AUDIT OF THE OFFICE OF JUSTICE PROGRAMS MENTORING GRANTS ADMINISTERED BY PEOPLE FOR PEOPLE, INC. PHILADELPHIA, PENNSYLVANIA

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

Audit Report GR-70-13-007
August 2013

REDACTED – FOR PUBLIC RELEASE

AUDIT OF THE OFFICE OF JUSTICE PROGRAMS MENTORING GRANTS ADMINISTERED BY PEOPLE FOR PEOPLE, INC. PHILADELPHIA, PENNSYLVANIA

EXECUTIVE SUMMARY[1]

The Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of the Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention mentoring grant, number 2007-JU-FX-0007, and OJP, Bureau of Justice Assistance mentoring grant, number 2008-DD-BX-0377, awarded to People for People, Inc. (PFP) of Philadelphia, Pennsylvania. The total award for the two grants was $979,689 and was to be used to expand PFP's mentoring children of prisoners program. The objective of the grants was to deliver services that provide children of prisoners with the necessary intellectual, social, physical, and psychological/emotional supports to be ready and able productive members of society.

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

We determined that PFP was in material non-compliance with the grant requirements we tested. Specifically, we reviewed PFP's compliance with essential grant conditions and found material weaknesses in PFP's management of grant expenditures. For the two grants, we questioned $688,317 of the grants as unallowable expenditures, including $420,729 in unallowable salaries and fringe benefits, $34,834 in unallowable expenditures, and $232,754 in unallowable indirect costs. We also found that PFP was unable to support $205,128 in expenditures and drawdowns related to the grants. As a result, we questioned a total of $893,445 in grant-related expenditures.[2]

---

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

[2] During this audit, we identified certain issues requiring further investigation. We referred those matters to the OIG's Investigations Division, and put our audit on hold pending such investigation. Subsequently, we were able to complete our audit and issue this report.

In addition to the questioned costs, we identified seven management improvement findings related to internal controls, drawdowns, financial and program reporting, budget management, and program performance. Specifically, we determined that PFP did not submit Federal Financial Reports (FFRs) and progress reports on time. We also found PFP could not support the drawdown requests, FFRs, and progress reports submitted and did not adhere to the approved budgets. Finally, PFP did not meet the goals and objectives of the grants.

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

We discussed the results of our audit with PFP officials and have included their comments in the report, as applicable. However, during the exit conference, a PFP official stated he was unable to provide detailed responses to the findings because he was not involved with the grant administration at the time the grants were active, and those who were responsible are no longer with the organization. Additionally, we requested a response to our draft report from PFP and OJP, and their responses are appended to this report as Appendix III and IV, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations can be found in Appendix V of this report.

TABLE OF CONTENTS

INTRODUCTION

The Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention mentoring grant, number 2007-JU-FX-0007, and Bureau of Justice Assistance mentoring grant, number 2008-DD-BX-0377, awarded to People for People, Inc. (PFP). The total award for the two grants was $979,689 and was to be used for the expansion of PFP's mentoring children of prisoners program. The objective of the grants was to deliver services that provide children of prisoners with the necessary intellectual, social, physical, and psychological/emotional supports to be ready and able productive members of society.

The purpose of our audit was to determine whether reimbursements claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. We also evaluated PFP's overall program performance and accomplishments in meeting the objectives of the grants for the funded program. Our audit covered the period between the start of the initial grant award in October 2007 to the closure of the initial grant in September 2010. As shown in the table below, PFP was awarded a total of $979,689 to expand the mentoring program.

Office of Justice Programs Grants to People for People, Inc.

Grant Award Number	Award Start Date	Award End Date	Award Amount
2007-JU-FX-0007	10/1/2007	09/30/2010	$ 666,667
2008-DD-BX-0377	09/1/2008	11/30/2009	313,022
Total			**$ 979,689**

Source: OJP grant files

Office of Justice Programs

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

Office of Juvenile Justice and Delinquency Prevention

The Office of Juvenile Justice and Delinquency Prevention, a component of OJP, through comprehensive and coordinated efforts at the federal, state, and local levels, works to provide national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization. The Office of Juvenile Justice and Delinquency Prevention works to do this by taking actions to strengthen the nation's juvenile justice system, and support prevention and early intervention programs that are making a difference for young people and their communities.

Bureau of Justice Assistance

The Bureau of Justice Assistance, another component of OJP, provides assistance to local criminal justice programs to improve and reinforce the nation's criminal justice system. The Bureau's goals are to reduce and prevent crime, violence, and drug abuse, and to improve the way in which the criminal justice system functions.

People for People, Inc.

According to its website, People for People, Inc. (PFP) is a not-for-profit organization, created by Reverend Herbert H. Lusk, II in 1989 and incorporated in 1991 for the purpose of community economic development and the promotion of education and entrepreneurship in North Central Philadelphia, Pennsylvania. PFP further explains on its website that the majority of the children and families it serves are predominately low-income African-Americans, more than half of whom live in single-parent family groups.

