



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
BUREAU OF JUSTICE ASSISTANCE
EDWARD BYRNE MEMORIAL
JUSTICE ASSISTANCE GRANTS AWARDED TO
THE INDIANA CRIMINAL JUSTICE INSTITUTE
INDIANAPOLIS, INDIANA**

U.S. Department of Justice
Office of the Inspector General
Audit Division

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EXECUTIVE SUMMARY

The Office of the Inspector General, Audit Division has completed an audit of the Edward Byrne Memorial Justice Assistance grants awarded by the U.S. Department of Justice (DOJ), Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to the Indiana Criminal Justice Institute (ICJI), located in Indianapolis, Indiana. Between October 1, 2006, and December 31, 2009, the ICJI was awarded five grants totaling \$34,713,325.

The purpose of the Justice Assistance Grant (JAG) Program is to allow states, tribes, and local governments to support a broad range of activities to prevent and control crime based on their own local needs and conditions. JAG funds can be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and information systems for criminal justice for any one or more of the following purpose areas:

- Law enforcement programs
- Prosecution and court programs
- Prevention and education programs
- Corrections and community corrections programs
- Drug treatment programs
- Planning, evaluation, and technology improvement programs
- Crime victim and witness programs (other than compensation)

Recovery 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.

Through Recovery Act JAG funding, DOJ focused support on all components of the criminal justice system, including multi-jurisdictional drug and gang task forces; crime prevention and domestic violence programs; and courts, corrections, treatment, and justice information sharing initiatives. Recovery Act JAG-funded projects could address crime by providing services directly to individuals and communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

Audit Results

The purpose of this audit was to determine whether reimbursements claimed for costs under the grants were supported and allowable in accordance with applicable laws, regulations, guidelines, terms and conditions of the grant and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) grant requirements; (2) internal control environment; (3) cash management; (4) program income; (5) grant expenditures; (6) property management; (7) supplanting; (8) management of subrecipients and contractors; (9) Financial Status Reports (FSR), Progress Reports, and Recovery Act Reports; and (10) program performance and accomplishments. We determined that property management and management of contractors were not applicable to these grants. Therefore, testing was not performed in these areas.

As shown in the following exhibit, the ICJI was awarded \$34,713,325 in JAG and Recovery Act JAG funding between October 1, 2006, and December 31, 2009.

EXHIBIT: EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT AWARDS TO THE INDIANA CRIMINAL JUSTICE INSTITUTE

AWARD NUMBER	AWARD START DATE	AWARD END DATE	AWARD AMOUNT	AWARD TYPE
2007-DJ-BX-0081	10/01/06	09/30/10	\$ 5,415,403	Standard
2008-DJ-BX-0018	10/01/07	09/30/11	1,907,757	Standard
2008-DJ-BX-0752	10/01/07	09/30/11	178,960	Supplement
2009-DJ-BX-0049	10/01/08	09/30/12	5,537,961	Standard
2009-SU-B9-0047	03/01/09	02/28/13	21,673,244	Stimulus
Total			\$34,713,325	

Source: OJP Grants Management System (GMS)

At the time of our review, no sub-awards had been made and no costs had been incurred in association with grants 2008-DJ-BX-0752 and 2009-DJ-BX-0049. As a result, we performed the majority of our testing on grants 2008-DJ-BX-0018 and 2009-SU-B9-0047. However, less than \$300 in administrative expenses had been billed to either of these two grants. Thus, we performed our administrative expense testing on grant 2007-DJ-BX-0081.

Based upon our interviews with ICJI officials and examination of the ICJI's accounting records, required reports, and operating policies and procedures, we found:

- The financial management system provided for segregation of duties, transaction traceability, system security, and limited access.
- The administrative expenditures, including payroll and fringe benefits, and subrecipient transactions reviewed were, in general, properly authorized, classified, supported, and charged to the grants.
- The FSRs, Progress Reports, and Recovery Act Reports were submitted in a timely manner.
- The ICJI adequately addressed its mission of improving and supporting programs related to law enforcement; prosecution and court; prevention and education; corrections and community corrections; drug treatment; planning, evaluation, and technology improvement; and crime victim and witnesses by awarding \$19,505,918 in Recovery Act JAG funding to 34 subrecipients aimed at addressing the specified purpose areas established in their applications for grant 2009-SU-B9-0047.

However, we identified several internal control and reporting deficiencies, as well as unallowable and unsupported costs that had been allocated to the awards. In addition, we found unreported program income. Specifically, we found:

- Although subrecipients reported to the ICJI \$1,038,261 in federal and state program income earned between January 1, 2008, and December 3, 2009, the ICJI did not report any program income to OJP. During our audit, the ICJI identified a total of at least \$3,482,466 in potential program income earned by subrecipients. Further, the ICJI was not ensuring that subrecipients were using program income for allowable program expenses and under the conditions applicable to the awards.
- The ICJI charged \$1,546 in unallowable costs to grant number 2007-DJ-BX-0081 for incentive payments to ICJI employees who elected to participate in a health wellness program.
- One subrecipient was unable to provide documentation supporting the \$36,323 in expenses charged to grant 2008-DJ-BX-0018.
- ICJI's monitoring and oversight of subrecipients was not adequate. Specifically:
 - The ICJI lacked adequate staff to properly oversee and manage the JAG awards.
 - The ICJI lacked adequate formal policies and procedures for its administration of JAG awards and monitoring subrecipients' use of JAG funds.
 - The ICJI did not have adequate formal policies and procedures for subrecipients to use in managing their awards.
 - The ICJI conducted a limited number of site visits. Moreover, there was little evidence in the ICJI's files that the site visits performed included a review of the financial operations and records of the subrecipients, the identification of weaknesses and necessary corrective actions, or follow-up to ensure that any identified problems had been resolved.
 - The ICJI also did not require its subrecipients to submit any supporting documentation with their reimbursement requests.

Instead, the ICJI simply paid subrecipients the amounts reflected on their submitted claims.

- The ICJI did not review or follow up with subrecipients when required forms or reports were incomplete or contained erroneous or questionable information.
- The ICJI did not review the single audits of its subrecipients when submitted. Additionally, subrecipients were not required to provide copies of any other internal or external audits or reviews that may contain findings on overall internal control weaknesses or deficiencies that could affect the subrecipients' management and oversight of their JAG sub-awards.
- Three subrecipients had not filed their financial reports for the quarter ended December 31, 2009. However, the failure to submit these reports did not affect the accuracy of the FSR the ICJI submitted to OJP for the quarter ended December 31, 2009.
- The ICJI's calendar year 2008 performance report for grant number 2007-DJ-BX-0081 understated three metrics.
- Due to double-counting, the ICJI overstated the number of sub-awards made and the amount of funding sub-awarded on its Recovery Act Report for the quarter ended December 31, 2009.

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

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INTRODUCTION

The Office of the Inspector General, Audit Division has completed an audit of the Edward Byrne Memorial Justice Assistance grants awarded by the U.S. Department of Justice (DOJ), Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to the Indiana Criminal Justice Institute (ICJI), located in Indianapolis, Indiana. Between October 1, 2006, and December 31, 2009, the ICJI was awarded five grants totaling \$34,713,325.

The Edward Byrne Memorial Justice Assistance Grant (JAG) is a formula grant program in which the 50 states, the District of Columbia, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands are eligible to apply.¹ The purpose of the JAG Program is to allow states, tribes, and local governments to support a broad range of activities to prevent and control crime based on their own local needs and conditions. JAG funds can be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and information systems for criminal justice for any one or more of the following purpose areas:

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Recovery 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;

¹ Formula grant programs are noncompetitive awards distributed to states based on a specific funding formula. Byrne grant formula awards are based in part on a state's or territory's share of violent crime and population.

(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.

Through Recovery Act JAG funding, DOJ focused support on all components of the criminal justice system, including multi-jurisdictional drug and gang task forces; crime prevention and domestic violence programs; and courts, corrections, treatment, and justice information sharing initiatives. Recovery Act JAG-funded projects could address crime by providing services directly to individuals and communities and by improving the effectiveness and efficiency of criminal justice systems, processes, and procedures.

Audit Purpose

The purpose of our audit was to determine whether costs claimed under these grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants. The objective of our audit was to review performance in the following areas: (1) grant requirements; (2) internal control environment; (3) cash management; (4) program income; (5) grant expenditures; (6) property management; (7) supplanting; (8) management of subrecipients and contractors; (9) Financial Status Reports (FSR), Progress Reports, and Recovery Act Reports; and (10) program performance and accomplishments. We determined property management and management of contractors were not applicable to these grants; therefore, testing was not performed in these areas.

As shown in Exhibit 1, between October 1, 2006, and December 31, 2009, the ICJI was awarded a total of \$34,713,325 in funding under both the JAG and Recovery Act JAG Programs. Based on grant activity, we limited our audit to funding awarded under grants 2007-DJ-BX-0081, 2008-DJ-BX-0018, and 2009-SU-B9-0047.²

² At the time of our review, no sub-awards had been made and no subrecipient costs had been incurred in association with grants 2008-DJ-BX-0752 and 2009-DJ-BX-0049. As a result, we performed the majority of our testing on grants 2008-DJ-BX-0018 and 2009-SU-B9-0047. Because less than \$300 of administrative expenses had been billed to either of these two grants, we performed our administrative expense testing on grant 2007-DJ-BX-0081.

**EXHIBIT 1: EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT
AWARDS TO THE INDIANA CRIMINAL JUSTICE INSTITUTE**

AWARD NUMBER	AWARD START DATE	AWARD END DATE	AWARD AMOUNT	TYPE
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2009-DJ-BX-0049	10/01/08	09/30/12	5,537,961	Standard
2009-SU-B9-0047	03/01/09	02/28/13	21,673,244	Stimulus
Total			\$34,713,325	

Source: OJP Grants Management System (GMS)

Background

OJP’s mission is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. OJP seeks to accomplish its mission by disseminating state-of-the-art knowledge and practices across America by providing grants for the implementation of these crime-fighting strategies. To support this mission, the BJA provides leadership and assistance to local criminal justice programs that improve and reinforce the nation’s criminal justice system, with goals to reduce and prevent crime, violence, and drug abuse and to improve the way in which the criminal justice system functions.

Located in Indianapolis, Indiana, the ICJI, which is guided by a Board of Trustees representing all components of Indiana's criminal and juvenile justice systems, serves as the state's planning agency for criminal justice, juvenile justice, traffic safety, and victim services. The ICJI develops long-range strategies for the administration of Indiana's criminal and juvenile justice systems and administers federal and state funds, including those awarded under the federal JAG and Recovery Act JAG Programs, to carry out these strategies. As part of administering federal and state funds, the ICJI awarded grants to state, local, and multi-jurisdictional agencies, offices, and task forces.³

OIG Audit Approach

We tested compliance with what we consider to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide*, award documents, the Code of Federal Regulations, Office of Management and Budget (OMB)

³ Appendices III and IV list the grants sub-awarded by the ICJI to state and local entities under grants 2008-DJ-BX-0018 and 2009-SU-B9-0047.

Circulars, and the American Recovery and Reinvestment Act. We tested the ICJI's:

- **internal control environment** to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grants.
- **grant drawdowns** to determine whether grant drawdowns were adequately supported and the ICJI was managing grant receipts in accordance with federal requirements;
- **grant expenditures** to determine the accuracy and allowability of costs charged to the grants;
- **management of subrecipients** to determine how the ICJI administered pass-through funds;
- **Financial Status Reports, Progress Reports, and Recovery Act Reports** to determine whether the required reports were submitted on time and accurately reflected grant activity; and
- **grant objectives and accomplishments** to determine if the ICJI met or is capable of meeting the grants' objectives.

The results of our analysis are discussed in detail in the Findings and Recommendations section of the report. Our audit objective, scope, and methodology are discussed in Appendix I.

FINDINGS AND RECOMMENDATIONS

In general, the ICJI adequately accounted for grant funds received, sub-grants awarded, and its use of grant funds for administrative expenditures from grants 2007-DJ-BX-0081, 2008-DJ-BX-0018, and 2009-SU-B9-0047. However, we identified several internal control and reporting deficiencies, as well as unallowable and unsupported costs that had been allocated to the awards. Specifically, we found that the ICJI's system of internal controls and staffing did not sufficiently provide for adequate monitoring and oversight of subrecipient expenditures, accounting records, and grant activities. In addition, we found unreported federal program income totaling at least \$3,482,466; unallowable administrative expenses totaling \$1,546; and \$36,323 in unsupported subrecipient costs. As a result, we identified a total of \$37,869 in questioned costs and almost \$3.5 million in potential enhanced revenue.

Internal Control Environment

We reviewed the state of Indiana's Single Audit Report, as well as the ICJI's policies and procedures and specific financial management practices, to assess the ICJI's risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the grants. To further assess risk, we obtained an understanding of the reporting process, examined grant records and reports prepared by the ICJI and its subrecipients, and interviewed ICJI personnel regarding JAG award administrative charges and subrecipient oversight.

Single Audit

According to Office of Management and Budget (OMB) Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a single audit conducted. As expenditures of federal funds exceeded this level, the state of Indiana (or the State) was required to have a single audit performed. We reviewed the state of Indiana's report for fiscal year (FY) 2008 and found that, while there were several findings, none were related to the JAG awards or DOJ funds as a whole.⁴

⁴ At the time of our audit, the FY 2008 Single Audit Report was the most current one filed with the Federal Clearinghouse. The State's fiscal year was July 1 through June 30 and FY 2008 ended on June 30, 2008.

