



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
COOPERATIVE AGREEMENTS ADMINISTERED BY  
GIRLS EDUCATIONAL AND MENTORING SERVICES  
NEW YORK, NEW YORK**

U.S. Department of Justice  
Office of the Inspector General  
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**EXECUTIVE SUMMARY**

The U.S. Department of Justice (DOJ) Office of the Inspector General, Audit Division, has completed an audit of four cooperative agreements awarded by the Office of Justice Program's (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP) and Office for Victims of Crime (OVC) to Girls Educational and Mentoring Services (GEMS).<sup>1</sup> These grants included: (1) Grant 2006-AH-FX-K001 – FY 2006 Child Protection Division Continuations, and its supplement, FY 2007 Prevention and Intervention Programs, (2) Grant 2009-SN-B9-K064 – FY 2009 Recovery Act Internet Crimes Against Children (ICAC) Task Force Training and Technical Assistance Grants, (3) Grant 2009-MC-CX-K043 – Improving Community Response to the Commercial Sexual Exploitation of Children (CSEC), and (4) Grant 2009-SZ-B9-K011 – FY 2009 Recovery Act – National Field-Generated Training, Technical Assistance, and Demonstration Projects.<sup>2</sup> Collectively, these awards totaled \$1,510,837 in OJP funding.

The objective of our audit was to determine whether expenditures claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. We also assessed GEMS' program performance in meeting the grants' objectives and overall accomplishments.

We determined that GEMS was not in full compliance with all of the essential grant conditions we tested. We found unsupported personnel expenditures and fringe benefit charges, as well as other non-personnel and non-fringe benefit expenditures. We also identified an internal control shortcoming associated with GEMS' contractor monitoring, and Recovery Act reporting. As a result of these conditions, we questioned \$708,253 in unsupported costs and made multiple management improvement recommendations.

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<sup>1</sup> Cooperative agreements are used when the awarding agency expects to be substantially involved with the award's activities. We refer to cooperative agreements in this report as grants.

<sup>2</sup> According to OJP's CSEC grant solicitation, CSEC includes various crimes of a sexual nature committed against victims younger than 18, primarily or entirely for financial or other economic reasons.

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

We discussed the results of our audit with GEMS officials and have included their comments in the report, as applicable. Additionally, we requested a written response to our draft report from GEMS and OJP, and their responses are appended to this report as Appendix III and IV, respectively. Our analysis of both responses, as well as a summary of the actions necessary to close the recommendations can be found in Appendix V of this report.

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## INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General, Audit Division, has completed an audit of four cooperative agreements awarded by the Office of Justice Program's (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP) and Office for Victims of Crime (OVC) to Girls Educational and Mentoring Services (GEMS).<sup>3</sup> These grants included: (1) Grant 2006-AH-FX-K001 – FY 2006 Child Protection Division Continuations, and its supplement, FY 2007 Prevention and Intervention Programs, (2) Grant 2009-SN-B9-K064 – FY 2009 Recovery Act Internet Crimes Against Children (ICAC) Task Force Training and Technical Assistance Grants, (3) Grant 2009-MC-CX-K043 – Improving Community Response to the Commercial Sexual Exploitation of Children (CSEC), and (4) Grant 2009-SZ-B9-K011 – FY 2009 Recovery Act – National Field-Generated Training, Technical Assistance, and Demonstration Projects.<sup>4</sup> Collectively, these grants totaled \$1,510,837 in OJP funding.

The Child Protection Division Continuations program and its supplement provided funds to conduct a public service campaign called "Break the Silence," to raise consciousness in New York on the issue of commercial sexual exploitation. With its supplement, GEMS wanted to advance its present program practices of direct services to CSEC victims along with CSEC training and support for institutions. GEMS hoped to accomplish this by fostering improvements in service delivery with an emphasis on documenting and refining successful prevention and intervention strategies with CSEC victims.

The Internet Crimes Against Children Task Force Training and Technical Assistance grant provided GEMS with Recovery Act funds for training and technical assistance to ICAC Task Forces in an effort to increase the capacity of members to effectively combat interrelated forms of the CSEC program, including internet-facilitated crimes against child victims.

The Improving Community Response to CSEC grant provided funds to GEMS for training and technical assistance to four communities nationwide to increase and improve the capacity of these communities to develop and

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<sup>3</sup> Cooperative agreements are used when the awarding agency expects to be substantially involved with the award's activities. We refer to cooperative agreements in this report as grants.

<sup>4</sup> According to OJP's CSEC grant solicitation, CSEC includes various crimes of a sexual nature committed against victims younger than 18, such as forced prostitution, primarily or entirely for financial or other economic reasons.

implement programs and services for commercially sexually exploited and domestically trafficked girls and young women.

The National Field-Generated Training, Technical Assistance, and Demonstration Projects grant provided funds for demonstration projects, training and technical assistance programs, and for training and special workshops designed to present and disseminate crime victim-related information.

The objective of our audit was to determine whether reimbursements claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards. We also assessed GEMS program performance in meeting grant objectives and overall accomplishments. The following table shows the total funding for each award as well as the associated project start and end dates.

**GEMS Office of Justice Program Awards**

<b>Grant</b>	<b>Award Date</b>	<b>Project End Date</b>	<b>Award Amount</b>
<b>2006-AH-FX-K001</b>	09/29/2006	03/31/2007	\$ 100,000
<b>Supplement</b>	08/30/2007	03/31/2010	500,000
<b>2009-SN-B9-K064</b>	08/25/2009	01/31/2012	250,000
<b>2009-MC-CX-K043</b>	09/22/2009	02/28/2012	275,000
<b>2009-SZ-B9-K011</b>	08/31/2009	02/28/2012	385,837
<b>Total</b>			\$1,510,837

Source: Office of Justice Programs

**Office of Justice Programs**

The Office of Justice Programs (OJP), within the U.S. Department of Justice, provides the primary management and oversight of the awards we audited. OJP’s website stated that it provides innovative leadership to federal, state, local, and tribal justice systems, by disseminating state-of-the-art knowledge and practices across America, and providing grants for the implementation of these crime fighting strategies. Because most of the responsibility for crime control and prevention falls to law enforcement officers in states, cities, and neighborhoods, the federal government can be effective in these areas only to the extent that it can enter into partnerships with these officers. Therefore, OJP does not directly carry out law enforcement and justice activities. Instead, OJP works in partnership with the justice community to identify the most pressing crime-related challenges

confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges

### **Office of Juvenile Justice Delinquency and Prevention**

The Office of Juvenile Justice Delinquency and Prevention (OJJDP), within the OJP, provides management and oversight to three of the four grants we audited. OJJDP's stated mission is to provide national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization.

OJJDP attempts to accomplish its mission by supporting states, local communities, and tribal jurisdictions in their efforts to develop and implement effective programs for juveniles. OJJDP strives to strengthen the juvenile justice system's efforts to protect public safety, hold offenders accountable, and provide services that address the needs of youth and their families. Through its components, OJJDP sponsors research, program, and training initiatives; develops priorities and goals and sets policies to guide federal juvenile justice issues; disseminates information about juvenile justice issues; and awards funds to states to support local programming.

### **Office for Victims of Crime**

The Office for Victims of Crime (OVC), within OJP, provides management and oversight to one of the four grants we audited. OVC's stated mission says it works to enhance the nation's capacity to assist crime victims and to provide leadership in changing attitudes, policies, and practices to promote justice and healing for all victims of crime.

The Crime Victims Fund (the Fund) was established by the 1984 Victims of Crime Act (VOCA). The Fund supports programs that significantly impact the lives of more than 4.2 million crime victims each year. Since its inception, the Fund has been supported by fines, penalty assessments, and bond forfeitures collected from convicted federal offenders, not tax dollars. In 2001, legislation passed which allows the Fund to also receive gifts, donations, and bequests from private entities. OVC distributes money deposited into the Fund directly to states to support state compensation and assistance services for victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, homicide, and other crimes.

VOCA funds attempt to support a broad array of programs and services that focus on helping victims in the immediate aftermath of crime and supporting them as they rebuild their lives. Although the specific type

of outreach provided varies by need and location, the common goal of OVC and VOCA is to reach out with a compassionate, skilled, and effective response to victims who have suffered physical, sexual, emotional, and financial harm as a result of crime.

### **Child Protection Division Continuation Program**

The FY 2006 Child Protection Division Continuation Program provides funding to delinquency intervention and prevention programs, victim intervention programs, system improvement programs, and research child delinquency and victimization programs. Grant 2006-AH-FX-K001 and its supplement was funded under this program.

### **Improving Community Response to the Commercial Sexual Exploitation of Children**

The Improving Community Response to the Commercial Sexual Exploitation of Children program (CSEC Program) is authorized by the Juvenile Justice and Delinquency Prevention Act of 1974, as amended (42 U.S.C. 5771 et seq.). The purpose of the FY 2009 CSEC Program is to support selected communities in combating CSEC, including youth under the age of 18, by improving training and coordination activities within the community. According to OJP's CSEC grant solicitation, CSEC includes various crimes of a sexual nature committed against victims younger than 18, such as forced prostitution, primarily or entirely for financial or other economic reasons. OJJDP assists participating communities in developing policies and procedures to identify CSEC victims, adopting best practices for addressing CSEC, and completing a needs assessment. The needs assessment is intended to identify and fill gaps in local service provision to victims, such as mental and physical health services and temporary shelter. Grant 2009-MC-CX-K043 was funded under this program.

### **American Recovery and Reinvestment Act**

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). The purposes of the Recovery Act are to: (1) preserve and create jobs and promote economic recovery; (2) assist those most impacted by the recession; (3) provide investments needed to increase economic efficiency by spurring technological advances in science and health; (4) invest in transportation, environmental protection, and other infrastructure that will provide long term economic benefits; and (5) stabilize state and local government budgets in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.



OJJDP awarded funds under the Recovery Act to assist state and local law enforcement agencies in developing effective responses to: (1) online enticement of children by sexual predators, (2) child exploitation, and (3) child obscenity and pornography cases. Furthermore, OJJDP Recovery Act grant programs provided training and technical assistance to law enforcement officers, prosecutors, forensic analysts, and other related professionals to increase their skills sets and make them more employable in child exploitation units.

