



Review of an Office of Justice Programs Grant
Awarded to the United States Institute Against
Human Trafficking, Tampa, Florida



AUDIT DIVISION

24-010

NOVEMBER 2023



REVIEW REPORT

Review of an Office of Justice Programs Grant Awarded to the United States Institute Against Human Trafficking, Tampa, Florida

Objectives

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) reviewed a grant awarded in September 2019, by the U.S. Department of Justice (DOJ) Office of Justice Programs (OJP) Office for Victims of Crime (OVC), to the United States Institute Against Human Trafficking (USIAHT). USIAHT was awarded one grant totaling \$492,912. Our objectives 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 toward achieving the program goals and objectives.

Results in Brief

We found that the USIAHT did not maintain adequate documentation to demonstrate progress towards achieving the program goals and objectives or to support the costs charged to the grant. We also determined USIAHT did not have adequate separation of duties for processing and managing financial transactions. The absence of reliable accounting systems and documentation, combined with deficiencies in internal controls, significantly increases the risk for fraud, waste, and abuse of DOJ grant funds. As a result, we questioned the total of \$301,222 in claimed expenditures and recommend the remaining \$191,690 in funds not drawn down be put to a better use.

Recommendations

Our report contains two recommendations for OJP to remedy the \$492,912 in total dollar-related findings. We requested a response to our draft report from USIAHT and OJP. The OJP response can be found in Appendix 2. The USIAHT did not provide a signed response but provided comments via email. A summary of those comments and our analysis of OJP's response is included in Appendix 3.

Background

USIAHT is a national nonprofit, faith-based organization that operates a safe house for sex-trafficked male minors. USIAHT was awarded this grant to assist male minors in Florida with direct services that include safe shelter, clothing, transportation, education, and physical and mental healthcare, including trauma-informed therapy and legal assistance. In addition, USIAHT anticipated collaboration with other agencies to identify child victims and provide awareness and training.

In March 2022, OJP performed a monitoring review of USIAHT and identified a number of significant concerns with USIAHT's management of the award. As a result, in June 2022 OJP designated USIAHT as a high-risk grantee, froze USIAHT's ability to draw down remaining award funds, and referred the matter to the OIG. At the time of these actions, USIAHT had drawn down \$301,222 in grant funds. In July 2022, we began our work in an attempt to review USIAHT's activities associated with this grant. However, due to the inadequate records maintained by the grantee, we were unable to execute our tests related to USIAHT's performance on and expenditures charged to the grant.

Warning Letter

In September 2022, we discussed with OJP our concerns and challenges with obtaining documentation from USIAHT to support reported award-related activity and expenditures. Subsequently, we issued a warning letter to USIAHT with a final request to provide records. In response to the warning letter, USIAHT officials advised that all efforts had been exhausted to provide the requested documentation, and there was no additional documentation available to respond to our request.

Scope of OIG Review

To accomplish our objectives, we sought to assess performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports. The primary criteria we considered during the review are contained in the DOJ Grants Financial Guide; 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and the award documents. Our review concentrated on, but was not limited to, the period of October 2019 through September 2022.

Through our review of USIAHT's management of the grant, we identified deficiencies in the USIAHT's internal controls. For example, and as discussed below, these deficiencies included inadequate controls for processing, managing, and safeguarding financial transactions, such as payroll and personnel management. Following its March 2022 monitoring review of USIAHT, in addition to freezing USIAHT's access to grant funds referring the issues to the OIG, OJP made 18 management recommendations regarding necessary administrative and fiscal management controls. During our review, USIAHT was working to develop and implement corrections based on those recommendations but had not yet implemented new accounting or records management controls. Consequently, we make no additional recommendations to OJP regarding the need for USIAHT to implement administrative and fiscal controls to support reported performance for this grant.

Program Performance and Accomplishments

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. We reviewed required performance reports and interviewed USIAHT's program officials to determine whether USIAHT demonstrated adequate progress towards achieving the program goals and objectives.

USIAHT could not provide support for the project activities performed by grant-funded staff, including its collaboration with other agencies and its reported victim-related training and services provided to minors. USIAHT did not maintain documentation necessary to demonstrate that it made adequate progress toward achieving program goals and objectives. The USIAHT officials told us that the services provided to victims may be identifiable in USIAHT case files stored by the state of Florida's Department of Family and Children Services (DFCS). USIAHT officials also told us that the DFCS would not release the files back to USIAHT. According to the USIAHT Executive Director, the files would require review to determine what information was available to support the performance reports submitted to OJP. USIAHT is responsible for maintaining and readily providing support demonstrating its achievement of its grant-related performance goals. Moreover, the purpose of our review was not to re-create USIAHT's documentation to support its grant-related activities. Consequently, we found that the progress reports we tested were not adequately supported, and we were unable to determine the accuracy of performance accomplishments claimed by USIAHT. Due to the inadequate records maintained by the grantee, we were unable to execute any further testing regarding USIAHT's performance. Consequently, we determined that USIAHT could not demonstrate adequate progress toward achieving the program goals and objectives.

