



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND
DELINQUENCY PREVENTION AWARDS TO THE
BEST FRIENDS FOUNDATION,
WASHINGTON, DISTRICT OF COLUMBIA**

U.S. Department of Justice
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Audit Division

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OFFICE OF JUVENILE JUSTICE AND
DELINQUENCY PREVENTION
GRANT AWARDED TO
BEST FRIENDS FOUNDATION**

EXECUTIVE SUMMARY*

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of grant number 2007-JL-FX-0051 in the amount of \$1,124,000 awarded to the Best Friends Foundation (Best Friends). Best Friends operates school-based character educational programs targeted toward middle and high school students. The primary goal of Best Friends is to assist adolescents in rejecting risk behaviors that lead to crime, violence, academic failure, and underachievement.

We conducted this audit to determine whether costs claimed under the grant were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the award. Unless otherwise stated in the report, we applied the Office of Justice Programs (OJP) Financial Guide (Financial Guide) as our primary criteria.¹

Best Friends did not maintain adequate internal controls to ensure compliance with DOJ grant requirements. For example, at the end of a uniform reporting period (which may be monthly, quarterly, or annually), a standard accounting practice is to "lock" the accounting period to prevent users from recording or modifying financial transactions for that period of time. Best Friends did not lock its accounting system for past accounting periods, which impaired its ability to ensure that it submitted accurate financial status reports, and increased the risk of fraudulent activities going undetected.

* The full version of this report contains information that may be protected by the Privacy Act of 1974, 5 U.S.C. § 552(a) or may implicate the privacy rights of identified individuals. Therefore, Office of the Inspector General redacted portions of the full report to create this public version of the report.

¹ The Financial Guide serves as a reference manual that assists award recipients in their fiduciary responsibility to safeguard award funds and ensure funds are used appropriately. OJP requires grantees to abide by the requirements in the OJP Financial Guide.

Additionally, our audit found that Best Friends charged the grant more than \$182,000 in costs, 16 percent of the total award, that we consider unsupported, unallocable or unallowable. These unsupported, unallocable or unallowable costs included the following:

- Unsupported costs totaling \$112,000 for school coordinators, program supplies, lodging and meals, outside services, and transportation. Best Friends either could not provide documentation supporting the rationale for the allocation of the expenses between various federal grants or all pertinent invoices.
- Unsupported or unallowable salaries of more than \$19,000, including unexplained payroll adjustments, unsupported reclassifications from another federal grant, and costs related to fundraising.
- Unsupported fringe benefits of \$16,000, and \$31,000 in indirect costs.

Our report contains 13 recommendations. We discussed the results of our audit with Best Friends officials and have included their comments in the report as applicable.

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INTRODUCTION

The Office of the Inspector General, Audit Division, has completed an audit of grant 2007-JL-FX-0051 in the amount of \$1,124,000 to the Best Friends Foundation (Best Friends) awarded by the Office of Juvenile Justice and Delinquency Prevention. Best Friends was formed in 1993 in Washington, D.C., and provides curriculum and positive peer groups to assist middle and high school students in creating an environment that raises aspirations and promotes achievement. The primary goal of Best Friends is to assist adolescents in rejecting risk behaviors that lead to crime, violence, academic failure, and underachievement.

Best Friends operates the Washington Metropolitan Area Best Friends, Best Men, Diamond Girls, and Best Men Leadership programs. These programs are educational programs designed to teach adolescents self-respect and sound decision making skills to enhance their chances for achievement and success. Best Friends' programs focus on sexual abstinence prior to marriage and abstinence from alcohol and drug use. Best Friends also serves as the national training and technical assistance center for communities who replicate the Best Friends' program in their schools.

Audit Approach

We conducted this audit to determine whether costs claimed under the grant were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award. To accomplish this objective, we tested compliance with what we considered the most important conditions of the award. Unless otherwise stated in the report, we used the Office of Justice Programs (OJP) Financial Guide (Financial Guide) to assess Best Friends' performance and compliance with grant requirements.¹

Specifically, we tested what we believed to be critical grant requirements necessary to meet the objectives of the audit, including:

- **Reporting** to determine if the required financial status and progress reports were submitted timely and accurately reflected grant activity;

¹ The Financial Guide serves as a reference manual that assists award recipients in their fiduciary responsibility to safeguard award funds and ensure funds are used appropriately. OJP requires grantees to abide by the requirements in the OJP Financial Guide.

- **Drawdowns** to determine whether grant drawdowns were adequately supported and if the grantee was managing grant receipts in accordance with federal requirements;
- **Budget Management and Control** to ensure that Best Friends appropriately tracked costs to approved budget categories; and
- **Grant Expenditures** to determine the accuracy and allowability of costs charged to the grant.

The award did not include program income or accountable property, and did not require matching funds or the monitoring of subgrantees or contractors. Although we reviewed grant progress reports, and interviewed Best Friends officials and employees, we did not assess the overall program performance supported by the DOJ grant since our preliminary review did not indicate performance issues. Therefore, our audit concentrated on Best Friends' grant financial management. Appendix I contains additional information on our objective, scope, and methodology.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

Best Friends did not maintain adequate internal controls to ensure compliance with grant requirements. The internal control issues limited our ability to reconcile financial status reports and drawdown requests to Best Friends' accounting records. Further, although all grant costs must be supported with adequate documentation and allowable under approved grant budgets, the audit identified more than \$182,000 in costs that Best Friends inappropriately charged to the DOJ grant. Examples of these costs include: (1) approximately \$112,000 in unsupported allocations of expenditures for school coordinators, program supplies, lodging and meals, outside services, and transportation costs; (2) more than \$19,000 in salaries for unapproved payroll transactions and adjustments; and (3) over \$16,000 in unsupported fringe benefits and over \$31,000 in indirect costs.

Reporting

The special conditions of the grant require that Best Friends comply with administrative and financial requirements outlined in the OJP Financial Guide and comply with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (OMB Circular A-133).² The OJP Financial Guide requires that grantees submit both financial and program progress reports to inform awarding agencies on the status of each award. Financial Status Reports (FSRs) should detail the actual expenditures incurred for each quarterly reporting period, while progress reports should be submitted semiannually and describe the activities, obstacles, and achievements of the project supported by each award.

² OMB Circular A-133 requires non-federal entities that expend at least \$500,000 a year in federal awards to have an audit conducted of its financial statements. The purpose of the audit, also known as a Single Audit, is to determine whether the financial statements and schedule of expenditures of federal awards are presented fairly in all material respects in conformity with generally accepted accounting principles. As discussed in this report, we reviewed Best Friends' Single Audits for FYs 2008 and 2009.

Because accurate and timely FSRs and progress reports are necessary to ensure that DOJ awarding agencies can effectively monitor grant activities and expenditures, we reviewed Best Friends' reports for grant number 2007-JL-FX-0051. As detailed in the following sections, Best Friends generally submitted required FSRs and progress reports in a timely manner. Additionally, while the progress reports described program accomplishments, FSRs did not accurately report grant expenditure activity.

Financial Status Reports

DOJ awarding agencies monitor the financial performance of each grant via FSRs. According to the Financial Guide, FSRs should be submitted within 45 days after the end of each quarterly reporting period. Even when there have been no outlays of grant funds, a report containing zeroes must be submitted. Awarding agencies may withhold funds or future awards if reports are submitted late, or not at all.

To verify the timeliness of the FSRs, we tested the last four reports Best Friends submitted for the audited grant. We compared the submission date of each report to the date each report was due, and found that Best Friends submitted three of four FSRs in a timely manner, as shown in Exhibit 1.

Exhibit 1: Timeliness of Financial Status Reports

Report Period From - To Dates	Report Due Date	Date Submitted	Days Late
01/01/09 - 03/31/09	05/15/2009	06/25/2009	41
04/01/09 - 06/30/09	08/14/2009	08/13/2009	0
07/01/09 - 09/30/09	11/14/2009	10/22/2009	0
10/01/09 - 12/31/09	03/31/2010	03/08/2010	0

Source: OIG analysis of Best Friends' FSRs

The Financial Guide also states that FSRs should be accurate and detail expenditures and unliquidated obligations at the lowest funding level.³ Our audit found that Best Friends maintained no written policies or procedures to ensure that its FSRs are accurate. Best Friends' officials stated that they determined FSR-reported outlays by deducting the cumulative outlays reported on the previous FSR from total grant expenditures extracted from the accounting system.

³ Unliquidated obligations on a cash basis are obligations incurred, but not yet paid. On an accrual basis, they are obligations incurred, but for which an outlay has not yet been recorded.

To verify the accuracy of the FSRs, we compared the amounts reported on the last four FSRs to expenditures recorded in Best Friends' accounting records. The grantee initially provided us with hard-copy reports as support for the amounts reported in the FSRs. While the FSRs generally matched the hard-copy reports, we could not reconcile the FSRs or reports to the general ledger – the official accounting record of the grant.⁴ As shown in Exhibit 2, the difference between the FSRs and accounting records ranged from under-reporting more than \$61,000 in one period to over-reporting \$88,000 in another period.

Exhibit 2: Financial Status Reports Accuracy

Report Period (From - To)	Expenditures Per FSR (\$)	Expenditures Per Accounting Records (\$)	Difference (\$)
01/01/09 -03/31/09	214,612	222,271	7,659
04/01/09 - 06/30/09	74,200	98,298	24,098
07/01/09 - 09/30/09	95,478	157,059	61,581
10/01/09 - 12/31/09	93,066	4,960	(88,106)

Source: OIG analysis of Best Friends' FSRs and accounting records

We determined that the FSR variances were caused by weak accounting procedures that allow personnel to post expenditure charges or entries to prior months. At the end of a uniform reporting period (which may be monthly, quarterly, or annually), a standard accounting practice is to "lock" the accounting period to prevent users from recording or modifying financial transactions for that period of time. Best Friends did not "lock" its accounting system for past accounting periods, which allowed its personnel to post entries to accounting periods for which it had already reported FSR expenditures. In our opinion, the lack of adequate internal accounting controls impaired our ability to reconcile Best Friends' general ledger to submitted FSRs, impaired Best Friends' ability to ensure that its submitted FSRs were accurate, and increases the risk of fraudulent activities going undetected. Therefore, we recommend that OJP require that Best Friends develop and implement written policies and procedures for locking the accounting periods and reconciling the FSRs to the general ledger.

⁴ Best Friends' Chief Financial Officer (CFO) stated that the hard-copy documents provided to the auditors accurately reflected the FSR amounts reported at the time the FSRs were submitted. Further, the CFO remarked that it would be too time consuming and costly to reconcile the amounts reflected on the hard-copy reports to the general ledger.

Progress Reports

While FSRs report grant financial activity, progress reports describe the project status and accomplishments of the DOJ-grant supported program or project. Progress reports should also describe the status of the project and compare actual accomplishments to anticipated grant objectives. According to the Financial Guide, grantees are required to submit progress reports every 6 months during the performance period of the award. Progress reports are due 30 days after the end of each semi-annual reporting period, June 30 and December 31. DOJ awarding agencies may withhold grant funds if grantees fail to submit accurate progress reports on time.

To assess whether Best Friends submitted progress reports on time, we reviewed the last two progress reports and compared the submission dates to the due date for each progress report. We determined that both progress reports were timely submitted.

According to the award documentation, the primary goal of the Best Friends Foundation is to help adolescents reject the risk behaviors that lead to crime, violence, academic failure, and underachievement. There are 7 main program objectives and 16-17 goals for 2007-2008 and 18 goals for 2008-2009. Best Friends conducts a pre- and post-program survey of all program participants to measure their attitudes towards risky behaviors.⁵ Best Friends has three groups of survey participants: Best Friends, Best Men, and Diamond Girl Leadership. As shown in Exhibit 3, Best Friends reached many of its goals.

Exhibit 3: Best Friends Analysis of Goals Achieved

Program	Goals Achieved for 2007-2008	Goals Achieved for 2008-2009
Best Friends	11 of 17	10 of 18
Best Men	8 of 16	8 of 18
Diamond Girl Leadership	12 of 17	8 of 18

Source: Best Friends' progress reports

We asked Best Friends why it fell short on some goals. According to Best Friends' President, it realized that the percentages for achievement of some goals were set too high, and Best Friends was unable to increase other opportunities due to time constraints and cost.

⁵ Best Friends contracts with an independent evaluator to analyze and summarize the results of the surveys, and it uses the data to complete its progress reports.

Drawdowns

To obtain DOJ award money, grant recipients must electronically request grant funds via drawdowns. The Financial Guide states that grant recipients should only request federal award funds when they incur or anticipate project costs. Therefore, recipients should time their requests for grant funds to ensure they will have only the minimum federal cash on hand required to pay actual or anticipated costs within 10 days.

To ensure that Best Friends requested funds properly and kept minimum federal cash on hand, we analyzed a sample of Best Friends' 61 drawdowns for the award period. From August 2007 through February 2010, Best Friends had drawn down the entire grant award of \$1,124,000. We selected a judgmental sample of 10 drawdown requests to reconcile to Best Friends' general ledger. We compared the amounts drawn down by Best Friends to expenditures recorded in their accounting records. We found that the amounts drawn down did not agree with the expenditures recorded in the accounting records, and we could not reconcile the difference.⁶

Best Friends determined drawdown requests by deducting the cumulative previous drawdown requests from total cumulative grant expenditures extracted from its accounting system. However, as discussed in the prior section, the accounting system practices used by Best Friends failed to "lock" what should have been closed accounting periods. As a result, Best Friends' personnel were able to post transactions to their general ledger for time periods in which Best Friends had already prepared a drawdown request.

DOJ awarding agencies rely on grantees to report costs accurately so they are aware of the progress on grant awards. Due to Best Friends' failure to lock closed accounting periods, we could not reconcile individual drawdown requests to supporting documents, or otherwise determine whether Best Friends requested funds in excess of what it required to pay for incurred or anticipated grant expenses within 10 days. Therefore, we recommend that OJP require that Best Friends develop and implement procedures for reconciling drawdown requests to its general ledger.

⁶ See Appendix II for the variances between the drawdown requests and general ledger expenditures we tested.

Budget Management and Control

The Financial Guide states that grantees should expend grant funds according to the budget approved by the awarding agency and included in the final award. Approved grant budgets document how much the grantee is authorized to spend in high-level budget categories, such as personnel, supplies, and contractors.

The Financial Guide also states grantees may request a modification to approved grant budgets to reallocate amounts between various budget categories within the same grant award. No prior approval is required if the reallocations between budget categories do not exceed 10 percent of the total award amount. We compared the actual amounts spent in each budget category to the budgeted amounts in the same categories and found that Best Friends adhered to the 10 percent rule.