PFP's mission is to break the generational cycle of poverty in the lives of local residents by providing them with the necessary tools they need to abandon gangs, drugs, welfare dependency and crime and to create new, stable, self-sustaining lives for themselves and their families.

Mentoring Program

According to PFP's website, there are millions of children in this country who suffer the pain and loneliness associated with missing one of their parents for a variety of reasons, including incarceration, divorce, abandonment, estrangement, death, or lack of knowledge concerning paternity. Research demonstrates that children growing up without one or the other parent figure in their lives experience a less emotionally-rich and nurturing childhood as children who live with two parents, which means less help with homework, less one-on-one time with the remaining parent, and thus less guidance and help with problems or time spent together sharing enriching experiences. PFP created a mentoring program designed to match mentors with children who need them to help fill this need, and mentors are paired with children with whom they will spend time each week.

In addition to the two OJP grants funding PFP's mentoring program during the period of our review, PFP also received a grant from the Department of Health and Human Services (HHS). According to PFP documentation, the OJP funded program during the period was titled Mentoring Children of Purpose; while the HHS funded program was titled Mentoring Children of Prisoners. According to a PFP official, both the HHS and OJP funding supported the same mentoring program.

Our Audit Approach

We tested compliance with what we considered to be the most important conditions of the grants. Unless otherwise stated in our report, we applied the OJP Financial Guide as our primary criteria during our audit. The OJP Financial Guide serves as a reference manual assisting award recipients in their fiduciary responsibility to safeguard grant funds and ensure that funds are used appropriately and within the terms and conditions of the awards. We tested PFP's:

- **Internal control environment** to determine whether the financial accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grants.

- **Grant expenditures** to determine whether the costs charged to the grants were allowable and supported and properly allocated.

- **Drawdowns (requests for grant funding)** to determine whether PFP's requests for reimbursement or advances were adequately supported, and if PFP managed grant receipts in accordance with federal requirements.

- **Reporting** to determine whether the required Federal Financial Reports and progress reports were filed on time and accurately reflected grant activity.

- **Budget management and control** to determine whether PFP adhered to the OJP-approved budget for expenditures of grant funds.

- **Program performance and accomplishments** to determine whether PFP achieved grant objectives, and to assess performance and grant accomplishments.

- **Compliance with other grant requirements** to determine whether PFP complied with the terms and conditions specified in the individual grant award documents.

When applicable, we also test for compliance in the areas of program income, matching funds, and monitoring subrecipients and contractors. For these grants, we determined that PFP generated no program income, had no matching funds required, and had no subrecipients or contractors.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

From our audit, we determined that PFP was in material non-compliance with the essential grant requirements we tested. Specifically, we found: (1) grant expenditures that were unallowable because they were not in the approved budget or were not a permissible use of funds; (2) grant expenditures that were unsupported because of inadequate documentation; (3) weaknesses in grant reporting, including late Federal Financial Reports and progress reports that were late and unsupported; and (4) failure to meet program goals and objectives. As a result of these deficiencies, we questioned a total of $893,445 of the funding received by PFP as of September 1, 2010. These conditions, including the underlying causes and potential effects on the OJP program, are further discussed in the body of this report.

Internal Control Environment

According to the Office of Management and Budget Circular A-133, PFP was required to engage independent auditors to perform an annual Single Audit. The due date for the Single Audit report was no later than 9 months after the end of PFP's fiscal year, and PFP's fiscal year runs from July 1 through June 30.[3] We found that PFP's Single Audit Report, combining years ending December 31, 2007 and 2008, was issued on October 8, 2009, over a year late for the due date covering a 2007 report. The 2009 single audit was due March 2010, and was issued in September 2010, 6 months late (the Department of Health and Human Services (HHS) is the cognizant agency for PFP's Single Audits).[4] During our audit, HHS had neither received the single audit for FY 2010, which was due March 2011, nor had it received the FY 2011 audit which was due March 2012.

The combined 2007 and 2008, and 2009 Single Audits contained significant internal control and accounting issues and weaknesses. A few

[3] Prior to 2009, PFP's fiscal year ran from January 1 through December 31.

[4] All non-federal entities that expend $500,000 or more of federal awards in a year are required to obtain an annual audit in accordance with OMB Circular A-133. A single audit is intended to provide assurance of proper management and use of federal funds. According to the OMB Circular A-133, the cognizant agency for audit shall be responsible for coordinating a management decision for audit findings that affect the programs of more than one federal agency.

examples of the internal control weaknesses contained in the single audits are: missing documentation and approval for disbursements; missing time sheets; financial reports not submitted timely; allocated occupancy expenditures, such as rent and utilities, based on payroll costs; inadequate documentation of training of the mentors participating in the mentoring children of purpose program; and lack of controls over related-party rent paid with grant funds. HHS is working with PFP to resolve the findings.

According to the OJP Financial Guide, the recipient of a grant award is responsible for establishing and maintaining an adequate system of accounting and internal controls. As the 2009 Single Audit showed similar results, the Single Audits show that PFP has a history of poor internal controls. Additionally, during our audit, we determined that PFP's system of internal controls was inadequate to safeguard, document, and properly account for grant funds. The absence of an adequate and effective internal control environment places grant funds at significant risk and undermines the ability of the grant recipient to ensure that federal funds are being adequately safeguarded and spent properly in accordance with the grant objectives.