### **Recovery Act Internet Crimes Against Children Task Force Training and Technical Assistance Grants**

The Internet Crimes Against Children (ICAC) Task Force Training and Technical Assistance Grants were funded by the Recovery Act of 2009 (Public Law 111-5) and the Providing Resources, Officers, and Technology to Eradicate Cyber Threats to Our Children Act of 2008 (Public Law 110-401, the "Protect Act"). Through its FY 09 Recovery Act ICAC Task Force Training and Technical Assistance Grants program, OJJDP intended to identify training providers to serve the ICAC Task Force Program. The ICAC Task Force Program supports a national network of 59 multi-agency, multi-jurisdictional task forces engaged in investigations, forensic examinations, and prosecutions related to Internet crimes against children. Additionally, the task forces provide forensic and investigative technical assistance to law enforcement and prosecutorial officials, as well as community education information to parents, educators, prosecutors, law enforcement, and others concerned with child victimization. The state and regional ICAC task forces work collaboratively as a national network of law enforcement and prosecutorial agencies that prevent, interdict, and investigate technology-facilitated child sexual exploitation and Internet crimes against children.

The purpose of the ICAC Training Program was to provide training to ICAC task forces and other federal, state, and local law enforcement agencies in the areas of investigations, forensics, prosecution, community outreach, and capacity-building, using recognized experts to assist in the development and delivery of training programs. Grant 2009-SN-B9-K064 was funded under this program.

### **Recovery Act National Field-Generated Training, Technical Assistance, and Demonstration Projects**

The National Field-Generated Training, Technical Assistance, and Demonstration Projects were funded by the Recovery Act of 2009 (Public Law 111-5). Projects funded under this solicitation are authorized by

section 1404(c)(1)(A) and (c)(3)(E)(ii) of the Victims of Crime Act of 1984 which provides funding for demonstration projects, training and technical assistance services for eligible victim assistance programs, and for training and special workshops designed to present and disseminate crime victim-relevant information.

All initiatives under this program, whether related to training, technical assistance, or development of promising practices, models, and programs, were to be focused on improving the capacity of victim service providers and allied practitioners in advancing rights and services for crime victims in the following areas: elder abuse, sexual assault, victim restitution, child abuse, youth victimization (including cybercrime victimization), victim services in corrections settings, stalking, the implications of forensic technologies for victims, and training and technical assistance on crime victims' rights. Grant 2009-SZ-B9-K011 was funded under this program.

### **Girls Educational and Mentoring Services**

Girls Educational and Mentoring Services' (GEMS) mission is to empower girls and young women, ages 12-21, who have experienced commercial sexual exploitation and domestic trafficking to exit the commercial sex industry and develop to their full potential. According to GEMS' website, the organization is committed to ending commercial sexual exploitation and domestic trafficking of children by changing individual lives, transforming public perception, and revolutionizing the systems and policies that impact sexually exploited youth. GEMS was formed in 1998 by a young woman who had been sexually exploited herself as a teenager and now serves as its Executive Director. GEMS described itself as one of the largest providers of services to commercially sexually-exploited and domestically trafficked youth in the U.S.

GEMS provides a variety of programs to approach the issue of sexual exploitation. These programs are: prevention and outreach, intervention, youth development, educational initiatives, transitional and supportive housing, court advocacy, alternative to incarceration program, and family court program. GEMS also provides training and technical assistance to organizations and institutions, which in turn provide their staff with the knowledge and tools to understand and address commercial sexual exploitation and domestic trafficking of children and youth. GEMS receives 50 percent of its operational funding from government grants (federal, state, and local) and 50 percent from private donations.

## Our Audit Approach

We tested compliance with what we considered to be the most important conditions of the grants. Unless otherwise stated in our report, we applied the Office of Justice Programs (OJP) Financial Guide as our primary criteria during our audit. The OJP Financial Guide serves as a reference manual assisting award recipients in their fiduciary responsibility to safeguard grant funds and ensure that funds are used appropriately and within the terms and conditions of awards. Additionally, the OJP Financial Guide cites applicable Office of Management and Budget (OMB) and Code of Federal Regulations (CFR) criteria that we also considered in performing our audit. We tested GEMS':

- **Internal control environment** to determine whether the financial and accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grants.
- **Personnel and fringe benefit expenditures** to determine whether the personnel and fringe benefit expenditures charged to the grants were allowable, supported, accurate, and whether positions were within approved grant budgets.
- **Grant expenditures** to determine whether the costs charged to the grants were allowable and adequately supported.
- **Drawdowns** (requests for grant funding) to determine whether requests for reimbursement, or advances, were adequately supported, and if GEMS managed grant receipts in accordance with federal requirements.
- **Budget management and control** to determine whether GEMS adhered to the OJP-approved award budgets for the expenditure of grant funds.
- **Monitoring of contractors** to determine whether GEMS had taken appropriate steps to ensure that contractors complied with grant requirements.
- **Reporting** to determine whether the required periodic Federal Financial Reports, Progress Reports, and Recovery Act Reports were submitted on time and accurately reflected grant activity.

- **Compliance with award special conditions** to determine whether GEMS complied with all of the terms and conditions specified in the individual grant award documents.
- **Accountable property** to determine whether GEMS had procedures for controlling accountable property, and whether the property was included in its inventory and identified as purchased with federal funds.
- **Program performance and accomplishments** to determine whether GEMS achieved grant objectives, and to assess performance and grant accomplishments.

Where applicable, we also tested for compliance in the areas of indirect costs, matching funds, program income, and monitoring of subgrantees. For these grants, we determined that GEMS charged no indirect costs, matching funds were not required, the grant-funded programs generated no program income, and there were no subgrantees.

## **FINDINGS AND RECOMMENDATIONS**

### **COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS**

We determined that GEMS was not in full compliance with all of the essential grant requirements in the areas we tested for all four awards. We found internal control weaknesses in the following areas: (1) personnel and fringe benefit expenditures, (2) grant expenditures, (3) contractor monitoring, and (4) Recovery Act reporting. As a result of these weaknesses, we questioned \$708,253 in unsupported expenditures. These conditions, including the underlying causes and potential effects on the OJP programs, are further discussed in the body of this report.

#### **Internal Control Environment**

GEMS had an internal control system in place to safeguard funds and assure they are used solely for authorized purposes. However, our review of internal controls specific to the areas we examined disclosed some instances where the established internal control system was not always operating as intended.

We began this audit by reviewing GEMS' accounting and financial management system to assess the organization's risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the grants. We also interviewed management staff from the organization, performed transaction testing, and reviewed financial and performance reporting activities to further assess the risk.

According to the OJP Financial Guide, award recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost and property controls to ensure optimal use of funds. Award recipients must adequately safeguard funds and assure they are used solely for authorized purposes.

While our audit did not assess GEMS' overall system of internal controls, we did review the internal controls of GEMS' financial management system specific to the administration of DOJ funds during the periods under review. Specifically, we determined that while GEMS had written internal control procedures to govern the use of federal funds, it did not ensure that controls in place were working as intended. Specifically, GEMS did not establish an adequate methodology to allocate personnel and fringe benefit

expenditures; failed to maintain adequate supporting documentation for non-personnel and non-fringe benefit grant expenditures; and did not develop processes for evaluating contractor's performance. From our review and testing, we concluded that these conditions contributed to noncompliance with some grant requirements. These internal control deficiencies that we identified are discussed in detail later in this report. The absence of an adequate and effectively functioning internal control environment undermines the ability of the recipient to ensure that federal funds are adequately safeguarded and spent accurately and properly in accordance with the grant objectives. In our opinion, GEMS management should correct the internal control deficiencies we identified.

### **Personnel and Fringe Benefit Expenditures**

In general, GEMS correctly ensured that the gross payroll amounts from the timesheets we tested were in accordance with the approved budget. In addition, we determined that, excluding the Executive Director, the remaining GEMS staff members' timesheets that we tested had sufficient evidence of supervisory approval. We also found that the personnel and fringe benefit charges we tested from the accounting system were within the amounts approved by OJP in the grant budget. However, GEMS did not have an adequate process in place to document the allocation of each staff member's actual activity charged to the grants. As a result, we could not determine if the personnel and fringe benefit expenditures charged to the grants were properly allocated to the grants. Consequently, we questioned \$578,664 in personnel expenditures and \$126,160 in fringe benefits as unsupported for all four grants.

2 C.F.R. § 230, formerly known as OMB Circular A-122, requires that personnel charges to awards be supported by personnel activity reports. Specifically, the guidance states that charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official of the organization. The guidance goes on to say that the distribution of salaries and wages to awards must be supported by personnel activity reports.

Moreover, the CFR requires that the personnel activity reports should account for an employee's total activity and the portion of the activity charged to the award. Additionally, the 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

could document the review and approval by signing or initialing each employee's time and/or effort report.

GEMS officials provided us with a list of personnel and fringe benefit expenditures totaling \$331,162 for grant 2006-AH-FX-K001, \$126,824 for grant 2009-SN-B9-K064, \$120,238 for grant 2009-MC-CX-K043, and \$126,600 for grant 2009-SZ-B9-K011.<sup>5</sup> For the four OJP grants, we tested a judgmental sample of personnel and fringe benefit expenditures during two non-consecutive pay periods. The following table shows a breakdown of the personnel and fringe benefit expenditures we tested.

**Summary of Personnel and Fringe Benefit Expenditures Tested**

Grant	Staff Members	Personnel Expenditures	Fringe Benefits
2006-AH-FX-K001	16	\$ 11,032	\$2,134
2009-SN-B9-K064	8	3,504	1,324
2009-MC-CX-K043	7	4,235	1,890
2009-SZ-B9-K011	7	4,260	1,831
<b>Total</b>		<b>\$23,031</b>	<b>\$7,179</b>

Source: OIG analysis

We tested a sample of expenditures to determine if personnel and fringe benefit expenditures were charged correctly in accordance with the budget, properly authorized, accurately recorded, and properly allocated in GEMS' accounting system. To determine if the personnel expenditures were charged correctly, we compared the gross amount from the payroll register to the budget-approved salary per pay period. To determine if personnel expenditures were properly authorized, we reviewed grant funded staff member timesheets for evidence of supervisory approval. To determine if the personnel expenditures were properly recorded, we verified that amounts from GEMS' accounting system matched the grant budgeted amounts. To determine if personnel expenditures were properly allocated, we reviewed the staff members' timesheets and GEMS allocation spreadsheet. To determine if fringe benefits were correctly computed, we recalculated the fringe benefit expenditures for each of the pay periods we tested by multiplying the amount allocated to the grants for each staff member by the approved budgeted percentage. To determine if fringe benefits were consistent amongst staff members, we compared the amounts charged for each staff member. Finally, to determine if fringe benefits were

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<sup>5</sup> For the 2006 grant, we tested four non-consecutive pay periods because GEMS did not provide the accounting records for the original grant until after we selected our sample and performed personnel testing.

properly charged to the grant, we compared the approved budget for fringe benefits to the amounts charged in GEMS' accounting system.