Grant Expenditures

According to 2 C.F.R. Part 230, *Cost Principles for Non-Profit Organizations* (formerly known as OMB Circular A-122), costs are allowable if they are reasonable, consistently applied, adequately documented, comply with policies and procedures, and conform to any limitations or exclusions specified in applicable criteria. Additionally, it specifies that costs are allocable to a grant in proportion to the relative benefits received. Any cost allocable to a particular award may not be shifted to other federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by terms of the award.

As of July 13, 2010, the Best Friends' general ledger reported \$1,158,902 in project costs associated with the audited award. We sampled \$442,756 in expenses charged to the grant to ensure they were allowable, and identified \$182,881 in questioned costs.⁷ Exhibit 4 displays by type of sampled cost, the total value of the expenditures in each category, and the amount of questioned costs our testing identified.

⁷ 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.

Exhibit 4: Summary of Questioned Grant Expenditures

Type of Cost	Total Costs Claimed by Type	Sampled Costs	Questioned Costs
Personnel Costs (Salary and Fringe Benefits)	\$380,272	\$82,113	\$35,761
Other Direct Costs	536,163	167,449	115,690
Indirect Costs	242,467	193,194	31,430
Totals	\$1,158,902	\$442,756	\$182,881

Source: OIG analysis of grant expenditures and supporting documentation

The following sections detail our findings by each sampled cost category.

Personnel Costs

We reviewed the Best Friends' policies for timekeeping and charging costs associated with salaries earned by its personnel. Best Friends' 2001 Office Manual specifies that all employees are required to complete a semi-monthly timesheet and record all time worked by program and leave taken. Once the employees complete the timesheet they submit their timesheets to their supervisors. Best Friends personnel told us that the employee's direct supervisor, the President, or the Director of Programs generally approves each timesheet.⁸ The approved timesheets are forwarded to the finance department staff accountant, where they are compiled and entered into a labor distribution spreadsheet for the period. From the labor distribution spreadsheet, the finance department makes its payroll entry for the period and informs the outside payroll service of any changes to an employee's pay for the particular payroll period. The outside payroll service processes the payroll and prints the paychecks.

Best Friends' 2008 Single Audit specified that labor allocation did not agree with timesheet coding, and that some timesheets were not reviewed and approved. Because of the cited finding, we tested personnel costs in a two-step process. First, we selected a judgmental sample of payroll transactions to determine what supporting documentation the grantee maintained and the extent of testing we would need to pursue. Then, we selected two non-consecutive pay periods to test, and reviewed the approved final and provisional fringe benefit rates and the application of the rates to approved labor costs. As summarized in Exhibit 5, we questioned \$35,761 in personnel costs.

⁸ In the course of our audit, we noted that timesheets were adjusted without indication of employee or supervisory approval.

Exhibit 5: Summary of Questioned Personnel Costs

Finding	Salary
Unallowable Reclassification Entry Including Donor Dinner Charges	\$ 10,432
Reclassified Grant Charges	4,954
Unallowable Consultant Costs Related to Fundraising	3,877
Fringe Benefits	16,498
Total	\$35,761

Source: OIG analysis of Best Friends' general ledger and supporting documentation

The following sections detail our personnel findings.

Initial testing

We judgmentally selected 10 payroll transactions totaling \$17,827 to review the documentation supporting the expenditures. In reviewing this sample of payroll expenses, we noted that the grantee could generally supply the corresponding payroll journal, labor distribution worksheet, and timesheet supporting the charge to the grant. However, 2 of the 10 transactions were reclassification entries and not typical semi-monthly payroll charges.

The first reclassification entry, dated March 31, 2008, charged \$10,432 to the DOJ grant and the journal entry specified the charge was to accurately reflect time spent on grant activities from August 2007 through March 2008. Best Friends stated that a new accountant analyzed the activities and recommended adjustments because employees had not accounted for certain activities properly on their timesheets. Best Friends provided summaries of the original labor distribution sheet and the revised labor distribution sheet. However, it did not supply timesheets supporting this correction or provide an explanation of how six employees could make timesheet errors for 8 months without management being aware of the problem or how the accountant deciphered the adjustment. Further, Best Friends supplied additional documentation that showed part of the journal entry was for reclassifying labor costs from a Donor Dinner – a fundraising event – to various federal grants, including the DOJ grant we are auditing.⁹

Best Friends informed us that students participating in the DOJ grant program performed at a Donor Dinner as part of the grant objectives to

⁹ From documentation provided by the grantee, approximately \$4,149 of the \$10,432 reclassification entry is comprised of reclassified Donor Dinner charges.

increase the number of positive alternative activities. However, according to 2 C.F.R. Part 230, costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. Therefore, based on our review of the provided documentation, we determined that a portion (\$4,190) of the reclassification entry is not an allowable cost for the grant because it is related to a fundraising event. Additionally, the charge is not supported since the documentation provided does not specify how the accountant identified and revised 8 months of timesheets for six employees.¹⁰ Therefore, we question \$10,432 and we recommend OJP require Best Friends to develop and implement procedures that ensure the accuracy of time tracking, especially with respect to adjustments made to employees' timesheets.

The second reclassification entry, dated July 30, 2009, charged \$4,954 to the DOJ award. The journal entry stated that the Community-Based Abstinence Education (CBAE) award (a Department of Health and Human Services (HHS) grant) started 9/30/2008; therefore, 8/15/2008, 8/31/2008, 9/15/2008, and 9/30/2008 timesheet charges to CBAE were reclassified to HM [Healthy Marriage] (a Department of Health and Human Services grant) and the DOJ award. According to Best Friends officials, the CBAE budget was not yet approved by HHS; therefore, funding for this project was not available and it needed to charge the time to other grants. Best Friends indicated that at the time of the adjustment, it intended to reverse the entry and transfer the costs to the CBAE grant when the funding became available. We requested a copy of the reversing entry; however, we were not provided with any transaction removing the CBAE costs from the DOJ award.

Instead, Best Friends provided a memo, dated July 30, 2009, which explained the rationale for the CBAE adjustment. According to the memo, staff had originally allocated and recorded time on their timesheets based on budget constraints and not necessarily reflecting the effort for the project or grant.¹¹ According to 2 C.F.R. Part 230, costs are allocable to a grant in proportion to the relative benefits received. Any cost allocable to a particular award may not be shifted to other federal awards to overcome

¹⁰ The grantee specified that a consultant performed a detailed analysis of the time charged and made revisions based on this analysis. However, the grantee cannot provide the timesheets. Further, the methodology described by the consultant appears to rely on estimates based on calendar entries and not on actual labor charges.

¹¹ The timesheets were dated August and September 2008, but the journal entry reclassifying the expenses was dated November 2009 - over a year later. Further, we note that even though Best Friends indicated budget constraints occurred in August and September 2008 it waited until September 2009 to request a budget modification.

funding deficiencies, or to avoid restrictions imposed by law or by terms of the award.

Further, we were unable to validate the grantee's reclassification entry to supporting documentation. For each pay period the grantee provided two signed and approved timesheets for the employee. We could not determine which of the two signed and approved timesheets reflected the actual hours worked and which reflected time recorded due to budget constraints. Neither timesheet was marked as a correction to a prior timesheet.

Therefore, we question \$4,954 in labor costs because the costs were reclassified from the CBAE award to the DOJ award without adequate documentation for us to determine if the costs are in support of the DOJ award.

Non-consecutive pay periods

To determine if timesheets were properly authorized and allocated to the grant, we judgmentally selected two non-consecutive pay periods and reviewed employee-submitted timesheets for each of these sampled pay periods.¹² We examined timesheets and payroll distribution records, we recalculated salaries allocated to the grant, and we ascertained whether the salaries were properly charged to the grant.

Best Friends charged to the grant a contractor's direct salary and associated fringe benefits.¹³ The contractor provided Best Friends with a deliverable schedule, which included tasks such as identifying potential funding sources, developing a grant proposal template, creating a master file of donations, developing an annual revenue flow chart, and searching for additional federal grants. The activities listed appear to be more in line with fundraising than the purpose of the DOJ award. Therefore, as noted in Exhibit 6, we are questioning the allocation of the consultant's time to the DOJ award from May 1, 2008, through July 31, 2008, in the amount of \$3,877.

¹² We judgmentally selected pay periods November 30, 2007 and June 15, 2008 for our testing.

¹³ According to Best Friends, the individual was an employee from March 10, 2008, through April 30, 2008, and a contractor from May 1, 2008, through July 31, 2008. We noted that the general ledger listed the individual's time from May through July 2008 under the cost code used for employees' time, not consultants.

Exhibit 6: Summary of Questioned Consultant Costs

Pay Period Ending	Salary
05/15/08	\$1,042
05/30/08	1,042
06/15/08	1,042
06/20/08	231
06/20/08	381
06/20/08	139
Total	\$3,877

Source: OIG analysis of Best Friends' general ledger and supporting documentation

Fringe Benefits

When Best Friends employees work on grant projects, Best Friends incurs costs associated with providing its employees fringe benefits such as health insurance, parking, vacation leave, and sick leave. To allocate the cost of fringe benefits to DOJ grants, Best Friends has calculated and the Department of Health and Human Services has approved a fringe benefit rate that Best Friends can apply to direct payroll costs. During our initial transaction testing, we selected four fringe benefit transactions to review and we could not determine if the grantee applied fringe benefits to the award by using final and provisional rates approved by the Department of Health and Human Services.

We analyzed the final and provisional fringe benefit rate calculations submitted by Best Friends and approved by the Department of Health and Human Services, and take no exception with the final 2008 fringe benefit rates or the provisional 2009 and 2010 fringe benefit rates. However, as depicted in Exhibit 7, we questioned \$16,498 of fringe benefits due to questioned direct salaries and the application of the approved fringe rates.

Exhibit 7: Summary of Questioned Fringe Benefit Costs

	2008	2009	2010	Total
General Ledger Direct Salaries	\$93,467	\$166,965	\$12,032	
Less questioned:				
Reclassification Donor Dinner	(10,432)			
Reclassification from CBAE		(4,954)		
Consultant - Fundraising	(3,877)			
Adjusted Direct Salaries	\$79,158	\$162,011	\$12,032	
Approved Fringe Rates	34%	37%	37%	
Allowable Fringe Benefits	\$26,914	\$59,944	\$4,452	
General Ledger Fringe Benefits	37,769	66,831	3,208	
Questioned Fringe Benefits	\$10,855	\$6,887	(\$1,244)	\$16,498

Source: OIG analysis of Best Friends' general ledger, direct salaries, and approved fringe benefit rates

Other Direct Costs

We selected a judgmental sample 50 transactions totaling \$167,449 to determine if the charges are allowable and allocable to the DOJ grant. Based on our review, we questioned \$3,587 as unallowable and \$112,103 as unsupported.

Unallowable Costs

As shown in Exhibit 8, we questioned as unallowable three transactions totaling \$3,587 incurred for a fundraising event – a Donor Dinner.

Exhibit 8: Summary of Unallowable Other Direct Costs

General Ledger Account	Date	Amount	Unallowable Amount
Outside Services	04/15/08	1,825	1,825
Outside Services	05/09/08	1,487	1,487
Other Expenses	05/08/08	275	275
Total			\$3,587

Source: OIG analysis of Best Friends' general ledger and supporting documentation

Best Friends indicated that students from the DOJ grant performed at a Donor Dinner as part of the grant objectives to increase the number of positive alternative activities. According to 2 C.F.R. Part 230, costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. Therefore, based on our review of the provided documentation, we determined that the Donor Dinner expenses are not an allowable cost for the grant.

Unsupported Costs

We noted that 17 of the 50 other direct costs transactions tested did not have adequate documentation to determine if the expenses were allowable charges for the grant. Exhibit 9 and the following sections of the report summarize the basis for our questioning the 17 transactions. The 17 unsupported transactions total \$86,924 with an additional \$25,179 of unsupported associated costs for a total questioned cost of \$112,103.

Exhibit 9: Summary of Questioned Other Direct Costs

Transaction		Unsupported Costs				Notes	
Date	Amount	Missing Invoice	Allocation Rationale	Reclassified Expenses	Consulting agreements		Total
1/08/09	\$1,680	\$120	General Ledger Account: Consultants				Part of invoice is unsupported
2/14/08	\$10,894		General Ledger Account: School Coordinators				Unsupported allocation of the expense
7/15/08	\$12,545		\$10,894		\$5,009		No stipend agreement provided
7/31/09	13,194		13,194				Unclear how the expense is calculated
7/31/08	\$9,386	9,386	General Ledger Account: Program Supplies				Missing invoice
3/23/09	\$2,955	680					Missing Invoice
7/31/08	**\$5,285		General Ledger Account: Lodging & Meals	\$5,285			No support for the reclassification
4/29/09	\$6,400		6,400				Unsupported allocation of the expense
9/10/08	\$17,550		17,550				Unsupported allocation of the expense
3/31/09	\$214		General Ledger Account: Outside Services				No description of services provided and the allocation was not supported
9/15/08	\$250		214		250		No consulting agreement
11/20/07	\$6,701		6,701				Unsupported allocation of the expense
11/25/08	\$671		671				Unsupported allocation of the expense
7/31/08	**\$1,780			1,780			No support for the reclassification
1/13/09	\$450	450	General Ledger Account: Supplies				Missing support for the unit price
9/7/08	\$540		540				Unsupported allocation of the expense
9/21/09	\$7,800		General Ledger Account: Transportation	7,800			Unsupported allocation of the expense
Totals		\$10,636	\$63,964	\$7,065	\$5,259	\$86,924	

Source: OIG analysis of Best Friends' general ledger and supporting documentation

**Note: The total July 31, 2008 reclassification of costs from another federal award (Healthy Marriage) to the DOJ award was \$32,243.80. A portion of the reclassification entry was selected for testing and as such we question as unsupported \$5,285 and \$1,780 as noted in the chart above. We also questioned as unsupported the balance of the reclassification costs - \$25,179.

Missing Invoice. We questioned \$10,636 as unsupported because transactions were missing supporting documentation or missing invoices. An invoice for an instructor to conduct fitness classes for students indicated that 14 classes were conducted at \$120 per session; however, the documentation provided during the audit supports only 13 classes, so we questioned \$120 as unsupported. Additionally, three invoices were for supplies such as T-shirts and books. While the grantee supplied documentation supporting the number of supplies assigned to the program, it could not provide support for the unit cost of the supplies for two of the three invoices so we questioned the charges as unsupported. For the third invoice, the grantee provided documentation supporting unit prices but did not provide documentation for the \$680 of the estimated storage, shipping and handling costs. Therefore, we questioned \$680 as unsupported.