Financial Management

In addition to performance-related requirements, the DOJ Grants Financial Guide requires all grant recipients to establish and maintain adequate accounting systems and financial records to accurately account for federal funds awarded to them. To assess USIAHT's financial management of the grant covered

by this review, we conducted interviews with current financial staff, assessed procedures and controls, and inspected available grant documents to determine whether USIAHT adequately safeguarded grant funds.

In our initial discussions with USIAHT, we were informed that it experienced staff turnover with the resignation of its co-founder in July 2020 and the termination of its Chief Operating Officer (COO) in March 2022. USIAHT did not provide explanations for the resignation of the co-founder, but explained the COO was terminated for not performing the duties and responsibilities of overseeing the grant activities. USIAHT staff informed us that the former COO, while employed at USIAHT, was the individual responsible for maintaining USIAHT's accounting records and documentation. USIAHT staff stated that upon the COO's departure, staff could no longer access all of the accounting records because the COO retained the laptop that contained USIAHT's accounting records. During our review, USIAHT recovered the laptop but could not access the files. USIAHT then contracted with a computer technician who attempted to recover the files. USIAHT told us some files had been deleted and not all files were successfully recovered.

We obtained the grantee's general ledger and requested support for award expenditures. Our review of USIAHT's general ledger found that grant-related transactions were commingled with other organizational financial activity and the level of detail in the ledger did not allow us to isolate grant-related transactions. In addition, hard copies of supporting documentation, such as invoices or receipts for multiple purposes, were commingled and were not adequate to identify the project to which they related. Bank statements provided by USIAHT included transactions reflective of the expenses recorded in the ledger; however, the cancelled checks did not include details regarding the purpose of the expenditures. Payroll transactions were not supported because USIAHT did not use timesheets or activity reports for any of the staff related to the grant. The DOJ Grants Financial Guide requires that salaries, wages, and fringe benefits must be based on records that accurately reflect the work performed. Because USIAHT's claimed costs were not traceable to specific transactions in the general ledger, we were unable to determine whether these claimed costs were allowable or incurred in accordance with all applicable requirements. Due to the inadequate records maintained by the grantee, we were unable to execute any further testing regarding expenditures charged to the grant. Without documentation identifying the use of the funds, we question as unsupported USIAHT's claimed costs of \$301,222. As a result of the significance of the grant management deficiencies, we also identified the remaining grant balance of \$191,690 as funds to be put to better use.

Conclusion and Recommendations

The significance of the deficiencies we found—the inability to demonstrate progress to achieve program goals and objectives, lack of documentation to support progress reports and grant expenditures, the absence of system for reliably accounting for and supporting grant expenditures, and inadequate internal controls—greatly increases the risk for fraud, waste, and abuse of DOJ grant funds. We question as unsupported the total of \$301,222 in claimed expenditures and identified the remaining \$191,690 not drawn down as funds to be put to a better use.

As a result, we recommend that OJP:

1. Remedy the \$301,222 in unsupported questioned costs for Grant Number 2019-VM-BX-0014.
2. Remedy the remaining balance of Grant Number 2019-VM-BX-0014 totaling \$191,690 in funds to be put to better use.

APPENDIX 1: Schedule of Dollar-Related Findings

Description	Grant No.	Amount	Page
Questioned Costs:¹			
Unsupported Drawdowns	2019-VM-BX-0014	\$301,222	3
Unsupported Costs		\$301,222	
Funds to be Put to Better Use:²			
Unspent Grant Funds	2019-VM-BX-0014	\$191,690	3
Total Funds to be Put to Better Use		\$191,690	
TOTAL DOLLAR-RELATED FINDINGS		<u>\$492,912</u>	

¹ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, where appropriate.

² **Funds to be Put to Better Use** are future funds that could be used more efficiently if management took actions to implement and complete recommendations.

APPENDIX 2: The Office of Justice Programs Response to the Draft Report



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

November 9, 2023

MEMORANDUM TO: B. Allen Wood
Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General

FROM: Jeffery A. Haley *Jeffery A. Haley*
Deputy Director, Audit and Review Division

SUBJECT: Response to the Draft Report, *Review of an Office of Justice Programs Grant Awarded to the United States Institute Against Human Trafficking, Tampa, Florida*

This memorandum is in reference to your correspondence, dated September 29, 2023, transmitting the above-referenced draft report for the United States Institute Against Human Trafficking (USIAHT). We consider the subject report resolved and request written acceptance of this action from your office.

The Office of Justice Programs (OJP) appreciates the Department of Justice (DOJ), Office of the Inspector General's (OIG) efforts to audit OJP's Office for Victims of Crime (OVC), Fiscal Year 2018 Integrated Services for Minor Victims of Human Trafficking grant, awarded to USIAHT under Grant Number 2019-VM-BX-0014. However, we understand that the OIG could not complete the audit due to, among other things, USIAHT's commingling of grant-related transactions with other organizational financial activities, and a lack of adequate documentation to support grant expenditures.