We recommend that OJP coordinate with HHS to ensure the Single Audit findings are addressed and ensure PFP can adequately safeguard, document, and properly account for grant funds. This is critical since, in addition to the grants discussed in this report, PFP currently has an OJP Adult Offender Mentoring grant in the amount of $300,000. As of April 2013, PFP had drawn down $70,000 of the grant funds for the program.

Grant Expenditures

As discussed above, a grantee is responsible for establishing and maintaining an adequate financial system and accounting records to accurately account for funds awarded. This financial system should include valid accounting methodology that can provide accounting records that completely and accurately report the data for a grant to ensure that the objectives of the grant are met. An adequate system of accounting may also help reduce the potential for fraud, waste, and abuse of the grant award funds.

Our audit concluded that PFP did not have an adequate financial system in place. Specifically, PFP provided multiple sets of inconsistent accounting information covering the expenses claimed for the Department of Justice grant programs. As a result, we determined that the accounting records PFP provided during our audit were unreliable.

Over the course of our audit, PFP provided three sets of accounting records covering the activities associated with the grants we audited. Accounting records were initially provided in June 2010 at the initiation of our audit, then again in November 2011, and then a final set was provided in April 2012. Our initial sample of expenditures for testing was taken from the June 2010 records, as these expenditures also were reflected in the April 2012 records. However, the overall total of expenditures between each of the three sets of records was different, which included and excluded significant transactions. As a result, we were not able to determine which set of expenditures represented those charged to the grant. A PFP official stated that the changes PFP made to the accounting records from prior sets were the result of meetings between OIG and PFP personnel, after which the records were adjusted.

PFP's grant expenditures consisted of payments for personnel, fringe benefits, consultants, rent, telephone bills, background checks, food for training/conferences, travel, and other various costs.

Personnel and Fringe Benefits

According to the accounting records, PFP spent $353,805 on employee salaries and $66,924 on fringe benefits. We selected four nonconsecutive pay periods for testing to determine if salaries and fringe benefit charges were supported and allowable.

According to PFP officials, 6 of 11 of the grant-funded employees were charged to the 2 OJP grants and the HHS grant. According to the OJP Financial Guide, in cases where two or more grants constitute one identified activity or program, salary charges to one grant may be allowable after written permission is obtained from the awarding agency. However, we requested and were not provided or made aware of any permission requested or received from OJP; therefore, we question all of the personnel charges associated with the grants as unallowable.

In addition, PFP allocated 25 percent of the salaries for four employees to the OJP grants (the Controller, Director of Finance and Administration, Director of Development, and Director of Special Programs). According to the OJP Financial Guide, where salaries apply to the execution of two or more cost activities, each activity must be made based on time and/or effort reports. In our review of PFP timesheets, we found that the timesheets did not show 25 percent of the employees' time charged to the mentoring program. We were not provided any other documentation of time and effort to substantiate that 25 percent of these salaries was an appropriate allocation to charge to the grant. In addition, PFP's Accounting, Policies, and

Procedures Manual requires personnel charges to awards for salaries and wages to be based on documented payrolls approved by a responsible PFP official, however we found no such approval mechanism in place. The distribution of salaries and wages to awards must be supported by personnel activity reports. As a result, we question the salary charges for the four employees as unsupported and unallowable costs.

PFP's approved grant budgets listed positions that were to work specifically on each grant. However, in our review of expenditures charged to the grants, we found employees charged to the grants who were not in the OJP approved budget. For the 2007 grant, three of the nine positions charged to the grant, were not in the budget. For the 2008 grant, 5 of the 11 positions charged to the grant were not approved in the budget. As a result, we question the costs associated with salaries paid by the grant for these unapproved positions as unallowable.

Furthermore, we were unable to calculate the amount of the unallowable salaries because documentation for the grant-funded personnel charges provided by PFP did not match accounting records provided. As a result, we were unable to determine the exact amount of each employee's salary that was actually charged to the grants.

Finally, we reviewed the timesheets for the employees charged to the grant for the four selected time periods. For the four pay periods selected to review, PFP provided 25 timesheets for the employees charged to the grant and did not provide one timesheet for a staff member selected. In reviewing the timesheets, we found 11 were signed off by the employee, and 7 were signed off by a supervisor. According to a PFP employee, the employees do not create their own timesheets; they are instead created by administrative personnel. In addition, PFP does not require employees to sign the timesheets in a timely manner. Instead, PFP bundles a group of timesheets, for several months, and then according to a PFP employee, the employee signs off on the entire lot of timesheets. The OJP Financial Guide requires that time and attendance records support payroll records and associated fringe benefit charges. Additionally, PFP's Accounting, Policies, and Procedures Manual requires all hours to be entered by the employee and supervisors to examine and verify entries. We believe PFP's system of bundling several months of timesheets does not provide an adequate level of control over the information contained within its time system because the timesheets are not created by the employee or certified as a basis for payment.