Financial Management System

The *OJP Financial Guide* requires grantees to establish and maintain a system of accounting and internal controls that adequately identifies and classifies grant costs. The system must include controls to ensure that funds and other resources are used optimally and expenditures of funds are in conformance with the general and special conditions applicable to the recipient. Further, the *OJP Financial Guide* states that grantees should establish and maintain program accounts that will enable, on an individual basis, the separate identification and accounting of the receipt and disposition of all funds and the application of all funds to each budget category included within the approved award.

We did not test the overall financial management system for the ICJI as a whole, but conducted a limited review and performed testing in areas related to the JAG awards, such as payroll. In September 2009, the state of Indiana converted to a new automated financial management system, which contains applications for grant management, payroll, and fund transfers between state agencies. Based on interviews with ICJI personnel, we believe this system provides for segregation of duties, transaction traceability, and limited access. However, system controls do not appear to be adequate to ensure compliance with applicable requirements of both the JAG and Recovery Act JAG Programs. For example, state-level subrecipients, such as the Indiana Supreme Court, are able to obtain reimbursements directly through the system without submitting claims to the ICJI for review. Moreover, we believe the ICJI lacked sufficient staff to adequately monitor its subrecipients' grant activities, records, and reports. These weaknesses are discussed in further detail later in the report.

High Risk Grantee Designation

In June 2009, OJP designated the ICJI as a high risk grantee because the ICJI was overdue on the repayment of an excess drawdown associated with a 2004 award. As part of this high risk designation, ICJI staff was required to take an OJP grant financial management training class within 1 year. OJP recovered the excess funds through an offset in September 2009 and removed the high risk designation. According to OJP staff, despite the removal of the high risk designation, the ICJI still needed to fulfill the training requirement. ICJI staff had been scheduled to attend the required training class in February 2010. However, the class was postponed, and ICJI officials stated that they completed the course in May 2010.

Drawdowns

Although JAG award recipients are permitted to draw down the entire award amount in a lump sum and place the funds in an interest-bearing account, the ICJI requested funding on a reimbursement basis. The ICJI's Financial Status Reports (FSR) indicated that, as of December 31, 2009, grant expenditures totaled \$4,407,334 for grants 2007-DJ-BX-0081, 2008-DJ-BX-0752, and 2008-DJ-BX-0018. However, as shown in Exhibit 2, OJP records indicated that the ICJI had only drawn down grant funds totaling \$3,948,324 as of that date.

EXHIBIT 2: DRAWDOWNS AND REPORTED EXPENDITURES

<u>Grant Number</u>	<u>Funds Drawn Per OJP as of December 31, 2009</u>	<u>Funds Expended Per FSR as of December 31, 2009</u>
2007-DJ-BX-0081	\$3,518,475	\$3,867,489
2008-DJ-BX-0752	0	329
2008-DJ-BX-0018	429,849	539,517
2009-DJ-BX-0049	0	0
2009-SU-B9-0047	0	0
Total	\$3,948,324	\$4,407,335

Source: OJP Drawdown Schedules and ICJI Financial Status Reports

The ICJI maintained separate accounts for each grant, including its Recovery Act JAG award, to ensure grant funds maintained their separate identity in the accounting records. According to ICJI representatives, when local-level subrecipients submitted their reimbursement claims, ICJI staff reviewed the grant accounts to ensure the subrecipients still had available funds. ICJI staff then recorded the claims as pending in the grant records and submitted those claims to the State Auditor's Office for payment.⁵ Upon payment of the expenses, ICJI staff added the payment information to the grant records and then requested reimbursement from OJP.

Program Income

According to the *OJP Financial Guide*, all income generated as a direct result of an agency-funded project shall be deemed program income.⁶ The *OJP Financial Guide* further states that program income must be used for the purposes and under the conditions applicable to the award and be used for allowable program expenses. If those conditions are not present, the funds

⁵ State-level agencies submit their reimbursement claims directly to the State Auditor's Office for payment. This practice is further discussed in the *Management of Funds* section of the report.

⁶ The *OJP Financial Guide* states that for sub-awards on formula grants, the state is responsible for determining if earned income is a direct result of the award.

should be returned to the federal government. If a recipient was funded by formula grants, program income must be reported on the FSRs and show the cumulative and federal portion of program income earned from various sources, such as forfeited assets, fees, tuition, and royalties. When reporting program income, recipients should determine the percentage of federal funds supporting their program and apply that same percentage to the amount of federal program income earned. In addition to the *OJP Financial Guide, Federal Equitable Sharing Guidelines* require that program income generated from federal forfeitures be utilized in furtherance of the program from which they were generated.

Subrecipients for the 2007 and 2008 JAG awards informed the ICJI of \$1,038,261 in program income earned between January 1, 2008, and December 3, 2009. According to the reports submitted, this was comprised of \$640,673 in federal program income and \$397,588 in state program income. However, the ICJI did not report any program income on its FSRs to OJP and did not ensure that any program income earned was used in furtherance of the JAG Program. The ICJI staff responsible for preparing the FSRs stated that she was unaware that program income was supposed to be reported to OJP. Subsequently, ICJI officials stated that they will report the program income for all quarters and years for which it was not previously reported.

The 2007 and 2008 JAG awards under our review funded at least 100 drug task forces or police departments for the Advanced Criminal Enforcement (ACE) program, which ICJI officials explained was primarily an interstate drug interdiction program. In our experience, task forces and police departments participating in this type of program may be involved in the seizure of vehicles and cash. However, we found that 21 of these entities reported earning either federal or state program income during our review period.

At our request, ICJI officials asked 70 drug task forces and police departments participating in the ACE program to provide the amount of funds they had earned through seizure and forfeiture during our review period. Of the 53 entities responding, 23 reported earning a total of \$5,463,647 between January 2008 and December 2009.⁷ This amount included \$3,482,466 identified as federal income and \$1,981,181 identified as state income, which was significantly more than the \$1,038,261 officially reported as program income to the ICJI on the subrecipients' quarterly

⁷ The remaining 30 responding subrecipients did not report any program income during our review period.

financial reports.⁸ Consequently, there was at least \$3,482,466 in possible federal program income that was not reported to OJP, and we considered this amount as potential enhanced revenue.

In addition to the ICJI not forwarding to OJP subrecipient reports of program income earned and the ICJI not ensuring that income was used in furtherance of the JAG Program, ICJI officials informed us about a possible inconsistency between a state statute and OJP guidelines regarding the use of program income. According to Indiana statute IC 34-24-1-4: (2)(D), all seizure income in excess of law enforcement costs is required to be transferred to the state treasurer for deposit into the common school fund. ICJI officials explained that they believed this statute also applies to all funds earned through forfeiture actions initiated by drug task forces funded through the JAG Program. As previously discussed, the *OJP Financial Guide* requires all federal program income earned to only be used for allowable program expenses and for the purposes and under the conditions applicable to the award, or it should be refunded to OJP. *Federal Equitable Sharing Guidelines* require that all income generated from federal forfeitures be utilized in furtherance of the program. As a result, ICJI officials believe the federal and state guidelines may be in conflict. According to ICJI officials, its legal counsel has recently consulted with the Governor's office about this issue.

In sum, we believe that the ICJI needs to: (1) ensure subrecipients are properly identifying, reporting, and using program income in accordance with the *OJP Financial Guide*, (2) appropriately report program income to OJP; and (3) obtain official confirmation as to the applicability of the state statute on JAG-funded activities.

Grant Expenditures

The *OJP Financial Guide* serves as a day-to-day management tool for award recipients and subrecipients in administering grant programs by establishing the factors affecting the allowability, reasonableness, and

⁸ Because we did not have complete information about the subrecipients' funding sources, seizure efforts, or expenditure activities, we could not determine what portion of the \$3,482,466 earned pertained to the audited awards. Additionally, we could not determine what percentage of those funds should or may have been applied to the continuance of the program, and ICJI officials stated that they did not follow up with subrecipients to determine if federal program income was used in the furtherance of the ICJI-sponsored program or if it was utilized for some other purpose. Moreover, we did not test the accuracy of the program income data or determine if other subrecipients also had program income.

allocability of both direct and indirect costs charged to DOJ grants. We reviewed ICJI's administrative costs charged to the 2007 JAG award, including personnel costs, to determine if the expenses were accurate, supported, and allowable under federal rules, regulations, and guidelines. Additionally, we reviewed a sample of subrecipient transactions to determine if they were properly authorized, classified, supported, and chargeable to the 2008 JAG and 2009 Recovery Act JAG awards.

As discussed previously, the ICJI used most of its JAG awards to fund sub-grants to state, local, and multi-jurisdictional agencies, departments, offices, and task forces. Of the total \$34,713,325 awarded under the 2007, 2008, and 2009 JAG awards, the ICJI retained \$3,471,332 (or 10 percent) to cover its costs of administering the sub-grants, such as paying for salaries and fringe benefits of employees performing JAG-related duties, rent, utilities, and office supplies.⁹ According to ICJI officials, any cost identified as being solely related to the JAG awards was charged in full to the JAG grants. Costs such as personnel costs, which are associated with more than one grant program, or costs such as utilities, which are not identified as being specifically related to any grant program, were charged to the JAG and other grants on an allocation basis.

The ICJI's practice was to charge administrative costs to the oldest active JAG award. Once those funds were exhausted, the ICJI charged the costs to the next oldest award. In early February 2009, the ICJI began using its 2007 JAG award (grant 2007-DJ-BX-0081) to pay for its administrative costs. As of December 31, 2009, \$191,484 of the \$541,540 the ICJI retained from that award was still available to pay JAG-related administrative costs.

Personnel Expenses

According to an ICJI official, salary and fringe benefit costs are allocated to the JAG award based on the amount of time recorded by ICJI employees to work associated with the JAG Program. To determine whether salary and fringe benefit charges were accurate and supported, we judgmentally selected for review the March 2009 salary and fringe benefit costs charged to the 2007 JAG award. Specifically, we tested the accuracy of the supporting time records and reports; recalculated the allocation of the

⁹ According to Byrne JAG guidelines, grantees may retain up to but not more than 10 percent of each year's grant awards for administering the JAG Program. Although grantees are not required to submit budgets for administrative expenses, only those costs directly associated with administering the program, enhancing overall program operations, and ensuring compliance with federal requirements can be paid with the administrative grant funds.

salary and fringe benefit costs recorded in the payroll detail records; and reviewed the elements of the salary and fringe benefit costs recorded in the detailed payroll records to determine whether all of the allocated costs were accurately charged to the grant and allowable under federal rules, regulations, and guidelines.

In general, we found that the salary and fringe benefit costs were appropriately and accurately allocated to the ICJI's 2007 JAG award. However, we noted that the salaries of some employees included an incentive payment that is paid twice each year to ICJI employees who elect to participate in a health wellness program. Our testing revealed that in 2009, these incentive payments totaled \$4,537, of which \$607 was allocated to the 2007 JAG award.¹⁰ According to ICJI management, the ICJI charged its JAG grant a total of \$939 for this same purpose in 2008.

Because these payments were neither necessary nor reasonable for the proper and efficient performance and administration of the grants under our review, we believe that they were not an allowable cost and, therefore, should not have been charged to the JAG grants and reimbursed by OJP. As a result, we question the \$1,546 charged to the JAG grants for these costs.

Other Direct Costs

In addition to the ICJI's personnel costs, ICJI staff stated that other costs had been billed to grant 2007-DJ-BX-0081 using an allocation method. These costs consisted of charges for various expenses, such as rent, supplies, storage, and postage. Generally, the ICJI's methodology for allocating such costs to the JAG and other grants was to determine, on a monthly basis, the number of active funding streams (such as the JAG grant) and allocating an equal share to each source.

¹⁰ During our review we determined that the ICJI allocated the cost of the health wellness program incentive to 10 different grant programs, including DOJ's JAG, Victim Assistance and Compensation, and STOP Violence Against Women Programs.

We tested \$4,294 in non-personnel charges allocated from invoices totaling \$34,531 to determine whether the portion allocated to the JAG program was accurate, supported, allowable, and allocable to the grant under federal rules, regulations, and guidelines. We verified the type of expense, evaluated the method used to allocate the cost, and recalculated the share of the costs allocated to the 2007 JAG award. We found that the transactions reviewed were properly authorized, classified, supported, and charged.

When we discussed these allocated costs with ICJI staff, they told us that the ICJI would prefer to charge these types of items as indirect costs. Officials stated that the ICJI had attempted to obtain an indirect cost rate a couple of years ago but that one had not been approved.

Contracting

We tested two contract-related expenditures totaling \$68,585 to determine whether they were accurate, supported, allowable, and allocable to the grant under federal rules, regulations, and guidelines. The amount tested was 88 percent of the total contract-related expenses charged by the ICJI to the 2007 JAG award. We found that the transactions reviewed were properly authorized, classified, supported, and charged. We also verified that the ICJI received the services stipulated in the contracts reviewed. The contracts associated with the transactions tested did not require on-going ICJI oversight. Because we tested 88 percent of the ICJI's contract-related costs and did not identify any issues, we determined that it was not necessary to test the ICJI's management of contractors.