Unsupported Allocations. For 9 of the 50 transactions we tested, totaling \$63,964, the grantee either did not provide adequate documentation to support the method used to allocate costs between multiple awards or cost objectives or we were unable to discern how the charged amount was determined. For example, one charge, in the amount of \$6,701, was for temporary accounting charges. This amount was arrived at using an allocation of 30 percent for the DOJ grant, 30 percent to a Department of Education grant, and 40 percent to General Administration account. The grantee indicated that the allocation was based on estimated efforts of the consultants, and that it performed grant management and carried out the activities of the Director of Finance. However, we were not provided with the consultant's time or level of effort reports, or even a listing of tasks they performed for the DOJ grant.¹⁵ Further, we note in the 2008 Single Audit that the grantee had two additional grants from the Department of Health and Human Services and those awards apparently received no allocation of these temporary services, which does not seem reasonable given the grantee indicated it was performing both grant management and Director of Finance duties. Without documentation identifying the rationale or method for allocating the costs directly to the DOJ grant, these costs are questioned as unsupported.

¹⁵ We reviewed three invoices from the Milwaukee replication site. Each invoice had a different percentage allocated to the DOJ award. The \$10,894 transaction allocated approximately 58 percent of the invoice to the DOJ award. The \$13,194 invoice had 73 percent of the salaries allocated to the DOJ award, and the \$7,800 invoice had 100 percent of the invoice charged to the DOJ award. The allocations are unsupported and inconsistent.

Reclassifications. A July 31, 2008 journal entry reclassified expenses totaling \$32,244 from either another federal grant (Healthy Marriage) or the general administration account to the DOJ grant. The entry reclassified involved numerous expenditures related to the recognition ceremony, office operations, and the youth summit.

We asked why costs from another federal award were reclassified to the DOJ award. The grantee stated that because funding for the DOJ award was not available until late November 2007, staff allocated programmatic expenditures for the DOJ award to the Healthy Marriage grant and then reclassified the expenses once funding was available for the DOJ award.¹⁶ However, documentation provided during the audit revealed that the expenses were incurred in May 2008, well after the January 2008 budget approval for the DOJ award. Therefore, the transaction dates do not provide support for the grantee's rationale for reclassifying the costs from the Healthy Marriage award to the DOJ award.

Best Friends also stated that the reclassification entry was needed because the charges were related to middle school students' activities and only the DOJ grant covered middle school activities. However, a significant portion of the reclassification entry (\$15,317 of \$32,244) is identified as Youth Summit. According to information provided by Best Friends, the National Youth Summit is an event-wide activity budgeted to be funded by two federal awards: DOJ and Healthy Marriage. Therefore, the explanation does not provide a supportable rationale for reclassifying the costs from the Healthy Marriage award to the DOJ award. Therefore, we question as unsupported the two items we selected for testing - \$1,780 (Outside Services) and \$5,285 (Lodging and Meals), and we question \$25,179 (the balance of the reclassification entry) as unsupported.

Agreements. The grantee charged \$12,795 for stipend payments to the Martinsville replication site. However, it only provided one invoice for \$7,536. No invoice supporting the \$5,009 charge for stipends was provided. Therefore, we question \$5,009 of the \$12,795 charge of stipends as unsupported. Additionally, one \$250 transaction was missing either a consulting or a stipend agreement. As such, we were unable to determine the nature and scope of the services rendered, and the adequacy of the contractual agreement (e.g., description of the services, estimate of time required, rate of compensation, and termination provisions). Therefore, we question \$250 as unsupported.

¹⁶ Given the grantee's practice of post-dating entries, we cannot verify the date the reclassification entry was actually recorded in the general ledger.

Indirect Costs

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective such as a grant or contract. Best Friends indicates that their indirect costs include administrative salaries and benefits, printing, telephone, supplies, postage, insurance, and rent. Because these indirect costs cannot be easily allocated to specific projects or activities, organizations need to establish and seek approval for an indirect cost rate with their cognizant federal agency to receive payment for indirect expenses. However, the Financial Guide states that if a recipient does not have an approved indirect cost rate, funds budgeted for indirect costs cannot be recoverable until a rate is approved.

Our audit found that Best Friends charged indirect costs totaling \$242,467 to the DOJ grant. During our initial transaction testing, we selected six indirect cost transactions to review. Based on the documentation provided, we could not determine if the grantee correctly allocated indirect costs to the award. Specifically, we could not verify the direct costs listed in supporting documentation to the totals in the general ledger and we could not verify that the grantee was using the final and provisional rates approved by the Department of Health and Human Services to calculate the allocated indirect costs.

We analyzed the final and provisional indirect rate calculations submitted by Best Friends and approved by the Department of Health and Human Services, and take no exception with the final 2008 indirect cost rates or the provisional 2009 and 2010 indirect cost rates. However, as depicted in Exhibit 10, we questioned indirect costs due to questioned direct costs and the application of the approved indirect cost rates.

**Exhibit 10: Summary of Questioned Indirect Costs for
FYs 2008-2010**

	2008	2009	2010	Total
General Ledger Direct Costs	\$408,929	\$498,044	\$9,462	
Less questioned:				
Reclassification Donor Dinner	(10,432)			
Reclassification from CBAE		(4,954)		
Consultant - Fundraising	(3,877)			
Unallowable Other Direct Costs	(3,587)			
Unsupported Other Direct Costs	(64,234)	(40,069)	(7,800)	
Fringe Benefits	(10,855)	(6,887)	1,244	
Adjusted Direct Costs	\$315,944	\$446,134	\$2,906	
Approved Indirect Rates	27%	28%	28%	
Allowable Indirect Costs	\$85,305	\$124,918	\$814	
General Ledger Indirect Costs	91,063	149,874	1,530	
Questioned Indirect Costs	\$5,758	\$24,956	\$716	\$31,430

Source: OIG analysis of Best Friends' general ledger, direct costs, and approved fringe benefit and indirect rates

Recommendations

We recommend that OJP:

1. Require that Best Friends develop and implement written policies and procedures for locking the accounting periods and reconciling FSRs to the general ledger.
2. Require that Best Friends develop and implement procedures for reconciling drawdown requests to its general ledger.
3. Require Best Friends to develop and implement procedures that ensure the accuracy of time tracking, especially with respect to adjustments made to employees' timesheets.
4. Remedy \$10,432 in unallowed and unsupported questioned personnel costs related to a donor dinner.
5. Remedy \$4,954 in unsupported questioned personnel costs related to CBAE.
6. Remedy \$3,877 in unallowed consultant costs related to fundraising.

7. Remedy \$16,498 in unsupported fringe benefits costs.
8. Remedy \$3,587 in unallowable costs related to a donor dinner.
9. Remedy \$10,636 in unsupported transactions that were missing either supporting documentation or invoices.
10. Remedy \$63,964 in unsupported allocations.
11. Remedy \$32,244 in unsupported reclassifications.
12. Remedy \$5,259 in unsupported consulting costs.
13. Remedy \$31,430 in unsupported indirect costs.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:¹⁷	AMOUNT	PAGE
<u>Unsupported Costs</u>		
Personnel Costs	\$ 4,954	10
Fringe Benefits	16,498	13
Other Direct Costs	112,103	14
Indirect Costs	31,430	20
Total Unsupported Costs	\$164,985	
<u>Unallowable Costs</u>		
Personnel Costs	\$14,309	10
Other Direct Costs	3,587	14
Total Unallowable Costs	\$17,896	
Total Questioned Costs	\$182,881	

¹⁷ **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 I

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant reviewed were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) financial status and progress reports, (2) drawdowns, (3) budget management and control, and (4) expenditures.

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.

Our audit concentrated on grant no. 2007-JL-FX-0051 awarded to Best Friends by OJP. The purpose of this grant is to support Best Friends' programs intended to help adolescents reject risk behaviors that lead to crime, violence, academic failure, and underachievement. Our scope included all grant activity from inception through July 2010.

We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the Office of Justice Programs Financial Guide and the award documents.

In conducting our audit, we performed sample testing in the following areas:

- **Drawdowns.** We analyzed 10 of Best Friends' 61 drawdowns for the DOJ award from the inception of the grant through February 2010. Best Friends provided documentation supporting the drawdown requests, but because Best Friends did not lock its accounting periods we were not able to determine if the federal cash on hand is the minimum needed to pay for actual or anticipated costs within 10 days. However, we compared the overall drawdown requests to the overall expenditures in the general ledger as of July 2010.

- **Payroll.** We reviewed Best Friends' policies and spoke with officials regarding timekeeping and charging personnel costs. To determine whether Best Friends' personnel costs were supported and allowed, we judgmentally selected two non-consecutive pay periods to test (11/30/07 and 6/15/08). We analyzed the fringe rate to ensure the charges were consistent with the approved rate, and determined whether personnel costs were computed correctly, properly authorized, accurately recorded, and properly allocated. Further, we reviewed the composition and calculation of the provisional and final fringe rates, and we reviewed the application of the fringe rates to the allowable salary costs of the grant.
- **Transactions.** To test Best Friends' transactions for authorizations, vouchers, and supporting documentation of the expense, we judgmentally selected 70 transactions. The 70 transactions were comprised of 50 non-payroll transactions, 10 payroll transactions and 10 fringe benefit or indirect cost transactions. We analyzed the transactions to determine if the transactions were properly authorized, classified, recorded, supported, and charged to the grant.
- **Indirect Costs.** We reviewed the composition and calculation of the provisional and final indirect rates. Additionally, we reviewed the application of the indirect rates to the allowable costs of the grant.

In addition, we reviewed the timeliness and accuracy of Financial Status and Progress Reports and reviewed the internal controls of the financial management system.

Berry Group, Certified Public Accountants, conducted audits on Best Friends for FYs 2008 and 2009. The Single Audit reports were prepared under the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (OMB Circular A-133). In reviewing the FYs 2008 and 2009 Single Audits, we noted several issues that reveal a lack of management oversight and written procedures, undermining Best Friends' internal controls. We summarized the deficiencies in Exhibit 11. According to the single auditors, the primary reason for these internal control weaknesses is the turnover of key accounting personnel, which has led to the lack of compliance with accounting policies and procedures. Despite these internal control weaknesses, the single auditors deemed Best Friends to be a low risk grantee.

Exhibit 11: Summary of 2008 and 2009 Single Audit Findings

External Audit Communication
2008 Single Audit
<p>Internal control weakness over general ledger coding.</p> <p>During their testing of expenditures, the auditors noted that general ledger coding for certain charges did not agree with the coding documented in the vendor's invoice. The original coding was changed in the accounting system, but the changes were not documented in the invoices or made via journal entries.</p> <p>Best Friends indicated the cause was due to the turnover of key finance personnel that limited its ability to enforce established accounting policies and procedures.</p> <p>According to the 2009 Single Audit report, this finding was resolved.</p>
<p>Internal control weakness over timesheet coding, labor allocation, and review and approval</p> <p>During their testing of payroll, they noted that labor allocation did not agree with time-sheet coding, and that some timesheets were not reviewed and approved.</p> <p>Best Friends indicated the cause was due to the turnover of key finance personnel that limited its ability to enforce established accounting policies and procedures.</p> <p>According to the 2009 Single Audit report, this finding was resolved.</p>
<p>Internal control weakness over supporting documentation of grant related transactions</p> <p>During their testing of transactions, they noted that transactions had insufficient documentation.</p> <p>Best Friends indicated the cause was due to the turnover of key finance personnel that limited its ability to enforce established accounting policies and procedures.</p> <p>According to the 2009 Single Audit report, this finding was resolved.</p>
<p>Internal control weakness over journal entries</p> <p>During their testing over journal entries, they noted that several journal entries were either not properly supported with documentation or were not reviewed and approved by someone at the manager level.</p> <p>Best Friends indicated the cause was due to the turnover of key finance personnel that limited its ability to enforce established accounting policies and procedures.</p> <p>This finding was not addressed in the 2009 Single Audit report.</p>
2009 Single Audit
<p>No findings in the 2009 Single Audit</p>

Source: Best Friends' FYs 2008 and 2009 Single Audit reports

APPENDIX II

SUMMARY OF TESTING 10 DRAWDOWN REQUESTS TO REPORTED GENERAL LEDGER EXPENDITURES

Date of Request	Amount of Request	Expenditures per General Ledger	Difference under/(over) drawn
2/1/2008	\$116,821	\$172,443	\$55,622
5/15/2008	6,110	9,182	3,072
5/23/2008	2,554	11,384	8,830
7/24/2008	35,394	40,135	4,741
8/11/2008	5,618	88,988	83,370
10/23/2008	45,012	5,801	(39,211)
10/24/2008	35,650	4,125	(31,525)
3/3/2009	57,091	97,458	40,367
3/19/2009	31,679	10,049	(21,630)
7/9/2009	9,529	0	(9,529)

Source: OJP drawdown information and Best Friends' general ledger

APPENDIX III

BEST FRIENDS FOUNDATION RESPONSE TO THE DRAFT AUDIT REPORT

March 8, 2011

Troy M. Meyer, Regional Audit Manager,
Washington Regional Audit Office,
Office of the Inspector General

Dear Mr. Meyer:

This communication is in response to the Draft Audit Report on Grant Award 2007-JL-FX-0051 dated February 15, 2011 received by the Best Friends Foundation (Grantee) from the U.S. Department of Justice, Office of the Inspector General.

Following please find the Grantee's response along with supporting documentation and explanations. We certainly hope that the information provided will clear many of the findings and recommendations in question.

Our response is being sent electronically and is structured as follows:

- I. Response to Auditors' Recommendations found on page 20 of Draft Audit Report:
 - **Part A** (includes **Attachments 1 – 10**)
 - **Part B** (includes **Attachments 11 – 20**)
 - **Part C** (includes **Attachments 21 – 30**)
 - **Part D** (includes **Attachments 31 - 36**)
- II. Perspective Information

Sincerely,

Elayne G. Bennett
President and Founder
cc: Linda J. Taylor
Lead Auditor, Audit Coordination Branch
Audit and Review Division

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
OF DRAFT AUDIT REPORT**

Recommendation 1: *“Require that Best Friends Foundation develop and implement written policies and procedures for locking the accounting periods and reconciling FSRs to the general ledger.”*

Auditors' Observation: The OIG's auditors were unable to reconcile amounts reported in the Financial Status Reports (FSRs) to the Grantee's General Ledger. However, the auditors noted that *“the FSRs generally matched the hard-copy reports... (p.5). Those hard copy reports referenced by the auditors were general ledger reports in support of the FSRs as of the time of the preparation and submission of such reports.* The auditors also noted that the Grantee did not have procedures in place for “locking” the accounting periods in order to prevent posting to the General Ledger after issuance of the FSRs. According to the auditors, lack of such controls prevented the grantee from accurately reporting expenditures under the award.