As a result of the deficiencies we identified in the manner by which PFP documented and allocated personnel salaries to the grants, we determined that all personnel salaries charged to the grant were neither adequately supported nor properly authorized. In addition, the internal control shortcomings did not ensure a process was in place that would provide evidence of supervisory review and the approval of personnel time charges.

In addition, the calculation of fringe benefit charges was based directly on personnel expenditures as either a percentage or fixed amount for each employee based on time spent working on the grants. Because of the previously discussed deficiencies in the preparation of employee time cards, we determined fringe benefits were not properly authorized. As a result, we question, as unallowable, all of fringe benefit expenditures charged to the grants.

Non-Personnel Direct Costs

PFP was awarded two OJP grants and one HHS grant to provide a mentoring program to children with at least one incarcerated parent. According to PFP officials, PFP spent money on mentor/mentee activities and then allocated 50 percent of the expenses to the HHS grant, 25 percent to the 2007 OJP grant, and 25 percent to the 2008 OJP grant for reimbursement purposes. We discovered while reviewing supporting documents for expenses charged to the two OJP grants that there was no consistency to the method of charging expenses to the three separate grants. Based on our review of the available documentation, it appears that PFP essentially combined the three grants and treated the funds as a single source to draw funding. According to the OJP Financial guide, "the accounting systems of all recipients must ensure that agency funds are not commingled with funds from other Federal agencies. Each award must be accounted for separately. Recipients are prohibited from commingling funds on either a program-by-program or project-by-project basis."

For the two OJP grants, PFP spent a total of $100,911 in direct costs, excluding personnel and benefits. We tested $55,526 in grant expenditures reported in PFP's accounting system for allowability and supportability.[5] To determine if the expenditures were allowable, we compared the expenditures to the grant budget and permissible uses of funds outlined in the OJP Financial Guide. To determine if the expenditures were supported, we reviewed accounting system data and supporting documents such as invoices, receipts, and timesheets.

---

[5] We selected our sample from the accounting records provided in June 2010 and verified that the transactions selected for testing also appeared in the April 2012 records.

In reviewing the supporting documents provided by PFP, we found unallowable costs totaling $34,834, with consultant payments representing $22,201 of the unallowable expenditures. The budget line for consultants allowed for payments for mentor training and background checks, but instead PFP charged the grants for two consultants - a program management consultant and a clerical consultant. These two consultants charged to the grant were not included in the grant budget approved by OJP. As a result, we are questioning the charges of the two consultants as unallowable. In addition, PFP purchased $8,935 in gift cards to give to mentees for signing up for the program. PFP provided a flyer in the supporting documents which stated, "Children with one or more incarcerated parents who sign up for a mentor by Friday, October 24, 2008, will receive a $150 gift card." Incentives for participating in the grant-funded program were not approved in the budget.[6]

According to the OJP Financial Guide, "the food and/or beverages provided are not related directly to amusement and/or social events and surrounding events must provide several hours of substantive information." We determined that on several occasions PFP provided food paid for with grant funds for social events. Therefore, since we found no evidence that substantive information was provided, we are questioning a total of $1,413 for food at an awards banquet, food at a baseball game, and food provided during a recruiting event. In addition, we identified a number of other unallowable expenses totaling $2,285 which brings the total unallowable expenditures to $34,834. These expenses included training conducted prior to the grant award, advertising expenses, and awards for a banquet.

In addition, we found unsupported costs totaling $9,631. Among the unsupported costs were background checks and stipends for mentoring services and recruiting. In response to our request for support, PFP only provided us with unverifiable summary invoices for these costs. As a result, we could not determine whether the costs were reasonable or adequate.

In our judgment, when expenditures are unsupported and not properly authorized, it greatly increases the risk of inappropriate and erroneous grant charges and also potentially undermines the ability of the grantee to satisfactorily accomplish its stated objectives.

---

[6] Using the limited documentation provided by PFP to support the gift card expenses, we determined the total spent on gift cards amounted to $8,935. That amount included 110 cards, 60 cards at $100.00 and 50 cards at $50.00, and a $3.95 per card fee (the fee for the 110 cards totaled $434.50 which we rounded to $435 for our report).

Indirect Costs

PFP charged $232,754 in indirect costs to the grants. However, PFP was not approved by OJP to charge any indirect costs to the DOJ grants. Expenses included rent, telephone bills, depreciation, insurance, utilities, equipment, maintenance, and cleaning. According to the OJP Financial Guide, "if a recipient does not have an approved Federal indirect cost rate, funds budgeted for indirect costs will not be recoverable until a rate is approved." We found no evidence that PFP had an approved rate, nor have we found any evidence that PFP requested approval of an indirect cost rate.

PFP provided us with numerous methodologies and different explanations for allocating the indirect costs to the grants, but when we attempted to link the allocation method with the amounts charged to the grants, we determined that they did not match. Based on the indirect expenses we reviewed, we concluded that 17.4 percent of the overhead cost was allocated to the two OJP grants. An additional 17.4 percent of the cost was allocated to the HHS grant. Therefore, approximately 35 percent of PFP's overhead costs were paid for by a federally funded mentor program although no indirect cost rate was approved.

