll records. We also verified that pay rates and fringe benefits complied with the approved budget. Finally, we determined that LOC properly allocated employee salaries or wages and fringe benefits to the grant.

Our assessment identified that the Executive Director received compensation for regular salary and vacation time for the entirety of the same week. We question this vacation payment of \$1,640 as duplicative and thus unallowable. We recommend that OJP remedy \$1,640 in unallowable salary costs.

The Second Chance Act grant’s original, approved budget stated that the Executive Director would “provide management and oversight on the entire award providing 100% of this time to the project.” In 2020, the National Restaurant Association Educational Foundation (NRAEF) announced that LOC received a subaward sourced from a U.S. Department of Labor grant to help develop pathways from the justice system to employment for young adults. In FYs 2020 and 2021, the LOC Executive Director received \$43,750 in hourly compensation sourced to the NRAEF subaward (based on a \$35 hourly rate) in addition to receiving a full-time salary from the Second Chance Act grant.

We asked the Executive Director about the practice of receiving both a salary from Second Chance Act grant and hourly wages sourced from the NRAEF subaward. The Executive Director stated that she only worked on NRAEF subaward activities after working full time (40 hours per week) on the Second Chance Act grant. The Executive Director stated she understood the Second Chance Act grant narrative's "100 percent" of her time to mean up to 40 hours per week and, as such, did not consider that any additional work conflicted with the tenets of the Second Chance Act grant.

We confirmed the Executive Director worked additional time over 40 hours per week on the NRAEF project and received hourly wages for this time. However, the fact that the Executive Director received compensation via salary for Second Chance Act grant work and hourly wages for work on the NRAEF subaward underscores the need for LOC to implement a plan to distribute costs between multiple grant programs. While we do not take issue with an employee receiving compensation for extra work performed in addition to a full-time schedule, whenever grant recipient employees work on multiple grant programs or cost activities, documentation must support a reasonable allocation or distribution of costs among specific activities or cost objectives. While OJP modified the award budget over the grant's performance period, these modifications did not clarify how the Executive Director's official time spent on the award should have been documented vis-à-vis other projects such as the NRAEF subaward. We recommend that OJP work with LOC to implement a method to allocate costs among specific activities or cost objectives supported by different awards.

Direct Costs

The grant narrative included direct costs and various Grant Award Modifications subsequently updated and approved different types of direct costs. As of January 2022, LOC recorded \$133,361 in direct costs, which included \$2,857 in unliquidated obligations.

We reviewed the LOC's accounting records and judgmentally selected a sample of 28 direct costs totaling \$18,633 to review. The purpose of the sample was to assess supporting documentation (to include purchase orders, invoices, receipts confirming delivery, proofs of payment) and determine whether each cost was appropriately approved per LOC guidelines, allowable, classified appropriately, and recorded accurately in LOC accounting records.

The sampled transactions included payments for emergency housing and mileage. We found that of the 28 tested transactions:

- 23 did not identify the originator, that is, the requestor of the expense;
- 23 did not evidence appropriate approval;
- 13 did not detail a clear description of services or goods acquired (i.e., dates of service);
- 25 did not have a record confirming delivery or some other form of receipt;
- 4 lacked payment confirmation; and

- 2 were recorded in LOC accounting records with the wrong accounting classification.

Based on the above, we identified 25 of the 28 tested transactions, valued at \$17,326, as unsupported.

We informed LOC of the results of our testing. The Executive Director stated that even though there was no approval notated on the documentation, she had verbally approved all expenses and could justify the transactions tested. As the documentation remained incomplete and did not support the tested transactions, we recommend that the OJP remedy the unsupported costs of \$17,326.

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 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.

We compared grant expenditures to the approved budgets to determine whether LOC 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, a recipient has drawn down funds in excess of federal expenditures, the recipient must return unused funds to the awarding agency. LOC did not have a specific policy regarding drawdowns within its own financial policies and procedures. Instead, it relied on the DOJ Grants Financial Guide for drawdown guidance and its Executive Director was responsible for preparing and submitting drawdown requests.