From our testing, we determined that personnel and fringe benefit expenditures were charged correctly in accordance with the grant budget, and the expenditure amounts tested from the accounting system also matched the grant budget. We also found that, excluding the Executive Director, the remaining GEMS staff members' timesheets that we tested had sufficient evidence of supervisory approval. However, from our testing we found the Executive Director's timesheets did not show evidence of supervisory approval. According to GEMS, the Board of Directors is responsible for approving the Executive Director's timesheets. A GEMS official told us that it is sometimes difficult to obtain approval for the Executive Director's timesheets because the Board of Directors is not on site. In our judgment, to remain in compliance with the fiscal requirements of the OJP Financial Guide, GEMS must ensure that personnel expenditures are approved by a responsible official of the organization for all staff including the Executive Director. The lack of approved timesheets increases the risk of GEMS abusing federal funds by funding unauthorized grant expenditures.

In addition, we were unable to determine if all of the personnel expenditures we tested were properly allocated. GEMS, in its approved grant budgets, was specific about the percentage of staff time to be spent on grant-specific tasks. GEMS used timesheets to document time worked per pay period for all staff. GEMS officials told us that the original timesheet was most likely modeled after a generic non-profit timesheet and GEMS did not understand the importance of using the program column to allocate time spent on grant-specific activities.<sup>6</sup> Consequently, the GEMS' Fiscal Manual, we were told, did not require staff to fill-in the program column as part of the payroll process. According to a GEMS official, during a 2009 Recovery Act training, GEMS learned that the program column on its timesheet was insufficient to properly allocate staff time because there was more than one funding source for the activities being performed.<sup>7</sup>

GEMS also maintained an allocation spreadsheet to document the effort/time spent on grant related activities. An allocation spreadsheet can

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<sup>6</sup> In its response, GEMS stated that this statement from its official was never meant to imply that GEMS does not understand the importance of allocating time towards specific programs and their corresponding sources of funding. GEMS further explained that the comment was meant to explain that GEMS did not feel the program column fit the purpose it needed to serve in order to be in compliance.

<sup>7</sup> In its response, GEMS stated that the program column was never designed to allocate staff time and effort to specific contracts.



be used as a substitute for an activity report if it met all the requirements outlined in the OJP Financial Guide. GEMS used the allocation spreadsheet to ensure that it remained within the approved budgeted percentage of time for each staff member for a particular grant. However, the allocation spreadsheet did not show actual activity worked in a given time period for a specific grant as required by the OJP Financial Guide. According to a GEMS official, GEMS paid close attention to the percentages being charged to the grants on a larger scale; making sure it does not exceed the approved budgeted percentages for each staff member at year/project end. In addition, GEMS conducted quarterly meetings with Program Directors and other staff to review the allocation spreadsheet to ensure that allocations properly represented the work performed by each staff member and were consistent with the approved budget.

We reviewed GEMS' allocation spreadsheet and found it inadequate to support the allocation of personnel costs charged to the grants because it did not meet certain criteria listed in the OJP Financial Guide. Specifically, the allocation spreadsheet was not based on actual activities performed by the staff. Instead it was based on budgeted percentages; it was prepared quarterly, not at least monthly; it was not signed by the employee; and there was no evidence that it was reviewed or approved by a supervisory official.

In May 2011, GEMS told us that it was in the process of implementing an online allocated timesheet system as part of the current payroll system. GEMS expected the online allocated timesheet system to replace its paper timesheets over the summer of 2011. GEMS told us that the new allocated timesheet will require staff to enter the hours worked on a particular project daily then calculate the percentage of time spent on a particular project. In addition, the new automated timesheet was expected to be prepared bi-weekly and signed by the staff member and supervisory officials. We did not test the new automated timesheet system because it was not fully implemented at the time of our field work. However, based on what we were able to observe about the new system, it appears that the new timesheet may meet the requirements of an activity report as outlined in the OJP Financial Guide provided the system is fully implemented and works as intended.

Our audit identified questioned costs of \$578,664 in unsupported personnel expenditures and \$126,160 in unsupported fringe benefit expenditures for all four grants. Because the calculation of fringe benefit expenditures are based directly on personnel expenditures as either a percentage or fixed amount for each staff member based on time spent working on the grants, we determined fringe benefit expenditures were not

adequately supported. The chart below itemizes the amount and type of questioned costs charged to each grant as of March 31, 2011.

**Summary of Personnel Expenditures  
and Fringe Benefit Questioned Costs**

Grant	Personnel Expenditures	Fringe Benefits	Total
2006-AH-FX-K001	\$ 272,800	\$ 58,362	\$ 331,162
2009-SN-B9-K064	103,727	23,097	126,824
2009-MC-CX-K043	98,281	21,957	120,238
2009-SZ-B9-K011	103,856	22,744	126,600
<b>Total</b>	<b>\$578,664</b>	<b>\$126,160</b>	<b>\$704,824</b>

Source: GEMS accounting records and OIG analysis

**Other Grant Expenditures**

In general, we found that GEMS properly recorded in the accounting records the non-personnel and non-fringe grant expenditures we tested. Specifically, we selected 134 non-personnel and non-fringe benefit expenditure transactions totaling \$142,867 for detailed review and analysis from all four grants combined. To determine if the other grant expenditures were properly recorded, we verified that amounts from GEMS' accounting system matched the budgeted amounts. To determine if expenditures were allowable, we compared the expenditures to the award budget, permissible uses of funds outlined in the OJP Financial Guide, and the terms and conditions of the awards. To determine if expenditures were supported, we reviewed purchase documents, invoices, and accompanying accounting system data.

GEMS created separate cost centers within their accounting system to segregate and specifically track expenditures made under each of the grants. GEMS officials provided us with a transaction list of grant-funded non-personnel and non-fringe benefit expenditures totaling \$204,265 for grant 2006-AH-FX-K001, \$27,214 for grant 2009-SN-B9-K064, \$49,848 for grant 2009-MC-CX-K043, and \$23,638 for grant 2009-SZ-B9-K011. The primary transactions included expenditures for travel, supplies, and other expenditures.<sup>8</sup> We tested a judgmental sample of 134 invoices totaling \$142,867, or 47 percent of non-personnel and non-fringe benefit funds expended as of November 2010.

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<sup>8</sup> Other expenditures consisted of: office space, public service announcement production, furniture, computers, IT consulting, and DVD production.

After sampling 134 transactions for all four grants combined, we found no evidence of unallowable expenditures; however, we identified unsupported expenditures of \$3,429 for grant 2006-AH-FX-K001. These unsupported expenditures included costs associated for supplies, travel, and a public service announcement production. According to a GEMS Official, the lack of supporting documentation for these transactions occurred because of a 2006 office move, high rate of staff turnover at the time, and a lack of sufficient quantity of personnel which made it difficult to compile files from the organization's earlier years. In our view, when expenditures are unsupported, it could increase the risk of fraud, waste, and abuse of federal funds. GEMS has since begun to scan all supporting documentation and cancelled checks to ensure that both electronic and hard copies are kept for future reference.

During our review of the non-personnel expended for grants 2009-SN-B9-K064, 2009-MC-CX-K043, and 2009-SZ-B9-K011, we found that all transactions were properly supported. Because GEMS was able to provide supporting documentation for the FY 2009 sampled transactions, we do not believe that what happened in the FY 2006 grant is systemic throughout GEMS grant management practices. However, we do recommend that OJP remedy the \$3,429 in questioned costs.

**Drawdowns**

We found GEMS' drawdown process to be adequate in minimizing the time lapse between the drawdown of funds and disbursement of those funds. As of May 16, 2011, GEMS has made drawdowns for the following grants:

<b>Total Drawdowns</b>		
<b>Grant</b>	<b>Amount Drawdown</b>	<b>Total Award</b>
2006-AH-FX-K001	\$600,000	\$600,000
2009-SN-B9-K064	\$205,092	\$250,000
2009-MC-CX-K043	\$212,641	\$275,000
2009-SZ-B9-K011	\$200,364	\$385,837

Source: Office of Justice Programs

The OJP Financial Guide establishes methods by which the Department of Justice makes payments to grantees. According to the Guide, grant recipients should request funds based on immediate disbursement/reimbursement requirements. It also states that recipients should time their drawdown requests to ensure federal cash on hand is the minimum needed for disbursements/reimbursements to be made immediately or within 10

days. Nonprofit organizations shall account for interest earned on federal funds and may keep up to \$250 per federal fiscal year.

To determine if drawdowns were completed in advance or on a reimbursement basis, we interviewed grant officials, analyzed bank statements, and reviewed documentation in support of actual expenditures. We determined that grant funds were requested on a reimbursement basis in all instances except one. In April 2008, GEMS had cumulative expenditures of \$275,321 and cumulative drawdowns of \$278,856 for grant 2006-AH-FX-K001. This resulted in excess cash on hand of \$3,534. However, GEMS had incurred expenditures to cover drawdowns within 20 days. We calculated interest on this amount based on prevailing market rates and found it to be less than \$1. Because we found no evidence GEMS requested advance funding more than once in our evaluation of drawdowns, and the amount of interest we calculated on the excess cash on hand to be immaterial, we did not report this as an issue. In addition, we determined that drawdowns were requested based on actual expenditures and did not exceed grant expenditures in most instances. As a result, we found that GEMS' drawdown procedures were adequate for these grants and complied with grant requirements.

## **Budget Management and Control**

The OJP Financial Guide addresses budget controls surrounding grantee financial management systems. According to the Financial Guide, grantees are permitted to make changes to their approved budgets to meet unanticipated program requirements. However, the movement of funds between approved budget categories in excess of 10 percent of the total award must be approved in advance by the awarding agency. In addition, the Financial Guide requires that all grantees establish and maintain an adequate system for accounting and internal controls. The following table summarizes the budgets for each grant by category.