$375,000 in returned funds

In reviewing the initial accounting records provided in June 2010, we found a $375,000 journal entry for which PFP could not provide adequate support. PFP officials stated that they believed the 2007 grant, awarded for a total of $666,667, was only one of three grants that PFP would be receiving each year from the DOJ, totaling $2 million. In reality, the $666,667 was to be spent over a 3-year period according to the OJP grant award documentation. According to PFP, it began spending and obligating the $666,667 as necessary to be spent in 1 year. OJP noticed the large amount of funds being drawn down in the first year of the 3-year grant and contacted PFP. Once PFP's mistake was clarified and it realized the $666,667 grant was actually for a 3-year period, PFP returned $375,000 of the funds drawn down to OJP on February 6, 2009. However, our review of the updated April 2012 accounting records showed the $375,000 journal entry had been removed from the grant accounting records.

Drawdowns

For the 2007 grant, PFP requested grant funds through 19 separate drawdowns or funding requests totaling $666,267 and OJP deobligated $400. For the 2008 grant, PFP requested grant funds through four separate drawdowns or funding requests totaling $283,625 and OJP deobligated

$29,397 in June 2010. PFP was unable to provide a methodology for calculating their drawdown amounts for either grant, totaling $949,892. We compared the drawdown amounts to the accounting records (PFP expenses) and we were unable to tie the drawdown amounts to the accounting records.

When asked for detailed support for each drawdown, PFP provided a spreadsheet for the 2007 grant for the period of March 2008 through December 2008. The spreadsheet contained estimated expenses, a restricted scholarship fund for $375,000, and estimated incurred and projected program activity to support the drawdowns. According to the OJP financial guide, the grantee should request funds based upon immediate disbursement or reimbursement requirements, which this spreadsheet did not represent.

Lastly, PFP drew down a total of $949,892 for the two grants, and the detailed April 2012 accounting records for all expenditures charged to the 2007 and 2008 grants totaled $754,395. As a result, PFP drew down $195,497 more than the expenses recorded in their accounting records. Therefore, we question $195,497 as unsupported.

Reporting

Federal Financial Reports

The financial aspects of OJP grants are monitored through Federal Financial Reports (FFRs).[7] According to the OJP Financial Guide, FFRs should be submitted within 30 days of the end of the most recent quarterly reporting period. The final report must be submitted no later than 90 days following the end of the grant period. Funds or future awards may be withheld if reports are not submitted or are excessively late.

PFP was required to and submitted a total of 12 FFRs for the 2007 grant. We reviewed the submitted reports for timeliness and found that that 9 of the 12 FFRs were submitted from 1 to 255 days late. PFP was required to and submitted a total of six FFRs for the 2008 grant. We found that all of the FFRs were submitted late, from 4 to 223 days. Because PFP submitted the majority of the FFRs late, OJP's ability to evaluate the financial aspects of the ongoing grant program on a timely basis was potentially compromised.

---

[7] Effective for the quarter beginning October 1, 2009, grant recipients must report expenditures online using the Federal Financial Report (FFR-4Q25). Prior to October 1, 2009, the financial reports were called Financial Status Reports (FSRs) and had to be submitted within 45 days of the end of the most recent quarterly reporting period. For this report we will be referring to both the FSRs and FFRs as FFRs.

According to the OJP Financial Guide, the FFRs are to contain the actual expenditures for the reporting period and cumulative for the award. PFP was unable to provide a methodology for calculating the amounts contained within the FFRs. Additionally, we determined that the FFRs did not match the accounting records (PFP expenses) and we were unable to determine how PFP calculated the amounts recorded on the FFRs.

Progress Reports

Progress reports are submitted in order to provide OJP with information on the performance and accomplishments of a grant. PFP submitted six of the required seven progress reports for the 2007 grant and the three required progress reports for the 2008 grant to OJP. As of April 2013, PFP had not submitted the final progress report for the 2007 grant that was due in December 2010. We judgmentally selected two progress reports from each grant in order to compare the data in the reports to supporting documentation provided by the grantee. Generally, the grantee was able to provide adequate documentation to support that events and training sessions that were discussed in the progress reports took place. The documentation was typically in the form of sign-in sheets and agendas. However, the grantee did not provide adequate documentation to support their claims relative to the number of mentors and mentees that were involved in the program during the reporting periods tested. In addition, the number of mentors and mentees claimed by PFP did not reach the intended goals of the grants. This is further discussed later in the performance section of the report.

Nine progress reports were submitted, in total for both grants, between October 2007 and July 2010. We found that three of the nine progress reports were from 62 to 313 days late. A PFP official stated the progress reports were late due to the change in personnel. In our judgment, the unsupported number of mentors and mentees involved in the program and lateness of PFP progress reports potentially impaired the OJP's ability to monitor grant activity and significantly increases the risk that grant funds might be used for unallowable purposes.

Budget Management and Control

OJP approved a detailed budget for each of the two grants. The OJP Financial Guide requires that grant recipients spend grant funding according to defined budget categories, or request approval prior to reprogramming funds if actual spending exceeds certain limits.[8] The following table presents the approved budget for the grants.