The DOJ Grants Financial Guide states that an organization should request funds based upon immediate requirements as it incurs or anticipates project costs. As such, the recipient should time draw down requests to ensure that federal cash-on-hand is the minimum it needs immediately or within 10 days. If not spent or disbursed within 10 days, funds must be returned to the awarding agency.

LOC made 60 drawdowns totaling \$500,000 during the life of the award. To assess whether LOC managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. We found that 12 of the 60 drawdowns, or 20 percent of the number of drawdowns, resulted in LOC having more than \$10,000 of federal cash-on-hand for more than 10 days after drawdown receipt. The DOJ Grants Financial Guide states that drawdown requests should be timed to ensure that Federal cash on hand is the minimum needed for expenses to be made immediately or within 10 days. We recommend that OJP require that LOC implement cash management procedures to ensure that federal cash-on-hand is kept at or near zero.

Federal Financial Reports

According to the DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. As of March 2022, LOC had submitted 12 Federal Financial Reports (FFR). To determine whether LOC submitted accurate FFRs, we compared each with LOC's accounting records. Table 2 details the results of this comparison.

Table 2

Federal Financial Report Comparison Analysis

Report Number	Period Ending	Expenditures Per FFR (\$)	Expenditures Per Accounting Records (\$)	Difference (\$)
1	12/31/2018	0	0	0
2	3/31/2019	22,288	20,997	1,291
3	6/30/2019	25,991	18,279	7,712
4	9/30/2019	21,500	29,200	(7,700)
5	12/31/2019	40,212	40,717	(505)
6	3/31/2020	46,485	43,102	3,383
7	6/30/2020	40,375	39,050	1,325
8	9/30/2020	0	52,493	(52,493)
9	12/31/2020	108,313	51,966	56,347
10	3/31/2021	41,873	46,416	(4,543)
11	6/30/2021	46,491	46,507	(16)
12	9/30/2021	\$64,996	\$60,414	\$4,582

Source: JustGrants and LOC

We found that the FFRs did not match LOC's accounting records. The difference for each quarterly period ranged from \$16 to \$56,347. Neither LOC nor its Certified Public Accountant (CPA) firm could ascertain the reasons for the variances in each quarter as LOC and its CPA did not retain paperwork to support FFR calculations. We recommend that OJP require that LOC develop procedures to guide its compilation and submission of accurate FFRs supported by accounting records.

Conclusion and Recommendations

LOC demonstrated reasonable assurance that it achieved the stated goal of the grant to provide reentry services to 90 individuals. However, LOC needs to implement policies and procedures to ensure that it adheres to various award requirements. Specifically, LOC did not comply with award conditions related to tracking personnel costs, direct costs, drawdowns, and federal financial reporting. We provide five recommendations to OJP to address these matters.

We recommend that OJP:

1. Remedy \$1,640 in unallowable salary costs.
2. Work with LOC to implement a method to allocate costs among specific activities or cost objectives.
3. Remedy the unsupported direct costs of \$17,326.
4. Require that LOC implement cash management procedures to ensure that federal cash-on-hand is kept at or near zero.
5. Require that LOC develop procedures to guide its compilation and submission of accurate FFRs supported by accounting records.

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 OJP grant awarded to LOC Family Services LLC (LOC) under the Fiscal Year 2018 Second Chance Act Comprehensive Community-Based Adult Reentry Program, Grant Number 2018-CY-BX-0023 for \$500,000, and as of December 31, 2021, had drawn down \$500,000 of the total grant funds awarded. Grant Number 2018-CY-BX-0023 is closed and has \$3,259 in unliquidated obligations remaining. Our audit concentrated on, but was not limited to September 26, 2018, the award date for Grant Number 2018-CY-BX-0023, through March 18, 2022, the last day of our audit work. As a result of the COVID-19 pandemic response, we performed our audit fieldwork exclusively in a remote manner.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of LOC's activities related to the audited grant. We performed sample-based audit testing for grant expenditures including payroll, fringe benefit charges and direct costs, financial reports, drawdowns, 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, LOC's Financial Policies and Procedures 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 and JustGrants System, as well as LOC'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.