Questioned costs: None

Grantee's Response: The Grantee concurs with the auditors that a sound internal control structure should include procedures for “locking” the accounting periods to prevent postings to prior periods. However, the Grantee disagrees that the cause for the noted discrepancies was due to “weak accounting procedures that allow personnel to post expenditure charges or entries to prior months” (p. 5)” because according to the auditors the “locking” control feature had not been implemented.

The FSRs were accurate as of the date of preparation as evidenced by the “hard-copy reports” the auditors noted as closely supporting the FSRs. Those hard-copy reports were General Ledger reports which were accurate as of the time the FSRs were prepared.

What in fact created the discrepancies was late approval of federal awards, subsequent budget modifications, accrual of expenditures to the correct periods, all requiring retroactive adjustments to the General Ledger. Unfortunately, in the case of expense accruals, some vendors do not submit their reimbursements timely, however, generally accepted accounting principles require recording to the periods when the services were received or goods acquired. That may require, depending on significance, recording such amounts to prior accounting periods.

**I – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
OF DRAFT AUDIT REPORT (CONTINUED)**

Recommendation 1 (Continued):

Further, such adjustments to prior periods were performed by senior personnel under the direct supervision of the Grantee's Director of Finance. Any "locking" or "unlocking" control to prevent or allow posting to prior periods can only be authorized by senior finance officials. Thus, even if such control had been in place, it would not have prevented the discrepancies as the adjustments made to the General Ledger were made in order to properly reflect the transactions in the proper periods.

It is the position of the Grantee that sound procedures were in place to ensure accurate reporting of the FSRs based on amounts then properly recorded in the general ledger as of the time such reports were prepared and submitted. However, the Grantee does submit, that it failed to amend the FSRs to match the General Ledger. Amending the FSRs after corrections to the General ledger is an appropriate and acceptable procedure.

The Grantee respectfully requests that the auditors' report be modified to reflect the fact that the discrepancies noted between the FSRs and the General Ledger were due to failure on the part of the Grantee to amend the FSRs. Additionally, the auditors' recommendation should be modified to state that the Grantee should implement procedures to ensure that FSRs are amended whenever a subsequent required adjustment to a prior period is made to the General Ledger. Furthermore, the auditors' recommendation that the accounting periods be locked should be modified to state that a period should be unlocked when so deemed appropriate by senior finance personnel.

Corrective Action Plan: The Grantee has activated the accounting system's feature to "lock" the accounting periods in order to prevent postings to prior periods not approved by senior finance personnel. Further, the Grantee has implemented procedures to ensure that FSRs are amended whenever required postings are made to the general ledger affecting prior periods. Such adjustments can only be authorized by senior finance personnel.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
OF DRAFT AUDIT REPORT**

Recommendation 2: *“Require that Best Friends Foundation develop and implement procedures for reconciling drawdown requests to its general ledger.”*

Auditors' Observation: The OIG's auditors were unable to reconcile individual drawdowns to the Grantee's General Ledger. The auditors noted that the *“Best Friends determined drawdowns requests by deducting the cumulative previous drawdown requests from cumulative grant expenditures extracted from its accounting system...Because its accounting system lacked adequate controls, Best Friends' personnel were able to post transactions to their general ledger for time periods in which Best Friends had already prepared a drawdown request...(P.7). According to the auditors “the accounting practices used by Best Friends failed to “lock” what should have been closed accounting periods (P.7).”*

Criteria: The OJP Financial Guide states: *“grant recipient organizations should request funds based upon immediate disbursement/reimbursement requirements. Funds will not be paid in a lump sum, but rather disbursed overtime as project costs are incurred or anticipated... Recipients should time their drawdown requests to ensure that **Federal cash on hand is the minimum needed for disbursements/reimbursements to be made immediately or within 10 days.**”*

Questioned costs: None

Grantee's Response: The Grantee disagrees with the auditors' interpretation of *“The Minimum Cash on Hand”* requirement of the OJP Financial Guide. Additionally, the Grantee disagrees with the auditors' observation that the Grantee lacked adequate controls over the process for requesting drawdowns.

The purpose of **“The Minimum Cash on Hand”** requirement of the OJP Financial Guide is to ensure that grantees are not drawing excessively federal funds in advance of incurring award expenditures. For that reason, the OJP Financial Guide mandates that the federal cash on hand is the minimum needed for disbursement/reimbursements to be made immediately or within 10 days. A closer examination of the auditors' Appendix II, excerpt follows, shows that at no point, federal funds were overdrawn by the Grantee. On the contrary, the Grantee, out of its own funds, was funding the grant activities and obtaining reimbursement later.

**I – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
 OF DRAFT AUDIT REPORT (CONTINUED)**

Recommendation 2 (Continued):

The differences noted in the Auditors' analysis is mostly related to accruals for vendor invoices in transit related to services incurred before the drawdown but received by the Grantee subsequent to the drawdowns. Also, such differences in the Auditors' analysis is the effect of subsequent budget modifications for which retroactive adjustments were needed or due to monthly allocations once General Ledger periods were fully closed. This practice is in line with generally accepted accounting principles for grantees that use the "Accrual Method" of accounting. That is, expenditures should be recorded to the period(s) when such expenditures were incurred.

Excerpt of Auditors' Appendix II

Date of Request	Difference under /(over) drawn	Cumulative under drawn
2/1/2008	\$ 55,622	\$ 55,622
5/15/2008	\$ 3,072	\$ 58,694
5/23/2008	\$ 8,830	\$ 67,524
7/24/2008	\$ 4,741	\$ 72,265
8/11/2008	\$ 83,370	\$ 155,635
10/23/2008	\$ (39,211)	\$ 116,424
10/24/2008	\$ (31,525)	\$ 84,899
3/3/2009	\$ 40,367	\$ 125,266
3/19/2009	\$ (21,630)	\$ 103,636
7/19/2009	\$ (9,529)	\$ 94,107

The Grantee has been receiving federal funds for years, and it has been its policy and procedure to ensure that federal funds drawn were based on expenditures incurred as recorded in the General Ledger at the time of drawdown. In order to comply within the "**Minimum Cash on Hand**" requirement, the Grantee erred on the side of conservatism, by not drawing federal funds based on estimates as allowed within the 10 day period window. The grantee had procedures in place to draw federal funds "...based upon immediate disbursement/reimbursement requirements" (See Criteria above) as recorded in the General Ledger (See **Attachments 1, 2, 3, 4, 5, 6, 7**).

**I – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
OF DRAFT AUDIT REPORT (CONTINUED)**

Recommendation 2 (Continued):

We did not include support for all the auditors' samples, but we included support for 7 of 10 samples in order to show a consistent pattern that the Grantee did have a process to draw federal funds to ensure compliance with federal requirements. Those attachments clearly show the expenditures incurred in the General Ledger at the time of drawdowns matched the federal funds drawdown. Those records were attached to every drawdown in support of those transactions.

There is no federal requirement to make drawdowns based on fully closed accounting periods as it is not the intent of the "**Minimum Cash on Hand**" requirement. Drawdowns can be done as often as the grantee so requires reimbursement (snapshot in time) based on actual vendor invoices received for federal award expenditures in question or in anticipation (estimated) of expenditures within a 10 day window period. It was the Grantee's long standing practice not to draw federal funds based on future estimates or based on vendor invoices relating to prior periods that may have been in transit at the time of drawdown or estimates of final monthly allocations at end of each month. Therefore, the auditors' understanding that drawdowns must be based on fully closed accounting periods is not in line with the intent of the federal requirements. Further, the requirements even allow drawdown based on estimates. If that is the case, the actual GL will never agree to drawdowns. The requirement is that such estimates approximate the expenditures incurred.

The Grantee respectfully requests the Auditors remove this finding/recommendation as the Grantee complied with the "**Minimum Cash on Hand**" requirement per OJP Financial Guide and OMB A-110.

I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20 OF DRAFT AUDIT REPORT

Recommendation 3: *“Require that Best Friends Foundation to develop and implement procedures that ensure the accuracy of time tracking, especially with respect to adjustments made to employees' timesheets.”*

Auditors' Observation: The OIG's auditors noted *“the Grantee could generally supply the corresponding payroll journal, labor distribution worksheet, and timesheet supporting the charge to the grant. However, 2 of the 10 transactions were reclassifications entries and not typical semi-monthly payroll charges (P.7).”* The auditors stated that the Grantee provided summaries of the original labor distribution and summaries of the revised labor distribution, but that the Grantee failed to provide timesheets supporting the corrections for the 2 reclassifications in question. Actually, with respect to **Exception 1** (JE#460 dated 3/31/08) (See Recommendation 4: **Attachment 13**), on page 10 of their report the auditors note that the Grantee *“did not supply timesheets supporting this correction or provide an explanation as to how 6 employees could make timesheet errors for 8 months without management being aware of problem or how the accountant deciphered the problem. Further, Best Friends supplied additional documentation that showed the grantee was reclassifying labor from a Donor Dinner – a fundraising event – to various federal grants, including the DOJ we are auditing.”* As to **Exception 2** (JE#1083 dated 7/30/2009) (See Recommendation 5: **Attachment 16**), on page 11 of the auditors' report, they noted that the they were unable to validate the grantee's reclassification.

Criteria: The OJP Financial Guide states: *“**Support of Salaries, Wages, and Fringe Benefits.** Charges made to Federal awards for personal services (including, but not limited to salaries, wages, and fringe benefits), whether treated as direct or indirect costs, will be based on payrolls documented in accordance with the generally accepted practice of the organization and be approved by a responsible official(s) of the organization... **Two or More Federal Grant Programs.** Where salaries apply to the execution of two or more grant programs, cost activities, project periods, and/or overlapping periods, proration of costs to each activity must be made based on time and/or effort reports. These reports should: reflect an after-the-fact distribution of the actual activity of each employee; account for the total activity of each employee; be prepared at least monthly; coincide with one or more pay periods; and be signed by the employee. These reports should also be reviewed and approved on a regular basis by a supervisory official having first-hand knowledge of the work performed. The approving official should document the review and approval by signing or initialing each employee's time and/or effort report.*

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
OF DRAFT AUDIT REPORT**

Recommendation 3 (continued):

Questioned costs: None

Grantee's Response: The Grantee disagrees with the auditors' observation and recommendations. Auditors' recommendations 3, 4 and 5 are related. Therefore, we will respond in this section to Recommendation 3, and our response to Recommendation 4 and 5 follows below. Collectively, our response to these 3 recommendations and observations will prove that there is no merit for these recommendations and observations and accordingly, they should be removed from the Auditor's report.

With respect to **Recommendation 3**, as the result of an HHS visit in 2007, the Grantee hired the services of a CPA firm to help strengthen its internal controls (**Attachment 8**). The hired CPA consultant noted in her report dated 1/25/08 in a memorandum to the Grantee's management team her progress over several areas, as follows:

- Contract negotiations
- Review of time allocation
- Grant reports
- Operating budget
- Replication sites
- Inventory
- Drawdowns
- PO system
- Cash flow monitoring
- Audit
- Adjustment to accounts
- Health insurance
- Non-exempt employees
- Concerns (Staff salaries, spending to budget, exit strategy, priorities)

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
OF DRAFT AUDIT REPORT**

Recommendation 3 (continued):

With respect to **exception 1** noted by the Auditors, the CPA consultant from the same firm, in a memo dated 4/4/2008 (**Attachment 9**), conducted an internal audit of employee timesheets for FY08, covering the period August 2007 to March 2008. That internal audit revealed inaccurate timekeeping for some employees. The CPA consultant reported that "*Employees were unclear on how to account for their time and therefore were forcing hours to certain percentages and/or recording legitimate grant activities to non-grant categories [“program unrestricted”].*

As it is noted in the referenced **Attachment 9**, the CPA consultant reported: "*Timesheets were corrected for the fiscal year and then were signed by the employee and supervisor. Calendars, event schedules, and other planning papers were used to document the new time recording, and the time allocation was adjusted on the books in separate journal entries. Employees were advised to record their time based on their actual activities for the period, as is prescribed by federal regulation, and finance will do a third layer of review when timesheets are submitted.*" (**Attachment 10**).

The journal entry in question (exception 1, p.10 of Auditors' Report) is the retro-active adjustment as the result of the internal audit performed by the CPA consultant that was dated 3/31/08, JE #460 that covered the period October 2007 – March 2008 (total charges to OJJDP Grant of \$10,432.16 were questioned by the Auditors in the "**Recommendation 4**" that follows.

Although the Grantee cannot locate the revised timesheets, the CPA consultant states in **Attachment 9** and quoted above that the timesheets were corrected and signed by the employees and supervisors. The work of the CPA consultant was very thorough as documented in **Attachments 11 and 12**. **Attachment 11** summarizes the labor charges based on the original timesheets and the labor based on the revised timesheets and such analysis reflects the adjustment effect. The CPA consultant included the original labor allocation. The CPA consultant went further and in **Attachment 12** she summarized by hours and by dollars each and every employee that affected the labor re-allocation. The CPA consultant included the accounting system entry at the end of **Attachment 12**.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 3 (continued):

With respect to **Exception 2** (p.11 of Auditors' Report), related to JE#1083, dated 7/30/09 totaling charges of \$4,953.77 (**Attachment 16**), the Auditors' were *"unable to validate the grantee's reclassification entry to supporting documentation. For each pay period the grantee provided two signed and approved timesheets for the employee. We could not determine which of the two signed and approved timesheets reflected the actual hours worked and which reflected time recorded due to budget constraints. Neither timesheet was marked as a correction to a prior timesheet."* As it will be shown on **Recommendation 5**, the Grantee properly documented the rationale and provided the support for the adjustment related to the Auditors' **Exception 2**.

