



United States Department of Justice
Office of the Inspector General
Audit Division

AUDIT REPORT

OFFICE OF JUSTICE PROGRAMS
GRANT ADMINISTERED BY
BIG BROTHERS BIG SISTERS OF AMERICA
PHILADELPHIA, PENNSYLVANIA

GR-70-04-005

May 17, 2004

**OFFICE OF JUSTICE PROGRAMS GRANT
ADMINISTERED BY BIG BROTHERS BIG SISTERS OF AMERICA
PHILADELPHIA, PENNSYLVANIA
GRANT NUMBER 1998-JG-FX-0001**

EXECUTIVE SUMMARY

The Office of the Inspector General, Audit Division, has completed an audit of the Juvenile Justice and Delinquency Prevention Grant awarded by the U.S. Department of Justice, Office of Justice Programs (OJP) to the Big Brothers Big Sisters of America (BBBSA), located in Philadelphia, Pennsylvania. The purpose of the grant is to support efforts to increase the number of mentors for at-risk youth by strengthening the capacity of local affiliates and the National Office. Between May 1998 and September 2002, the BBBSA was awarded a total of \$12,393,400 in grant funds to develop a process with which to identify growth-oriented best practices in the affiliates, disseminate information and train the affiliates to implement the best practices, and expand opportunities at the national level to recruit and retain more volunteers.

The BBBSA has not fully complied with grant requirements. We found deficiencies in the timeliness and submission of the BBBSA's financial and progress reporting, support for reimbursements claimed for costs incurred under the grant, and inventory records for accountable property. As a result, we question \$91,214 in reimbursements, which is less than one percent of total grant funding.¹

- Six of the twenty-two Financial Status Reports were not submitted timely.
- Two of the eight submitted progress reports were not submitted timely.
- Three required progress reports were not submitted.
- The BBBSA did not provide adequate support for \$91,214 of sampled direct costs charged to the grant.

¹ The Inspector General Act of 1978 as amended contains our reporting requirements for questioned costs. However, not all findings are dollar-related. See Appendix II for a breakdown of our dollar-related findings.

- The BBBSA's inventory records did not contain all required elements. The BBBSA inventory records did not identify the location of certain accountable property.

These items are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology appear in Appendix I.

TABLE OF CONTENTS

INTRODUCTION	1
Background	1
FINDINGS AND RECOMMENDATIONS	2
Compliance with Essential Grant Requirements	2
Reporting	2
Drawdowns	3
Budget Management and Control	3
Program Income	3
Matching Costs.....	3
Expenditures	4
Monitoring of Subgrantees	5
Conclusion.....	6
Recommendations	7
APPENDIX I - Objectives, Scope, and Methodology	8
APPENDIX II - Schedule of Dollar-Related Findings	10
APPENDIX III –The Big Brothers Big Sisters of America Response to the Draft Report	11
APPENDIX IV – Office of Justice Program’s Response to the Draft Report	12
APPENDIX V – OIG, Audit Division Analysis and Summary of Actions Necessary to Close Report	14

INTRODUCTION

The Office of the Inspector General, Audit Division, has completed an audit of the Juvenile Justice and Delinquency Prevention Grant awarded by the U.S. Department of Justice, Office of Justice Programs (OJP) to the Big Brothers Big Sisters of America (BBBSA), located in Philadelphia, Pennsylvania. The purpose of the grant is to directly support efforts to increase the number of mentors for at-risk youth by strengthening the capacity of local affiliates and the National Office. Between May 1998 and September 2002, the BBBSA was awarded a total of \$12,393,400 in grant funds to develop a process with which to identify growth-oriented best practices in the affiliates, disseminate information and train the affiliates to implement the best practices, and expand opportunities at the national level to recruit and retain more volunteers.

The objective of the audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.