### Budgets of OJP Grants Awarded to GEMS

Category	2006-AH-FX-K001	2009-SN-B9-K064	2009-MC-CX-K043	2009-SZ-B9-K011	Total Per Category
Personnel	\$ 259,050	\$ 136,159	\$ 133,370	\$ 183,273	\$ 711,852
Fringe	54,249	36,896	36,806	41,210	169,161
Travel	6,000	21,254	26,199	64,810	118,263
Equipment	22,629	0	0	0	22,629
Supplies	13,000	3,441	17,137	6,621	40,199
Contractual	50,447	33,729	19,510	54,352	158,038
Other	194,625	18,521	41,978	35,571	290,695
<b>Total</b>	<b>\$600,000</b>	<b>\$250,000</b>	<b>\$275,000</b>	<b>\$385,837</b>	<b>\$1,510,837</b>

Source: Office of Justice Programs

According to a GEMS official, GEMS reviewed expenditures during monthly reconciliations to ensure that expenditures stayed within the approved budget for each award. In addition, GEMS retained copies of OMB Circulars, OJP fiscal training documents, and created internal documents outlining federal fiscal requirements to ensure compliance with the budget management requirements. A GEMS official said packets were created explaining special requirements, due dates, and other important information pertaining to each grant and these packets were distributed to staff.

We compared the total expenditures by budget category from the GEMS accounting system to the budget categories established by OJP's final budget revision for each of the four grants. We found that GEMS expenditures were within the allowable 10 percent deviation allowance for grant 2006-AH-FX-K001 and its supplement. While grants 2009-SN-B9-K064, 2009-MC-CX-K043, and 2009-SZ-B9-K011 were still in progress at the time of our audit, GEMS remained within the approved allowance for each of the grants. Based on the documentation we reviewed, it appears GEMS monitored its grant expenditures and submitted budget modifications and GANs. For each grant, we also found evidence of an ongoing budget versus actual expenditure comparison.

### Monitoring of Contractors

We determined that GEMS has not conducted any evaluations of the contractors being funded with grant funds and, therefore, does not adequately monitor its grant-funded contractors. According to 28 C.F.R. § 70.47, GEMS must maintain a system for contract administration to ensure contractor conformance with the terms, conditions, and specifications of the contract and to ensure adequate and timely follow up of all purchases. Recipients must evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions, and

specifications of the contract. According to GEMS, three consultants were paid with grant funds which supported two of the three OJJDP grants and the OVC grant.

We received and reviewed GEMS' contractor procurement procedures, which conform to OMB Circulars A-122 and A-110 and 28 C.F.R. § 70.47. However, we found that GEMS was unable to show proof of implementation of one part of these procedures, specifically adequate contractor monitoring. We concluded that it did not perform contractor evaluations as required. GEMS staff stated that it did not evaluate contractor performance because it lacked the capacity to do so. In our opinion, without an adequate contractor monitoring process, GEMS cannot ensure that contractors are conforming to contract terms and conditions and that federal funds used to pay contractors are used for the intended purposes.

## **Reporting**

### *Federal Financial Reports*

The financial aspects of OJP grants are monitored through Federal Financial Reports (FFRs).<sup>9</sup> According to the OJP Financial Guide, FFRs should be submitted within 30 days of the end of the most recent quarterly reporting period. Even for periods when there have been no program outlays, a report to that effect must be submitted. Funds or future awards may be withheld if reports are not submitted or are excessively late.

For the four awards we reviewed, GEMS officials told us they completed the FFRs using their quarterly expense reports. We tested the 4 most recent FFRs for each grant by comparing the expenditures reported on the FFRs to GEMS' quarterly expense reports and concluded that each of the 16 reports was accurate.

We also tested each FFR for timeliness using the criteria noted above and found GEMS submitted 11 of its 16 FFRs within the time period specified by OJP. We found 5 reports were submitted 2-13 days late, but we considered this lateness immaterial. Because each of the FFR's we tested was accurate and submitted in a timely manner, we concluded GEMS met OJP's financial reporting standards.

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<sup>9</sup> Effective for the quarter beginning October 1, 2009, grant recipients must report expenditures online using the Federal Financial Report (FFR-425) Form no later than 30 days after the end of each calendar quarter. The final report must be submitted no later than 90 days following the end of the grant period. These reports are no longer called Financial Status Reports.

## *Progress Reports*

Progress reports provide information relevant to the performance of an award-funded program and the accomplishment of objectives as set forth in the approved award application. According to the OJP Financial Guide, these reports must be submitted twice yearly, within 30 days after the end of the reporting periods of June 30 and December 31, for the life of the award.

For grant 2006-AH-FX-K001, we tested the timeliness of the four most recent progress reports. For grants 2009-SN-B9-K064, 2009-MC-CX-K043, and 2009-SZ-B9-K011, we tested the timeliness of the three most recent progress reports because at the time of our audit, GEMS was only required to submit three progress reports. For grant 2006-AH-FX-K001, we determined that GEMS submitted one of the four progress reports on time. The other three reports submitted late ranged from 32 to 214 days late. GEMS officials said that two reports were submitted late because the Development Director, who was responsible for submitting the progress reports, was laid off. GEMS told us they have taken steps to ensure accurate and timely submission of reports, should a staff member leave, by implementing a succession plan and cross-training staff members.<sup>10</sup> The reason for the lateness of third report was because GEMS had not been notified by OJJDP that the grant end date was extended. By the time GEMS received notice that the grant end date was extended, the due date for the progress report had already passed.

For grants 2009-SN-B9-K064, 2009-MC-CX-K043, and 2009-SZ-B9-K011, we determined that six of the nine progress reports were submitted on time. Three of the nine progress reports were submitted one day late because the due date fell on a Sunday. Because the three late reports were submitted only one day late, we did not consider the lateness to be material. Because GEMS was on time with their 2009 grants, we do not believe what occurred with the 2006 grant is systemic throughout GEMS' grant management practices. Therefore, we did not report this as a finding.

To measure the accuracy and completeness of the progress reports for the four awards, we tested two reports per grant to determine if the reports contained statistical data, included accomplishments related to the program's objectives, and accurately reported the data. We found the eight progress reports we reviewed accurately described work accomplished to meet the program's objectives for each grant.

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<sup>10</sup> GEMS succession plan includes creating binders containing job descriptions, contracts, due dates, important websites, and procedures for carrying out various duties. In addition, GEMS has begun cross-training staff to prevent important tasks from not being completed.

## *Recovery Act Reports*

In addition to the normal reporting requirements, grantees receiving Recovery Act funding must submit quarterly reports which require both financial and programmatic data. Reports are due within 10 calendar days after the end of each calendar quarter, beginning with the July to September 2009 reporting period. As of October 10, 2009, these reports must also include the cumulative activities and projects funded since the enactment of the Recovery Act, or February 17, 2009. Recipients that received recovery funds from a federal agency are required to submit these reports to that agency, which should contain the following information:

- the total amount of recovery funds received from that agency;
- the amount of recovery funds received that were expended or obligated to projects or activities; and
- a detailed list of all projects or activities for which recovery funds were expended or obligated, including: the name of the project or activity, a description of the project or activity, an evaluation of the completion status of the project or activity, an estimate of the number of jobs created and the number of jobs retained by the project or activity, and detailed information on any subcontracts or subgrants awarded by the recipient.

Grants 2009-SN-B9-K064 (OJJDP) and 2009-SZ-B9-K011 (OVC) were the only grants covered under the provisions of the Recovery Act. GEMS generally submitted quarterly Recovery Act reports on time with all of the required information. We reviewed the submitted Recovery Act Reports for both accuracy and timeliness. Between July 2009 and September 2010, GEMS was required to submit 5 Recovery Act Reports for each grant and we found that GEMS submitted 7 of the 10 reports on time. We found three reports were submitted 2 to 13 days late but we considered this lateness immaterial.

According to the criteria listed above, GEMS was required to report the total amount of recovery funds received, the amount of recovery funds that were expended or obligated to this project, and a detailed list of all projects for which recovery funds were expended or obligated. No subgrantees were paid with Recovery Act funds. We determined that GEMS reported on all of the required information for the five quarters we reviewed.



We reviewed the accuracy of four quarters of Recovery Act Reports from October 2009 to September 2010 for both grants. At the time we began our review, the report which covered October to December 2010 was not due until January 30, 2011. Therefore, we reviewed the four quarters before this period. For both grants, we found that GEMS' accounting records matched the amount reported as expended for the period on the Recovery Act Reports that were submitted to OJJDP and OVC. However, we found full time equivalent (FTE) calculation errors in three of the four Recovery Act Reports GEMS submitted to OJJDP and two of the four reports submitted to OVC. As stated above, an estimate of the number of jobs created and the number of jobs retained by the project or activity is required to be reported in these reports. According to OJP's website, the DOJ has developed various guidance documents and tools to assist Recovery Act recipients in meeting their reporting requirements. One of these tools is the "jobs calculator".<sup>11</sup> We used the jobs calculator to verify the information GEMS reported to OJJDP and OVC. After inputting the information into the jobs calculator, we found differences in the FTEs GEMS reported in three of the four reports for OJJDP and two of the four reports for OVC. The following tables show the differences found.

**OJJDP Grant 2009-SN-B9-K064**

<b>FTE Comparison Report Periods</b>	<b>Jobs Created per Quarterly Reports</b>	<b>OIG FTE Calculation</b>	<b>(Over)/Under Reported</b>
October-December 2009	0.19	0.51	0.32
January-March 2010	6.32	1.035	(5.29)
April-June 2010	6.00	0.85	(5.15)
July-September 2010	1.15	1.15	0.00

Source: GEMS accounting records and OIG analysis

**OVC Grant 2009-SZ-B9-K011**

<b>FTE Comparison Report Periods</b>	<b>Jobs Created per Quarterly Reports</b>	<b>OIG FTE Calculation</b>	<b>(Over)/Under Reported</b>
October-December 2009	0.88	0.90	0.02
January-March 2010	5.32	0.93	(4.40)
April-June 2010	5.00	0.74	(4.26)
July-September 2010	1.49	1.48	0.01

Source: GEMS accounting records and OIG analysis

<sup>11</sup> The jobs calculator is a template recipients can use to obtain an FTE calculation. The jobs calculator is a suggested method for calculating the number of created and retained jobs.

In January 2010, GEMS notified OJJDP of the 0.32 error in the first report and was advised to include the number in the next quarter's report. GEMS reported an additional 0.32 in the January 2010 to March 2010 quarter. For the second and third quarters of the OJJDP and the OVC reports, GEMS reported each position as one full FTE, even though only partially funded.