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 LOC to provide assurance on its internal control structure as a

whole. LOC management is responsible for the establishment and maintenance of internal controls in accordance with OMB Circular A-123 and 2 C.F.R. § 200. Because we do not express an opinion on the LOC's internal control structure as a whole, we offer this statement solely for the information and use of the LOC and OJP.²

We assessed the design, implementation, and operating effectiveness of these internal controls and identified deficiencies that we believe could affect LOC's ability to effectively operate, to correctly state financial and performance information, and to ensure compliance with laws and regulations. The internal control deficiencies 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.

² 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	Grant Number	Amount	Page
Questioned Costs: ³			
Unallowable Duplicative Salary (Vacation)	2018-CY-BX-0023	\$1,640	5
Unsupported Direct Costs	2018-CY-BX-0023	\$17,326	7
TOTAL DOLLAR-RELATED FINDINGS		<u>\$18,966</u>	

³ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, when appropriate.

APPENDIX 3: LOC Family Services LLC Response to the Draft Audit Report



LOC FAMILY SERVICES
3875 S. JAMES MADISON HWY
FARMVILLE VA 23901
PHONE:434-315-1214

June 27, 2022

John Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
Jefferson Plaza
Suite 900
Washington, DC 20530
VIA EMAIL: WRAO.mail@usdoj.gov

Dear Mr. Manning:

Thank you for the opportunity to review and respond to the recommendations outlined in the Draft Audit Report of the Office of Justice Programs (OJP), Grant Number 2018-CY-BX-0023, awarded to the LOC Family Services, LLC (LOCFS), under the OJP, Bureau of Justice Assistance's Fiscal Year 2018 Second Chance Act Comprehensive Community-Based Adult Reentry Grant Program. LOCFS welcomes the opportunity to further strengthen this Faith-Based Non-profit organization's fiscal integrity by addressing the areas of improvement identified in the report with guidance from your office.

Please accept the following responses to the five recommendations:

1. Remedy \$1,640 in unallowable salary costs.

LOCFS concurs with the recommendation to remedy \$1,640 in unallowable salary costs that was provided to the Executive Director along with permissible vacation time. Although during the pandemic the vacation time was approved as a separate entity than the Executive Director's payroll in the Grant Adjustment Modification (GAM) requested in June 2021 it appears that it



LOC FAMILY SERVICES
3875 S. JAMES MADISON HWY
FARMVILLE VA 23901
PHONE:434-315-1214

was not permissible. Prior to the approval of that GAM request in 2021 LOCFS Executive Director had not taken any vacation time and had worked throughout the entire pandemic, working on the front-line to assist individuals returning into the community from incarceration.

2. Work with LOCFS to implement a method to allocate costs among specific activities or cost objectives.

LOCFS concurs with the recommendation to implement a method to allocate costs among specific activities or cost objectives. New procedures are being developed to improve our current method to allocate costs among specific activities or cost objectives.

3. Remedy the unsupported direct costs of \$17,326.

LOCFS concurs with the recommendation to remedy the unsupported direct costs. An additional form will be added to ensure all purchases has the initial of the originator, requestor, approver, detailed description of services or goods acquired, record confirming delivery, correct accounting classification and payment confirmation. Corrections has been made in the accounting system and greater care will be exercised in reviewing coding in the future.

4. Require that LOCFS implement for cash management procedures to ensure that federal cash on hand is kept at or near zero.

LOCFS concurs with the recommendation to implement for cash management procedures to ensure that federal cash on hand is kept at or near zero. Due to the Pandemic, major changes during the grant award in the payment system to ASAP and receiving several system shut down alerts it was extremely difficult to know just what was permissible during those times to ensure employees will be paid on time and disbursements will come through in time to cover expected cost. However, LOCFS will review current cash management procedures and implement for more revised and improved cash management procedures to ensure that federal cash on hand is kept at or near zero.