In summary, with respect to Recommendation 3, **the Grantee respectfully requests that the Auditors' report be modified to remove Recommendation 3.** As to **Exception 1**, Based on the Memorandum of the CPA consultant per **Attachment 9**, the adjustment was supported by a thorough and detailed analysis on the other referenced attachments above. Additionally, by hiring the CPA firm to help the Grantee strengthen and correct its internal control system, the Grantee made the adjustment in question as a result of that expert advice and was responsive to the HHS interim review that noted certain issues. Furthermore, that although the revised timesheets can't be located due to continuous finance personnel turnover, moving offices from one location to another, since that time, the CPA consultant confirms in the 1/25/08 memo the work being conducted to address internal control matters (**Attachment 8**) and in **Attachment 9** she reported that **the timesheets in question were revised and signed by employees and the respective supervisors.**

With respect to **Exception 2**, that adjustment was the result of retroactive adjustment made due to incorrect posting to periods falling out of CBAE grant period. The Grantee was recording programmatic expenditures to the General Program/other (i.e., program used for valid program expenditures funded with Grantee's own unrestricted funds or private support). There was a change in Director of Finance in summer of 2008 but he lacked the understanding of the grant periods and allowed posting for CBAE grant charges for labor activity for August and September 2008. During closing of the Grantee's fiscal year, the finance staff realized that an adjustment needed to be made and proceeded to make the proper adjustment based on revised timesheets which the auditors acknowledge on p. 11 were provided.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 4: *“Remedy \$10,432 in unallowed and unsupported questioned personnel costs related to a donor dinner.”*

Auditors' Observation: The auditors stated that the Grantee provided summaries of the original labor distribution and summaries of the revised labor distribution, but that the Grantee failed to provide timesheets supporting the corrections for the 2 reclassifications in question. The \$10,432 relates to **Exception 1** (JE#460 dated 3/31/08, **Attachment 13**), on page 10 of the Auditor's report. The Auditors note that the Grantee *“did not supply timesheets supporting this correction or provide an explanation as to how 6 employees could make timesheet errors for 8 months without management being aware of problem or how the accountant deciphered the problem. Further, Best Friends supplied additional documentation that showed the grantee was reclassifying labor from a Donor Dinner – a fundraising event – to various federal grants, including the DOJ we are auditing.”*

Criteria: The OJP Financial Guide states: *“Support of Salaries, Wages, and Fringe Benefits. Charges made to Federal awards (See full description on Criteria for Recommendation 3).”*

Questioned costs: \$10,432

Grantee's Response: The Grantee disagrees with the auditors' observation and recommendation. With respect to exception 1 noted by the Auditors, the CPA consultant (see **Recommendation 3, Grantee's response for reasons the CPA Consultant was engaged**) in a memo dated 4/4/2008 (**Attachment 9**), she conducted an internal audit of employee timesheets for FY08, covering the period August 2007 to March 2008. That internal audit revealed inaccurate timekeeping for some employees. The CPA consultant reported that *“Employees were unclear on how to account for their time and therefore were forcing hours to certain percentages and/or recording legitimate grant activities to non-grant categories [“program unrestricted”].”*

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 4 (continued):

As it is noted in the referenced attachment, the CPA consultant reported: *"Timesheets were corrected for the fiscal year and then were signed by the employee and supervisor. Calendars, event schedules, and other planning papers were used to document the new time recording, and the time allocation was adjusted on the books in separate journal entries. Employees were advised to record their time based on their actual activities for the period, as is prescribed by federal regulation, and finance will do a third layer of review when timesheets are submitted."*

A close analysis of the retro-adjustment made by the CPA consultant reveals that the adjustment made was a reclassification of expenditures mainly from the "General Program" to the various federal awards and also to non-federal activities. It would appear at a simple glance that the adjustment in question was a reclassification of Donor Dinner to federal awards. That was not the case.

A further analysis of the 3/31/08 retroactive adjustment denotes only two employees reflecting a credit apparently related to donor dinner and fundraising, namely, [REDACTED] and [REDACTED]. The adjusting entry shows a credit of \$2,924.15 for [REDACTED], and a credit for \$152.32 for [REDACTED]. We will discuss only [REDACTED] as it is the largest grant related charge.

If we examine [REDACTED] timesheets for the period 10/15/07 to 3/31/08, based on the original timesheets (**Attachment 14**), she charged Donor Dinner time only for the periods March 15, 2008 and March 31, 2008. The original labor distribution for that entire period also reflects charges to Donor Dinner for March 15, 2008 and March 31, 2008. The revised adjustment based on the work performed by the CPA consultant reflects that both original and revised amounts charged for Donor Dinner for [REDACTED] remained unchanged (**Attachment 15**) for March 15 and March 31 of 2008. Therefore, it is very clear that none of the cumulative adjusted amounts charged to various federal grants related to reclassifications from Donor Dinner to federal activities.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20 OF
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Recommendation 4 (continued):

The entire cumulative amount as reflected in the revised analysis adjustment for [REDACTED] should have been as follows:

HM y2	\$4,773.95 DR
OJJDP: Year 1	\$4,149.40 DR
General Program	(\$8,923.35)CR*

*Inexplicably, the CPA consultant split the total credit that should have come out of the General Program as follows: Fundraising – donor dinner \$2,934.15CR and General Program \$6,059.91CR which total \$8,994.06. The CPA consultant had a \$70.71 difference which should have been zero, but it appears that because such difference was so small, she decided to record it against Admin.

Based on the overwhelming evidence as referenced in attachments to **Recommendation 3 and 4**, the Grantee respectfully requests that the Auditors' Report be modified to remove **Recommendation 4**.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 5: *“Remedy \$4,954 in unsupported questioned personnel costs related to CBAE.”*

Auditors' Observation: The Auditors' were *“unable to validate the grantee's reclassification entry to supporting documentation. This is **Exception 2** (p.11 of Auditors' Report), related to JE#1083, dated 7/30/09 totaling charges of \$4,953.77 (**Attachment 16**). The auditors state that *“for each pay period the grantee provided two signed and approved timesheets for the employee. We could not determine which of the two signed and approved timesheets reflected the actual hours worked and which reflected time recorded due to budget constraints. Neither timesheet was marked as a correction to a prior timesheet.”**

Criteria: The OJP Financial Guide states: *“**Support of Salaries, Wages, and Fringe Benefits.** Charges made to Federal awards (See full description on Criteria for Recommendation 3).*

Questioned costs: \$4,954

Grantee's Response: The Grantee disagrees with the auditors' observation and recommendation. During fall of 2008, the Grantee underwent another transition in Director of Finance. The new Director of Finance took time to catch up. During the closing of the Grantee's fiscal year which is 7/31/09, it was discovered that staff had charged time incorrectly to the CBAE grant for the months of August and September 2008. The CBAE grant period was effective September 30, 2008 to September 29, 2009 (**Attachment 17**). Therefore, an adjustment was made after a thorough revision of timesheets for the periods August and September 2008 (**Attachment 18**). In effect, the labor hours miscoded to the CBAE grant were removed and properly re-allocated to federal and non-federal projects.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 5 (continued):

As noted in the Labor Distribution for the period in question (**Attachment 18**), the hours written in hand note the original hours charged to each project, and the hours printed represent the revised hours based on the corrected timesheets. The auditors were provided two sets of timesheets, as the Auditors report on p.11: 1) noting the original hours charged to projects and 2) the revised hours charged to projects. The adjusting entry #1083 (**Attachment 19**) prepared by a finance assistant and approved by the Director of Finance clearly show the booking of the new charges and reversal of the original charges for the periods in question. As also can be noted in a printout of the accounting system journal entry #1083 (**Attachment 16**), and analyzing only the amounts charged and reversed for all OJJDP project charges, one can notice the “debit corresponding” to the new charges and the “credits” noting the reversal of the incorrectly recorded original charges. Further, if one looks at the Labor Distribution (**Attachment 18**) for [REDACTED] and adds up all charges for the period in question, we note the following:

	8/15/08: \$ 1,187.50
	8/31/08: \$ 877.39
	9/15/08: \$ 1,064.32
	9/30/08: \$ 1,622.92
Total	\$4,752.13 (off \$0.01 from entry due to rounding JE)

In summary, the purpose of the entry was to reverse charges to the CBAE grant originally booked in periods outside the CBAE grant. The adjustment had nothing to do as the Auditors mention with “budget constraints.” The adjustment was reasonable and necessary and it did result in additional charges to the OJJDP grant of \$4,953.77. Had the correction not been made, the CBAE grant would have been over charged outside the grant period. As documented in original timesheets and revised timesheets which can be traced to the labor distribution on **Attachment 18**, the adjustment was properly documented by the Grantee's finance personnel and signed by both the preparer and approved by the Director of Finance.

The Grantee respectfully requests that the Auditors' Report be modified and **Recommendation 5** be removed as the Grantee staff properly documented the adjustment in question.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 6: *“Remedy \$3,877 in unallowed consultant costs related to fundraising.”*

Auditors' Observation: The Auditors' noted that the Grantee *“charged to the grant a contractor's direct salary and associated fringe benefits. The Auditors also reviewed the contractor's agreement with the Grantee and concluded that all of the activities noted in the contractor's agreement were more in line with fundraising than the purpose of the DOJ award (p.12).”* The auditors questioned the consultant's time to the DOJ award for the period May 1, 2008 through July 31, 2008.

Criteria: The OJP Financial Guide states: *“costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements.”*

Questioned costs: \$3,877

Grantee's Response: The Grantee agrees with the auditors' observation that there was a misclassification of consultant labor and related benefits. However, this was due to an isolated instance as the consultant in question was a former employee. However, the Grantee does not agree with the Auditors recommendation that the consultant costs should be disallowed because they were fundraising costs.

The costs in questions should be viewed from three different perspectives. First, there should be recognition that the consultant was an employee for the period from March 10, 2008 to April 30, 2008. During that period, the employee performed programmatic activities for federal awards (including OJJDP project), administration, and fundraising as documented in the Labor Distributions and timesheets for the period of employment (**Attachment 20**).

Second, on May 6, 2008, the Grantee entered into an agreement with the former employee as a consultant effective from May 1, 2008 to July 31, 2008 (**Attachment 21**). Under the “scope of services,” as described in the consulting agreement, the consultant was to serve as “Community Outreach Director” for the grantee. “Attachment A” of the agreement outlined the services the consultant was to perform and the time-frames.

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Recommendation 6 (continued):

Third, the fact is that the consultant despite being hired to perform additional development activities, as Community Outreach Director, in fact, she continued to work as she had done when she was an employee. Community Outreach entails working with Diamond Girl program activities, Curriculum, Health is Happiness/Health is Fitness, OJJDP award activities. Although the consultant did not submit invoices breaking down her activities, finance did track the amounts for the project based on communications with consultant (**Attachment 22**). Further evidence that the consultant was not performing as agreed in the consulting agreement is an email from the Grantee's President & Founder, (**Attachment 23**). That email, dated June 11, 2008 clearly notes that basically no effort had been done by the consultant in performance of the deliverables but that she was in fact performing programmatic activities, activities performed when she was an employee. Note that the charges questioned by the Auditors are for the periods: May 15, 2008; May 30, 2008, June 15, 2008, all totaling \$3,126. The other small charges dated June 20, 2008 were corrections actually reducing amounts previously charged March/April 2008 OJJDP project.

In summary, although the intent of the Grantee was for the consultant to perform additional development activities, she did not succeed in getting that effort off the ground but instead helped perform OJJDP grant related activities as she had done before as evidenced by documented time records during her employment period.

For the reasons stated above, the Grantee respectfully requests that the Auditors' Report be modified to allow the charges as being reasonable and necessary to grant activities efforts as documented in the Labor Distribution reports and thus remove **Recommendation 6**.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 7: *“Remedy \$16,498 in unsupported fringe benefit costs.”*

Auditors' Observation: The Auditors' noted that the Grantee complied with the application of the fringe benefit rates as approved by DHHS. However, the Auditors *“questioned \$16,498 of fringe benefits due to questioned direct salaries and the application of the approved fringe rates (p.13).”*

Criteria: The OJP Financial Guide states: *“costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements.”*

Questioned costs: \$16,498

Grantee's Response: The Grantee disagrees with the Auditors' Recommendation and Observation. The Grantee does not agree with the direct salaries questioned by the Auditors, with the exception of consultant charges of \$3,877. The Auditors are comparing actual fringe benefits posted to the OJJDP project with provisional rates not yet finalized with DHHS. In fact that comparison is not valid as the Grantee billed at time of drawdowns based on the provisional rates. In fact, in total, General Ledger actual costs posted for the period of the grant exceeded the federal funding by \$56,614.72 (**Attachment 24**). See page 5 of 5 of the referenced attachment.

As reflected in the referenced attachment, total GL expenses incurred were \$1,180,614.72 versus \$1,124,000 total OJJDP award funding received, resulting in a deficit paid by the Grantee of \$56,614.72. Therefore, the Auditors should take in consideration that the Grantee incurred more expenditures in performing the activities of the OJJDP award. If the provisional rates were applied to the labor incurred for the period of the grant, total expenses per the GL will still be higher than funding received from the OJJDP award. Furthermore, as noted in **Attachment 24** footnotes, the Grantee incurred General Program costs of \$199,652.44 (**Attachment 25**) for the execution of its programs, The General Program is funded by the Grantee from private or unrestricted and are expenditures directly related to programmatic activities.

The Grantee respectfully request that costs incurred in excess of federal funding be considered and modify the Auditors' Report to remove **Recommendation 7**.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 8: *“Remedy \$3,587 in unallowable costs related to donor dinner.”*

Auditors' Observation: The Auditors' questioned as unallowable three transactions totaling \$3,587 incurred for a fundraising event – a Donor Dinner event (p.14).

Criteria: The OJP Financial Guide states: *“costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements.”*

Questioned costs: \$3,587

Grantee's Response: The Grantee disagrees with the Auditors' Recommendation and Observation. The Donor Dinner is also a Community Outreach event attended by students, parents, student coordinators, DCPS Principals, and guests from the community, all who do not pay or contribute to the event (**Attachment 26**). The Donor Dinner is not (as the name may suggest) a fundraiser alone. Items purchased in connection with student activities at the event may be reused for student related events. Therefore, simply because costs are incurred in connection with student activities at the donor dinner/community outreach event should not be disallowed. The Grantee has a process in place to identify and classify those costs that are strictly directly related to the donor dinner, and such costs are not charged to federal awards.

The Grantee respectfully requests the Auditors' Report be modified to remove **Recommendation 8**.

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Recommendation 9: *“Remedy \$12,911 in unsupported transactions that were missing either supporting documentation or invoices.”*

Auditors' Observation: The Auditors' questioned as unsupported the following transactions totaling \$12,911 (p.16):

- 1) 1/08/09: \$120 – part of invoice is unsupported
- 2) 7/31/08: \$9,386 – missing invoice
- 3) 3/23/09: \$2,955 – missing invoice
- 4) 1/13/09: \$450 – missing support for the unit price

Criteria: The OJP Financial Guide states: *“costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements.”*

Questioned costs: \$12,911

Grantee's Response: The Grantee is providing support for items 2, 3 and 4 above (**Attachment 27**). Item 2 is an adjustment to inventory related to orders fulfilled to the Replication Sites. The analysis listing all orders is included and we are providing a sample of the warehouse charges noted in the orders. The Grantee disagrees with the auditor as to item 1 as although an additional stipend was paid, the payment was necessary and reasonable for program effort. Such disbursement was approved by the Replication Site, the Program Director, and the Director of Finance.