Background

The Big Brothers Big Sisters of America, headquartered in Philadelphia, Pennsylvania, is an organization formed in 1977 through a merger of Big Brothers of America and Big Sisters International. The organization traces its roots back to 1903 when the first agencies were organized. The BBBSA is a national nonprofit youth service organization seeking to provide positive youth development by "matching" caring adult volunteer mentors with children at-risk. The BBBSA organization includes 480 affiliates throughout the United States, Guam and Puerto Rico. The organization has embarked on a long-range planning process that will position it and its affiliates to better address the needs of children and adults in single-parent families in the 21st Century.

As of September 2002, the BBBSA's approved budget for the initial grant agreement and four supplements was \$12,393,400. For the total grant awarded, the two largest budget categories were \$6,949,600 for Contractual and \$2,666,660 for Personnel. In FY 2003, the BBBSA had drawdowns of \$5,000,000 in grant funds, and to-date has spent a total of \$12,393,310 in grant funds.

FINDINGS AND RECOMMENDATIONS

Compliance with Essential Grant Requirements

The Big Brothers Big Sisters of America has not fully complied with grant requirements. We found deficiencies in the timeliness of the BBBSA's financial and progress reporting, the submitting of the required number of progress reports, support for certain grant expenditures, and inventory records for accountable property. As a result, we questioned \$91,214 in reimbursements, which is 0.74 percent of total grant funding.

Reporting

We reviewed financial and progress reports for timeliness and accuracy. We reviewed the Financial Status Reports (FSR) throughout the grant period (May 15, 1998, through June 30, 2003) and determined that the FSRs were accurate; however, 6 of the 22 FSRs were not submitted timely. According to the OJP Financial Guide, the grantee is required to submit FSRs to OJP within 45 days of each calendar quarter. Six of the BBBSA FSRs were submitted between 60 and 76 days after the end of the calendar quarter. At the time of our audit the final FSR was not due for submission to OJP and was not reviewed.

According to the OJP Financial Guide, Categorical Assistance Progress Reports must be submitted within 30 days after the end of the reporting periods, which are June 30 and December 31 for the life of the award. We reviewed the BBBSA's progress reports to determine if the reports were timely and accurate. During the grant period, the BBBSA submitted eight of eleven required progress reports. Six of the eight submitted reports covered a period other than the required reporting periods ending on June 30 and December 31. The 2 progress reports submitted for the proper reporting period were 1 and 30 days late, respectively. At the time of our audit, the final progress report was not due for submission to OJP.

The BBBSA's late submission of reports has the effect of compromising OJP's ability to monitor and ensure the proper use of funds.

Views of Responsible Officials

An official of the BBBSA acknowledged the findings and said that until early 2000 they were unaware of the required timeframe for the Financial Status Report submission to OJP. The BBBSA official said that after being informed of the requirement by OJP staff in early 2000 they ensured that all subsequent reports were submitted timely. In addition, the BBBSA official said they were unaware of the OJP requirement to prepare progress reports semiannually until a conversation with OJP staff in late 2002, at which point they began preparing the reports on a semiannual basis.

Drawdowns

We reviewed the support for the drawdown of \$12,393,310 in grant funds to determine if the drawdowns were adequately supported and if funds were being drawn in accordance with federal requirements. Generally, the funds sampled were drawn for allowable purposes, and the BBBSA did not draw funds over the award amount.

Budget Management and Control

We compared approved grant budgets and actual costs incurred to determine if any significant deviations existed. We compared amounts included in the approved budget to the actual costs for each cost category. Because the deviations did not exceed 10 percent of the total grant amount, no exception is noted.

Program Income

We determined that the BBBSA had no program income related to this agreement.

Matching Costs

We reviewed the BBBSA's matching cost requirement to determine if the BBBSA had shared in program costs. The Financial Clearance Memorandum and the approved grant application showed that the BBBSA was not required to share in any of the program costs.

Expenditures

We reviewed grant expenditures to determine the accuracy and allowability of costs charged to the grant. We obtained detailed accounting records for all expenditures charged to the grant. We sampled the pay records of ten individuals charged to the grant. We determined that labor and fringe benefit charges were computed correctly, properly authorized, and accurately reported.