Subrecipient Expenditures

As of December 31, 2009, the ICJI had made 30 sub-awards with the funding it received under grant 2008-DJ-BX-0018 and 34 sub-awards with the Recovery Act funding it received under grant 2009-SU-B9-0047.¹¹ Only six subrecipients of the ICJI's 2009 Recovery Act sub-awards indicated they had incurred costs as of this date, and none of the six had requested reimbursement from the ICJI. Although not yet reimbursed, we selected a judgmental sample of 55 transactions totaling \$531,820 posted to the grant ledgers of these 6 subrecipients under the 2009 Recovery Act JAG award to determine whether the transactions were supported, accurate, and allowable under federal rules, regulations, and guidelines. Additionally, we

¹¹ On April 7, 2010, the ICJI provided us with an updated listing showing that it had made a total of 61 sub-awards with the funding from grant 2008-DJ-BX-0018. Although all 61 sub-grants are shown in Appendix III, the additional 31 sub-awards were made after we had concluded our transaction testing and, therefore, are not included in this section of our report.

judgmentally selected 204 transactions totaling \$304,948 posted to the grant ledgers of 10 subrecipients that received funds under grant 2008-DJ-BX-0018.

In general, the subrecipient transactions we reviewed were properly authorized, classified, supported, and charged to the 2008 JAG and 2009 Recovery Act JAG awards. However, one subrecipient was unable to provide documentation to support expenses charged to its 2008 JAG sub-award. Moreover, this subrecipient maintained only an unofficial record of expenditures and never recorded grant costs in the official county records. As a result, we question the entire \$36,323 of this sub-award.

In addition, we found that another subrecipient computed grant-related salary costs based on the number of hours its employees worked, not the number of hours for which they were compensated.¹² We also found that this subrecipient used a single percentage rate to allocate fringe benefit costs rather than calculating the costs according to its grant budget, miscalculated the number of hours worked on two occasions, and charged the grant for the partial salaries of more individuals than were approved in the award. As a result, program costs for salaries and fringe benefits were overstated in the grant ledger by \$925. Representatives of the subrecipient stated that the grant records would be corrected prior to requesting reimbursement from the ICJI. Therefore, we are not questioning these costs.

We also identified a contractor who submitted a detailed invoice to this subrecipient for work performed on multiple projects. Although the subrecipient attempted to identify the charges specifically attributable to the JAG award, the details provided in the invoice were not sufficient to fully support the \$2,689 recorded in the ledger as charged to the grant. Because the subrecipient had not yet requested reimbursement for this transaction, we are not questioning these costs.

Supplanting

According to OJP, federal funds must be used to supplement existing state and local funds for program activities and must not replace those funds that have been appropriated for the same purpose. To determine whether

¹² Employees had to request overtime pay or compensatory time off for any hours they worked in excess of their normally scheduled hours. If they did not, they were not compensated in either manner. During our review, we identified instances in which employee time records indicated excess time was worked (and charged to the grant), but the employee's payroll record indicated that no extra compensation was received.

the ICJI used grant funds to supplant existing state and local funds for program activities, we interviewed local officials and reviewed the ICJI's state-approved budgets for FYs 2007, 2008, 2009, and 2010. Based on the results of our review of the ICJI budget documents, we did not find any indications that the ICJI was using grant funds to supplant local funding. As shown in the following table, the ICJI's budget remained relatively constant between FYs 2007 and 2010, with a slight decline from FY 2008 to FY 2009, and an increase in federal funding from FY 2008 to FY 2009.¹³

EXHIBIT 3: COMPARISON OF ICJI STATE-APPROVED BUDGETS TO FEDERAL FUNDS

DESCRIPTION	FY 2007	FY 2008	FY 2009	FY 2010
Budget (\$)	5,143,722	5,143,722	5,080,783	5,080,783
Federal Funds (\$)	15,134,099	15,081,197	19,822,200	22,808,176

Source: The Indiana Office of Management and Budget (IOMB)

Management of Subrecipients

As previously discussed, the ICJI develops long-range strategies for the administration of Indiana's criminal and juvenile justice systems and administers federal and state funds to carry out these strategies, including funds awarded under the JAG and Recovery Act JAG Programs. According to the *OJP Financial Guide*, grantees are responsible for ensuring that subrecipients have an adequate accounting system. The *OJP Financial Guide* also states that grantees should be familiar with and periodically monitor their subrecipients' financial systems, operations, records, and procedures. Our concerns about the ICJI's monitoring activities, including applicable corrective actions being taken by the ICJI, are explained in the following sections.

Solicitation Process

According to an ICJI official, the ICJI solicited applications for funding under grants 2007-DJ-BX-0081, 2008-DJ-BX-0018, and 2009-SU-B9-0047, and provided 173 sub-awards totaling about \$26 million to state and local entities as of December 31, 2009. ICJI officials explained that during the solicitation process, they post applications on the ICJI website, e-mail applications to all current subrecipients, and provide applications to various state associations, including the Indiana Sheriffs' Association and Indiana Chiefs of Police Association, for distribution. The ICJI's timeline for the

¹³ The state of Indiana budget appropriations are approved bi-annually.

solicitation of sub-awards under the JAG and Recovery Act JAG grants are reflected in Exhibit 4.

EXHIBIT 4: ICJI JAG SUB-AWARD SOLICITATION TIMELINES

Grant 2007-DJ-BX-0081	
Date of the award acceptance by the ICJI	July 3, 2007
Date of state-level solicitation to subrecipients	September 27, 2007
Date that applications were required to be returned	October 27, 2007
Grant 2008-DJ-BX-0018	
Date of the award acceptance by the ICJI	August 12, 2008
Date of state-level solicitation to subrecipients	September 22, 2008
Date that applications were required to be returned	October 31, 2008
Grant 2009-SU-B9-0047	
Date of the award acceptance by the ICJI	June 8, 2009
Date of state-level solicitation to subrecipients	June 17, 2009
Date that applications are required to be returned	July 17, 2009

Source: ICJI

Awards Process

According to ICJI officials, the awarding process for subrecipients is as follows:

1. ICJI staff members review all applications for completeness and to identify the program area associated with the funding request. If an application is incomplete, it is not immediately denied. Instead, the applicant is contacted to provide the necessary information to continue the award process. Completed applications are formally scored by ICJI staff according to the procedures outlined in the solicitation. ICJI staff members then make recommendations on whether to fund the proposed activities.
2. ICJI executive staff conducts a meeting to discuss completed and scored applications and generate its list of recommended subrecipients, including the amount of each proposed sub-award.
3. The relevant applications and ICJI management’s recommendations are forwarded to the ICJI Board of Trustees. The ICJI Board of Trustees makes the final selection of subrecipients, including the amount of funding for each sub-award. The final list of approved subrecipients is returned to the ICJI, and the ICJI notifies the relevant subrecipients and processes the sub-awards.

Based on the process described above, we believe that the ICJI's method for funding JAG Program applications is fair and reasonable. We also reviewed the solicitations for grants 2007-DJ-BX-0081, 2008-DJ-BX-0018, and 2009-SU-B9-0047 and determined that they accurately and fully described the grant program and its requirements. Additionally, we found that, in general, the ICJI promptly issued sub-awards under these grants to various state and local entities.¹⁴ However, we noted that as of December 31, 2009, the ICJI had not distributed sub-awards for the funding it had received under JAG awards 2008-BJ-BX-0752 (which was accepted by the ICJI on October 3, 2008) and 2009-DJ-BX-0049 (which was accepted on August 27, 2009). ICJI staff stated that processing the Recovery Act JAG award took precedence over these other grants. Therefore, the issuance of sub-awards under these particular grants was delayed.

We reviewed a sample of 20 subrecipient applications for sub-award funding under grants 2008-DJ-BX-0018, 2009-DJ-BX-0049, and 2009-SU-B9-0047 – 10 applications approved for funding and 10 applications denied for funding. For each application, we requested the scoring sheet used in the evaluation of subrecipient applications. We found that the ICJI appeared to have followed the policies outlined above for funding applications under the grants.

Training and Technical Assistance

ICJI staff stated that the ICJI conducts an annual day-long training seminar every fall and requires all current subrecipients (preferably the grant manager and financial staff) and suggests that those with pending grant proposals should attend. ICJI staff explained that the ICJI conducts this training late in the award year so that potential subrecipients have the opportunity to ask questions and, in turn, obtain the necessary instruction to submit the best application possible. At the end of the day-long seminar, the ICJI requests participants to fill out an unsigned questionnaire. This questionnaire is intended to help the ICJI improve its future training courses.

We reviewed the training curriculum from the most recent training session provided by the ICJI and noted that only 21 percent of the session addressed subrecipients' day-to-day responsibilities. Based upon our examination of the training materials, we determined that:

¹⁴ Regardless of the date accepted by the grantee, we noted that OJP retroactively backdated the grant period. The 2009 Recovery Act JAG award was backdated to March 1, 2009, while the non-Recovery Act JAG awards were backdated to begin at the start of the federal fiscal year.

- 59 percent of the training covered background information and actions related to applying for an award;
- 21 percent related to day-to-day grant management, such as reporting procedures and how and what records and supporting documentation should be maintained;
- 5 percent related to ICJI monitoring;
- 13 percent related specifically to the Recovery Act; and
- 1 percent related to course administrative information.

All of the subrecipients we asked confirmed that someone from their staff attended the annual training seminar. Despite having received this training, several of these subrecipients explained that it would be beneficial if the ICJI had provided them with published guidance on grant management and corresponding record-keeping and reporting requirements. They further stated they did the best they could and assumed that if the ICJI did not contact them, they had adequately met their grant requirements. Similarly, the JAG program manager stated that unless subrecipients contacted the ICJI with questions or requested assistance, the JAG program manager assumed that the subrecipients understood all of their grant requirements. After discussing our concerns about the minimal nature of training specifically covering grant management, as well as the subrecipients' comments to us, ICJI officials stated that all ICJI grant managers will be required to contact all subrecipients on a quarterly basis and offer training assistance. In addition, ICJI officials commented that they are in the process of developing a grant management manual for subrecipients.

Management of Funds

Generally, the subrecipients receiving JAG-funded awards from the ICJI received their grant funds on a reimbursement basis. These reimbursement requests from local entities were made via claim vouchers submitted to the ICJI with the entities' quarterly financial reports. In contrast to local entities, state agencies submitted their reimbursement requests directly to the state.

In reviewing grant records, we noticed that subrecipient reimbursement claims submitted in the last quarter of 2009 were not being paid in a timely manner. The 101 subrecipient reimbursement claims submitted during the first 9 months of 2009 were paid, on average, within 8 days. However, it took an average of 39 days to pay the 49 subrecipient

reimbursement claims submitted between October 1 and December 31, 2009, including 20 claims that were not paid for 2 to 4 months after submission.

In our opinion, delays in the payment of subrecipient reimbursement requests can cause an interruption in services being provided by the subrecipients to the extent of jeopardizing the on-going life of funded programs. To date, one subrecipient (a drug task force) cited the delay in reimbursement as the reason for disbanding its operations, while officials from two other subrecipients, both of which were drug court programs, stated they would soon have to interrupt services provided to clients if they were not reimbursed in a more timely fashion. Officials from the two drug court programs explained that their local county governments were able to pay the costs up-front until receiving reimbursement by the state. However, their counties have experienced significant budget cuts and can no longer afford to do this for an extended period of time.

When we discussed these reimbursement delays with ICJI officials, they attributed the delays to the new accounting system implemented by the state of Indiana in September 2009. The new system requires all claim vouchers to have purchase order numbers. As a result, purchase order numbers had to be assigned to the sub-grants before the claims could be processed. According to ICJI representatives, this issue has been resolved, and subrecipients are once again being reimbursed in a timely manner.

Unlike the delays discussed above, which were local agency subrecipients, state agencies did not appear to experience delays in reimbursement. ICJI management explained that state agencies submit their reimbursement requests directly to the State. However, the State does not obtain approval from the ICJI before paying these claims, thus bypassing the ICJI's voucher review process. Additionally, since the accounting system change-over in September 2009, the ICJI is no longer notified when state agency claims are paid. Consequently, this practice has affected the accuracy of the ICJI's grant records. ICJI officials informed us that they are currently working to address this situation.

Monitoring

Grant monitoring is an essential tool to ensure that grant programs are implemented, objectives are achieved, and grant funds are properly expended. To this end, OJP requires that sub-awards be monitored throughout the life of the grant to ensure that: (1) the subrecipient complies with the programmatic, administrative, and fiscal requirements of the relevant statutes, regulations, policies, and guidelines; (2) programs initiated

by the subrecipient are carried out in a manner consistent with the relevant statutes, regulations, policies, and guidelines of the program; (3) the subrecipient is provided guidance on policies and procedures, grant program requirements, general federal regulations, and basic programmatic, administrative, and financial reporting requirements; and (4) any problems that may impede the effective implementation of grant programs are identified and resolved.

Under grants 2007-DJ-BX-0081, 2008-DJ-BX-0018, and 2009-SU-B9-0047, the ICJI made 173 sub-awards, totaling about \$26 million, to subrecipients. Although the ICJI had an overall agency policies and procedures manual, it did not have a handbook detailing grant manager practices or any requirement for the development of an annual action plan of oversight duties to be performed, such as how many subrecipients the ICJI will visit and how the subrecipients will be selected for a visit. During our review, we identified several issues and practices that caused us to question the adequacy of the ICJI's monitoring and oversight of subrecipients. These issues included insufficient staffing, lack of documented policies and procedures for the ICJI JAG program manager and subrecipients, and failure to obtain and review documentation supporting subrecipient reports and reimbursement requests. These deficiencies are discussed in detail below.