GEMS agreed that the information reported was not accurate in the above mentioned instances. As of April 2011, GEMS had made OJJDP and OVC aware of the errors and was awaiting guidance from both agencies on how to handle the issue. Since Recovery Act activity is available to the public and the Congress, significant reporting errors can skew the resulting effect of the Recovery Act on the Nation's economic recovery.

As mentioned earlier in this report, we were unable to determine if personnel expenditures were properly allocated to the grants. Absent an adequate allocation methodology, we could not certify that the GEMS personnel reported in the Recovery Act reports actually worked on Recovery Act grant-related activities. However, GEMS has plans to institute a new allocated timesheet system which would calculate the percentage of time spent on a particular project. GEMS officials said it will begin implementation of this system by the summer of 2011. In our opinion, the new allocated timesheet may reflect the time a staff member spends on grant-related activities provided the system is fully implemented and works as intended.

### **Compliance with Award Special Conditions**

Award special conditions are included in the terms and conditions for each award and are provided in the accompanying award documentation. The special conditions may also include special provisions unique to the award. We reviewed the special conditions found in the award documents and the accompanying adjustment notices for the four awards and found that GEMS did not fully comply with a special condition specific to Recovery Act reporting requirements. This special condition was associated with the calculation of FTEs for reporting jobs created with Recovery Act grant funding. The details of these exceptions are discussed under the Reporting section of this report. We found noncompliance with this special condition for Recovery Act grants 2009-SN-B9-K064 (OJJDP) and 2009-SZ-B9-K011 (OVC).

## **Accountable Property**

The OJP Financial Guide states that grantees are required to be prudent in the acquisition and management of property acquired with federal funds. The guide also states that grantees must establish an effective system for property management.

GEMS officials told us that technical purchases were reviewed and authorized by GEMS Senior Management. We reviewed documentation supporting five pieces of equipment GEMS purchased with federal funds that met the accountable property criteria.<sup>12</sup> We reviewed the five pieces of equipment and found that the equipment was properly marked as purchased with federal funds, used as shown in the grant, physically present and verifiable, and included on a GEMS inventory list. We concluded that GEMS was in compliance with the accountable property standards.

## **Program Performance and Accomplishments**

### *Grant 2006-AH-FX-K001 and its supplement*

According to the program narrative, the goals of this grant and its supplement were to create awareness about GEMS mission and services within the youth-serving community; serve as the leading resource and best practice model for education on sexual exploitation; attract greater resources and support for GEMS work; raise public awareness of sexual exploitation and change public perception; improve and refine current service delivery to CSEC victims; improve current data collection and outcome measurement systems and utilize improvements to develop a promising practice document; advance knowledge base on promising practices in intervention to CSEC victims for child protection and the juvenile justice field; and increase the capacity of youth serving institutions and agencies to effectively intervene with CSEC victims.

GEMS submitted several Data Collection Technical Assistance Tool (DCTAT) reports. According to OJP's website, the DCTAT helps grantees compile performance data and make sure it is in the correct format for submission to OJP through the GMS system. The DCTAT report is submitted in addition to the progress reports. We reviewed the data GEMS provided on its DCTAT report and progress reports. Although our assessment of performance and accomplishments is limited to the data we reviewed, we concluded that GEMS collected appropriate data, analyzed the data, and

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<sup>12</sup> GEMS policy states that technical purchases of more than \$1,000 would be considered accountable property.

provided us with evidence demonstrating that the goals and objectives of the grant were achieved.

*Grant 2009-SN-B9-K064*

According to the program narrative, the goal of this grant was to provide training and technical assistance to ICAC Task Forces to increase the capacity of members to effectively combat interrelated forms of CSEC, including internet-facilitated crimes against child victims, while preserving and creating jobs for economic recovery. GEMS measured progress towards achieving these goals and objectives through an independent evaluator which assessed the impact of training and technical assistance across the sites and produced an evaluation report. The evaluation contained three parts, including a pre-test (tested the knowledge and skills of the CSEC before the training), post-test (tested the knowledge and skills of CSEC after the training), and overall test (which was to evaluate the training, the effectiveness of the trainer, and other areas).

As of February 2011, GEMS stated it had provided training to four sites, which we verified, and planned to provide the fifth training in June 2011. In addition, GEMS stated they had created three jobs: a training and technical assistance director, training and technical assistance manager, and a bookkeeper, and maintained one position, a special projects coordinator.

Although our assessment of performance and accomplishments is limited to the data we reviewed, we concluded that GEMS collected appropriate data, analyzed the data, and provided us with evidence demonstrating that GEMS is on track to achieving the goals and objectives by the end of the grant period in July 2011.

*Grant 2009-MC-CX-K043*

According to the program narrative, the goal of this grant was to provide training and technical assistance to four communities selected by OJJDP to increase the capacity of those communities to effectively address the commercial sexual exploitation of children through a coordinated community response. Even though the original goal of the grant was to provide training and technical assistance to four communities, budget issues allowed OJJDP to fund only three locations. Between January 2010 and June 2010, GEMS had already met the goals and objectives outlined in the program narrative. They did this by providing training and technical assistance to three sites.

As stated above, GEMS measured progress towards achieving this grant's goals and objectives by using the same independent evaluator as grant 2009-SN-B9-K064. The independent evaluator assessed the impact of training and technical assistance across the sites and produced a report. We reviewed copies of the evaluations from all three sites and found an increase in the participants' level of knowledge of the subject matter.

GEMS achieved the goals of the grant by conducting the three trainings and submitting a change of scope to OJJDP to accomplish more work with the remaining grant funds and time. Although our assessment of performance and accomplishments is limited to the data we reviewed, we concluded that GEMS collected appropriate data, analyzed the data, and provided evidence demonstrating that the goals and objectives were achieved and, in addition to those goals, planned to deliver the following by the end of the grant period in February 2012:

- Hire a graphic design consultant to reformat the CCIP training manual so that it is more comprehensive, accessible, and refined. Project evaluations conducted under this project will be used to inform these services.
- In conjunction with OJJDP, GEMS will propose and implement content updates based on research and discussions. GEMS will deliver to OJJDP a report on activities and accomplishments related to this deliverable.
- A consultant will be hired to assess and improve upon the training and technical assistance staff's delivery of the curriculum, concentrating on methods of producing long-term learning and connecting with diverse audiences.
- Recognizing the CCIP curriculum as a foundation for effectively conducting work with victims, GEMS will train Youth Outreach Workers on the CCIP curriculum in order to create a wider pool of staff equipped to increase public awareness in terms of CSEC.

#### *Grant 2009-SZ-B9-K011*

According to the program narrative, the goal of this grant was to advance victims' rights and services through the provision of training and technical assistance to service providers on developing effective, survivor-informed programmatic interventions for girls who have been victims of commercial sexual exploitation and domestic trafficking, while preserving and creating jobs for economic recovery.

GEMS planned to ensure that these goals and objectives are met through an independent evaluator that assessed the impact of training and technical assistance GEMS provided across the sites. The evaluation will have three parts to it including a pre-test (tested the knowledge and skills of the CSEC before the training), post-test (tested the knowledge and skills of CSEC after the training), and overall test (which was to evaluate the training, the effectiveness of the trainer, amongst other areas). When GEMS provides training to an agency, an evaluation will be performed.

Additionally, GEMS submitted its most recent version of the Survivor Informed Training and Technical Assistance Manual in July 2010. In addition, GEMS stated on their progress reports that it created two positions (a training and technical assistance director and manager) and maintained eight positions: an executive director, training Director, fiscal/administrative director, contracts manager, bookkeeper, special projects coordinator, data assistant, and administrative assistant.

GEMS submitted a Grant Adjustment Notice (GAN) request for a six month no-cost extension to OVC in May 2011 for this grant, which was denied because there were errors within the justification statement of request. OVC told us they will approve the no-cost extension when GEMS submits the GAN without errors. OVC also agreed that GEMS will need six more months to accomplish the outlined program objectives, and the new project end period would be February 2012. Although our assessment of performance and accomplishments is limited to the data we reviewed, we concluded that GEMS collected appropriate data, analyzed the data, and provided evidence demonstrating that the goals and objectives of this grant would be achieved by the end of the proposed grant period in February 2012.

#### *Program Sustainability for all Grants*

According to GEMS, it is always difficult to maintain funding to support its programs. However, GEMS believes that with the federal grants received, it has established itself at the forefront of the CSEC issue and will continue to provide community education, which hopefully will lead to more individual donors. In addition, GEMS informed us of plans to secure funding from agencies that they did not charge for services in the past. GEMS believes it will be able to move forward with its mission even in difficult financial times.

We are reporting on what GEMS told the audit team and we made no assessment on program sustainability. However, from our collective audit work, we believe that the absence of OJP grant funding could potentially

disrupt and impair the ability of GEMS to furnish ongoing training and technical assistance at the same level currently provided.

## **Conclusions**

GEMS did not fully comply with all of the grant requirements we tested. We found internal control weaknesses in GEMS' grant expenditures, monitoring of contractors, and Recovery Act reports.

We found that GEMS charged \$708,253 to the awards for grant expenditures that were unsupported. In addition, we found GEMS has not conducted any evaluations of contractor performance. Lastly, we found significant reporting errors in the calculation of FTEs which were submitted on the Recovery Act reports.

## **Recommendations**

We recommend that OJP:

1. Remedy \$578,664 in unsupported personnel expenditures and \$126,160 in unsupported fringe benefit charges.
2. Remedy \$3,429 in unsupported non-personnel and non-fringe benefit grant expenditures.
3. Ensure that GEMS' Board of Directors implements procedures to demonstrate authorization of the executive director's timesheets.
4. Ensure that GEMS acquire the capacity and implement procedures to perform evaluations of contractor performance and conduct those evaluations in a timely manner.
5. Ensure GEMS has implemented and adheres to procedures that will result in the accurate submission of Recovery Act reports.