OJP Approved Grant Budgets to PFP

OJP Grant Budget Category	2007-JU-FX-0007	2008-DD-BX-0377
Personnel	$236,250	$198,500
Fringe Benefits	65,323	54,885
Travel	11,068	13,980
Equipment	0	0
Supplies	33,375	9,200
Contractual	39,155	13,000
Other	281,496	23,457
Total	$666,667	$313,022

Source: OJP Grant Award documents

We attempted to compare budgeted amounts from the approved financial clearance memoranda to actual expenditures from the grant transactions. However, PFP could not provide a list of the actual expenditures per grant budget category because indirect costs were included in the direct budget categories; therefore, the actuals provided by PFP were incorrect. As a result, we were unable to evaluate the budget versus actual spent. When grantees do not track expenditures by approved budget categories or monitor the budgeted versus actual expenditures, effective grant management is potentially undermined and the ability to adequately safeguard grant funds is compromised.

Program Performance and Accomplishments

Overall, the objective of the grants was to match mentors with children whose parents are incarcerated in a state or federal corrections system. The OJP grants had three major objectives: (1) identify and enroll children whose parents are incarcerated in the federal or a state correctional system; (2) link those children with mentors who have successfully completed applications, screening and reference checks, and initial training; and (3) incorporate the elements of the Positive Youth Development curriculum into the monitoring program, including skill acquisition for the

[8] Movement of budget dollars between approved budget categories without a Grant Adjustment Notice is allowable up to 10 percent of the total award amount (10 percent rule), provided there is no change in project scope.

mentors through ongoing monthly training and support.[9] For the 2007 grant, the grantee planned to enroll and match 1,000 mentors to mentees over the life of the 3-year grant. For the 2008 grant, the grantee planned to enroll and match an additional 100 mentors to mentees over the 1-year grant.

The 2008-DD-BX-0377 grant goals included:

- Provide intellectual, social, physical, and emotional support to children of incarcerated parents, through one-on-one mentoring, to help them be ready and able to be productive members of society.

- Reduce the probability of children of incarcerated parents from dropping out of school, becoming involved in crime, and becoming incarcerated, by modeling another way of life that can be reached by making better choices.

- Provide support to local community and religious organizations by helping to improve the capacity of the local justice system, in the long-term reducing the overall number of incarcerated individuals.

To assess PFP's achievements in meeting the goals, we interviewed grant officials and requested any data that they compiled, maintained, and used in order to measure and evaluate performance and accomplishments related to each objective.

We determined that the grantee did not achieve its goal of enrolling 1,100 mentors for 1,100 mentees over the life of the grants. The grantee provided limited documentation to support the number of mentors and mentees that participated in the program. As described in the Reporting section of this report, the grantee provided several lists of names to support the mentors and mentees involved throughout the life the program, however, these lists did not include specific information regarding the start and end dates of participant involvement.

Because the grantee's records were inadequate, we were unable to verify the list of matches and identify the total number of people served

---

[9] According to the Interagency Working Group on Youth Programs, a collaboration of 12 federal departments and agencies that support youth, positive youth development is an intentional, pro-social approach that engages youth within their communities, schools, organizations, peer groups, and families in a manner that is productive and constructive; recognizes, utilizes, and enhances youths' strengths; and promotes positive outcomes for young people by providing opportunities, fostering positive relationships, and furnishing the support needed to build on their leadership strengths.

throughout this program. We were also unable to determine how long each person remained involved in the program. We were unable to verify PFP's claim that it recruited and served 298 mentees and 218 mentors. Irrespective, the number of people recruited is significantly less than the total 1,100 mentors and mentees the grantee had expected to enroll in the program.

According to grant officials, the objective of matching 1,100 mentors and mentees was significantly hampered by the funding. PFP requested $666,667 per year for 3 years (for a total of $2 million) in order to recruit 1,000 mentor/mentee matches. However, in 2007 OJP awarded PFP a $666,667 grant for 3 years (or $222,222 per year). PFP officials believed that based on these financial constraints, 333 mentor/mentee matches would be "right on track". However, since PFP did not request approval from OJP to modify its expected outcomes, we maintain that PFP did not meet its stated goals and objectives.

As part of our audit, we interviewed grant officials and reviewed relevant documentation in order to determine the grantee's methods for measuring performance. The grantee provided documentation to demonstrate how it tracks and measures the performance of each grant. For example, to demonstrate how it tracks mentor/mentee activities, the grantee provided a document that contained the names of mentors, their mentees, activities completed in particular months, and how many hours the mentor and mentee spent completing those activities. PFP also provided documentation to demonstrate how it tracks the mentors' and mentees' affiliations in order to determine where the program has effectively recruited participants.

While PFP demonstrated that it maintains certain information, it was not able to demonstrate that it compiled the type of data that would demonstrate measurable outcomes. The grantee did not collect and maintain information before and after mentee involvement in the program to determine whether any impact had taken place. For example, the grantee did not maintain information related to the mentees before and after the program or post participation arrest data for mentees which would indicate that PFP had successfully broken the cycle of incarceration.