OJP referred USIAHT to the OIG for audit, based on concerns identified during an on-site programmatic monitoring review, conducted by OVC. According to the DOJ Grants Financial Guide, all recipients are required to establish and maintain accounting systems and financial records to accurately account for funds awarded to them. In addition, the recipient is responsible for establishing and maintaining an adequate system of accounting and internal controls. Further, recipients have a fiduciary responsibility for properly overseeing and managing the Federal funds, regardless of any tasks it may have delegated to other individuals or entities. This responsibility includes, but is not limited to, the following: properly accounting for grant funds; maintaining adequate records to support the costs and accomplishments under the grant; submitting fiscal and program reports, as required; and addressing audit and/or monitoring issues.

As a result of the monitoring issues identified, OJP also imposed an immediate freeze on USIAHT's funding under the grant on May 26, 2022, and designated USIAHT as a DOJ high-risk grantee on June 1, 2022. Given the contents of the OIG draft report, we will maintain the freeze on funds until the questioned costs are remedied and/or funds are deobligated, as appropriate.

The draft report contains **two** recommendations, **\$301,222** in questioned costs, and **\$191,690** in funds to be put to better use. The following is OJP's analysis of the draft report recommendations. For ease of review, the recommendations are restated in bold and are followed by OJP's response.

1. We recommend that OJP remedy the \$301,222 in unsupported questioned costs for Grant Number 2019-VM-BX-0014.

OJP agrees with this recommendation. In an email, dated November 3, 2023, which USIAHT stated was its official response, USIAHT stated that it was unsure why its temporary accountant was unable to show/provide/present the documentation to substantiate how grant funds were spent, but is ready to submit all of the necessary information to remedy the costs incurred under Grant Number 2019-VM-BX-0014.

Accordingly, we will review the \$301,222 in questioned costs, related to unsupported expenditures charged to Grant Number 2019-VM-BX-0014, and will work with USIAHT to remedy, as appropriate.

2. We recommend that OJP remedy the remaining balance of Grant Number 2019-VM-BX-0014 totaling \$191,690 in funds to be put to better use.

OJP agrees with this recommendation. In an email, dated November 3, 2023, USIAHT did not specifically address this recommendation, but stated that it is confident that it will be able to provide additional documentation of expenditures incurred under Grant Number 2019-VM-BX-0014.

Accordingly, we will review the \$191,690 in funds to be put to better use under Grant Number 2019-VM-BX-0014, and will coordinate with OJP's Office of the Chief Financial Officer to deobligate the funds, as appropriate.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Linda J. Taylor, Lead Auditor, Audit Coordination Branch, of my staff, on (202) 514-7270.

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APPENDIX 3: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Report

The Office of the Inspector General (OIG) provided a draft of this report to the Office of Justice Programs (OJP) and the United States Institute Against Human Trafficking (USIAHT). The OJP response is incorporated in Appendix 2 of this final report. In response to our draft report, OJP agreed with our recommendations, and as a result, the status of the report is resolved.

The USIAHT did not provide a signed response to be incorporated as an appendix of this final report and did not state whether it concurred or agreed with the two recommendations. However, in an email replying to the draft report, the USIAHT expressed confidence that it will be able to provide additional documentation of grant expenditures and advised that it is willing to work with OJP to help bring resolution to the issues.

The following provides the OIG analysis and summary of actions necessary to close the report.

Recommendations for OJP:

1. Remedy the \$301,222 in unsupported questioned costs for Grant Number 2019-VM-BX-0014.

Resolved. OJP agreed with our recommendation. OJP referred to the aforementioned email from USIAHT in response to the draft report and USIAHT's readiness to submit all necessary information to remedy the costs incurred under the grant. OJP stated it would review the \$301,222 in questioned costs related to unsupported expenditures charged to Grant Number 2019-VM-BX-0014 and would work with USIAHT to remedy the costs. As a result, this recommendation is resolved.

This recommendation can be closed when we receive documentation that the \$301,222 in unsupported questioned costs have been remedied in an appropriate manner.

2. Remedy the remaining balance of Grant Number 2019-VM-BX-0014 totaling \$191,690 in funds to be put to better use.

Resolved. OJP agreed with our recommendation. OJP again referred to the aforementioned email from USIAHT and USIAHT's readiness to submit all necessary information to remedy the costs incurred under the grant. Accordingly, OJP stated that it plans to review the \$191,690 in funds to be put to better use under Grant Number 2019-VM-BX-0014 and will coordinate with OJP's Office of the Chief Financial Officer to de-obligate the funds, as appropriate. As a result, this recommendation is resolved.

This recommendation can be closed when we receive documentation that the \$191,690 in funds to be put to better use have been remedied in an appropriate manner.