The Grantee respectfully requests the Auditors' Report be modified to remove items supported for **Recommendation 9**. As noted in **Attachment 25**, the Grantee spent over \$256,000 to perform under OJJDP/other awards from its own unrestricted and private support. The Grantee believes that it has the right to offset items questioned above. The final recommendation should be that the Grantee enhance procedures to ensure that vendor files be reviewed on a periodic basis to ensure that all supporting documents for disbursements are properly filed and accounted.

Corrective Action Plan: The Grantee has procedures in place to ensure that supporting documentation for disbursements is filed and kept in an organized filing system. However, procedures will be implemented to review vendor files at least quarterly to ensure proper filing of supporting documents for disbursements.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 10: *“Remedy \$63,964 in unsupported allocations.”*

Auditors' Observation: The Auditors' questioned as unsupported the following transactions totaling \$63,964 (p.16):

- 1) 2/14/08: \$10,894 – unsupported allocation of expense
- 2) 7/31/09: \$13,194 – unclear as to how expense is calculated
- 3) 4/29/09: \$6,400 – unsupported allocation of expense
- 4) 9/10/08: \$17,550 – unsupported allocation of expense
- 5) 3/31/09: \$214 – no description of services/unsupported allocation
- 6) 11/20/07: \$6,701 – unsupported allocation of expense
- 7) 11/25/08: \$671 – unsupported allocation of expense
- 8) 09/07/08: \$540 – unsupported allocation of expense
- 9) 09/21/09: \$7,800 – unsupported allocation of expense

Criteria: The OJP Financial Guide states: *“costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements.”*

RECIPIENT AND SUBRECIPIENT ACCOUNTING RESPONSIBILITIES, among other:

1. **Reviewing Financial Operations.** Direct recipients should be familiar with, and periodically monitor, their subrecipients' financial operations, records, systems, and procedures. Particular attention should be directed to the maintenance of current financial data.
2. **Recording Financial Activities.** The subrecipient's award or contract obligation, as well as cash advances and other financial activities, should be recorded in the books of the recipient in summary form. Subrecipient expenditures should be recorded on the books of the recipient or evidenced by report forms duly filed by the subrecipient.

Questioned costs: \$63,964

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 10 (Continued):

Grantee's Response: The Grantee respectfully disagrees with Auditor's Recommendation and Observations for all questioned items above. Response or documentation for each of the questioned items as follows:

- Item #1: \$10,894 (**Attachment 28**). As noted in the attachment, finance sought guidance from the Grantee's President & Founder as to payments for the Best Men Coordinator for the Milwaukee Replication Site. Allocations to replication sites were in the approved OJP audit for Milwaukee. At that time, the Salaries for the Best Men Coordinator were approved under the OJJDP award and under the Healthy Marriage award from DHHS. Although a process had not been put in place to request separate billings for each award reflecting the effort of the Best Men Coordinator (separate billings were later implemented), it is the recollection of the President & Founder that she was in constant communication with the Milwaukee Best Men Coordinator and his supervisor and the determination for the split between the two grants was the result of those conversations. The Interoffice Memorandum from finance is clear that there was an attempt to obtain guidance as to the allocation of the costs. The memorandum dated 4/28/08 reflects as of that time the Best Men Coordinator salaries were \$28,894.05 which was split \$18,000 to the Healthy Marriage award, and \$10, 894.05. The \$10,894.05 allocation to OJJDP award was made out of an invoice dated February 14, 2008 totaling \$18,614.13, with the remaining balance allocated to the Healthy Marriage award. That invoice was for the period November 2007, December 2007, and January 2008. The invoice was approved by the Grantee National Program Director, reviewed by finance, and is for services activities in the OJJDP award related to the Milwaukee replication site.

The Milwaukee Replication site is a sub-recipient and as stated in the criteria noted above, "...Sub-recipient expenditures should be recorded on the books of the recipient or evidenced by report forms duly filed by the sub-recipient." The costs were reasonable and necessary for the award objectives.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 10 (Continued):

Item #2: \$13,194 (**Attachment 29**). These charges were for an invoice dated 7/25/09 for the Best Men Coordinator, Milwaukee Replication site for OJJDP activities. The Grantee had approved an allocation for the Best Men Coordinator Position totaling \$42,763. Detail of transaction ledgers were provided to the auditors and a break-down of the \$13,194 was also provided and enclosed again.

The Milwaukee Replication site is a sub-recipient and as stated in the criteria noted above, "...Subrecipient expenditures should be recorded on the books of the recipient or evidenced by report forms duly filed by the sub-recipient." The costs were reasonable and necessary for the award objectives.

Item #3: \$6,400 (**Attachment 30**). Amount charged approved by Director of Programs, Director of Finance and reasonable for program effort.

Item #4: \$17,550 (**Attachment 31**). The National Youth Summit is an event-wide activity budgeted to be funded by two federal awards: OJJDP and Healthy Marriage. The OJJDP budget per budget modification was as follows:

• Lodging for 40 students, 6 chaperones for 3 nights	\$10,560
• Meals and snacks for 154 students,	\$ 4,608
TOTAL Budget	\$15,168
Total actual lodging/meals allocated	\$17,550.32
<i>Variance</i>	\$2,382.32

Note:

- Number of actual students staying overnight =42 (attached list)
- Number of Chaperones staying overnight =18
(previously provided to Auditors attached list)
- Number of Diamond Girls attending, not staying at hotel = 25
(attached list previously provided to Auditors)
- Number of Best Men attending, not staying at hotel = 20
(attached list, previously provided to Auditors)
- Honorable guests and BFF program staff =30
- Total attendance = 135

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Recommendation 10 (Continued):

Item #5: \$214 - Amount charged approved by Director of Programs, Director of Finance and reasonable for program effort.

Item #6: \$6,701 (**Attachment 32**)- Amount charged as determined on effort by a consultant hired to implement enhance controls in order to account for federal award activities properly. The Costs were reasonable and necessary.

Item #7: \$671 - Amount charged approved by Director of Programs, Director of Finance and reasonable for program effort.

Item #8: \$540 - Amount charged approved by Director of Programs, Director of Finance and reasonable for program effort.

Item #9: \$7,800 (**Attachment 33**)- This amount was an "allocation" related to invoice # 17254, dated 9/21/09 received from Milwaukee Replication Site, a Sub-recipient. The total of \$7,800 was incorrectly recorded as "transportation expense" in the Grantee's accounting system. The reason being that the accountant tried to sort out from cumulative totals of reports attached to the Sub-recipient invoice. As noted under "Criteria" for Sub-recipients, financial information can be entered in the recipient's accounting records from reports (summary). That is, detailed break-down is not required. Therefore, the charges as billed from the sub-recipient were reasonable for the effort, supported by summary reports as shown in the **attachment 33**, and the Grantee limited the expenditures to total funding approved as shown in the documentation.

Corrective Action Plan: The Grantee has procedures in place to ensure proper recording of transactions in the accounting system. Such transactions must be supported documentation after approval from program directors, and review of finance personnel. There is a process to allocate expenditures among various federal and non-federal grants and the organization will remain vigilant to fairly allocate, as done in practice, according to federal regulations. As it is inherent in any accounting system, errors in recording of transactions do occur and the Grantee strives and will continue to minimize such errors.

**I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20
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Recommendation 11: *"Remedy \$32,244 in unsupported reclassifications."*

Auditors' Observation: The Auditors' questioned as reclassifications between OJJDP and Healthy Marriage federal award totaling \$32,244.

Criteria: The OJP Financial Guide states: *"costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements."*

Questioned costs: \$32,244

Grantee's Response: The Grantee disagrees with the Auditors' Recommendation and Observation. Although the Grantee was carrying out the activities outlined in the OJJDP grant, the funding authorization arrived in late November. OJJDP funds were not released until January as a revised budget was requested. The work for the grant was done in the OJJDP schools starting October 1st. See (**Attachment 34**) Staff had over allocated programmatic expenditures to the Healthy Marriage grant. Once funding was authorized for OJJDP, a re-classification of expenses to OJJDP was made. The re-allocation of expenditures was made on a thorough analysis of the expense. Had this adjustment not been made, another federal grant would have been over-burdened.

The Grantee respectfully requests the Auditors' Report be modified to remove **Recommendation 11**.

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Recommendation 12: *“Remedy \$12,795 in unsupported consulting costs.”*

Auditors' Observation: The Auditors' questioned a payment to an OJJDP award Sub-recipient for stipends paid to the Coordinators of the Martinsville Replication Site program.

Criteria: The OJP Financial Guide states: *“costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements.”*

**RECIPIENT AND SUBRECIPIENT ACCOUNTING RESPONSIBILITIES,
among other:**

1. **Reviewing Financial Operations.** Direct recipients should be familiar with, and periodically monitor, their subrecipients' financial operations, records, systems, and procedures. Particular attention should be directed to the maintenance of current financial data.
2. **Recording Financial Activities.** The subrecipient's award or contract obligation, as well as cash advances and other financial activities, should be recorded in the books of the recipient in summary form. Subrecipient expenditures should be recorded on the books of the recipient or evidenced by report forms duly filed by the subrecipient.

Questioned costs: \$12,795

Grantee's Response: The Grantee disagrees with the Auditors' Recommendation and Observation. As documented in **Attachment 35**, the payments to the Sub-recipient are well documented. The invoices from the Sub-recipient are in accordance with OJP Financial Guide noted in the above Criteria for Sub-recipients. Further, those payments were for budgeted stipends of \$13,300 clearly outlined for the Martinsville Replication site. We have included in the referenced attachment, the replication site agreement which list the responsibilities of the Replication Site School Coordinators, as listed in the licensing agreements and the Best Friends Program Guide distributed in the national training conference. The costs incurred were reasonable and necessary in the performance of the award.

The Grantee respectfully requests the Auditors' Report be modified to remove **Recommendation 12**.

I. – RESPONSE TO AUDITORS' RECOMMENDATIONS FOUND ON PAGE 20 OF DRAFT AUDIT REPORT

Recommendation 13: *"Remedy \$34,102 in unsupported indirect costs."*

Auditors' Observation: The Auditors' questioned charged indirect costs as the result of questioned direct costs per recommendations #4 through 12."

Criteria: The OJP Financial Guide states: *"costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements."*

Questioned costs: \$34,102

Grantee's Response: The Grantee disagrees with the Auditors' Recommendation and Observation for all questioned costs and has provided additional documentation and explanations in support of the Grantee's position. Additionally, the Grantee incurred over \$56,000 in expenditures related to the OJJDP award and another \$199,000 just for the General Program alone that benefitted the OJJDP award efforts as well as other grants in support of the Grantee's programs.

The Grantee respectfully requests the Auditors' Report be modified to remove **Recommendation 13.**

II. – PERSPECTIVE INFORMATION

We would like to emphasize that the Grantee has made significant investments out of its own funds in programs funded with federal funds as reflected in audited financial statements, as follows (**Attachment 36**):

2009-2008: Total program expenditures were \$2,026,966 vs. \$1,701,928 federal funding. For the year

2008-2007, program expenditures were \$2,004,504 vs. \$1,455,301 federal funding.

APPENDIX IV

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

March 17, 2011

MEMORANDUM TO: Troy M. Meyer
Regional Audit Manager
Office of the Inspector General
Washington Regional Audit Office

FROM: /s/
Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs,
Office of Juvenile Justice and Delinquency Prevention Grant
Awarded to Best Friends Foundation, Washington, DC*

This memorandum is in response to your correspondence, dated February 15, 2011, transmitting the subject draft audit report for the Best Friends Foundation (Best Friends). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **13** recommendations and **\$195,364** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP require Best Friends to develop and implement written policies and procedures for locking the accounting periods and reconciling Federal Financial Reports (FFRs) to the general ledger.**

We agree with the recommendation. We will coordinate with Best Friends to obtain a copy of procedures developed and implemented to ensure that its accounting system is locked after each accounting period, a reconciliation is prepared of the quarterly Federal Financial Reports to the general ledger, and the supporting documentation is maintained for future auditing purposes.

- 2. We recommend that OJP require that Best Friends develop and implement procedures for reconciling drawdown requests to its general ledger.**

We agree with the recommendation. We will coordinate with Best Friends to obtain a copy of procedures developed and implemented to ensure that drawdown requests are based on actual expenditures, and are reconciled to the general ledger each month.

- 3. We recommend that OJP require Best Friends to develop and implement procedures that ensure the accuracy of time tracking, especially with respect to adjustments made to employees' timesheets.**

We agree with the recommendation. We will coordinate with Best Friends to obtain a copy of procedures developed and implemented to ensure that employees' timesheets reflect actual time worked on Federal grants, and adjustments are timely recorded and approved by management.

- 4. We recommend that OJP remedy the \$10,432 in unallowed and unsupported questioned personnel costs related to a donor dinner.**

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$10,432 in questioned costs related to a donor dinner that were charged to grant number 2007-JL-FX-0051. If the costs are determined to be unallowable or adequate documentation cannot be provided, we will request that Best Friends return the funds to the U.S. Department of Justice (DOJ), and submit a revised final Federal Financial Report (FFR) for the grant.