We determined that there were over 500 direct cost transactions associated with the grant and we judgmentally selected 50 direct cost items for testing. The tested costs represented \$686,324 (5.5 percent) of the total grant amount. We reviewed invoices and supporting documentation and determined that in most cases expenditures were accurately charged to the grant. Of the tested expenditures, 4 were not properly supported. The BBBSA could not locate any support for 3 of the expenditures. One expenditure of \$72,000 for development of recruitment strategies was not adequately supported because no detail was available regarding the research and analysis for which a contractor billed the BBBSA. The questioned costs are listed in the following table.

List of Questioned Costs

Date	Description	Amount
6/2/1999	Resource Training Materials	\$ 2,832
6/2/1999	Training Material Fees	\$ 6,382
5/10/2001	Volunteer Recruitment Strategies	\$ 72,000
3/31/2003	Transfer Travel Exp to Restricted Funds	\$ 10,000
Total		\$ 91,214

Source: Big Brothers Big Sisters of America

We reviewed the BBBSA's use of indirect cost rates and determined that the BBBSA used a rate that fluctuated during the grant period between 17.3 and 22 percent. We verified the rates were accurate. We determined that indirect cost charges were correctly applied to the agreement.

We also verified equipment purchased by the BBBSA with grant funds. The OJP Financial Guide requires that property records be maintained to include the: a) description of the property; b) serial number or other identification number; c) source of the property; d) identification of title holder; (e) acquisition date; (f) cost of the property; g) percentage of federal participation in the cost of the property; h) location of the property; i) use and condition of the

property; and j) disposition data, including the date of disposal and sale price. We determined that the BBBSA maintained incomplete records in that inventory records did not identify the location of computer equipment. As a result, we could not validate the existence of some equipment purchased with grant funds.

Views of Responsible Officials

An Official of the BBBSA acknowledged the findings and said that his practice is to maintain support for expenditures. He also felt that the support documents were misplaced. Regarding inventory records, the BBBSA official told us that he did not realize it was necessary that the inventory records contain the location of the equipment.

Monitoring of Subgrantees

The BBBSA organization includes 480 affiliates throughout the United States, Guam, and Puerto Rico. Each affiliate is an independently incorporated nonprofit organization with its own board of directors and staff. Each is responsible for developing and managing resources by which it directly provides mentoring services for youth.

The BBBSA uses various programmatic and financial controls to monitor affiliates (subgrantees) as follows. First, Agency Development Staff members, who are assigned geographically to the Regional Development Centers, serve as contacts between the national office and individual BBBS affiliates. The Agency Development Staff hold monthly meetings with the affiliates to monitor progress in achieving service expansion goals. In addition, the Agency Development Staff monitor the challenge grants, which are sub-grants of OJP funds designed to provide initial support for the affiliates. These challenge grants require the recipient affiliates to generate, on a dollar-to-dollar match, local funds to support the initiative and ensure that the initial investment by OJP generates additional financial commitment from local corporations, foundations, and individuals.

Affiliates must complete and submit monthly performance reports through the BBBSA website. These reports indicate the number of youth matched in the affiliate program, the funds raised towards the match goal, and the number of volunteers in the enrollment process. Affiliates are also required to collect and submit Program Outcome Evaluation (POE) data for all school-based

mentoring program matches, answer questions about their program, and collect student report card grades using a Teacher Questionnaire.

In addition to such programmatic monitoring, the BBBSA requires affiliates to submit a monthly financial reimbursement form. This form reports: monthly salary, percent of salary charged to the sub-award, and total reimbursement requested for each affiliate-office staff-member. Each affiliate also submits to the BBBSA an annual report of activities, including items such as volume and description of services, financial reports, staff personnel, insurance coverage, and other items requested by the BBBSA. These various programmatic and financial controls appear adequate for monitoring of subgrantees.

Conclusion

The BBBSA has not fully complied with OJP requirements. We determined that:

- Six of the twenty-two Financial Status Reports were not submitted timely.
- Two of the eight submitted progress reports were not submitted timely.
- Three required progress reports were not submitted.
- The BBBSA did not provide support for \$91,214 of sampled direct costs charged to the grant.
- The BBBSA's inventory records did not contain all required elements. The BBBSA inventory records did not identify the location of certain accountable property.