Based on our review of the documentation and interviews with grant officials, we determined that the grantee's measures of performance were not reasonable indicators for evaluating actual performance. Because of the limited usefulness of the performance measures and lack of data, we were not able to determine whether grant funding was effectively used. Additionally, because the number of mentor/mentee matches involved in the program was far below the goal of the grant program, we believe the program was not successful in accomplishing its intended goals and objectives. In our judgment, program performance must be assessed throughout the grant period to help PFP determine if funds are helping to meet program goals and objectives and to make adjustments if necessary.

Compliance with Other Grant Requirements

In addition to the general grant requirements, we tested for compliance with terms and conditions specified in the grant award documents. The grant awards contained 22 special conditions. We found that PFP complied with all of the special conditions except for the findings previously reported.

Conclusions

PFP did not fully comply with the grant requirements we tested. We found material weaknesses in PFP's internal controls, expenditures, drawdowns, FFRs, progress reports, budget, and program performance resulting in the questioned costs totaling $893,445. These weaknesses resulted in PFP providing multiple sets of accounting records during the audit, even though the grants had ended.

We found that PFP charged $420,729 to the grant for personnel and fringe benefit costs that were unallowable. We found that PFP charged direct costs of $34,834 to the grant for unallowable expenditures, and $9,631 to the grant that could not be adequately supported. PFP also charged indirect costs of $232,754 to the grant for unallowable expenditures. PFP drew down $195,497 in grant funds in excess of the accounting records.

We found PFP could not support the amounts drawn down or reported on the Federal Financial Reports. PFP could also not provide a correct account of grant charges per grant budget category to ensure proper budget management.

Additionally, we found that PFP did not have procedures in place to ensure the timely submission of Federal Financial Reports and progress reports, nor did it ensure that progress reports provided supported information. We also determined that PFP did not meet the goals and objectives of the grants.

Recommendations

We recommend that OJP:

1. Remedy $353,805 in unallowable employee salaries.

2. Remedy $66,924 in unallowable fringe benefits.

3. Remedy $34,834 in unallowable expenditures outside the scope of the approved budget or used for purposes not permitted under the awards.

4. Remedy $9,631 in unsupported expenditures including background checks and recruiting mentors.

5. Remedy $232,754 in unallowable indirect costs.

6. Remedy $195,497 in drawn down expenditures not in the accounting records.

7. Ensure PFP enhances its financial management system to adequately safeguard, document and properly account for grant funds.

8. Ensure that PFP requests grant funds based on immediate disbursement/reimbursement of actual grant expenditures.

9. Ensure that PFP implements and adheres to procedures that will result in the timely submission of FFRs.

10. Ensure that PFP implements procedures to ensure that expenses reported on future FFRs are based on actual expenditures for the reporting period.

11. Ensure that PFP implements and adheres to procedures that will result in the timely submission of supported progress reports.

12. Ensure that PFP implements and adheres to procedures to track expenditures by budget categories and to monitor budget versus actual spending on a consistent and ongoing basis.

13. Ensure that PFP develops grant performance measures and monitors the performance of the grant to ensure that PFP reaches the program goals and objectives.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether reimbursements claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants. We also assessed grantee program performance in meeting grants objectives and overall accomplishments. The objective of our audit was to review activities in the following areas: (1) internal control environment, (2) grant expenditures, (3) drawdowns, (4) Federal Financial and progress reports, (5) budget management and control, (6) program performance and accomplishments, and (7) compliance with other grant requirements. We determined that monitoring of contractors and subrecipients, program income, and matching costs were not applicable to these grants.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

In conducting our audit, we used sample testing while testing grant expenditures. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as high dollar amounts or expenditure category based on the approved grant budget. This non-statistical sample design does not allow for the projection of the test results to the universes from which the samples were selected.

We audited the Office of Justice Programs grant numbers 2007-JU-FX-0007 and 2008-DD-BX-0377. The grantee had a total of $949,892 in requests for grant funding through September 2010. Our audit concentrated on, but was not limited to, the award of the 2007 grant in October 2007, through the end of field work in September 2010. After the end of fieldwork we continued to have contact with PFP and received additional documents and accounting records relevant to the grants. During this audit, we identified certain issues requiring further investigation. We referred those matters to the OIG's Investigations Division, and put our audit on hold pending such investigation. Subsequently, we were able to complete our audit and issue this report.

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 Office of Justice Programs Financial Guide and grant award documents.

In addition, we reviewed the timeliness and accuracy of Federal Financial Reports and progress reports, evaluated actual program performance and accomplishments to grant goals and objectives, and considered internal control issues. However, we did not test the reliability of the financial management system as a whole.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS	Amount	Page
Unallowable Costs:		
Unallowable Salaries and Fringe Benefits	$ 420,729	7
Unallowable Expenditures	34,834	10
Unallowable Indirect Costs	232,754	11
Total Unallowable Costs	**$688,317**	
Unsupported Costs:		
Unsupported Expenditures	$ 9,631	10
Unsupported Drawdowns	195,497	12
Total Unsupported Costs	**$205,128**	
Total Questioned Costs[10]	**$893,445**	

[10] ***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.