- 5. We recommend that OJP remedy the \$4,954 in unsupported questioned personnel costs related to Community Based Abstinence Education (CBAE).**

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$4,954 in unsupported personnel costs, related to Community Based Abstinence Education, that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, we will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

- 6. We recommend that OJP remedy the \$3,877 in unallowed consultant costs related to fundraising.**

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$3,877 in questioned consultant costs that were charged to grant number 2007-JL-FX-0051. If the costs are determined to be unallowable, we will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

- 7. We recommend that OJP remedy the \$16,498 in unsupported fringe benefits costs.**

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$16,498 in unsupported fringe benefits costs that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, we will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

- 8. We recommend that OJP remedy the \$3,587 in unallowable costs related to a donor dinner.**

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$3,587 in questioned costs related to a donor dinner that were charged to grant number 2007-JL-FX-0051. If the costs are determined to be unallowable, we will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

- 9. We recommend that OJP remedy the \$12,911 in unsupported transactions that were missing either supporting documentation or invoices.**

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$12,911 in unsupported costs that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, we will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

- 10. We recommend that OJP remedy the \$63,964 in unsupported allocations.**

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$63,964 in unsupported allocations that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, we will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

- 11. We recommend that OJP remedy the \$32,244 in unsupported reclassifications.**

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$32,244 in unsupported reclassifications expenditures that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, we will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

- 12. We recommend that OJP remedy the \$12,795 in unsupported consulting costs.**

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$12,795 in unsupported consulting costs that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, we will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

13. We recommend that OJP remedy the \$34,102 in unsupported indirect costs.

We agree with the recommendation. We will coordinate with Best Friends to remedy the \$34,102 in unsupported indirect costs that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, we will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

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: Jeffery A. Haley
Deputy Director
Audit and Review Division

Jeffrey W. Slowikowski
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Control Number 20110194

APPENDIX V

OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The OIG provided a draft of this audit report to the Best Friends Foundation and the Office of Justice Programs (OJP). The Best Friends Foundation response is incorporated in Appendix III and OJP's response is incorporated in Appendix IV of this final report. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Analysis of Best Friends Foundation Response

In response to our audit report, OJP concurred with our recommendations and discussed the actions it will implement in response to our findings. However, Best Friends disagreed with our conclusions and recommendations, and provided a 27 page response and over 300 pages of attachments in response to our draft report. While we address Best Friend's comments as they pertain to each recommendation in the Summary of Actions Necessary to Close the Report section of this Appendix, we note that the majority of the attachments had been previously provided during the audit.

In its response, Best Friends requested that we offset some of the questioned costs by amounts expended over and above the amount funded by the DOJ award. Best Friend's request is a method of remedying the questioned cost that OJP may consider. However, it is not evidence that the items questioned were allowable, supported, or allocable to the grant; therefore, the recommendations remain in the report. Prior to offsetting expenses, OJP should validate that these additional expenses were not already included in the DOJ charges, and that the expenses are allowable, supported, and allocable to the grant.

Further, in reviewing Best Friend's response and submitted documentation, we noted that an agreement with one of the replication sites appeared to require the replication site to annually pay \$5,000 in order to participate in the Best Friend's program. This appears to constitute program income; however, we did not note any program income reported on the DOJ award. We recommend OJP investigate this issue and determine if in fact the royalty is program income, if all replication sites were required to pay

the royalty, and if it should be, at least partially, reflected as revenue under the DOJ award.

Summary of Actions Necessary to Close the Report

1. **Resolved.** OJP concurred with our recommendation that Best Friends develop and implement written policies and procedures for locking the accounting periods and reconciling FSRs to the general ledger. OJP stated in its response that it will coordinate with Best Friends to obtain a copy of procedures developed and implemented to ensure that its accounting system is locked after each accounting period, a reconciliation is prepared of the quarterly Federal Financial Reports to the general ledger, and the supporting documentation is maintained for future auditing purposes.

Best Friends does not concur with our assessment that weak accounting procedures allowed personnel to post expenditures to prior months. Best Friends stated in its response that late approvals of federal awards and budget modifications, and accrual of expenditures caused required retroactive adjustments to the general ledger and these retroactive adjustments were the cause of the discrepancies in the FSRs.

According to Best Friends, regardless of whether the system was locked or not, accruals for untimely vendor invoices would have caused the discrepancies in the FSRs. We acknowledge that generally accepted accounting principles require accruals for services received or goods acquired during the period be reflected in the general ledger; for example salaries earned at the end of one month but not paid until the next month. But accruals are recorded at the end of a period before a period is closed. In the general ledger provided during our audit, we did not see transactions identified as accruals or any reversals of accruals. Therefore, if these entries were accruals, they should have been appropriately recorded and then the period locked.

Best Friends also stated the FSRs were accurate as of the date of preparation. However, during our audit, we tested the FSRs using the grantees methodology and general ledger, but were not able to replicate the amounts reflected on the FSRs. We asked Best Friends to reconcile the differences and we were told that the reconciliation was too time consuming. Therefore, we have no basis to determine that the FSRs were accurate since the general ledger did not support the amounts reflected on the FSRs and the grantee did not provide any reconciliation of the general ledger and FSRs.

This recommendation can be closed when we receive evidence that Best Friends has developed and implemented written policies and procedures for locking the accounting periods and reconciling FSRs to the general ledger.

2. **Resolved.** OJP concurred with our recommendation that Best Friends develop and implement procedures for reconciling drawdown requests to its general ledger. OJP stated in its response that it will coordinate with Best Friends to obtain a copy of procedures developed and implemented to ensure that drawdown requests are based on actual expenditures, and are reconciled to the general ledger each month.

Best Friends does not concur with our recommendation and stated in its response that it disagrees with the auditors' interpretation of the minimum cash on hand requirement. Further, the grantee stated that there is no federal requirement to make drawdowns based on fully closed accounting periods, and disagreed with our determination that Best Friends lacked adequate control over the process for requesting drawdowns. Finally, Best Friends stated it provided support for 7 of the 10 drawdowns as an attachment to its response to our draft report. However, as explained below, we could not rely on that support.

Our report does not state or imply that draw downs can only be requested on fully closed accounting periods. Further we neither state that the grantee overdrew funds nor question any costs related to the drawdowns. However, we could not conclude whether the grantee adhered to the minimum cash on hand requirement because we could not discern if the grantee requested draw down funds only for costs that it had already incurred, or for costs to be incurred within the next 10 days. Specifically, since the grantee allowed transactions to be posted to prior periods, we were unable to reconcile individual drawdown requests to the general ledger.

According to 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-profit Organizations* (formerly OMB Circular A-110), Recipients' financial management systems shall provide for:

- accurate, current and complete disclosure of the financial results of each federally-sponsored project or program;
- records that adequately identify the source and application of funds for federally-sponsored activities;

- effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes;
- comparison of outlays with budget amounts for each award;
- written procedures to minimize the time elapsing between the transfer of funds to the recipient and the issuance of payments for program purposes by the recipient; and
- written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

Based on 2 CFR 215, the grantee is required to have records that identify the source and application of funds and have written procedures to minimize the time elapsing between the receipt of funds and the payment of program costs. Therefore we recommend Best Friends develop and implement procedures for reconciling drawdown requests to its general ledger.

In lieu of accurate accounting records, Best Friends offered hardcopy general ledger printouts as support for the individual drawdown requests. However, we could not rely on the general ledger printouts because of noted differences between the hard copy print outs and the general ledger provided during the audit. For example, the hardcopy report supporting the first drawdown identified the period as September 2007 through January 2008 and was dated January 29, 2008. We noted several transactions dated January 31, 2008 in the general ledger that appeared on the report, while other January 31, 2008 entries do not appear on the report. Further, the hard copy report dated January 29, 2008 is missing transactions dated in September, October, November, and December 2007.

Best Friends also stated the reason for the differences we identified is mostly related to accruals for vendor services incurred before the drawdown, but where the invoices were not yet received; retroactive adjustments due to budget modifications; and monthly allocations once the general ledger periods were fully closed. However, Best Friends' explanation does not explain entries that do not appear in the September 2007 – January 2008 hard copy report (dated January 29, 2008), but appear in the general ledger with dates in September, October, November, and December 2007. The grantee does not

explain how budget modifications would cause retroactive adjustments that would cause the differences noted in our review. Further, the grantee is not clear as to what is being referred to when it stated "monthly allocations once general ledger periods were fully closed" and how it would impact the reconciliation of drawdowns to general ledger. However, if the grantee is referring to fringe benefit or indirect cost allocations, according to accrual accounting these entries should be entered in the general ledger before the period is closed.

This recommendation can be closed when we receive evidence that Best Friends has developed and implemented procedures for reconciling drawdown requests to its general ledger.

3. **Resolved.** OJP concurred with our recommendation that Best Friends develop and implement procedures that ensure the accuracy of time tracking, especially with respect to adjustments made to employees' timesheets. OJP stated in its response that it will coordinate with Best Friends to obtain a copy of procedures developed and implemented to ensure that employees' timesheets reflect actual time worked on federal grants, and adjustments are timely recorded and approved by management.

Best Friends does not concur with this recommendation. Best Friends stated in its response that it hired the services of a CPA firm (consultant) to help strengthen its internal controls, but it does not address why additional procedures are not needed. We believe additional procedures are required based on the following:

- The 2008 single audit report noted that original timesheets were misplaced.
- In Best Friends' response to the audit it indicates it cannot provide timesheets supporting the reclassification entries.
- The 2008 Single audit recommended management enforce procedures that labor allocations agree with the actual timesheet of employees and such timesheets are signed by the employee and approved by the respective supervisor. Timesheet coding and labor allocation for each employee should agree, and if any change is made, the change should be documented and authorized.

- The grantee's consultant states in her April 4, 2008, memorandum that employees were unclear on how to account for time and therefore were forcing hours to certain percentages and recording legitimate grant activities to non-grant categories.

The consultant estimated time charges using calendars, event schedules and other planning papers as the basis for revising the timesheets. This method neither seems precise nor reasonable to base 8 months of timesheet revisions. We were not provided with adequate documentation of after-the-fact determinations of the actual activity of each employee, as required by 2 CFR 230. The imprecise nature of the method used to allocate these personnel costs is demonstrated by [REDACTED] timesheet revisions which were based on a calendar. The consultant, using a calendar, determined which days the employee visited schools and recorded 2 hours to a grant for each visit; the remainder of the employee's time was evenly divided among 3 grants. However, for October 2007 no calendar was available so the consultant used November to estimate October's time charges. This method of allocating labor costs is not in line with 2 CFR 230 which requires after the fact determinations of actual activity each employee spends on the grant program.

This recommendation can be closed when Best Friends develops and implements procedures that ensure the accuracy of time tracking, especially with respect to adjustments made to employees' timesheets.

4. **Resolved.** OJP concurred with our recommendation to remedy the \$10,432 in unallowed and unsupported questioned personnel costs related to a donor dinner. The OJP stated in its response that it will coordinate with Best Friends to remedy the \$10,432 in questioned costs related to a donor dinner that were charged to grant number 2007-JL-FX-0051. If the costs are determined to be unallowable or adequate documentation cannot be provided, OJP will request that Best Friends return the funds to the U.S. Department of Justice (DOJ), and submit a revised final Federal Financial Report (FFR) for the grant.

Best Friends does not concur with our recommendation. Best Friends stated in its response that the reallocation was from General Program to the various federal awards, and not from the Donor Dinner. However, during the audit, we performed a thorough review of the documentation – not a quick glance as implied by the grantee. As part of our transaction testing, we requested and received documentation concerning the labor charge of \$4,190.40. In response to this request,

the \$4,190.40 charge was part of a larger journal entry that reclassified \$10,432 to the DOJ award. During our audit, Best Friends supplied the following in support of the \$4,190.40 transaction:

Best Friends Foundation Labor Distribution	
Total adjustment for [REDACTED]	
Labor Dollar Distribution	
DOE	\$0
Healthy Marriage	\$4,773.95
OJJDP	\$4,149.40
Donor Dinner	\$(8,994.06)
Total	(70.71)

Additionally, during the audit, Best Friends provided a labor distribution report entitled *Total amount adjustment for [REDACTED]*. The adjusted labor distribution shows that the credit is being attributed to the Donor Dinner - not to the General Program account. However, Best Friends stated in its response that only \$2,924.15 of [REDACTED] salary was reclassified from the donor dinner to the DOJ grant, where the entry we tested and verified during the audit specifies \$4,149.40. Therefore, the information provided as a response to the draft report appears to be in conflict with information provided us during the audit. As such, the provided information does not clarify the situation and confirms our determination that the \$4,190 along with the balance of the DOJ reclassified costs is unsupported.

Further, we questioned the larger \$10,432 adjustment as unsupported, of which the \$4,190 donor dinner charges were a part, because the grantee is basing this entire \$10,432 adjustment on a consultant's analysis of 8 months of timesheets. We cannot place reliance on this analysis because:

- The grantee cannot locate the revised timesheets.
- The consultant's description of methodology does not appear to be based on actual activity but estimates. See our discussion of the consultant methodology for the reallocation entries in recommendation 3.

- The consultant provided guidance on timekeeping and in that guidance, the consultant says time spent either attending or planning the Donor Dinner should be charged to the donor dinner. This same guidance seems to contradict the reclassification of donor dinner charges to the DOJ award.

As a result, we question the \$10,432 transaction adjustment as unsupported, which includes the \$4,190 donor dinner charges. We made minor modifications to our final report to clarify that the donor dinner charges were part of the \$10,432 adjustment.

5. **Resolved.** OJP concurred with our recommendation to remedy the \$4,954 in unsupported questioned personnel costs related to a Department of Health and Human Services grant - Community Based Abstinence Education (CBAE). OJP stated in its response that it will coordinate with Best Friends to remedy the \$4,954 in unsupported personnel costs, related to Community Based Abstinence Education, that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, OJP will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

Best Friends does not concur with our recommendation. Best Friends stated in its response that the entry was reasonable and necessary to reverse charges to the CBAE grant originally booked in periods outside the CBAE grant. According to Best Friends, had the correction not been made, the CBAE grant would have been over charged. Further, Best Friends specified the adjustment was adequately documented.

During the audit, we met with Best Friends officials to discuss the reallocation from CBAE. We noted that CBAE costs were being reallocated to the DOJ award because CBAE was not authorized until September 30, 2008. Best Friends' President indicated that the costs were reversed once that grant was open, but we were not provided with the reversing entry, despite our request.

We disagree with the grantee's suggestion that it was reasonable to charge the DOJ grant simply because the charges were outside the CBAE grant period. Further, the grantee has not provided any further documentation that was not already provided during the audit. The grantee states in its response the adjustment is based on a thorough analysis, but does not provide any details of the analysis such as how almost 1 year after the original charges it was able to identify the significant changes in time recording. Further, the timesheets

provided during the audit, both the one identified as original and the revised timesheet, are dated in August or September 2008 even though the grantee states the analysis and subsequent revision of timesheets was done in July 2009. Therefore the documentation does not seem to be consistent with the explanation. Further, the adjustment does not just involve removing labor charges from CBAE, but also General and Administration charges, which is not consistent with the grantee's explanation.

In the Best Friends response, it states the adjustment had nothing to do as the Auditors mention with "budget constraints. However, in a written response to our inquiry, Best Friends provided the following:

During 2009, due to several key changes in activities, Best Friends Foundation recognized the need for a budget modification to the OJJDP grant. Upon obtaining approval of the budget modification, Best Friends staff proceeded to align certain activities to correspond to the actual work performed. Up to that point staff had ***allocated their time based on budget constraints*** {emphasis added} and not necessarily reflecting the effort for the projects/grants. This alignment resulted in revision to time activity reports which resulted in an adjustment among various grants and other activities worked on by the employees.