Because of the lack of supporting documentation for tested expenditures, we question \$91,214 in reimbursements received by the BBBSA.

Recommendations

We recommend to the Assistant Attorney General for the Office of Justice Programs:

1. Require the BBBSA to formally develop, document, and implement procedures to ensure the timely and accurate submission of Financial Status Reports.
2. Require the BBBSA to formally develop, document, and implement procedures to ensure the timely and accurate submission of progress reports.
3. Remedy the \$91,214 in questioned costs² because BBBSA failed to maintain adequate support for expenditures charged to the grant.
4. Ensure that BBBSA property records include all required elements.

² Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to determine whether reimbursement claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.

We conducted our audit in accordance with Government Auditing Standards and included such tests as were considered necessary to accomplish our objectives. Our audit concentrated on, but was not limited to, the inception of the grant through September 2003. The grant audited was 1998-JG-FX-0001.

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against are contained in the OJP Financial Guide. We tested the BBBSA's grant activities in the following areas: reporting, drawdowns, budget management and control, program income, matching costs, expenditures, and monitoring of subgrantees.

We did not test internal controls for the BBBSA as a whole. The BBBSA was audited by an independent Certified Public Accountant. The results of this audit were reported in the Single Audit Report that accompanied the Comprehensive Annual Financial Report for the year ended March 31, 2003. The Single Audit Report was prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to the grantee or Federal programs. The independent auditor's assessment disclosed no control weaknesses or significant noncompliance issues related to the BBBSA.

In addition, we performed limited testing of source documents to assess the accuracy of reimbursement requests and financial status reports; however, we did not test the reliability of the financial management system as a whole. We reviewed controls surrounding BBBSA's monitoring of sub-grantees, but relied on evidence provided by the BBBSA to determine that controls in place were adequate. We did not perform detailed testing of those controls and in this report

make no representations regarding the adequacy of controls in affiliate offices.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS:</u>	<u>AMOUNT</u>	<u>PAGE</u>
Expenditures not supported	\$ 91,214	4
TOTAL QUESTIONED COSTS	\$ 91,214	
TOTAL DOLLAR-RELATED FINDINGS	\$ 91,214	

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

APPENDIX III



BIG BROTHERS BIG SISTERS

Michael Lewis
Vice President of Finance and Operations
National Office
230 North 13th Street
Philadelphia, PA 19107-1538
T 215 665 7734
mlewis@bbcsa.org

Mr. Ferris B. Polk
Regional Audit Manager
U.S. Department of Justice
Office of the Inspector General
Philadelphia Regional Audit Office
701 Market Street, Suite 201
Philadelphia, PA 19106

Dear Mr. Polk,

Thanks for completing the audit of the Office of Justice Programs grant administered by Big Brother Big Sisters of America. I want to congratulate your team on the professionalism displayed before, during and after the audit engagement.

I received the audit report draft, dated March 25th. A copy of that draft is attached as exhibit 4. There were two findings that surprised us, because we were unaware that the information that we previously provided was inadequate. Enclosed is additional information that we hope will resolve open questions related to the findings, explained below.

The audit report draft indicated that \$72,000 in expenses was unsupported. We previously provide the support reflected as exhibits 2 and 3, attached. Since that might not be adequate for your purposes, and because it is imperative for us that this finding is resolved, Margaret Mark Strategic Insight (MMSI) provided exhibit 1 that contains detail of the entire engagement with MMSI. As exhibit 1 indicates, the total for the engagement was \$91,865.42. \$72,000 was the major partial payment. I can also provide to you some of the video taped focus group sessions that MMSI was instrumental in holding, and also information related to the resultant final presentation that took us to the point of developing our new branding campaign, television commercials and other marketing material.