Staffing and Responsibilities – In our opinion, the ICJI lacked adequate staff to properly oversee and manage the JAG awards. During our review period, the ICJI had one program monitor assigned to oversee the 139 subrecipients under the 2007 and 2008 JAG awards, as well as the 34 subrecipients under the 2009 Recovery Act JAG award. Although the ICJI's grant applications for the past 2 years indicated that additional staff would be hired to monitor and oversee subrecipients, the ICJI was unable to do so because of a state-wide hiring freeze. Further, the individual who was overseeing the JAG Program is no longer employed by the ICJI, and no new employee had been hired to specifically assume the oversight responsibilities of the ICJI's JAG-funded programs.

Further, although ICJI officials explained the ICJI's processes for administering the JAG awards and monitoring the sub-recipients' use of JAG funds, these monitoring processes were not formally documented. As a result, there was a greater risk that certain processes may be overlooked or not consistently performed. Without documented procedures, variations in the depth and type of monitoring and oversight activities could occur, while the importance of other responsibilities could be overlooked and certain tasks would not be performed. ICJI management agreed that its procedures should be documented and stated they are developing a grant manager handbook.

Subrecipient Management Guidelines – The ICJI did not have an established policies and procedures manual for subrecipients to use in managing their awards. In addition, the standard special conditions of the sub-awards did not inform subrecipients that they were required to comply with OJP's guidelines. Subrecipient officials we interviewed stated that they did what they thought was necessary and expected ICJI staff to contact them, as needed, for additional information or if they were not complying with any requirements. After discussing this concern with the ICJI, ICJI management stated they were developing a grant manual for subrecipients.

On-site Monitoring Activities – ICJI staff stated that the duration of an on-site subrecipient visit was generally 1 day. During our 39-month review period, ICJI documentation indicated that the ICJI had only conducted site visits at 21 of the 139 sub-awards under the 2007 and 2008 JAG awards, which equates to less than 1 per month.

In addition, there was little evidence in the ICJI's files that the site visits performed included a review of the financial operations and records of the subrecipients, the identification of any problems and necessary corrective actions, or follow-up to ensure that identified problems had been resolved. For example, one subrecipient received a site visit related to its 2007 JAG-funded sub-award. At that time, it was noted that the subrecipient's program had few participants and that the award lacked the specifics necessary to measure program goals and objectives. As a result, the ICJI recommended the subrecipient develop more measurable grant objectives. The subrecipient never responded to the recommendation, yet the ICJI awarded additional funds to this subrecipient under the 2008 JAG award.

In May 2009, the ICJI conducted a second monitoring visit of this subrecipient and noted the same problems. When we conducted our testing at this subrecipient in January 2010, we found that the subrecipient still had not responded to the ICJI's second request to provide updated goals and objectives. Further, although this subrecipient received funding under at least three grants (2006, 2007, and 2008), it did not appear that the ICJI ever asked the subrecipient whether it maintained a separate account for all grant expenditures and reimbursements until September 2009. At that time, subrecipient officials responded that they did not.

The ICJI's May 2009 site visit report for this subrecipient also concluded that the entity was in compliance with federal guidelines. However, during our review we found that the subrecipient had a simple time tracking system that did not comply with OJP's requirements for documenting personnel charges of employees who do not spend 100 percent

of their time on the grant project. Finally, officials from this subrecipient stated that a representative from a local news outlet had approached them and stated that the ICJI had informed the news outlet that the subrecipient's funding had been frozen. According to the subrecipient officials, they had not received any such notification from the ICJI. Although ICJI staff asserted that they had notified this subrecipient about the freezing of funds, they were unable to provide documentation to support this assertion. ICJI management stated that they are revising the on-site monitoring checklist to include more financial and internal control questions.

Subrecipient Submissions – Although the ICJI's general policy manual required ICJI staff to review subrecipient supporting documents submitted with reimbursement claims, the ICJI did not require its subrecipients to submit any supporting documentation with their reimbursement requests. Instead, the ICJI simply paid subrecipients the amounts reflected on their submitted claims. As previously discussed, our review of subrecipient expenditures revealed unsupported costs. Because the ICJI was not requiring its subrecipients to provide supporting documentation, ICJI personnel were not in the position to identify any subrecipient transactions as unallowable or unsupported. ICJI management agreed with our concerns and stated that, effective immediately, they will require subrecipients to provide supporting documentation with their reimbursement requests.

Further, ICJI did not review or follow up with subrecipients when its required forms or reports contained missing, incomplete, erroneous, or questionable information. For example, we visited five subrecipients of the 2009 Recovery Act JAG award and found that as of March 2010, three had not filed the quarterly financial report for the period ended December 31, 2009, which were due in January 2010. While on-site, all three subrecipients took immediate corrective action and filed the reports with the ICJI. In another example, we identified several subrecipients that received reimbursement over 3 months after their award period ended.

We also found that although subrecipients provided the ICJI with copies of their single audits, ICJI personnel did not review them unless they later identified a problem with a subrecipient. Additionally, subrecipients were not required to provide copies of any other internal or external audits and reviews that may contain findings on overall internal control weaknesses or deficiencies that could affect the subrecipients' management and oversight of their JAG sub-awards. By not performing these reviews, we believe the ICJI is missing an opportunity to identify subrecipients that represent an increased risk. ICJI management concurred and stated such reviews should have been occurring and will make this a requirement going forward.

Review of Subrecipient Applications and Budgets – OJP guidelines state that the recipient should ensure that each subrecipient prepares an adequate budget on which its award commitment will be based. ICJI staff approved numerous subrecipient budget proposals wherein the salary terms were vaguely worded and were an open-ended portion of the employee's total activity. In one instance, the ICJI approved a subrecipient budget where it was estimated that one employee would work approximately 1 extra day each week and would receive approximately an additional one-half of that employee's salary costs. The information provided in this and other subrecipient budgets raise questions as to the reasonableness of the projected costs when compared to the associated level of activity dedicated to the funded project. In another instance, ICJI staff reviewed and approved a subrecipient's budget revisions even though the document was incorrectly prepared and contained mathematical errors. Finally, another subrecipient's documentation indicated that the proposed project involved developing a training video on moving surveillance and the subrecipient intended to sell the video to other law enforcement agencies after providing the training to Indiana law enforcement officers.

We believe that the ICJI needs to more carefully review subrecipient documentation to ensure mathematical accuracy and that that applications contain specific information on the amount of work to be performed and the rate of compensation to be paid. The ICJI should also be alert to proposals that involve the development of publications or other materials that will be distributed to others to ensure that OJP's guidelines for such items are adhered to and to notify OJP of matters that could be of nationwide benefit.

Reporting

According to the *OJP Financial Guide*, award recipients are required to submit both financial and program reports. These reports describe the status of the funds and the project, compare actual accomplishments to the objectives, and report other pertinent information. OJP also requires grantees to submit metric information via an online program called the Performance Measurement Tool (PMT). Additionally, grantees receiving Recovery Act funds are required to submit specific information to FederalReporting.gov, which is subsequently posted on Recovery.gov. Finally, OJP requires grantees to submit Equal Employment Opportunity Program (EEOP) reports, for which we verified submission and timeliness. Details of our review, including our examination of a sample of the ICJI's FSRs, Annual Progress Reports, PMT reports, Recovery Act Reports, EEOP reports, and our analysis of the ICJI's efforts to ensure accurate and timely reporting from its subrecipients, are found in the following sections.

Subrecipient Reporting

According to ICJI documentation, subrecipients are notified of various financial and program reporting requirements as early as the grant solicitation announcement. These requirements are also articulated in the grant award notification documents and are discussed during the initial grant training sessions. Moreover, the ICJI grant manager stated she sends e-mail reminders to subrecipients regarding any overdue reports. We believe that the ICJI's process for managing subrecipient reporting generally ensured that subrecipients submitted timely and accurate reports. However, we identified some deficiencies, which are explained in the following sections.

Financial Status Reports

According to the *OJP Financial Guide*, quarterly FSRs are due no later than 45 days after the end of the quarter, with the final FSR due within 90 days after the award end date. We reviewed the timeliness of the last five FSRs submitted during our review period for grants 2007-DJ-BX-0081, 2008-DJ-BX-0018, 2008-DJ-BX-0752, and 2009-DJ-BX-0049, and the only four FSRs for grant 2009-SU-B9-0047. Based on our review, we found that the ICJI submitted each report in a timely manner.

We also reviewed each FSR to determine whether the reports accurately reflected expenditures incurred during the reporting period and cumulatively. In general, we were able to reconcile the reports to the ICJI's grant ledgers and found that most sections of the FSRs were accurate. However, we noted that three Recovery Act subrecipients had not filed their December 31, 2009, quarter end financial report. Each of these subrecipients subsequently submitted their quarterly financial reports to the ICJI. Because the ICJI only records expenditures when reimbursement claim vouchers are submitted and these subrecipients had not submitted any claim vouchers, the missing quarterly financial reports did not affect the accuracy of the expenditure information reported to OJP.

As previously discussed, we also found that the ICJI did not report program income on the FSRs submitted to OJP even though the quarterly financial reports from some subrecipients reflected program income. ICJI personnel responsible for preparing the FSRs stated that they were not aware that program income earned should have been included on its FSRs.

Annual Progress Reports

OJP requires state JAG recipients to submit annual progress reports. For FY 2008 and prior, the permanent annual reporting period for all state JAG awards was January 1 through December 31, with reports due March 31. For FY 2009 and forward, including Recovery Act JAG grants, state recipients must submit annual progress reports and quarterly PMT reports. The annual progress reporting period is the award start date through September 30, with reports due November 29. The quarterly PMT reports are due on the 30th of the month following the close of a quarter. State recipients may use the four PMT reports to satisfy the annual reporting requirement by uploading the reports into the OJP Grant Management System.

We reviewed ICJI's calendar year (CY) 2007 and 2008 annual reports for grants 2007-DJ-BX-0081 and 2008-DJ-BX-0018. We noted that the reports were generally accurate, submitted timely, and were filed utilizing the required Performance Report form. However, we found that the ICJI significantly underreported three metrics on its CY 2008 annual report for grant 2007-DJ-BX-0081. Specifically, the number of methamphetamine-related arrests was underreported by 705, the amount of methamphetamine seized was underreported by at least 2,763 grams, and the street value of methamphetamine seized was underreported by at least \$785,917. While ICJI staff knew about the data inaccuracies prior to our audit, they had not notified OJP of the errors. An ICJI staff member opined that the inconsistencies were caused by a lack of clarity on the subrecipient quarterly reporting forms for drug task forces, which were totaled for the annual report. To improve accuracy, the ICJI provided a revised form to subrecipients during CY 2008. However, all subrecipients did not use the new form that year. Although it appeared that the drug task forces were generally using the new form for CY 2009, we were unable to confirm this because the CY 2009 annual report was not yet due or prepared at the time of our audit fieldwork.

Performance Measurement Reports

Beginning in FY 2009, the Annual Performance Reports, including those required for the Recovery Act JAG grants, were replaced by an annual Performance Measurement Report, which is a compilation of the data reported on the Bureau of Justice Assistance (BJA) Quarterly PMT. The annual reporting period for the Performance Measurement Report is from the award start date through September 30, with reports due November 29. After the first year, the Performance Measurement Report becomes an annual report. According to ICJI officials, the FY 2009 fourth quarter report

was filed by the ICJI and by all subrecipients. However, because the report was not dated and we do not have access to the PMT system, we could not confirm the submission date.

Quarterly Recovery Act Reports

In addition to standard reporting requirements, grantees receiving Recovery Act funding must also submit quarterly reports, which require both financial and programmatic data specific to Recovery Act activities. According to BJA and OMB guidance, Recovery Act Reports are due 10 days after the close of each quarter.¹⁵

We reviewed the first two Recovery Act Reports for timeliness and found that the ICJI and its subrecipients submitted each report in a timely manner. ICJI officials explained that in order to have timely completion and submission of the quarterly Recovery Act Reports, subrecipients are required to submit the necessary information to the Indiana Office of Management and Budget (IOMB) on the third day of the month following the end of the quarter. The IOMB compiles this data for all state organizations and their subrecipients and submits the information to FederalReporting.gov.

Because the ICJI had only made three sub-awards under the 2009 Recovery Act JAG award as of September 30, 2009, and none of the subrecipients had submitted claim vouchers for expended funds, the Recovery Act Report for the period ended September 30, 2009, contained very little information. Although the remaining 31 sub-awards were executed during October 2009, there were very few subrecipient expenditures during the fourth quarter of 2009. Thus, the Recovery Act Report for the quarter ended December 31, 2009, listed the subrecipients as active, but also showed no funds as having been disbursed to subrecipients.

According to OMB guidance, the reports aim to provide transparency into the use of these funds. The Recovery Act Reports are required to include the following information.

- Total amount of funds received and the amount of funds spent on projects and activities.

¹⁵ According to FederalReporting.gov guidance, the recipient reporting due date of January 10, 2010, for the quarter ended December 31, 2009, was extended to January 22, 2010.

- A list of those projects and activities funded by name, including a description, completion status, and estimates on jobs created or retained.
- Details on sub-awards and other payments.