## SCHEDULE OF DOLLAR-RELATED FINDINGS

<b>QUESTIONED COSTS:</b>	<b>AMOUNT</b>	<b>PAGE</b>
Unsupported Expenditures – personnel	\$ 578,664	10
Unsupported Expenditures – fringe benefits	\$ 126,160	10
Unsupported Expenditures – non-personnel and non-fringe benefits	\$ 3,429	15
<b>TOTAL OF QUESTIONED COSTS:</b>	<b>\$ 708,253</b>	
<b>TOTAL DOLLAR-RELATED FINDINGS:</b>	<b>\$ 708,253</b>	

***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.



## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The purpose of our audit was to determine whether reimbursements claimed for costs under grant 2006-AH-FX-K001 and its supplement, grant 2009-SN-B9-K064, grant 2009-MC-CX-K043, and grant 2009-SZ-B9-K011 were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. We also assessed grantee program performance in meeting grant objectives and overall accomplishments. The objective of our audit was to review activities in the following areas: (1) internal control environment, (2) personnel and fringe benefit expenditures, (3) non-personnel and non-fringe benefit grant expenditures, (4) drawdowns, (5) budget management and control, (6) contractor monitoring, (7) reporting, (8) compliance with grant requirements, (9) accountable property, and (10) program performance and accomplishments. We determined that program income, matching costs, indirect costs, and the monitoring of subgrantees were not applicable to these grants.

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 provided a reasonable basis for our findings and conclusions based on our audit objectives.

In conducting our audit, we performed sample testing in five areas: personnel expenditures and fringe benefit charges, non-personnel and non-fringe benefit grant expenditures, Federal Financial Reports, Progress Reports, and Recovery Act Reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts or expenditure category. This non-statistical sample design did not allow projection of the test results to the universes from which the samples were selected.

We audited the Office for Office of Juvenile Justice and Delinquency Prevention grant 2006-AH-FX-K001 and its supplement, grant 2009-SN-B9-K064, and grant 2009-MC-CX-K043 and the Office for Victims of Crime grant 2009-SZ-B9-K011. The grantee had a total of \$600,000 in requests for grant funding for grant 2006-AH-FX-K001 and its supplement, \$205,092 for grant 2009-SN-B9-K064, \$212,641 for grant 2009-MC-CX-K043, and \$200,364 for grant 2009-SZ-B9-K011 in requests for grant funding through May 2011. Our audit concentrated on, but was not limited to, the award of the original grant in April 2006, through May 2011.

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

In addition, we assessed the grantee's monitoring of contractors; reviewed the timeliness and accuracy of Federal Financial Reports, Progress Reports, and Recovery Act Reports; and evaluated performance to grant objectives. However, we did not test the reliability of the financial management system as a whole and reliance on computer based data was not significant to our objective.

GIRLS EDUCATIONAL AND MENTORING SERVICES  
RESPONSE TO THE DRAFT AUDIT REPORT



September 15, 2011

Thomas O. Puerzer  
Regional Audit Manager  
Philadelphia Regional Audit Office  
Office of the Inspector General  
U.S. Department of Justice  
701 Market Street, Suite 201  
Philadelphia, PA 19106

**Response to:** *Draft Audit Report, Audit of the Office of Justice Programs Cooperative Agreements Administered by Girls Educational and Mentoring Services New York, New York*

Dear Mr. Puerzer,

As of August 25, 2011, Girls Educational and Mentoring Services (GEMS) has been in receipt of your office's draft audit report cited above. Having carefully reviewed the contents of the report, we are issuing the following responses to your recommendations on a recommendation by recommendation basis:

**Remedy Recommendation 1:** The Office of the Inspector General (OIG) recommends the following: *Remedy \$578,664 in unsupported personnel expenditures and \$125,160 in unsupported fringe benefit charges.*

**GEMS' Response to Recommendation 1:** GEMS is in non-concurrence with this recommendation, as we do not agree with the reasons the OIG has given for this recommendation. In order to best justify our non-concurrence, we would like to refer to each of the reasons given within the draft audit report separately:

On page 10 of the draft report, the OIG noted that "*GEMS generally correctly computed, properly authorized, and accurately recorded personnel expenditures and accompanying fringe benefits charged to this grant.*" GEMS appreciates that the OIG has noted the accuracy and compliancy of its policies and procedures for recording personnel expenditures, especially since the organization has taken great care in developing and implementing a system that is in compliance with documented federal fiscal requirements. GEMS believes it is contradictory for the OIG to question all personnel and fringe expenditures charged to this grant when it agrees that GEMS' system for recording these expenditures is "generally correct."

On the same page, the OIG seemingly goes against its previous statement by attesting that "*GEMS did not have an adequate process in place to document the allocation of each staff member's actual activity charged to the grant.*" The OIG backs up this opinion by citing 2 C.F.R. § 230, which "*requires that personnel charges to awards be supported by personnel activity reports.*" During the audit, GEMS was not asked to show proof of personnel activity reports, but rather allocated timesheets documenting the percentage of time each staff

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member allocated to specified contracts on a daily basis. Upon having been made aware of this requirement while at an OJP Fiscal Conference 2009, GEMS began an extremely time-consuming and difficult process of trying to create and implement an allocated timesheet system that accurately accounted for the organization's many different programs funding sources. This process involved extensive research, attending trainings and discussions with other public organizations, including a conference call with the Office of the Chief Financial Officer. Not once during this process was GEMS able to obtain clear and consistent that would assist in creating a timesheet that would fit its needs. Nevertheless, at the time of the audit, GEMS had managed to reach the final stages of implementing its own allocated timesheet system. This system was, as explained in the draft audit report, reviewed with the OIG auditors. What GEMS did not know, however, was that the OIG would have accepted personnel activity reports as described by the CFR in place of these timesheets. Having not been made aware of this during either the OJP training in 2009 or the audit itself, the organization was not in a position to present these materials, which would have otherwise been made available.

On page 12 of the draft audit report, the OIG details GEMS' allocation spreadsheet, which was used by the organization to chart the actual average time and effort each staff member was putting towards each program and funding source. The OIG claims that the allocation spreadsheet was inadequate for supporting the allocation of personnel costs because it "...was not based on actual activities performed by the staff, instead it was based on budgeted percentages..." This statement is not true. In fact, the reverse is true, as was explained several times to the auditors while they were both on and off-site: The allocations within GEMS' allocation spreadsheet have always been based on actual activities performed by staff. *It is then* that salary allocations are assigned to contracts according to the actual percentages calculated—not the other way around. We at GEMS feel that perhaps there was a misunderstanding during the communication of this fact. We are attaching to this response email correspondence between our staff and the OIG that was used to, at the OIG's request, further clarify the process described above in the days following the audit.

GEMS would like to point out another misunderstanding cited on page 12 of the draft audit report. It is here that the report states, "*The official GEMS timesheet had a program column that staff members could use to allocate time spent on grant-specific activities. GEMS officials told us that the original timesheet was most likely modeled after a generic non-profit timesheet and it did not understand the importance of using the program column.*" The comment from GEMS officials mentioned in this quote has been misinterpreted. It was never meant to imply that GEMS does not understand the importance of allocating time towards specific programs and their corresponding sources of funding. If this were the case, GEMS would not take the care it does to accurately allocate staff time and effort across departments, programs, and funding sources, nor would it make sure to maintain separate fiscal accounts for each of its federal contracts. The comment cited above was meant to explain that GEMS did not feel the program column fit the purpose it needed to serve in order to be in compliance: The program column included in GEMS' original timesheets was never designed to allocate staff time and effort to specific contracts, but rather to specific programs, each of which were maintained by several different funding sources. Because programs at GEMS cannot be matched exclusively to any single source of funding, the program column could not have been used to accurately "*allocate time spent on grant-specific activities*" as was suggested in the draft audit report.

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In conclusion, GEMS does not feel that the arguments that have been set forth in favor of this recommendation are based on accurate observations. In concurrence with the OIG's statement that GEMS' processes for allocating personnel and fringe expenditures are "*generally correct*," GEMS does in fact have the ability to produce personnel activity statements, does follow a policy in which personnel allocations are based on actual activities, and does understand the importance of allocating time towards grant-specific activities. That said, GEMS recognizes that the OIG's opinions surrounding this finding were based upon an honest, detailed review of GEMS' infrastructure that was solely conducted for the purpose of upholding federal fiscal regulations. The finding has reaffirmed for GEMS the importance of documenting staff time and effort according to separate funding sources, and GEMS will continue to enforce its allocated timesheet system while also conducting and documenting monthly personnel activity reports as described by 2 C.F.R. § 230. GEMS looks forward to receiving additional assistance from the OIG and/or OJP in ensuring that its new system meets all federal requirements.

**Remedy Recommendation 2:** Office of the Inspector General (OIG) recommends the following: *Remedy \$3,429 in unsupported non-personnel and fringe benefit grant expenditures.*

**GEMS' Response to Recommendation 2:** GEMS is in non-concurrence with this recommendation because we feel it goes against the following statement made on page 15 of the draft audit report: "*Because GEMS was able to provide supporting documentation for the FY2009 sampled transactions, we do not believe that what happened in the FY 2006 grant is systemic throughout GEMS grant management practices.*" Post 2006, GEMS remedied the instances of supporting documentation being misplaced during office moves and turnover by implementing the following policy acknowledged on page 15: "*GEMS has since begun to scan all supporting documentation and cancelled checks to ensure that both electronic and hard copies are kept for future references.*" The success of this policy is exhibited by the fact that no unsupported transactions were identified during the OIG's review of more recent contracts.

In further support of its argument, GEMS would like to reiterate the fact that supporting documentation for these items was collected and filed, as GEMS' fiscal policies and procedures strictly prohibit allocation of unsupported funds. Unfortunately, these documents were unavailable during the time of the audit due to, as is stated by the OIG on Page 20 of the draft audit report, "*a 2006 office move, high rate of staff turnover at the time, and a lack of sufficient personnel*" (GEMS would like to clarify that the "*lack of sufficient personnel*" does not refer to the capabilities of those on staff in 2006, but rather the quantitative lack of personnel available to ensure absolute organizational capacity during that time).

Finally, GEMS feels it is important to note the minuteness of the finding to which this recommendation pertains: The \$3,429 questioned is allocated to the earliest of the four contracts covered in the draft report, and accounts for 2.4% of the OTPS expenditures examined by the OIG.

In conclusion, it is GEMS' opinion that this honest mistake involving 2.4% of the OTPS expenditures examined by the OIG, has already been remedied through successful implementation of new fiscal policies. What GEMS does concur with, is the OIG's declaration that, "*we do not believe that what happened in the FY2006 grant is systemic throughout GEMS grant management practices.*" Since FY2006 GEMS has significantly improved its

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fiscal systems by: updating its accounting software; hiring new fiscal staff; creating a new fiscal policies and procedures manual that incorporates all federal fiscal guidelines; conducting internal audits; developing systems for helping all staff to properly allocate and track individual expenditures; holding fiscal meetings to review the status of contracts and enhance current procedures; and creating a variety of tools for conducting tasks such as measuring FTE's, reconciling contracts, and developing quarterly budget-to-actual reports.