LOC FAMILY SERVICES
3875 S. JAMES MADISON HWY
FARMVILLE VA 23901
PHONE:434-315-1214

5. Require that LOCFS develop procedures to guide its compilation and submission of accurate FFRs supported by accounting records.

LOCFS concurs with the recommendation to develop procedures to guide its compilation and submission of accurate FFRs supported by accounting records and has taken steps to improve an accurate understanding and submission of what is expected to be reported in FFRs. The hired Certified Public Accountant (CPA) will also be required to complete training on the FFR requirements and submission process to ensure mistakes will be eliminated.

Again, we appreciate the opportunity to respond to the draft audit report.

Sincerely,

Shelley L. Mays-Couch
Executive Director

CC: Jaleel Hillard, LOC Family Services, Chair
Willie Drakeford, LOC Family Services, Treasurer
Hill and Davis, CPA Consultants
Linda I. Taylor (via email: Linda.Taylor2@usdoj.gov)

APPENDIX 4: 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

July 6, 2022

MEMORANDUM TO: John J. Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

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

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Bureau of Justice Assistance, Fiscal Year 2018 Second Chance Act Comprehensive Community-Based Adult Reentry Program Grant to LOC Family Services, LLC, Farmville, Virginia*

This memorandum is in response to your correspondence, dated June 6, 2022, transmitting the subject draft audit report for the LOC Family Services, LLC (LOC). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **five** recommendations and **\$18,966** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by OJP's response.

1. We recommend that OJP remedy \$1,640 in unallowable salary costs.

OJP agrees with the recommendation. In its response, dated June 27, 2022, LOC stated that it had not requested prior approval of the Executive Director's vacation time in the Grant Adjustment Modification submitted in June 2021, as the Executive Director had not taken any vacation time and had worked throughout the pandemic to assist individuals returning into the community from incarceration.

Accordingly, we will review the \$1,640 in questioned costs, related to unallowable salary costs that were charged to Grant Number 2018-CY-BX-0023, and will work with LOC to remedy, as appropriate.

2. We recommend that OJP work with LOC to implement a method to allocate costs among specific activities or cost objectives.

OJP agrees with the recommendation. In its response, dated June 27, 2022, LOC stated that new procedures are being developed to improve the current method to allocate costs among specific activities or cost objectives.

Accordingly, we will coordinate with LOC to obtain a copy of written policies and procedures, developed and implemented, to ensure that expenditures charged to Federal awards are properly allocated among specific activities or cost objectives.

3. We recommend that OJP remedy the unsupported direct costs of \$17,326.

OJP agrees with the recommendation. In its response, dated June 27, 2022, the LOC stated that it is adding a form to ensure that all purchases have: the initials of the originator, requestor, and approver; a detailed description of the services or goods acquired; a record confirming delivery; the correct accounting classification; and payment confirmation.

While LOC did not state how it would remedy the \$17,326 in questioned costs, related to unsupported direct costs that were charged to Grant Number 2018-CY-BX-0023, we will work with the LOC to remedy the costs, as appropriate.

4. We recommend that OJP require that LOC implement for cash management procedures to ensure that federal cash on hand is kept at or near zero.

OJP agrees with the recommendation. In its response, dated June 27, 2022, LOC stated that there were changes to the payment and receiving system that caused confusion in determining what costs were permissible. LOC further stated that it will implement cash management procedures to ensure that Federal cash on hand is kept at or near zero.

Accordingly, we will coordinate with LOC to obtain a copy of written policies and procedures, developed and implemented, to ensure that Federal cash-on-hand is the minimum amount needed for disbursements to be made immediately or within 10 days of drawdown, and the documentation supporting drawdown requests is maintained for future auditing purposes.

5. We recommend that OJP require that LOC develop procedures to guide its compilation and submission of accurate FFRs supported by accounting records.

OJP agrees with the recommendation. In its response, dated June 27, 2022, LOC stated that it is taking steps to improve the accuracy of its Federal Financial Report (FFR) submissions, and that it is requiring the hired Certified Public Accountant to complete FFR training to ensure mistakes will be eliminated.