In the Recovery Act Reports, the data pertaining to jobs created and retained is reported as Full Time Equivalents (FTE). According to OMB Memorandum 10-08, dated December 18, 2009, the formula for calculating FTEs is represented as follows:

TOTAL NUMBER OF HOURS WORKED AND FUNDED BY RECOVERY ACT WITHIN REPORTING QUARTER	÷	QUARTERLY HOURS IN A FULL-TIME SCHEDULE¹⁶	=	FTEs
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In its original January 8, 2010, Recovery Act Report submission for the period of October 1, 2009, through December 31, 2009, ICJI reported 12.60 FTEs created or retained. An ICJI official stated that because all quality reviews are done by the IOMB, they do not verify the accuracy of subrecipient data before its submission.

We reviewed the Recovery Act Report for the fourth quarter of CY 2009 for accuracy. Specifically, to verify the total number of FTEs reported by the ICJI, we requested the values used to calculate FTEs from all subrecipients that reported values for jobs created or retained and confirmed that the total FTEs reported for this quarter were correct. In addition to verifying the accuracy of the number of FTEs created or retained, we also reviewed the sub-award amounts, as well as the list of reported Recovery Act projects and activities. We found that the ICJI double counted three subrecipients, which resulted in an overstatement of sub-awards made by 3 and in total funds awarded by \$5,773,533.

Equal Employment Opportunity Program (EEOP) Reports

The ICJI was required to complete and submit Section A of the EEOP Certification Form to OJP within 60 days after receiving an award. An ICJI official was unable to provide evidence that it had ever submitted this certification form for any of the 5 grants under review, did not recall ever preparing the form, and did not recall ever being notified by OJP that it was delinquent. OJP confirmed that it had no certifications on file for FYs 2007, 2008, or 2009. The 5 award certifications were between 2 and 28 months

¹⁶ OMB Memorandum 10-08 describes the calculation for Quarterly Hours in a Full-time Schedule as 520 hours (2,080 hours annually divided by 4 quarters).

overdue when ICJI officials took immediate corrective action and filed the missing forms with OJP.

In addition, the ICJI is required to ensure that subrecipients file the appropriate EEOP reports. ICJI officials stated this is not part of the subrecipient award conditions and ICJI staff had never requested this information from JAG subrecipients. Consequently, they did not know which, if any, of its 173 subrecipients were in compliance with this filing requirement. An ICJI official stated that they will add questions to ICJI's grant monitor site visit questionnaire to ensure compliance in the future.

Program Performance and Accomplishments

The main objective of the JAG grants, as stated within the grant notifications, is to enable states, tribes, and local governments to support a broad range of activities to prevent and control crime based on state and local needs and conditions. In collaboration with its many subrecipients, the ICJI worked to accomplish its JAG Program's seven goals, which are to improve:

• A - LAW ENFORCEMENT PROGRAMS
• B - PROSECUTION AND COURT PROGRAMS
• C - PREVENTION AND EDUCATION PROGRAMS
• D - CORRECTIONS AND COMMUNITY CORRECTIONS PROGRAMS
• E - DRUG TREATMENT AND ENFORCEMENT PROGRAMS
• F - PLANNING, EVALUATION, AND TECHNOLOGY IMPROVEMENT PROGRAMS
• G - CRIME VICTIM AND WITNESS PROGRAMS

To evaluate program performance under grants 2008-DJ-BX-0018 and 2009-SU-B9-0047, we interviewed an ICJI official regarding the expected program outcomes. Generally, we found that both the ICJI and its subrecipients are accomplishing the grants' objectives.

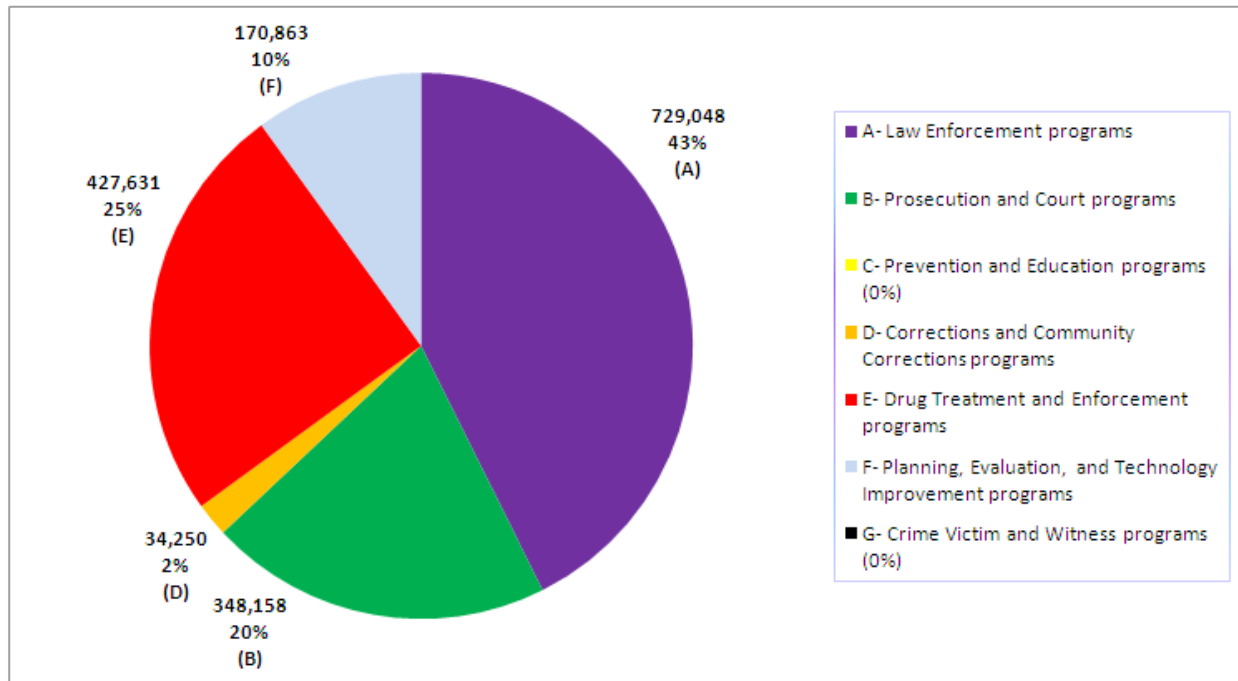
However, for grant 2008-DJ-BX-0018, although the ICJI's solicitation cited all seven project areas, an ICJI official stated they did not receive any applications in two of the areas – Corrections and Community Corrections Programs and Crime Victim and Witness Programs. The remaining five grant objectives were met through the funding of subrecipients that were primarily based in law enforcement, including drug task forces, prosecutors offices, and drug courts.

According to the purpose statements in the grant solicitations created by the ICJI, we found that the ICJI utilized grant 2008-DJ-BX-0018 to address the following areas:

- **MULTI-JURISDICTIONAL DRUG TASK FORCES WITH A COLLABORATIVE AND COMPREHENSIVE DRUG CONTROL STRATEGY THAT INCLUDES: UNDERCOVER INVESTIGATION, DIRECTION, AND CONTROL OF CONFIDENTIAL INFORMANTS; DRUG INTERDICTION EFFORTS; AND PROSECUTORIAL SUPPORT;**
- **DRUG AND ALCOHOL COURT PROGRAMS THAT PROVIDE COMPREHENSIVE TREATMENT SERVICES AND MONITORING OF OFFENDERS;**
- **PROSECUTION OF DRUG AND VIOLENT OFFENDERS;**
- **IMPLEMENTATION OF REENTRY PROGRAMMING FOR OFFENDERS RETURNING FROM PRISON TO LOCAL COMMUNITIES;**
- **ENHANCEMENT OF JUVENILE DETENTION ALTERNATIVES TO INCARCERATION AND DISPROPORTIONATE REPRESENTATION; AND**
- **EXPANSION OF THE ADVANCED CRIMINAL ENFORCEMENT (ACE) INITIATIVE INTO MULTI-JURISDICTIONAL CRIMINAL INTERDICTION TASK FORCES FOCUSING ON INTERSTATE, HIGHWAY, AND HOTEL/MOTEL INTERDICTION.**

As shown in Exhibit 5 and in Appendix III, we determined the 2008 JAG funds that were awarded and expended by subrecipients within each JAG Program goal area mentioned.

EXHIBIT 5: GRANT 2008-DJ-BX-0018 EXPENDITURES BY PURPOSE AREA



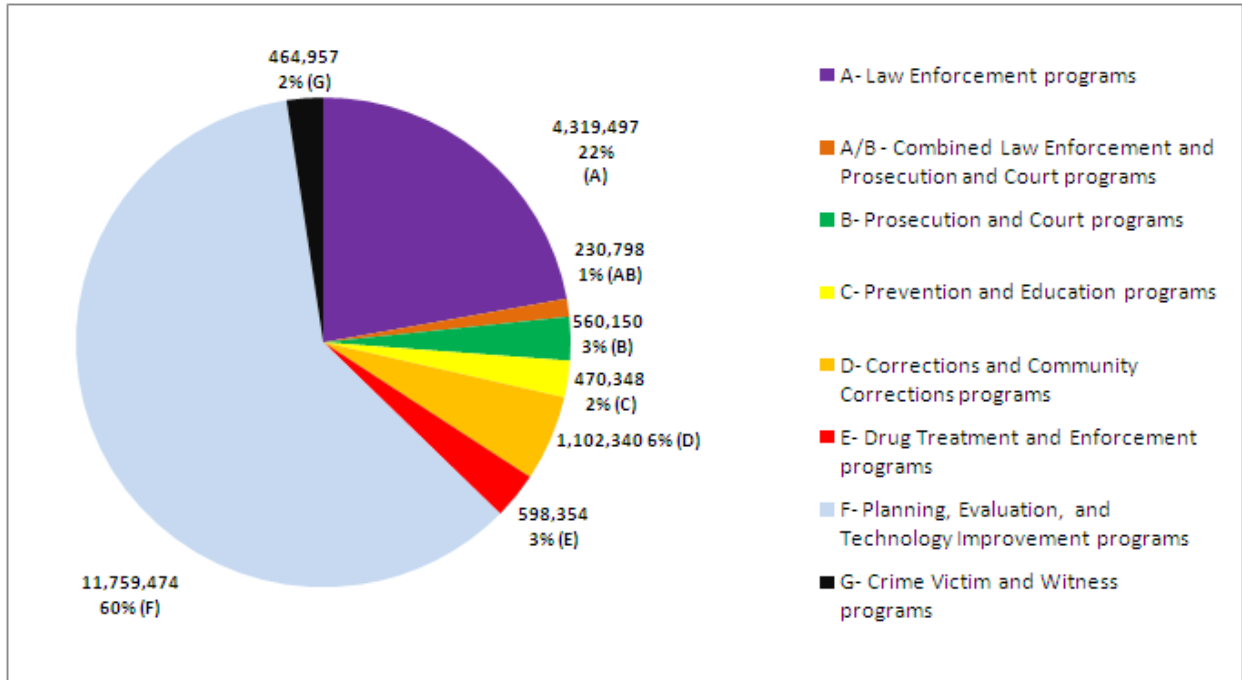
Source: OIG analysis of ICJI data

Further, an ICJI official stated that the overall expected program outcomes for the 2009 Recovery Act JAG award were job retention and job creation in the following four JAG purpose areas:

- **MULTI-JURISDICTIONAL DRUG TASK FORCES WITH A COLLABORATIVE AND COMPREHENSIVE DRUG CONTROL STRATEGY THAT INCLUDES: UNDERCOVER INVESTIGATION, DIRECTION, AND CONTROL OF CONFIDENTIAL INFORMANTS; DRUG INTERDICTION EFFORTS; AND PROSECUTORIAL SUPPORT;**
- **PROSECUTION OF DRUG AND VIOLENT OFFENDERS;**
- **DRUG AND ALCOHOL COURT PROGRAMS THAT PROVIDE COMPREHENSIVE TREATMENT SERVICES AND MONITORING OF OFFENDERS; AND**
- **REENTRY PROGRAMS THAT UTILIZE EVIDENCE-BASED PRACTICES.**

As shown in Exhibit 6 and described in Appendix IV, we determined the 2009 Recovery Act JAG funds were obligated to subrecipients within the purpose areas mentioned.

EXHIBIT 6: GRANT 2009-SU-B9-0047 OBLIGATED BY PURPOSE AREA



Source: OIG analysis of ICJI data

The ICJI awarded \$19,505,918 in Recovery Act JAG funding to 34 subrecipients aimed at addressing the specified purpose areas established in the grant applications. After reviewing the dollar amounts awarded and expended in each purpose area, as well as a description of each subrecipients' award, we believe the ICJI adequately addressed its mission of improving and supporting programs related to law enforcement; prosecution and courts; prevention and education; corrections and community corrections; drug treatment and enforcement; planning, evaluation, and technology improvements; and crime victims and witnesses.

Conclusion

After reviewing the ICJI's accounting records, FSRs, Progress Reports, Recovery Act reports, and operating policies and procedures, we found that in general, the ICJI adequately accounted for grant funds received, sub-grants awarded, and its use of grant funds for administrative expenditures from grants 2007-DJ-DX-0081, 2008-DJ-BX-0018, and 2009-SU-B9-0047. However, we identified deficiencies in internal controls, reporting, monitoring and oversight of subrecipients, instances of unallowable expenses in grant administrative costs, and unsupported subrecipient expenditures, as well as record-keeping and reporting deficiencies. As a result, we identified \$37,869 in questioned costs and \$3,482,466 in potential enhanced revenue.