**Remedy Recommendation 3:** Office of the Inspector General (OIG) recommends the following: *Ensure that GEMS' Board of Directors implements procedures to demonstrate authorization of the executive director's timesheets.*

**GEMS' Response to Recommendation 3:** GEMS concurs with this recommendation. While physical distance and conflicting schedules have prevented the Board of Directors from regularly signing the Executive Director's timesheets in the past, GEMS has now implemented systems for preventing this issue. Since the previous fiscal year, the Executive Director has been taking her timesheets to quarterly board meetings for review. In addition, the organization's new electronic timesheet system now allows the Board of Directors to approve timesheets remotely. GEMS is confident that with these corrective actions in place, the Executive Director's timesheets will no longer go unauthorized.

**Remedy Recommendation 4:** Office of the Inspector General (OIG) recommends the following: *Ensure that GEMS acquires the capacity and implement procedures to perform evaluations of contractor performance and conduct*

**GEMS' Response to Recommendation 4:** GEMS is in non-concurrence with this recommendation. As the OIG articulates on page 17 of its draft audit report, GEMS maintains written contractor procurement procedures that "conform to OMB Circulars A - 122 and A -110 and 28 C.F.R. § 70.47." Contrary to this statement however, the report claims that GEMS "did not perform contractor evaluations as required."

During the audit, it became clear that GEMS and its OIG auditors had different interpretations of the 28 C.F.R. § 70.47 line that reads, "recipients must evaluate contractor performance." While the auditors expressed the opinion that these evaluations should be presented as formal written documents, GEMS would like to point out that the C.F.R. declares that judgment of contractor performance must only be documented "as appropriate." GEMS evaluates contractor performance by following the C.F.R. mandate that organizations must "maintain a system for contract administration to ensure contractor conformance with the terms, conditions, and specifications of the contract." All written agreements between GEMS and its contractors/consultants clearly state the deliverables required in order for contractors to be paid, as well as the timeframe in which the contractors must carry out these deliverables. GEMS' contractor procurement procedures prohibit GEMS from paying contractors who have not met their deliverables, a policy made aware to all external parties receiving service revenue from the organization. Additionally, GEMS documents approval of contractor services by stamping "Approved" on invoices prior to payment.

If the OIG is able to present GEMS with a concrete example of what they feel a more adequate system for contractor evaluation would look like, GEMS will gladly consider implementing such a system. At the time of

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the audit, such an example could not be produced, and GEMS and its auditors could only agree to disagree about the meaning behind 28 C.F.R. § 70.47. GEMS hopes that OJP will be able to offer further clarification regarding contractor evaluations so that GEMS and its auditors can be on the same page in terms of this requirement.

In conclusion, GEMS maintains the opinion that its contractor procurement procedures, which were deemed compliant by the OIG's draft audit report, are satisfactory for meeting all C.F.R. requirements. While GEMS respects the opinion of the OIG, it disagrees with its auditors' interpretation of the C.F.R. language around contractor evaluations for the following reason: By stating that evaluations must be documented "as appropriate," the C.F.R. does the opposite of stating that contractor evaluations must always be documented.

**Remedy Recommendation 5:** Office of the Inspector General (OIG) recommends the following: *Ensure GEMS has implemented and adheres to procedures that will result in the accurate submission of Recovery Act reports.*

**GEMS' Response to Recommendation 5:** GEMS is in non-concurrence with the OIG's recommendation for two reasons:

1. At the time of the audit, the errors in FTE calculations had already been discovered and addressed by GEMS staff. GEMS' OJP program officers were involved in correspondence surrounding the errors and how to prevent them in the future.
2. Chapter 16 of the ARRA Reporting User Guide states that "under no circumstances can the FTE calculations on the past reports be changed." Therefore, alteration to GEMS' reports containing inaccurate FTEs is currently impossible.

GEMS would like to point out that errors in FTE calculations were prominent among ARRA grantees, and that the FTE Calculator mentioned in the draft audit report was created as a method for amending widespread confusion surrounding how to calculate FTEs for this specific report. GEMS is grateful for the FTE Calculator, and now uses it to ensure the accuracy of its FTEs prior to 1512 report submission. Upon examining GEMS' more recent 1512 reports, the OIG will find that GEMS' FTE calculations have been consistently accurate.

GEMS thanks the OIG for the opportunity to respond to this draft audit report. We are available to answer any questions regarding our requests for reconsideration, and remain ready and willing to work with the OIG and OJP to ensure ongoing compliance with our federal contracts, for which we are consistently grateful.

Sincerely,

Rachel Lloyd  
Founder and Executive Director

1512 Reporting User Guide  
1512 Reporting User Guide  
1512 Reporting User Guide

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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*

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Washington, D.C. 20531

**September 21, 2011**

MEMORANDUM TO: Thomas O. Puerzer  
Regional Audit Manager  
Philadelphia Regional Audit Office  
Office of the Inspector General

/s/  
FROM: Maureen A. Henneberg  
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, Cooperative Agreements Administered by the Girls Educational and Mentoring Services, New York, New York*

This memorandum is in response to your correspondence, dated August 25, 2011, transmitting the subject draft audit report for the Girls Educational and Mentoring Services (GEMS). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **five** recommendations and **\$708,253** 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 remedy the \$578,664 in unsupported personnel expenditures and \$126,160 in unsupported fringe benefit charges.**

We will coordinate with GEMS to obtain documentation to support the \$578,664 in personnel expenditures and the \$126,160 in fringe benefit costs charged to cooperative agreement numbers 2006-AH-FX-K001, 2009-SN-B9-K064, 2009-MC-CX-K043, and 2009-SZ-B9-K011. If adequate documentation is not provided, we will require that



GEMS return funds for any unsupported costs to the U.S. Department of Justice (DOJ), and submit revised Federal Financial Reports to remove those expenditures.

**2. We recommend that OJP remedy the \$3,429 in unsupported non-personnel and fringe benefit grant expenditures.**

We will coordinate with GEMS to obtain documentation to support the \$3,429 in non-personnel and fringe benefit expenditures charged to cooperative agreement number 2006-AH-FX-K001. If adequate documentation is not provided, we will require that GEMS return the funds for any unsupported costs to DOJ, and revise their FFR to remove those expenditures.

**3. We recommend that OJP ensure that GEMS' Board of Directors implement procedures to demonstrate authorization of the Executive Director's timesheets.**

We agree with the recommendation. We will coordinate with GEMS to obtain a copy of procedures implemented by their Board of Directors to ensure that the Executive Director's timesheets are properly authorized.

**4. We recommend that OJP ensure that GEMS acquire the capacity and implement procedures to perform evaluations of contractor performance and conduct those evaluations in a timely manner.**

We agree with the recommendation. We will coordinate with GEMS to obtain a copy of written procedures, developed and implemented, to ensure that performance evaluations of contractors are conducted in accordance with the OJP Financial Guide.

**5. We recommend that OJP ensure GEMS has implemented and adheres to procedures that will result in the accurate submission of Recovery Act reports.**

We agree with the recommendation. We will coordinate with GEMS to obtain a copy of written procedures, developed and implemented, to ensure that information reported on Recovery Act reports is accurate.

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  
Office of Audit, Assessment, and Management

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Control Number 20111579

## 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 Girls Educational and Mentoring Services (GEMS) and the Office of Justice Programs (OJP) for review and comment. GEMS' response is included as Appendix III of this final report, and OJP's response is included as Appendix IV. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

### Recommendation Number

1. **Resolved.** OJP concurred with our recommendation to remedy the \$578,664 in unsupported personnel expenditures and \$126,160 in unsupported fringe benefit charges for the grants. OJP said in its response that it would coordinate with GEMS to remedy the \$578,664 in unsupported personnel expenditures and \$126,160 in unsupported fringe benefit expenditures for the grants.

In its response, GEMS disagreed with our recommendation. Specifically, GEMS stated that it is "contradictory for the OIG to question all personnel and fringe expenditures charged to the grant when it agrees that GEMS' system for recording these expenditures is "generally correct." In addition, GEMS stated that it was not made aware of the requirement for activity reports allocating appropriate amounts of personnel charges to multiple grants until a 2009 OJP Conference. GEMS further stated that, during the audit, it was not asked to provide personnel activity reports, but rather allocated timesheets. We considered these and related statements in GEMS' response and provide the following analysis and response.

While our draft report did not contain contradictory statements, our conclusions about GEMS' compliance with grant requirements may have been misinterpreted. On page 11 of the report, we detailed the personnel expenditure testing that we conducted and defined the context of the terms we used to describe GEMS' compliance or non-compliance. However, to ensure that the report clearly describes the areas of compliance and their differences with the areas of non-compliance, we made clarifications to the body of the report to eliminate conclusions of GEMS' compliance using defined terms. Instead, we provided detailed conclusions that thoroughly specify the scope and specificity of the statements identifying compliance with grant requirements.

Our draft and final audit report described the results of our testing and concluded that GEMS did not have an adequate process in place to document the allocation of each staff member's actual activity charged to the grants. As a result, we questioned \$578,664 in unsupported personnel expenditures and \$126,160 in unsupported fringe benefit charges for the grants. When GEMS accepted the awards, it certified that it agreed to fully comply with requirements for personnel expenditures charged to the grants, including personnel activity reports when salaries apply to the execution of two or more grant programs, cost activities, project periods, and/or overlapping periods. However, GEMS stated in its response that it was not aware of this requirement until a 2009 OJP Conference. If GEMS was not clear about its responsibilities under the grant agreement, GEMS officials could have obtained additional guidance and training from OJP sufficient to ensure that it was adhering to the grant requirements. GEMS' statement that it was unaware of the requirements until an OJP training conference in 2009 and until our audit was performed does not absolve GEMS of its responsibility to maintain documentation that supports the use of grant funding for personnel and fringe benefit expenditures in accordance with the terms and conditions of the grant awards.