We do not agree with the grantee's depiction that it was an auditor contention that time was charged based on budget constraints since that is the rationale Best Friends provided to us.

This recommendation can be closed when we receive evidence that OJP has remedied the \$4,954 in unsupported questioned personnel costs related to CBAE.

- 6. Resolved.** OJP concurred with our recommendation to remedy the \$3,877 in unallowed consultant costs related to fundraising. OJP stated in its response that it will coordinate with Best Friends to remedy the \$3,877 in questioned consultant costs that were charged to grant number 2007-JL-FX-0051. If the costs are determined to be unallowable, OJP will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

Best Friends does not concur with our recommendation for three reasons. First, Best Friends stated in its response that the individual was an employee 2 months prior to being a consultant and as an employee she performed work on federal awards. We did not dispute the fact that the individual was an employee prior to being a consultant; however, that does not provide evidence of work the individual performed as a consultant. Regardless, we reviewed the information the grantee provided as attachments in its response to our draft report. The grantee provided a timesheet, and a labor distribution report, and journal entries for 3 of the 4 pay periods the individual was an employee. The grantee did not provide any documentation for the week ending 4/30/2008 even though the individual is charged to the DOJ grant for that period (\$1,643.52). Below summarizes pertinent information the grantee provided:

Week Ending	Total Hours	Hours				
		DOJ	Other Federal	Non program	Donor Dinner	Leave
3/15/08	37.5	0	15	10	12.5	0
3/31/2008	82.50	13.5	13.5	18	22.5	15
4/15/2008	82.50	18	24	9	16.5	15
4/30/2008	No documentation provided					
Total hours	202.5	31.5	52.5	37	51.50	30
Percentages		16%	26%	18%	25%	15%

Further, Best Friends indicated that the consultant continued to work on the same things that she had worked on as an employee. As an employee, the individual's time was only charged to federal awards approximately 42 percent of the time (only 16 percent to the DOJ award); however, as a consultant, the individual's time was charged 100 percent to federal awards (50 percent to the DOJ award). Therefore, the charging pattern of the individual while an employee is not consistent with and does not support the allocation of the subsequent consultant charges to the DOJ award.

Best Friends' second point is that the consultant agreement specifies that the individual was to serve as a Community Outreach Director and the tasks assigned were outlined in an attachment. In Best Friends grant application, there is no mention of a Community Outreach Director. Further, the consulting agreement outlined the following responsibilities:

- Research and identify potential foundations, corporations and individuals supporters for each replication site.

- Inform each replication site of potential funding sources and develop a solicitation plan.
- Provide grant proposal templates to replication sites.
- Develop and maintain a master file of major donations received by each site.
- Develop an annual revenue flow-chart for each replication site to reflect projected income from grants, appeals and events.
- Assist replication sites with identifying corporate sponsorship and community partnerships.

These tasks are not listed in Best Friend's program narrative and appear to be more in line with fundraising. In addition, according to 2 CFR 230, costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. Since the agreement states that the Community Outreach Director is to perform the tasks outlined above and those tasks are fundraising related, this consultant charge is not an allowable grant expenditure.

Third, Best Friends indicates that regardless of what the consultant was hired to perform, the individual did not perform development activities, but continued to perform as she had done as an employee. The grantee cannot provide any invoices breaking down the individual's activities, but bases this assessment on an e-mail from the President of Best Friends indicating no work had been done on the deliverables outlined in the agreement. Without an invoice breaking out the hours by activities, we have no basis to accept the charge in the general ledger. The e-mail also indicates that the individual was performing "simple tasks" on the grant, not commensurate with the amount being paid as a consultant; therefore, it appears the payments are unreasonable even if the tasks were substantiated with an invoice outlining tasks performed. Additionally, the e-mail provided as evidence indicates that no payment will be forthcoming until the President reviews the deliverables and authorizes the payment. No explanation is provided as to why payments were made to the consultant who did not produce the deliverables intended by the agreement.

This recommendation can be closed when we receive evidence that OJP has remedied the \$3,877 in unallowed consultant costs related to fundraising.

7. **Resolved.** OJP concurred with our recommendation to remedy \$16,498 in unsupported fringe benefits costs. OJP stated in its response that it will coordinate with Best Friends to remedy the \$16,498 in unsupported fringe benefits costs that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, OJP will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

Best Friends does not concur with our recommendation of the questioned direct salaries or the use of the provisional fringe benefit rates. The questioned direct salaries were discussed in our response to recommendations 4-6. Best Friends stated in its response that it does not think the application of provisional rates is appropriate. However, according to 2 CFR 230, a provisional rate or billing rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a final rate for the period. Therefore the auditors were correct to apply the provisional rates to the approved direct salaries. According to 2 CFR 230, the grantee should be using the provisional rates for interim reimbursement (drawdowns) and reporting (FSRs).

As part of the audit, we reviewed a sample of fringe benefit transactions and attempted to validate the entry by extending the direct salaries for the period by the provisional rate. We could only validate one entry used the appropriate provisional rate. In order to determine if the amount of fringe benefits recorded in the general ledger were appropriate as a whole, we compared the amount of fringe benefits recorded in the general ledger to the calculation of approved direct salaries extended by the approved provisional or final rate. The result of this comparison is our questioned cost.

The grantee states that it billed fringe benefits at the time of drawdown based on the provisional rates. However, based on our analysis of the fringe benefit costs, we cannot verify the grantee's statement.

This recommendation can be closed when we receive evidence that OJP has remedied the \$16,498 in unsupported fringe benefits costs.

8. **Resolved.** OJP concurred with our recommendation to remedy the \$3,587 in unallowable costs related to a donor dinner. OJP stated in its response that it will coordinate with Best Friends to remedy the \$3,587 in questioned costs related to a donor dinner that were charged to grant number 2007-JL-FX-0051. If the costs are determined to be unallowable, OJP will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

Best Friends did not concur with our recommendation. Best Friends stated in its response that the Donor Dinner is a Community Outreach event and is not a fundraiser alone. Items purchased in connection with student activities at the event may be reused for student related events.

However, we do not see any evidence that the Donor Dinner was included in the outreach events Best Friends specified in its program application. Additionally, Best Friends states the Donor Dinner is not a fundraiser alone. However, on the Best Friends' website, the 2008-2010 Donor Dinners are clearly identified as the Foundation's Annual Fundraising event. Nowhere in the description of the Annual Fundraiser does it indicate that the purpose of the event is other than fundraising.

The grantee states that the items purchased in connection with the Donor Dinner may be reused and that it have a process in place to identify and classify those costs that are directly related to the Donor Dinner and those costs are not charged to federal awards. We cannot concur with this statement since the three transactions we question as unallowable were 1) purchased or contracted for the Donor Dinner, 2) cannot be reused, and 3) were charged to federal awards. The chart below provides additional detail on the items questioned.

Analysis of Unallowable Charges

Description	Percent Allocated To:		
	DOJ award	Fundraiser	Other Federal Awards
\$1,825: Decorations for Donor Dinner including Centerpieces with Balloons, floor sprays, Mylar Tufts, and an arch	50%	50%	0%
\$1,487: Fandango productions service charge for design, material and prop rental and labor and setup charges	10%	70%	20%
\$275: Cleaning and pressing of costumes for Donor Dinner	100%	0%	0%

All three invoices represent items specifically for the Donor Dinner, the items were originally coded to be charged to account 700 Donor Dinner, but were either totally or partially allocated to federal awards, and the expenses are not reusable items. Further, the grantee inconsistently allocates the costs among cost objectives. Therefore, we question the \$3,587 of DOJ award charges as unallowable. This recommendation can be closed when we receive evidence that OJP has remedied the \$3,587 in unallowable costs related to a donor dinner.

9. **Resolved.** Best Friends provided documentation in its response that we considered adequate support for \$2,275 of the questioned costs, resulting in \$10,636 unsupported questioned costs related to this recommendation. OJP concurred with our recommendation to remedy the unsupported transactions that were missing either supporting documentation or invoices. OJP stated in its response that it will coordinate with Best Friends to remedy the unsupported costs that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, OJP will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

Best Friends did not concur with our recommendation. Best Friends provided attachments to its response regarding this recommendation. We reviewed those documents and noted the following.

\$120: No additional information provided for the \$120. The grantee requests to offset this expense against other charges it incurred but did not charge the DOJ grant for. The remedy may be permitted by OJP; however, OJP would need to validate the expenses were not already included in the DOJ charges and that the expenses are allowable for the grant.

\$9,386: The grantee provided in its response the same documentation provided during the audit: a journal entry and a spreadsheet listing approximately 78 transactions, of which 12 transactions are identified as pertaining to Charlotte, North Carolina; the remaining 66 transactions are for other sites. We cannot identify how the grantee arrived at the \$9,386 charge and the grantee provided only 3 invoices supporting the 12 transactions; of which we could only tie 2 invoices (totaling \$66) to the spreadsheet. Therefore, the expenditure is still unsupported.

\$2,955: The grantee provided additional information supporting the unit costs used to charge the DOJ award for program guides and organizers the participants use. We were able to verify the unit costs to some invoices; therefore, \$2,275 is now supported. However, we were provided nothing to support the \$680 of estimated storage and shipping and handling costs. Therefore, \$680 is still unsupported. We revised the report accordingly.

\$450: The grantee indicated in its response it provided information concerning this item, but nothing was included. Therefore, this item is still unsupported.

This recommendation can be closed when we receive evidence that OJP has remedied the \$10,636 in unsupported transactions that were missing either supporting documentation or invoices.

10. **Resolved.** OJP concurred with our recommendation to remedy the \$63,964 in unsupported allocations. OJP stated in its response it will coordinate with Best Friends to remedy the \$63,964 in unsupported allocations that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, OJP will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

Best Friends does not concur with the recommendation. We reviewed the supporting documents provided by Best Friends and noted that most of the information provided by the grantee was previously provided during the audit and did not provide documentation supporting the allocations. For example 3 of the 9 transactions involve payments to the Milwaukee replication site, but the percentage of the invoice charged to the DOJ award varies – one invoice charges 55 percent to the DOJ award, another 73 percent, and the third 100 percent. Therefore the allocations are inconsistent and we were provided no objective basis for the allocations. For another invoice (\$17,550) the grantee provided some additional information, but did not provide the detailed calculations. We have a series of invoices and numbers of persons who attended, but not the actual calculation supporting the amount charged to the DOJ award. The transaction is unsupported until the grantee clarifies its calculation method and the calculation can be reconciled to the supporting documentation.

This recommendation can be closed when we receive evidence that OJP has remedied the \$63,964 in unsupported allocations.

11. **Resolved.** OJP concurred with our recommendation to remedy the \$32,244 in unsupported reclassifications. OJP stated in its response that it will coordinate with Best Friends to remedy the \$32,244 in unsupported reclassifications expenditures that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, OJP will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

Best Friends does not concur with our recommendation. Best Friends stated in its response that it was carrying out grant activities prior to the funding authorization in November and prior to the release of funds in January. Best Friends indicates it allocated DOJ programmatic expenditures to a Health and Human Services grant (Healthy Marriage) prior to the funds release and then reclassified expenditures to the DOJ award after thorough analysis. Best Friends' response refers to an attachment it submitted in response to the draft report (Attachment 34); however, attachment 34 does not provide any support to resolve the recommendation. The attachment contains a series of charts, for the 2007-2008 and the 2008-2009 school years. The additional information does not provide documentation of the thorough analysis identified in the grantee's response, the documentation supporting that analysis, nor does it include any mention of the rationale or methodology used to arrive at the reclassification amounts.

Best Friends states that due to funds not being released until January 2008, this reclassification was necessary. The grantee did not provide most of the invoices associated with the reclassification entry; however, it did provide two invoices related to Georgetown Prep Dining services. The few invoices provided are dated March, April, May, June and one in September of 2008 – well after the funds were released in January 2008. Therefore, the grantee’s argument that the reclassification was necessary because funds were not as of yet released appears to be - at least partially - incorrect.

Additionally, the grantee appears to be stating that it charged DOJ grant related expenses to other costs objectives because of issues related to the availability of funding. According to 2 CFR Part 230, any cost allocable to a particular award or other cost objective under these principles may not be shifted to other federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award. Therefore, if the grantee charged DOJ award expenses to the Healthy Marriage grant, it was in noncompliance with 2 CFR 230.

This recommendation can be closed when we receive evidence that OJP has remedied the \$32,244 in unsupported reclassifications.

12. **Resolved.** Best Friends provided documentation in its response that we considered adequate support for \$7,535 of the questioned costs, resulting in \$5,259 unsupported questioned costs related to this recommendation. OJP concurred with our recommendation to remedy the \$5,259 in unsupported consulting costs. OJP stated in its response that it will coordinate with Best Friends to remedy the \$5,259 in unsupported consulting costs that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, OJP will request that Best Friends return the funds to the DOJ, and submit a revised final FSR for the grant.

Best Friends does not concur with the recommendation. The grantee supplied some additional documentation. However, it did not supply any documentation for the \$250 stipend agreement and only part of the \$12,545 was sufficiently supported. The \$12,545 is comprised of 2 charges– one for \$7,536 and the other for \$5,009. The documentation submitted provided the agreement between Best Friends and the replication site and an invoice supporting \$7,535. No invoice was provided for the \$5,009. Therefore, we revised the report to reflect the \$5,009 unsupported consulting costs.

This recommendation can be closed when we receive evidence that OJP has remedied the \$5,259 in unsupported consulting costs.

13. **Resolved.** This recommendation is resolved based on OJP's concurrence to remedy the \$31,430 in unsupported indirect costs. In its response, OJP stated that it will coordinate with Best Friends to remedy the \$31,430 in unsupported indirect costs that were charged to grant number 2007-JL-FX-0051. If adequate documentation cannot be provided, OJP will request that Best Friends return the funds to the DOJ, and submit a revised final FFR for the grant.

Best Friends disagrees with the recommendation and all questioned costs. Additionally, Best Friends stated it spent over \$56,000 in expenditures related to the OJJDP award and another \$199,000 just for the general program alone that benefitted the OJJDP award efforts as well as other grants in support of its programs. However, whether or not the grantee spent other funds on the program, it is not evidence that the items questioned were allowable, supported, or allocable to the grant; therefore, the recommendations remain in the report.

This recommendation can be closed when we receive evidence that OJP has remedied the \$31,430 in unsupported indirect costs.