Recommendations

We recommend that the Office of Justice Programs:

1. Work with the ICJI to determine how the ICJI should account for program income, including a consideration of the potential inconsistency between Indiana state law and OJP guidelines.
2. Ensure the ICJI reports program income to OJP, including any unreported program income previously earned by subrecipients. This should include ensuring that the ICJI's subrecipients are reporting program income to the ICJI and that program income earned by the subrecipients is being used in the furtherance of the grant programs, including the \$3,482,466 reported as earned by subrecipients under the 2007 and 2008 JAG awards between January 2008 and December 2009.
3. Direct the ICJI to remedy the \$1,546 in health care incentives allocated to its JAG awards and reimbursed by OJP.
4. Direct the ICJI to remedy the \$36,323 in unsupported subrecipient expenditures that were reimbursed by OJP.
5. Require the ICJI to establish and implement procedures that ensure subrecipients' reimbursement requests are adequately supported, timely reviewed, and paid promptly, and that reimbursement requests from state-level subrecipients are reviewed and approved prior to payment.
6. Ensure the ICJI assigns and trains adequate staff to monitor and oversee JAG and Recovery Act JAG awards.

7. Ensure the ICJI develops a procedures handbook for ICJI grant program management that articulates responsibilities for administering the JAG and Recovery Act JAG awards. The manual should specifically address the monitoring and oversight of subrecipients, including the review of subrecipient supporting documentation, conducting subrecipient site visits, providing training and technical assistance, and obtaining and analyzing external audits and reviews of subrecipients to identify problems and issues that may affect JAG-funded awards.
8. Ensure the ICJI has developed a grant procedures manual for subrecipients that provides guidance on all aspects of accounting for, managing, and reporting on JAG and Recovery Act JAG awards, and ensure that this manual is disseminated to all subrecipients.
9. Direct the ICJI to ensure that subrecipient applications (and any subsequent budget revisions) contain sufficient details to identify program activities and the reasonableness of associated costs.
10. Request the ICJI to submit a revised annual progress report to accurately reflect program activities and metrics.
11. Direct the ICJI to verify the accuracy of subrecipient data reported to the Indiana Office of Management and Budget prior to the Indiana Office of Management and Budget submitting the required Recovery Act Reports to FederalRecovery.gov.
12. Ensure the ICJI submits a revised fourth quarter 2009 report to FederalRecovery.gov that corrects its initial overstatement of certain information.

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether costs claimed under these grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) grant requirements; (2) internal control environment; (3) cash management; (4) program income; (5) grant expenditures; (6) supplanting; (7) management of subrecipients and contractors; (8) Financial Status Reports (FSR), Progress Reports, and Recovery Act Reports; and (9) program performance and accomplishments.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Between October 1, 2006, and December 31, 2009, the ICJI was awarded five JAG awards totaling \$34,713,325. Our audit scope covered the Recovery Act JAG grant (2009-SU-B9-0047) and the most recent JAG grants (2007-DJ-BX-0081 and 2008-DJ-BX-0018) that had sufficient expenditures to appropriately test both grantee and subrecipient transactions.¹⁷

We tested compliance with what we consider to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide* and the award documents.

In conducting our audit, we performed sample testing in five areas, which were grant expenditures, including payroll; management of subrecipients; FSRs; 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. For JAG grant 2007-DJ-BX-0081, we selected samples of 12 non-personnel grant expenditures, personnel costs of all

¹⁷ Because there were less than \$300 in administrative expenses billed to the 2008 and 2009 JAG awards at the time of our review, we tested the administrative expenses charged under the 2007 JAG award. We conducted the subrecipient expenditure testing on the 2008 JAG and 2009 Recovery Act JAG awards.

14 ICJI employees who charged time to the grant during March 2009, the 5 most recent FSRs, and the 3 most recent progress reports. For JAG grant 2008-DJ-BX-0018, we selected samples of 204 subrecipient grant expenditures, the 5 most recent FSRs, and the most recent progress report. For JAG grant 2009-SU-B9-0047, we selected samples of 55 subrecipient grant expenditures, the 4 most recent FSRs, the most recent progress report, and the 2 most recent quarterly Recovery Act reports. This non-statistical sample design does not allow for projection of the test results to the universes from which the samples were selected.

In addition, we assessed the grantee's monitoring of subrecipients; reviewed the timeliness and accuracy of FSRs, 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.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:	<u>AMOUNT</u>	<u>PAGE</u>
<i>Unallowable Health Wellness Incentive</i>	\$ 1,546	11
<i>Unsupported Subrecipient Costs</i>	36,323	13
TOTAL QUESTIONED COSTS	\$37,869	
 <i>Enhanced Revenue from Program Income</i>	 3,482,466	 9
TOTAL DOLLAR-RELATED FINDINGS	\$3,520,335	

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.

Enhanced Revenues are additional future annual monies (usually recurring) that can be obtained from management action on audit recommendations.

GRANT 2008-DJ-BX-0018: SUBGRANT PROJECTS

Number	Subrecipient Name	County	Project Title	JAG Purpose Area	Award Period	Award Amount (\$)
01	Washington County Prosecutor's Office	Washington	Drug Prosecutor	B	1/1/2009 - 12/31/2009	15,062.00
02	Harrison County Prosecutor's Office	Harrison	Drug Prosecutor	B	1/1/2009 - 12/31/2009	12,000.00
03	Scott County Prosecutor's Office	Scott	Drug Prosecutor	B	4/1/2009 - 12/31/2009	10,816.00
04	Vanderburgh County Superior Court	Vanderburgh	Drug Court	E	1/1/2009 - 12/31/2009	33,338.43
05	Marion County Superior Court	Marion	Community Court	B	1/1/2009 - 12/31/2009	57,175.79
06	Madison County Unified Courts	Madison	Drug Court	E	1/1/2009 - 12/31/2009	36,323.00
07	Parke County Drug Court	Parke	Drug Court	E	1/1/2009 - 12/31/2009	19,319.51
08	Hancock County Community Corrections	Hancock	Drug Court	E	1/1/2009 - 12/31/2009	31,480.77
09	Lawrence County Commissioners	Lawrence	Drug Court	E	1/1/2009 - 12/31/2009	69,847.00
10	Clark County Superior Court II	Clark	Drug Court	E	1/1/2009 - 12/31/2009	36,323.00
11	Monroe County Government	Monroe	Drug Court	E	1/1/2009 - 12/31/2009	65,369.00
12	Warrick County Superior Court	Warrick	Drug Court	E	1/1/2009 - 12/31/2009	65,783.52
13	Indiana State Police Laboratory	Marion*	Mass Spectrometer	F	1/1/2009 - 12/31/2009	63,498.33
14	Marion County Public Defender Agency	Marion	Juvenile & Adult Placement Program	B	1/1/2009 - 12/31/2009	70,691.00
15	Jeffersonville Police Department	Clark	Community Policing	A	1/1/2009 - 12/31/2009	32,215.00
16	Tippecanoe County Government	Tippecanoe	Reentry Project	D	1/1/2009 - 12/31/2009	34,250.00
17	Vanderburgh County Prosecutor's Office	Vanderburgh	Drug Task Force	A	1/1/2009 - 12/31/2009	45,565.00
18	Henry County Sheriff's Department	Henry	Drug Task Force	A	1/1/2009 - 12/31/2009	32,421.00
19	Auburn Police Department	DeKalb	Drug Task Force	A	1/1/2009 - 12/31/2009	17,263.00
20	City of Connersville	Fayette	Drug Task Force	A	1/1/2009 - 12/31/2009	14,000.00

Number	Subrecipient Name	County	Project Title	JAG Purpose Area	Award Period	Award Amount (\$)
21	Marion County Superior Court	Marion*	Reentry Court	B	1/1/2009 - 12/31/2009	81,397.00
22	Indiana Public Defender Council	Marion*	Defender Performance Improvement	F	1/1/2009 - 12/31/2009	33,454.99
23	Allen County Sheriff's Department	Allen	Drug Task Force	A	1/1/2009 - 12/31/2009	32,000.00
24	Randolph County Sheriff's Department	Randolph	Drug Task Force	A	1/1/2009 - 12/31/2009	25,949.60
25	St. Joseph County Police Department	St. Joseph	Drug Task Force but did not accept award	A	1/1/2009 - 12/31/2009	0.00
26	Grant County Sheriff's Department	Grant	Drug Task Force	A	1/1/2009 - 12/31/2009	40,977.00
27	Vigo County Prosecutor's Office	Vigo	Drug Task Force	A	1/1/2009 - 12/31/2009	42,677.01
28	Kokomo Police Department	Howard	Drug Task Force	A	1/1/2009 - 12/31/2009	51,789.00
29	Hendricks County Prosecutor's Office	Hendricks	Drug Task Force	A	1/1/2009 - 12/31/2009	36,829.00
30	Marion County Superior Court	Marion	Drug Task Force	A	2/7/2009 - 12/31/2009	65,250.00
31	Linton Police Department	Greene	Equipment Grant	A	1/1/2010 - 7/31/2010	10,000.00
32	Montgomery County Probation Department	Montgomery	Equipment Grant	A	1/1/2010 - 7/31/2010	8,060.00
33	Wayne County Sheriff's Department	Wayne	Equipment Grant	A	1/1/2010 - 7/31/2010	10,000.00
34	Batesville Police Department	Ripley	Equipment Grant	A	1/1/2010 - 7/31/2010	9,026.00
35	Tell City Police Department	Perry	Equipment Grant	A	1/1/2010 - 7/31/2010	9,909.00
36	Benton County Sheriff's Department	Benton	Equipment Grant	A	1/1/2010 - 7/31/2010	7,837.00
37	North Vernon Police Department	Jennings	Equipment Grant	A	1/1/2010 - 7/31/2010	9,171.00
38	Carroll County Sheriff's Department	Carroll	Equipment Grant	A	1/1/2010 - 7/31/2010	7,758.00
39	Pierceton Police Department	Kosciusko	Equipment Grant	A	1/1/2010 - 7/31/2010	8,919.00
40	Seymour Police Department	Jackson	Equipment Grant	A	1/1/2010 - 7/31/2010	9,273.00

Number	Subrecipient Name	County	Project Title	JAG Purpose Area	Award Period	Award Amount (\$)
41	Perry County Sheriff's Department	Perry	Equipment Grant	A	1/1/2010 - 7/31/2010	9,909.00
42	Henry County Sheriff's Department	Henry	Equipment Grant	A	1/1/2010 - 7/31/2010	7,300.00
43	Noble County Sheriff's Department	Noble	Equipment Grant	A	1/1/2010 - 7/31/2010	9,180.00
44	Grant County Commissioners	Grant	Equipment Grant	A	1/1/2010 - 7/31/2010	10,000.00
45	Salem Police Department	Washington	Equipment Grant	A	1/1/2010 - 7/31/2010	8,500.00
46	Clark County Sheriff's Department	Clark	Equipment Grant	A	1/1/2010 - 7/31/2010	9,450.00
47	Elkhart Police Department	Elkhart	Equipment Grant	A	1/1/2010 - 7/31/2010	8,271.00
48	Jennings County Sheriff's Department	Jennings	Equipment Grant	A	1/1/2010 - 7/31/2010	10,000.00
49	Cannelton Police Department	Perry	Equipment Grant	A	1/1/2010 - 7/31/2010	9,378.00
50	North Liberty Police Department	St. Joseph	Equipment Grant	A	1/1/2010 - 7/31/2010	6,939.00
51	Putnam County Sheriff's Department	Putnam	Equipment Grant	A	1/1/2010 - 7/31/2010	10,000.00
52	Pittsboro Police Department	Hendricks	Equipment Grant	A	1/1/2010 - 7/31/2010	9,332.00
53	Town of Thorntown	Boone	Equipment Grant	A	1/1/2010 - 7/31/2010	8,100.00
54	Washington County Prosecutor's Office	Washington	Prosecuting Drug Crimes	B	1/1/2010 - 12/31/2010	20,000.00
55	Clark County Prosecutor's Office	Clark	Drug Prosecutor	B	1/1/2010 - 12/31/2010	46,516.00
56	Scott County Prosecutor's Office	Scott	Putting the Brakes on Drugs	B	1/1/2010 - 12/31/2010	34,500.00
57	Lawrence County Commissioners	Lawrence	OVWI Drug Court	E	1/1/2010 - 12/31/2010	69,847.00
58	Indiana Department of Correction	Marion*	Livescan Compliance Project	F	1/1/2010 - 12/31/2010	73,909.00
59	City of Indianapolis - IMPD	Marion	Law Enforcement Committee Conference-- Southern District	A	4/1/2010- 12/31/2010	40,000.00
60	Fort Wayne Police Department	Allen	Mental Health of America Client Advocacy Services	A	7/1/2010 - 6/30/2011	40,000.00

Number	Subrecipient Name	County	Project Title	JAG Purpose Area	Award Period	Award Amount (\$)
61	Town of Highland Police Department	Lake	Law Enforcement Coordinating Committee Conference-Northern District	A	4/1/2010- 12/31/2010	5,800.00

Total subrecipient awards	1,709,948.95
ICJI 10% Administrative Expense Fund	190,775.70
Unobligated Award Funds	7,032.35
Total Federal Award	1,907,757.00