Further, GEMS also stated in its response that it was not asked to provide personnel activity reports, but rather timesheets documenting the percentage of time each staff member allocated to specific contracts on a daily basis. Multiple times during our field work and also at our exit conference, we requested from GEMS officials supporting documentation that showed the allocation of personnel and fringe benefit expenditures charged to the grants. In addition, on page 10 of the draft audit report, we referred to 2 C.F.R. Part 230 (formerly known as OMB-Circular A-122), that requires personnel charges be supported by personnel activity reports. However, GEMS did not provide these reports in its written response. During our audit, GEMS only provided timesheets and payroll registers and never mentioned that it had any other type of documentation that would potentially satisfy this requirement. In addition, GEMS' response inaccurately described our discussions regarding a new time tracking system. Specifically, the response states "this system, as explained in the report, was reviewed with the OIG auditors." While the OIG was made aware of this new allocated timesheet system and received a copy of what the timesheet would look like, we did not perform any review or testing of this system because it was not implemented at the

time of our audit. Therefore, we cannot ensure it was ever implemented or, if implemented, working as intended.

In its response, GEMS also referred to page 12 of the audit report that discusses the allocation spreadsheet used. Specifically, our report states the spreadsheet “was not based on actual activities performed by the staff, instead it was based on budgeted percentages.” GEMS stated that this was incorrect, and that the allocations within GEMS’ allocation spreadsheet were always based on actual activities performed by its staff. During our audit field work, GEMS staff stated that, “once budgets are approved by the government, the fiscal consultant is given the current approved budgets and the percentages from there.” In addition, we requested from GEMS multiple times during our field work and at our exit conference supporting documentation that showed that the allocation of personnel and fringe benefit expenditures charged to the grants was based on actual work performed. GEMS did not provide us with any of the supporting documentation we requested during fieldwork or at the exit conference, or in its response to the draft report that would support its response to our audit report. The email correspondence that GEMS cited in its response provided GEMS’ explanation but did not include any verifiable documentation that the amounts allocated were those actually worked by staff. For example, the hours worked according to the timesheets for each staff member could not be reconciled to the GEMS allocation spreadsheets.

GEMS’ response also referred to page 12 of the audit report which states, “GEMS officials told us that the original timesheet was most likely modeled after a generic non-profit timesheet and GEMS did not understand the importance of using the program column.” GEMS said the OIG misinterpreted this information and that the comment from the GEMS official was not meant to imply that GEMS did not understand the importance of allocating time towards specific programs and the corresponding sources of funding. GEMS further stated in its response that the intention of its comment was to explain that it did not feel the program column fit the purpose it needed to serve in order to be in compliance. GEMS also stated in its response that it takes care to accurately allocate staff time and maintain separate accounts for each of its fiscal contracts. It appears that GEMS has interpreted our quote of the statement as an implication that GEMS did not take its grant management responsibilities seriously. We included the statement to provide GEMS officials’ views with regard to the program column on the timesheet. We do not offer any further interpretation or analysis of GEMS’ intention for this

statement. However, in an effort to provide a fair and balanced report, we added to the relevant section of this final report the subsequent clarification GEMS provided in its response.

Although GEMS' response stated that it was aware that the program column on the timesheet in use was not adequate, during our audit GEMS was unable to provide any evidence of other measures or controls that were taken to ensure compliance with this particular grant award requirement under 2 C.F.R. Part 230 (formerly known as OMB-Circular A-122), that requires personnel charges to be supported by personnel activity reports.

GEMS also said that the program column was never designed to allocate staff time and effort to specific grants, but rather to specific programs, each of which was maintained by several different funding sources. We modified this final report to clarify this point. Moreover, GEMS said that because its programs cannot be matched exclusively to any single source of funding, the program column could not have been used to accurately allocate time spent on grant-specific activities. While we recognize that GEMS' programs may be funded by several funding sources, including DOJ grants, grantees must be able to separate costs for each grant. Therefore, GEMS should have tracked personnel time and effort for each grant, particularly for those employees that work on several different grants. Because GEMS did not adhere to this requirement, we provided this recommendation to remedy the associated costs.

Finally, GEMS stated that the arguments set forth supporting this recommendation were based on inaccurate observations. However, as we discussed in the audit report and in this response, all of our conclusions are based on accurate and verifiable evidence. These costs were questioned because GEMS did not provide us with adequate personnel activity reports that contain the information required by the OJP financial guide, and because the Executive Director's timesheets did not have evidence of supervisory approval. While GEMS stated in its response it had the ability to produce activity reports, we were not provided with any activity reports that adhered to the requirements of the OJP Financial Guide. None of the issues discussed in GEMS' response or the documents provided during our audit, have resolved these questioned costs.

This recommendation can be closed when we receive evidence that OJP has appropriately remedied the \$578,664 in unsupported

personnel expenditures and \$126,160 in unsupported fringe benefit charges.

2. **Resolved.** OJP concurred with our recommendation to remedy the \$3,429 in unsupported non-personnel expenditures for the grants. OJP said in its response that it would coordinate with GEMS to remedy the unsupported grant expenditures.

In its response, GEMS disagreed with this recommendation and supported its position by referring to page 15 of the audit report that states, "because GEMS was able to provide supporting documentation for the FY 2009 sampled transactions, we do not believe what happened in the FY 2006 grant is systemic through GEMS grant management practices." GEMS' response also asserted that the unsupported amount is minute, represents an honest mistake, and has already been remedied through successful implementation of new fiscal policies. However, GEMS' statements and conclusions failed to acknowledge that, in accepting the awards, it agreed to fully comply with requirements that required non-personnel and non-fringe benefit expenditures charged to the grants be supported. Moreover, the materiality of the amount of unsupported expenditures and the fact that new policies and procedures have been implemented does not relieve GEMS of its responsibility to maintain documentation that supports the use of grant funding for non-personnel and non-fringe benefit expenditures in accordance with the terms and conditions of the grant awards.

This recommendation can be closed when we receive documentation to remedy these associated questioned costs.

3. **Resolved.** OJP agreed with our recommendation to ensure that GEMS' Board of Directors implements procedures to demonstrate authorization of the Executive Director's timesheets.

GEMS concurred with our recommendation and said that its Board of Directors implemented procedures to authorize the Executive Director's timesheets. GEMS stated that the Executive Director has been taking the timesheets to quarterly board meetings for review. In addition, GEMS said its new electronic timesheet system now allows the Board of Directors to approve timesheets remotely.

This recommendation can be closed when we receive adequate documentation demonstrating that these procedures have been implemented.

4. **Resolved.** OJP agreed with our recommendation to ensure that GEMS acquire the capacity and implement procedures to perform evaluations of contractor performance and conduct those evaluations in a timely manner.

In its response, GEMS disagreed with our recommendation and referred to page 17 of the audit report which states that it maintains written contractor procurement procedures that conform to “OMB Circulars A-122 and A-110 and 28 C.F.R.70.47.” GEMS stated that it has a different interpretation than the OIG of the requirement, which states “Recipients must evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.” GEMS said that it evaluates contractor performance by following the C.F.R. mandate to “maintain a system for contract administration to ensure contractor conformance with the terms, conditions, and specifications of the contract.” During audit field work, we asked GEMS if it has evaluated contractor performance and documented whether contractors have met the terms, conditions, and specifications of the contract. At that time, GEMS officials said they had not acquired the capacity to conduct formal evaluations of contractor performance. Moreover, GEMS has not since provided us with any documentation that it has a system in place to evaluate and document contractor performance.

Additionally, GEMS said in its response that it disagrees with the OIG’s interpretation of the requirement which states that contractor evaluations must be documented “as appropriate.” However, the fact that the provision requires recipients to document, as appropriate, whether contractors have met the terms and conditions of the contract does not absolve GEMS of the responsibility to establish a system to evaluate contractor performance, which GEMS told us during our fieldwork it did not do. Further, 28 C.F.R.70.51 states that “Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.” Because an activity performed by a grant-funded contractor is considered a function or activity supported by the award, we believe GEMS is responsible for adequately managing and monitoring contract activities. However, we were not provided evidence of evaluations of contractor performance, and without documented evidence, we could not validate GEMS’ assertion that contractor performance was evaluated. As a result, we recommend that OJP work with GEMS to strengthen its contractor monitoring procedures.



In addition, GEMS indicated in its response that our statement in the report that contractor procurement procedures were deemed compliant is contrary to the finding that is the basis for this recommendation. We found documentation of contractor procurement procedures that conform to C.F.R. requirements but did not find specific documentation of contractor performance evaluations. GEMS did not provide verifiable evidence that one part of these procedures had been implemented and was working as intended.. As we explained in our report, we spoke with GEMS officials about this issue and they offered an explanation as to why contractor performance was not evaluated: that GEMS lacked the capacity to do so. According to grant regulations, GEMS was required to perform these evaluations and did not do so. As a result, we maintain that GEMS should have performed contractor evaluations and made minor clarifications to this final report regarding this issue.

Further, GEMS requested the OIG to provide a more concrete example of an adequate system for contractor evaluation. We conducted our audit in part to independently assess GEMS' compliance with the terms and conditions of the awards it received. Our audit was not intended to provide prescriptive procedures or guidance to GEMS and we do not consider it appropriate to do so. Rather, GEMS should consult with OJP as the grant awarding component for guidance in the development and implementation of appropriate procedures that enhance internal controls and help to facilitate compliance with the award terms and conditions.

This recommendation can be closed when we receive documentation demonstrating that these procedures have been implemented.

5. **Resolved.** OJP agreed with our recommendation to ensure GEMS implements and adheres to procedures that will result in the accurate submission of Recovery Act reports.

In its response, GEMS disagreed with our recommendation and supported its position by saying that at the time of the audit, the errors in the Full Time Equivalent (FTE) calculations had already been discovered and addressed by GEMS staff. GEMS also said that OJP program officers were involved in correspondence surrounding the errors and how to prevent them in the future. During audit field work, we tested selected Recovery Act reports and could not recalculate the amount of FTEs GEMS reported on its quarterly Recovery Act reports for the second and third quarters of 2010 based on the information GEMS provided. We determined errors occurred and asked GEMS

officials for an explanation. We were told it was because GEMS thought it should be reporting positions as FTEs, even though only portions of staff salaries were charged to the grants. GEMS did not notify OJP of these errors until we brought it to their attention in April 2011.

The second reason that GEMS disagreed with this recommendation was because Chapter 16 of the ARRA Reporting User Guide states that “under no circumstance can the FTE calculations on the past reports be changed.” We are not prescribing that GEMS go back and change past reports but that GEMS implement procedures that result in the accurate submission of Recovery Act Reports.

This recommendation can be closed when we receive documentation demonstrating that these procedures have been implemented.