Separately, the audit report indicated that there was \$10,000 in unsupported Travel expenses. Exhibits 5 and 6 reflect the March American express statement, which highlights employee travel. Since all travel done by our field staff is consistent with the grant requirements, we monthly assign a certain amount of that travel to the grant. That assignment is reflected in the attached. Please understand that the entire travel activity of those staff persons indicated is consistent with the grant requirements.

Please consider the provided exhibits as adequate support of the expenses. If this information is unclear or inadequate, please contact me so that I can be sure to provide what is necessary.

Sincerely,

A handwritten signature in black ink that reads "Mike".

Mike Lewis
Vice President of Finance and Operations
Big Brothers Big Sisters of America

APPENDIX IV



U.S. Department of Justice

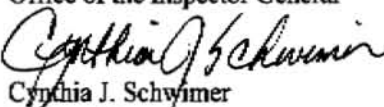
Office of Justice Programs

Office of the Comptroller

MAY 06 2004

Washington, D.C. 20531

MEMORANDUM TO: Ferris B Polk
Regional Audit Manager
Philadelphia Regional Audit Office 05-07-04A08:32 REF:
Office of the Inspector General

FROM: 
Cynthia J. Schwimer
Comptroller

SUBJECT: Response to the Draft Audit Report of the Grant Administered by
Big Brothers Big Sisters of America - Grant Number
98-JG-FX-0001

This memorandum is in reference to your correspondence dated March 31, 2004, transmitting the above-referenced draft audit report for the Big Brothers Big Sisters of America (BBBSA). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains four recommendations and \$91,214 in questioned costs. The following is our analysis of the audit recommendations.

1. **Require the BBBSA to formally develop, document, and implement procedures to ensure the timely and accurate submission of Financial Status Reports.**

We agree with the recommendation. We will coordinate with BBBSA to obtain a copy of procedures implemented to ensure that Financial Status Reports are accurate and submitted timely.

2. **Require the BBBSA to formally develop, document, and implement procedures to ensure the timely and accurate submission of progress reports.**

We agree with the recommendation. We will coordinate with BBBSA to obtain a copy of procedures implemented to ensure that progress reports are accurate and submitted timely.

- 3. Remedy the \$91,214 in questioned costs because BBBSA failed to maintain adequate support for expenditures charged to the grant.**

We agree with the recommendation. We will coordinate with BBBSA to obtain documentation to support the \$91,214 in unsupported costs charged to the grant.

- 4. Ensure that BBBSA property records include all required elements.**

We agree with the recommendation. We will coordinate with BBBSA to obtain a written response specifying procedures implemented to ensure that property records include the: 1) description of the property; 2) serial number or other identification number; 3) source of property; 4) identification of title holder; 5) acquisition date; 6) cost of the property; 7) percentage of Federal participation in the cost of the property; 8) location of the property; 9) use and condition of the property; and 10) disposition data, including the date of disposal and sale price.

We appreciate the opportunity to review and comment on the draft report. We will continue to work with the grantee to address the recommendations. If you have any questions or require additional information, please contact Marcus Doakes of my staff on (202) 616-2907.

cc: Vickie L. Sloan
DOJ Audit Liaison

LeToya A. Johnson
OJP Audit Liaison

Scott Peterson
Program Manager
Bureau of Justice Assistance

OJP Executive Secretariat
Control Number 20040563

Official Grant File
Grant Number 98-JG-FX-0001

**OIG, AUDIT DIVISION ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE REPORT**

We provided the draft report to both the Big Brothers Big Sisters of America (BBBSA) and OJP for review and comment. The BBBSA response to the draft report is included as Appendix III of this report and the OJP response is included as Appendix IV. Because of the size of BBBSA's response, we did not include in this report the attachments provided with the response. The BBBSA response did not address three of the four recommendations. The BBBSA did provide what it believes to be support for two of the four transactions representing \$82,000 in questioned costs. The BBBSA response did not address the remaining two transactions representing \$9,214 in questioned costs. The status of the individual recommendations and a discussion of the responses from both BBBSA and OJP are provided below.