* = Agency provides statewide benefit

JAG Purpose Areas defined as follows:

• A - LAW ENFORCEMENT PROGRAMS
• B - PROSECUTION AND COURT PROGRAMS
• C - PREVENTION AND EDUCATION PROGRAMS
• D - CORRECTIONS AND COMMUNITY CORRECTIONS PROGRAMS
• E - DRUG TREATMENT AND ENFORCEMENT PROGRAMS
• F - PLANNING, EVALUATION, AND TECHNOLOGY IMPROVEMENT PROGRAMS
• G - CRIME VICTIM AND WITNESS PROGRAMS

Source: ICJI

GRANT 2009-SU-B9-0047: SUBGRANT PROJECTS

Number	Subrecipient Name	County	Project Title	JAG Purpose Area	Award Period	Award Amount (\$)
01	Integrated Public Safety Commission	Marion*	Statewide CAD/RMS	F	8/1/2009 - 9/30/2011	4,005,476.00
02	Indiana State Police	Marion*	Fleet Upgrade	A	8/1/2009 - 9/30/2011	3,440,860.00
03	Indiana Supreme Court - JTAC	Marion*	Odyssey/eCWS Rollout	F	8/1/2009 - 9/30/2011	494,523.00
04	Indiana State Police - Livescan	Marion*	Livescan Project	F	10/1/2009 - 9/30/2011	3,882,744.00
05	Dearborn/Ohio Co. Prosecutor	Dearborn & Ohio	Dearborn/Ohio Drug Task Force	A	10/1/2009 - 9/30/2011	174,673.00
06	Grant County Commissioners	Grant	JEAN Team/Wabash DTF	A	10/1/2009 - 9/30/2011	5,412.00
07	Vanderburgh County Prosecutor	Vanderburgh	Vanderburgh/Evansville Drug Task Force	A,B	10/1/2009 - 9/30/2011	230,798.00
08	Carmel Police Department	Hamilton	Hamilton/Boone Drug Task Force	A	10/1/2009 - 9/30/2011	50,820.00
09	City of Indianapolis (Metro)	Marion	Metropolitan Drug Task Force	A	10/1/2009 - 9/30/2011	50,000.00
10	Anderson Police Department	Madison	Muncie/Anderson Drug Task Force	A	10/1/2009 - 9/30/2011	61,920.00
11	Monroe County Government	Monroe	Monroe County Drug Court	E	10/1/2009 - 9/30/2011	124,634.00
12	Lake County Community Corrections	Lake	Offender ReEntry Treatment Program	E	10/1/2009 - 9/30/2011	473,720.00
13	Indianapolis Dept. Of Public Safety (LAP)	Marion	Marion County Leadership in Action Program	D	10/1/2009 - 9/30/2011	196,276.00
14	Miami County Sheriff's Department	Miami	IDEA Training Academy	A	10/1/2009 - 9/30/2011	289,972.00
15	City of Indianapolis (Touch DNA)	Marion	Forensic ID Touch DNA Project	F	10/1/2009 - 9/30/2011	1,215,954.00
16	Town of Dillsboro	Dearborn	CAC Region 15 Start-Up	G	10/1/2009 - 9/30/2011	247,340.00
17	Indianapolis Dept. of Public Safety (F. Div)	Marion	Forensic Diversion	B	10/1/2009 - 9/30/2011	452,500.00
18	Crawford County Prosecutor's Office	Crawford	Crawford County Drug Prosecutor	B	10/1/2009 - 9/30/2011	107,650.00
19	Hamilton County Prosecutor's Office	Hamilton	Hamilton County Community Justice Center	G	10/1/2009 - 9/30/2011	217,617.00
20	Vanderburgh County Superior Court	Vanderburgh	Delinquency and Substance Abuse Prevention Program	C	10/1/2009 - 9/30/2011	470,348.00
21	Allen County Community Corrections	Allen	Mental Health and Modified T/C Project	D	10/1/2009 - 9/30/2011	640,518.00
22	City of Indianapolis (Gang database)	Marion	Indy-IN State Gang Database	F	10/1/2009 - 9/30/2011	260,790.00
23	Lake County Sheriff's Department	Lake	Lake County Drug and Crime Information Sharing Project	F	10/1/2009 - 9/30/2011	417,711.00

Number	Subrecipient Name	County	Project Title	JAG Purpose Area	Award Period	Award Amount (\$)
24	LaPorte County	LaPorte	LaPorte County CAD/RMS Project	F	10/1/2009 - 9/30/2011	1,208,715.00
25	Marion County Community Corrections	Marion	Technical Rule Violation	D	10/1/2009 - 9/30/2011	265,546.00
26	Rocky Ripple Police Department	Marion	Vehicle Purchase	A	10/1/2009 - 9/30/2011	26,222.00
27	Town of Camden	Carroll	Vehicle Purchase	A	10/1/2009 - 9/30/2011	24,943.00
28	Charlestown Police Department	Clark	Vehicle Purchase	A	10/1/2009 - 9/30/2011	29,726.00
29	Rushville Police Department	Rush	Vehicle Purchase	A	10/1/2009 - 9/30/2011	47,000.00
30	Cannelton Police Department	Perry	Vehicle Purchase	A	10/1/2009 - 9/30/2011	29,060.00
31	Town of Chalmers	White	Vehicle Purchase	A	10/1/2009 - 9/30/2011	20,792.00
32	Town of Ladoga	Montgomery	Vehicle Purchase	A	10/1/2009 - 9/30/2011	37,529.00
33	Tell City Police Department	Perry	Vehicle Purchase	A	10/1/2009 - 9/30/2011	30,568.00
34	Indiana Supreme Court - JTAC	Marion*	Odyssey/DOC Interface	F	10/1/2009 - 9/30/2011	273,561.00

* = Agency provides statewide benefit

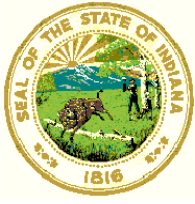
Total subrecipient awards	19,505,918.00
ICJI 10% Administrative Expense Fund	2,167,324.00
Unobligated Award Funds	2.00
Total Federal Award	21,673,244.00

JAG Purpose Areas defined as follows:

• A - LAW ENFORCEMENT PROGRAMS
• B - PROSECUTION AND COURT PROGRAMS
• C - PREVENTION AND EDUCATION PROGRAMS
• D - CORRECTIONS AND COMMUNITY CORRECTIONS PROGRAMS
• E - DRUG TREATMENT AND ENFORCEMENT PROGRAMS
• F - PLANNING, EVALUATION, AND TECHNOLOGY IMPROVEMENT PROGRAMS
• G - CRIME VICTIM AND WITNESS PROGRAMS

Source: ICJI

AUDITEE RESPONSE



STATE OF INDIANA



Mitch Daniels, Governor

Dr. T. Neil Moore, Executive Director
INDIANA CRIMINAL JUSTICE INSTITUTE
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Indianapolis, Indiana 46204-2038
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August 9, 2010

Ms. Carol Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
500 West Madison Street, Suite 1121
Chicago, Illinois 60661-2590

Dear Ms. Taraszka:

Please find attached the responses to the draft report on the recent audit of the Office of Justice Programs (OJP), Bureau of Justice Assistance, Edward Byrne Memorial Grants administered by the Indiana Criminal Justice Institute. Grant numbers listed below as follows:

2007-DJ-BX-00BI	2009-DJ-BX-0049
200B-DJ-BX-00IB	200B-DJ-BX-0752
	2009-SU-B9-0047

Respectfully,

A handwritten signature in blue ink that reads "T. Neil Moore".

T. Neil Moore, Ed.D.
Executive Director

DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

TNM/sv

Attachments (2)

cc: Susan K Sorensen, USDOJ
Cheryl J. Holland, USDOJ
Todd A. Anderson, USDOJ

1. Work with the ICJI to determine how the ICJI should account for program income, including a consideration of the potential inconsistency between Indiana state law and OJP guidelines.

The ICJI is working with the Governor's Office to draft legislation that clearly outlines the use of grant funded program income. Currently the portion of program income that is tied to federal funding goes back into the grant program, the non-federal portion of program income is currently deposited into the state school fund.

2. Ensure the ICJI reports program income to OJP, including any unreported program income previously earned by subrecipients. This should include ensuring that the ICJI's subrecipients are reporting program income to the ICJI and that program income earned by the subrecipients is being used in the furtherance of the grant programs, including the \$3,482,466 reported as earned by subrecipients under the 2007 and 2008 JAG awards between January 2008 and December 2009.

The ICJI subrecipients have been trained on how to report program income as well as the use of program income. The reporting and compliance with use of program income is a requirement in order to be eligible for future funding. The ICJI staff is holding subrecipients accountable by conducting regular desk reviews and site visits.

The ICJI fiscal division, now under the Office of Management and Budget, has been trained to accurately submit program income to OJP.

The ICJI has asked the State Board of Accounts to do a complete audit of all federally funded MJTFs and Problem Solving Courts to ensure compliance with use of program income.

3. Direct the ICJI to remedy the \$1,546 in health care incentives allocated to its JAG awards and reimbursed by OJP.

The ICJI has resolved this by working with the State Auditor's Office to appropriately charge health care incentives to the state match account.

4. Direct the ICJI to remedy the \$36,323 in unsupported subrecipient expenditures that were reimbursed by OJP.

The ICJI has requested additional documentation to verify these expenses were in fact grant related, if proof of expenses cannot be provided the ICJI will require the subrecipient to return the funds to the ICJI.

5. Require the ICJI to establish and implement procedures that ensure subrecipients' reimbursement requests are adequately supported, timely reviewed, and paid promptly, and that reimbursement requests from state-level subrecipients are reviewed and approved prior to payment.

The ICJI has the fiscal policy and procedure manual to show subrecipients' reimbursement requests are timely reviewed and processed promptly.

The ICJI will draw funds from the federal award quarterly with the submission of Federal Form 269 as required by federal regulations. At that time, if the State sub-recipients have not submitted their program reports, or if the ICJI Program Manager determines that the Sub-recipient expenses are not in compliance with their approved budget ICJI will not transfer the associated revenue to the state sub-recipient until they are in compliance.

6. Ensure the ICJI assigns and trains adequate staff to monitor and oversee JAG and Recovery Act JAG awards

The ICJI has reassigned responsibilities so that there is ample staff to monitor JAG and Recovery Act JAG awards. In addition, the ICJI field staff will be assisting with compliance monitoring.

7. Ensure the ICJI develops a procedures handbook for ICJI grant program management that articulates responsibilities for administering the JAG and Recovery Act JAG awards. The manual should specifically address the monitoring and oversight of subrecipients, including the review of subrecipient supporting documentation, conducting subrecipient site visits, providing training and technical assistance, and obtaining and analyzing external audits and reviews of subrecipients to identify problems and issues that may affect JAG-funded awards.

The ICJI is developing a procedures handbook for ICJI program managers. The Handbook addresses monitoring and oversight of subrecipients, review of claims and supporting documentation, desk reviews and site visits, training and technical assistance. ICJI is now requiring all subrecipients to submit a full copy of their A-133.

8. Ensure the ICJI has developed a grant procedure manual for subrecipients that provides guidance on all aspects of accounting for, managing, and reporting on JAG and Recovery Act JAG awards, and ensure that this manual is disseminated to all subrecipients.

ICJI has a developed a grant procedures manual for subrecipients. The manual is still in draft form, to be finalized by October 1, 2010. The

subrecipient manual will be posted to the ICJI website, emailed to all current subrecipients and distributed at the annual training.

9. Direct the ICJI to ensure that subrecipient applications (and any subsequent budget revisions) contain sufficient details to identify program activities and the reasonableness of associated costs.

The subrecipient applications have been revised and require the grantee to report sufficient details including a strong budget narrative, outlining and detailing all associated costs.

10. Request the ICJI to submit a revised annual progress report to accurately reflect program activities and metrics.

The ICJI is working on a revised annual progress report.

11. Direct the ICJI to verify the accuracy of subrecipient data reported to the Indiana Office of Management and Budget prior to the Indiana Office of Management and Budget submitting the required Recovery Act Reports to FederalRecovery.gov.

The ICJI now reviews all subrecipient data reported to the Indiana Office of Management and Budget prior to submission to FederalRecovery.gov.

12. Ensure the ICJI submits a revised fourth quarter 2009 report to FederalRecovery.gov that corrects its initial overstatement of certain information.

The ICJI is working with the Office of Management and Budget on a revised and corrected fourth quarter 2009 report to submit to FederalRecovery.gov

OJP RESPONSE



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

August 6, 2010

MEMORANDUM TO: Carol S. Taraszka
Regional Audit Manager
Office of the Inspector General
Chicago Regional Audit Office

/s/
FROM: Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, Bureau of Justice Assistance, Edward Byrne Memorial Justice Assistance Grants Awarded to the Indiana Criminal Justice Institute, Indianapolis, Indiana*

This memorandum is in response to your correspondence, dated July 26, 2010, transmitting the subject draft audit report for the Indiana Criminal Justice Institute (ICJI). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **12** recommendations, **\$37,869** in questioned costs, and **\$3,482,466** in enhanced revenue from program income. 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 work with the ICJI to determine how the ICJI should account for program income, including a consideration of the potential inconsistency between Indiana state law and OJP guidelines.**

We agree with the recommendation. We will coordinate with the ICJI to determine how the ICJI should account for program income earned as a result of a direct Federal award,

including a consideration of the potential inconsistency between Indiana state law and the OJP Federal Guide.