Accordingly, we will coordinate with LOC to obtain a copy of written policies and procedures, developed and implemented, to ensure that they include provisions to guide the compilation and submission of accurate FFRs, which are supported by accounting records.

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

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

Karhlton Moore
Director
Bureau of Justice Assistance

Kristen Mahoney
Deputy Director
Bureau of Justice Assistance

Jonathan Faley
Associate Deputy Director
Bureau of Justice Assistance

Brenda Worthington
Associate Deputy Director
Bureau of Justice Assistance

Michael Bottner
Budget Director
Bureau of Justice Assistance

cc: Amanda LoCicero
Budget Analyst
Bureau of Justice Assistance

Tracey Willis
Grant Manager
Bureau of Justice Assistance

Rachel Johnson
Chief Financial Officer

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

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

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

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

Jorge L. Sosa
Director, Office of Operations – Audit Division
Office of the Inspector General

OJP Executive Secretariat
Control Number IT20220607092204

APPENDIX 5: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report

The Office of the Inspector General (OIG) provided a draft of this audit report to the Office of Justice Programs (OJP) and LOC Family Services LLC (LOC). LOC's response is incorporated in Appendix 3 and OJP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP agreed with our recommendations, and as a result, the status of the audit report is resolved. LOC concurred with our recommendations. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

We recommend that OJP:

1. Remedy \$1,640 in unallowable salary costs.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$1,604 in questioned costs and work with LOC to remedy as appropriate. As a result, this recommendation is resolved.

LOC concurred with our recommendation and stated in its response that although the vacation time was approved as a separate entity from the Executive Director's payroll in a Grant Adjustment Modification in 2021, the Executive Director had not taken any vacation time and worked through the entire pandemic, assisting individuals returning to the community from incarceration.

This recommendation can be closed when OJP provides documentation to remedy \$1,640 in salary costs.

2. Work with LOC to implement a method to allocate costs among specific activities or cost objectives.

Resolved. OJP agreed with our recommendation. OJP stated in its response that LOC is developing new procedures to improve how it allocates costs among specific activities. OJP will coordinate to obtain a copy to ensure expenditures are properly allocated. As a result, this recommendation is resolved.

LOC concurred with our recommendation and stated that it is developing new procedures to improve its current method to allocate costs among specific activities or cost objectives.

This recommendation can be closed when we receive evidence that LOC has implemented policies that allocate costs among specific activities.

3. Remedy the unsupported direct costs of \$17,326.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will work with LOC to remedy costs, as appropriate. As a result, this recommendation is resolved.

LOC concurred with our recommendation and stated in its response that it is creating an additional form to ensure that all purchases detail the: initials of originator, requestor, and approver; description of the services or goods acquired; delivery confirmation; correct accounting classification; and payment confirmation.

This recommendation can be closed when OJP provides evidence that it has remedied \$17,326 in unsupported questioned costs.

4. Require that LOC implement cash management procedures to ensure that federal cash-on-hand is kept at or near zero.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with LOC to obtain a copy of its implemented policies and procedures to ensure that cash-on-hand is the minimum needed and LOC maintains documentation supporting drawdown requests for future auditing purposes. As a result, this recommendation is resolved.

LOC concurred with our recommendation and stated it will review and revise its cash management procedures.

This recommendation can be closed when OJP provides evidence that the policies and procedures adequately address the concern regarding maintaining minimum cash-on-hand.

5. Require that LOC develop procedures to guide its compilation and submission of accurate FFRs supported by accounting records.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with LOC to ensure that its policies and procedures include provisions to guide the compilation and submission of accurate and supported FFRs. As a result, this recommendation is resolved.

LOC concurred with our recommendation and stated in its response that it has taken steps to improve FFR training and reporting. LOC also stated that its Certified Public Accountant (CPA) will be required to complete FFR training.

This recommendation can be closed when OJP provides evidence that the updated policies and procedures have been implemented, as well as documentation that the CPA has completed FFR training.