Based on OJP agreement with all of the recommendations, we resolved all recommendations. The actions necessary to close each of the recommendations are provided in the discussion of each recommendation.

Recommendation Number:

1. **Resolved.** We recommend that OJP require the BBBSA to formally develop, document, and implement procedures to ensure the timely and accurate submission of Financial Status Reports. The BBBSA response to the draft report did not address this recommendation. This recommendation is resolved based on OJP's agreement to coordinate with BBBSA to obtain a copy of procedures implemented to ensure that Financial Status Reports are accurate and submitted timely. This recommendation can be closed when we receive and accept the response specifying procedures implemented to ensure that future Financial Status Reports are accurate and submitted timely.
2. **Resolved.** We recommend that OJP require the BBBSA to formally develop, document, and implement procedures to ensure the timely and accurate submission of progress reports. The BBBSA response to the draft report did not address this recommendation. This recommendation is resolved based on OJP's agreement to coordinate with BBBSA to obtain a copy of

procedures implemented to ensure that progress reports are accurate and submitted timely. This recommendation can be closed when we receive and accept the response specifying procedures implemented to ensure that future progress reports are accurate and submitted timely.

3. **Resolved.** We recommend that OJP remedy the \$91,214 in questioned costs because BBBSA failed to maintain adequate support for expenditures charged to the grant. This recommendation is resolved based on OJP's agreement that they will coordinate with BBBSA to obtain documentation to support the \$91,214 in questioned costs charged to the grant. The BBBSA response to the draft report did not address two of the four transactions representing \$9,214 in questioned costs. The BBBSA did provide what it believes to be support for the remaining two transactions representing \$82,000 in question costs. We have reviewed the documentation provided and agree that it is sufficient to support a portion of one of the four transactions. We do not agree that the documentation is sufficient to support the other transactions as detailed below:

Volunteer recruitment strategies of \$72,000: The BBBSA addressed the questioned costs in their response to the draft report stating that the additional information provided should be "adequate support for the expenses." We disagree that the additional information provided is adequate to resolve the research and analysis costs. The support documentation provided in response to the draft report included the original proposal from the research consultant for a base amount of \$54,000, with a deviation from this amount of plus or minus ten percent, exclusive of travel costs. Based on documentation we reviewed, the actual base amount for research and analysis billed and paid by the BBBSA was \$88,000, or an increase of nearly 63 percent from the original proposal. The \$72,000 of unsupported costs we are questioning represents a final payment related to that larger amount for the final research and analysis. While the BBBSA response did provide a breakdown of the details of the entire engagement with the research consultant, we do not agree the documentation is sufficient to support the transaction. At our request, a BBBSA official was not able to provide an executed contract with the research consultant.

Travel charges of \$10,000: The BBBSA addressed the questioned costs in their response to the draft report stating that the additional information provided should be “adequate support for the expenses.” We disagree that the additional information, which included American Express credit card statements, is sufficient to resolve the travel charges of \$10,000 in full. We believe that BBBSA has not provided adequate support for \$589.21 of these charges. According to the American Express credit card statements we reviewed, a portion of these charges are not travel-related, and pertain to expenses for business services, postal services, office supplies, and souvenirs. We believe the American Express credit card statements adequately support the remaining travel charges of \$9,410.79.

This recommendation can be closed when we receive and accept documentation specifying that the remaining \$81,803.21 in questioned costs representing four unsupported transactions have been remedied.

4. **Resolved.** We recommend that OJP ensure that BBBSA property records include all required elements. The BBBSA response to the draft report did not address this recommendation. This recommendation is resolved based on OJP’s agreement that they will coordinate with BBBSA to obtain a written response specifying procedures implemented to ensure that property records include the: a) description of the property; b) serial number or other identification number; c) source of the property; d) identification of title holder; (e) acquisition date; (f) cost of the property; g) percentage of federal participation in the cost of the property; h) location of the property; i) use and condition of the property; and j) disposition data, including the date of disposal and sale price. This recommendation can be closed when we receive and accept the response specifying procedures implemented to ensure that property records include all required elements.