2. **We recommend that OJP ensure the ICJI reports program income to OJP, including any unreported program income previously earned by subrecipients. This should include ensuring that the ICJI's subrecipients are reporting program income to the ICJI and that program income earned by the subrecipients is being used in the furtherance of the grant programs, including the \$3,482,466 reported as earned by subrecipients under the 2007 and 2008 JAG awards between January 2008 and December 2009.**

We agree with the recommendation. We will coordinate with the ICJI to obtain a copy of implemented procedures to ensure that the ICJI's subrecipients are reporting program income to the ICJI, and that program income earned by the subrecipients is being used in the furtherance of the grant programs. As stated in our response to Recommendation Number 1, we will coordinate with the ICJI to determine how the ICJI should account for program income earned as a result of a direct Federal award, including the \$3,482,466 in program income, earned by subrecipients between January 2008 and December 2009, under grant numbers 2007-DJ-BX-0081 and 2008-DJ-BX-0018.

3. **We recommend that OJP direct the ICJI to remedy the \$1,546 in health care incentives allocated to its JAG awards and reimbursed by OJP.**

We agree with the recommendation. We will coordinate with the ICJI to remedy the \$1,546 in questioned costs related to health care incentives that were allocated to grant numbers 2007-DJ-BX-0081 and 2008-DJ-BX-0018.

4. **We recommend that OJP direct the ICJI to remedy the \$36,323 in unsupported subrecipient expenditures that were reimbursed by OJP.**

We agree with the recommendation. We will coordinate with the ICJI to remedy the \$36,323 in unsupported questioned costs related to subrecipient expenditures that were charged to grant number 2008-DJ-BX-0018.

5. **We recommend that OJP require the ICJI to establish and implement procedures that ensure subrecipients' reimbursement requests are adequately supported, timely reviewed, and paid promptly, and that reimbursement requests from state-level subrecipients are reviewed and approved prior to payment.**

We agree with the recommendation. We will coordinate with the ICJI to obtain copy of procedures developed and implemented to ensure that subrecipients' reimbursement requests are adequately supported, timely reviewed, and promptly paid. We will also coordinate with the ICJI to obtain a copy of procedures implemented to ensure that reimbursement requests from state-level subrecipients are reviewed and approved prior to payment.

6. **We recommend that OJP ensure the ICJI assigns and trains adequate staff to monitor and oversee JAG and Recovery Act JAG awards.**

We agree with the recommendation. We will coordinate with the ICJI to obtain a copy of procedures developed and implemented to ensure that the ICJI assigns and trains adequate staff to monitor and oversee its DOJ grants.

7. **We recommend that OJP ensure the ICJI develops a procedures handbook for ICJI grant program management that articulates responsibilities for administering the JAG and Recovery Act JAG awards. The manual should specifically address the monitoring and oversight of subrecipients, including the review of subrecipient supporting documentation, conducting subrecipient site visits, providing training and technical assistance, and obtaining and analyzing external audits and reviews of subrecipients to identify problems and issues that may affect JAG-funded awards.**

We agree with the recommendation. We will coordinate with the ICJI to obtain a copy of procedures implemented to ensure that ICJI develops a procedures handbook for grant program management that articulates responsibilities for administering Federal grant funds.

8. **We recommend that OJP ensure the ICJI has developed a grant procedures manual for subrecipients that provides guidance on all aspects of accounting for, managing, and reporting on JAG and Recovery Act JAG awards, and ensure that this manual is disseminated to all subrecipients.**

We agree with the recommendation. We will coordinate with the ICJI to obtain a copy of procedures developed and implemented for subrecipients that provides guidance on all aspects of accounting for, managing, and reporting on Federal grant funds. We will also obtain documentation from the ICJI to ensure that the implemented procedures are disseminated to all subrecipients.

9. **We recommend that OJP direct the ICJI to ensure that subrecipient applications (and any subsequent budget revisions) contain sufficient details to identify program activities and the reasonableness of associated costs.**

We agree with the recommendation. We will coordinate with the ICJI to obtain a copy of procedures developed and implemented to ensure that subrecipient applications, including any subsequent budget revisions, contain sufficient details to identify program activities and the reasonableness of associated costs.

10. **We recommend that OJP request the ICJI to submit a revised annual progress report to accurately reflect program activities and metrics.**

We agree with the recommendation. We will coordinate with the ICJI to obtain a copy of the revised annual progress report to accurately reflect program activities and metrics for

grant number 2007-DJ-BX-0081.

11. **We recommend that OJP direct the ICJI to verify the accuracy of subrecipient data reported to the Indiana Office of Management and Budget prior to the Indiana Office of Management and Budget submitting the required Recovery Act Reports to FederalRecovery.gov.**

We agree with the recommendation. We will coordinate with the ICJI to obtain a copy of procedures implemented to ensure that the accuracy of subrecipient data reported to the Indiana Office of Management and Budget, prior to the data's inclusion in the required reports submitted to FederalRecovery.gov.

12. **We recommend that OJP ensure the ICJI submits a revised fourth quarter 2009 report to FederalRecovery.gov that corrects its initial overstatement of certain information.**

We agree with the recommendation. We will coordinate with the ICJI to obtain a copy of the revised fourth quarter 2009 report to FederalRecovery.gov, which corrects its initial overstatement of certain information.

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

Amanda LoCicero
Budget Analyst
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Assistant Director
Audit Liaison Group
Justice Management Division

OJP Executive Secretariat
Control Number 20101585

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

We provided the Indiana Criminal Justice Institute (ICJI) and the Office of Justice Programs (OJP) our draft audit report for review and comment. The response that we received from the ICJI has been incorporated into our report as Appendix V, and the response that we received from OJP has been incorporated into our report as Appendix VI.¹⁸ In our analysis below, we respond to any relevant comments and detail the actions necessary to close each of the recommendations.

Recommendation Number

1. **Resolved.** In response to our draft report, the grantee stated that it is working with the Governor's Office to draft legislation that clearly outlines the use of grant-funded program income. The ICJI stated that currently, the portion of program income tied to federal funding goes back into the grant program, while the non-federal portion of program income is deposited into the state school fund. OJP stated that it will coordinate with the ICJI to determine how to account for program income earned as a result of a direct federal award, including a consideration of the potential inconsistency between Indiana state law and the OJP Federal Guide.

To close this recommendation, please provide, once enacted, a copy of the revised legislation that outlines the use of grant-funded program income. Additionally, please provide evidence that the ICJI is properly accounting for the federal program income earned by its subrecipients.

2. **Resolved.** In response to our draft report, the ICJI stated that subrecipients have been trained on the reporting and use of program income. Moreover, the ICJI stated that to be eligible for future funding, subrecipients must report and comply with the use of program income, and that the ICJI will conduct regular desk reviews and site visits to ensure subrecipients are properly reporting and using program income.

Additionally, the ICJI stated that its fiscal division has been trained to accurately report program income to OJP. The ICJI also stated that it

¹⁸ The response from the ICJI included an attachment containing its draft of the *Subgrantee Policy and Procedure Manual*. We did not include that attachment in our final report.

asked the State Board of Accounts to perform a complete audit of all federally funded multi-jurisdictional task forces and Problem Solving Courts to ensure compliance with the use of program income. OJP stated that it will coordinate with the ICJI to obtain a copy of its implemented procedures for ensuring subrecipients report program income and that it is being used in the furtherance of grant programs.

To close this recommendation, please provide a copy of appropriate, implemented procedures, once approved by OJP. In addition, please provide the results of the audit performed by the State Board of Accounts, as well as evidence that subrecipients properly used program income, including the \$3,482,466 reported as earned by subrecipients under the 2007 and 2008 JAG awards between January 2008 and December 2009, in the furtherance of grant programs when applicable.

3. **Resolved.** In response to our draft report, the grantee stated that it worked with the State Auditor's Office to appropriately charge health care incentives to the state match account. OJP stated that it will coordinate with the ICJI to remedy the \$1,546 in unallowable costs related to health care incentives.

To close this recommendation, please provide us with evidence that the \$1,546 in questioned costs have been appropriately remedied.

4. **Resolved.** In response to our draft report, the grantee stated that it requested the subrecipient to provide additional documentation in support of the questioned costs. The ICJI stated that it will require the subrecipient to return the funds to the ICJI if supporting documentation cannot be provided. OJP stated that it will coordinate with the ICJI to remedy the \$36,323 in unsupported costs.

To close this recommendation, please provide us with evidence that the \$36,323 in questioned costs have been appropriately remedied.

5. **Resolved.** In response to our draft report, the grantee stated that its fiscal policy and procedure manual provides evidence that subrecipient reimbursement requests are timely reviewed and promptly processed. However, a manual only provides evidence that procedures are in place to ensure subrecipient reimbursement requests are timely reviewed and promptly processed; it does not ensure that the procedures are actually being followed.

In addition, the ICJI stated that at the time of drawing funds, it will determine if state-level subrecipients have submitted their program

reports and if the claimed expenses are in compliance with their approved budget. If not, the ICJI stated that it will not transfer the associated revenue to the state-level subrecipients until the subrecipients are in compliance.

OJP stated that it will coordinate with the ICJI to obtain a copy of procedures implemented to ensure that subrecipients' reimbursement requests are adequately supported, timely reviewed, and promptly paid. OJP further stated that it will coordinate with the ICJI to obtain a copy of the procedures to ensure that state-level subrecipient reimbursement requests are reviewed and approved prior to payment.

To close this recommendation, please provide a copy of appropriate, implemented procedures, once approved by OJP, and evidence of the ICJI's adherence to these implemented procedures.

6. **Resolved.** In response to our draft report, the ICJI stated that it reassigned responsibilities to ensure there is ample staff to monitor JAG and Recovery Act JAG awards. In addition, the ICJI stated that its field staff will assist with compliance monitoring. OJP stated that it will coordinate with the ICJI to obtain a copy of the procedures implemented to ensure that the ICJI assigns and trains adequate staff to monitor and oversee its DOJ grants.

To close this recommendation, please provide, once approved by OJP, a copy of appropriate, implemented procedures to ensure that the ICJI assigns and trains adequate staff, as well as a list of the names of staff currently overseeing the Byrne JAG awards and the training provided to those individuals.

7. **Resolved.** In response to our draft report, the ICJI stated that it is developing a procedures handbook for its program managers. The ICJI stated that this handbook will include procedures for monitoring and overseeing subrecipients, reviewing claims and supporting documentation, conducting desk reviews and site visits, and providing training and technical assistance. Additionally, the ICJI stated that it is now requiring all subrecipients to submit their single audit reports. OJP stated that it will coordinate with the ICJI to ensure that it develops a grant program management handbook that articulates responsibilities for administering federal grant funds.

To close this recommendation, please provide evidence that an appropriate procedures handbook for grant program management has been implemented and approved by OJP.

8. **Resolved.** In response to our draft report, the grantee stated that it drafted a grant procedures manual for subrecipients and expects to finalize the manual by October 1, 2010. The ICJI stated that once finalized, the manual will be posted to its website, e-mailed to all current subrecipients, and distributed at the annual training seminar. OJP stated that it will coordinate with the ICJI to obtain a copy of the procedures developed and implemented for subrecipients, which will provide guidance on all aspects of accounting for, managing, and reporting on federal grant funds. OJP stated that it will also obtain documentation from the ICJI to confirm that the implemented procedures have been disseminated to all subrecipients.

To close this recommendation, please provide evidence that an appropriate subrecipient grant procedures manual, approved by OJP, has been disseminated to all subrecipients.

9. **Resolved.** In response to our draft report, the ICJI stated that it revised the subrecipient grant applications, which require subrecipients to outline and detail all associated costs, including a strong budget narrative. OJP stated that it will coordinate with the ICJI to obtain a copy of the procedures developed and implemented to ensure that subrecipient applications, including any subsequent budget revisions, contain sufficient details to identify program activities and the reasonableness of associated costs.

To close this recommendation, please provide a copy of appropriate, implemented procedures and revised subrecipient grant application, once approved by OJP.

10. **Resolved.** In response to our draft report, the grantee stated that it is revising its annual progress report. OJP stated that it will coordinate with the ICJI to obtain a revised annual progress report that accurately reflects program activities and metrics for grant number 2007-DJ-BX-0081.

To close this recommendation, please provide a copy of the revised, accurate annual progress report.

11. **Resolved.** In response to our draft report, the ICJI stated that it currently reviews all subrecipient data reported to the Indiana Office of Management and Budget prior to the Indiana Office of Management and Budget submitting it to FederalRecovery.gov. OJP stated that it will coordinate with the ICJI to obtain a copy of procedures

implemented to ensure the accuracy of subrecipient data reported to the Indiana Office of Management and Budget, prior to the data's inclusion in the required reports submitted to FederalRecovery.gov.

To close this recommendation, please provide evidence that the ICJI reviews all subrecipient data prior to it being submitted to the Indiana Office of Management and Budget.

12. **Resolved.** In response to our draft report, the grantee stated that it was working with the Indiana Office of Management and Budget on submitting a revised and corrected fourth quarter 2009 report to FederalRecovery.gov. OJP stated that it will coordinate with the ICJI to obtain a copy of this revised, which corrects ICJI's initial overstatement of certain information.

To close this recommendation, please provide a copy of the revised, accurate report submitted to FederalRecovery.gov.