PEOPLE FOR PEOPLE, INC.
RESPONSE TO THE DRAFT AUDIT REPORT

People For People, Inc.

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

Re: Response to Draft Audit

Preface

We are honored that for over two decades People for People has delivered social services to over 80,000 individuals; provided early childhood education to over 1,100 children and quality education to over 5,000 k-8 students through People For People Charter School; assisted about 700 after school participants in remedial math and reading and transitioned 200 adults into college through the accredited People For People Institute. Since its inception, PFP has invested over $200 million in the Philadelphia community.

As our responses will indicate, we have examined every programmatic and financial procedure to ensure that we are in line with all federal policies and procedures. In addition, People For People has secured the services of Cynthia Romano of Phoenix Corporate Services, a fiscal intermediary and systems management firm, to consult with our finance and operations team to strengthen us in all areas of grant and financial management.

Although we have experienced some challenges with federal grant administration, we have recently uncovered some internal challenges, unknown to management at the time, which had a major impact on the administration of the two grants in question. We have taken the necessary steps to correct the actions which stemmed from a range of factors and placed safeguards to ensure that they never happen again. Key staff involved during this grant period, have been transitioned out of the organization.

This document contains PFP's response to THE DOJ draft audit report and a specific response to the 13 recommendations and $893,445.00 in questioned costs. PFP is providing a detailed disposition and additional context for our position on the audit recommendations. Included in this response is PFP's account of both completed and planned measures taken to remedy program and operational weaknesses.

HERBERT H. LUSK, II, PRESIDENT
800 NORTH BROAD STREET, SUITE 700, PHILADELPHIA, PENNSYLVANIA 19130•TEL 215.235.2340•FAX 215.235.8345•WWW.PEOPLEFORPEOPLE.ORG

PFP has previously acknowledged various misinterpretations and subsequent missteps from inception of the grant award and through the duration of the grant. The miscues referenced were a result in errors of interpretation and, in part, weaknesses in internal controls which have since been strengthened.

While the quantity and complexity of information is overwhelming, PFP remains committed to good faith and transparency in the delivery of our programs. It is our hope that The DOJ Audit Office directly experienced this mindset. PFP would be remiss not to acknowledge your department's ongoing professionalism and patience for the duration of this audit.

Overview of Program Events and Circumstances

Unfortunately, PFP, Inc disputes the substance of the draft audit report regarding disallowances. PFP, Inc has functioned and performed in good faith and when errors were made, PFP, Inc immediately rectified them. In formulating this response PFP has found that many factors impacted the program:

1. The grant information is vast, voluminous and somewhat contradictory;
2. The time span involved (in operating the grant) is multi-year with a static level of initial funding only;
3. The level of personnel/management transition in this program
4. The level of monitor transition and subsequent communication gap

Unique Circumstances and Events

1. Revised Budget.

It is DOJ's contention that the revised budget did not receive "official" approval. PFP, Inc disputes this.

The original budget was for $2 million. The Program award was for $666,667. The original budget was not viable. We submitted a revision. All our quarterly financial reports (although not timely) reflected the revised budget and the program was operated and managed against this revised budget.

At a minimum, the budget was not viable for the following reasons:

1. The Program Revenue line was $666,667 per year.
2. Program expenses including personnel were allocated against this $666,667 proposed revenue.
3. Program Outcomes were developed against this level of staff capacity and this level of program revenue.

Disallowing the revised budget is central in this draft audit report.

2. Program Award Ambiguities

Clearly, the initial award had some contradictory components. The grant award letter was ambiguous and contained a lack of clarity about PFP's proposal for operating a $2 million program was approved at only $666,667 (with deliverables scaled at a $2 million level), and not having our level of program outcomes appropriately adjusted. PFP, Inc's proposal was approved without conditions. This includes but is not limited to our Program Narrative, our proposed program's objectives and timelines and our program's outcomes. PFP's Program was aligned to the $2 million program budget included in the proposal.

However, the program award letter was for $666,667 (the one year amount in our proposal) for 3 years. This is why PFP drew down this amount (in error, and upon internal review,) immediately reversed the excess draw down.

A $666,667 award for 3 years at our proposed program scale was clearly an inadvertent error on the part of the grantor agency.

The program was logically "scaled" back (by PFP) to operate on an annual program budget of $222, 223. The following events occurred:

1. [redacted], the FPO at the inception of the program was informed and aware.
2. A revised budget was offered and subsequently reflected in the FSR's.
3. FSR 269's - aligned with the revised budget - were submitted quarterly for the duration of the program. (PFP acknowledges that FSR 269's were, in several instances, submitted late).
4. The Program was operated - from its early stages - against the scaled-down budget and the scaled-down revised program outcomes.
5. Early in the program, PFP's space allocation methodology/approach (Census), was explained in conversations with [redacted].

Unique Circumstances -

A series of unfortunate and confusing, circumstances (in conjunction with some Program Monitoring inefficiencies) contributed to program weaknesses.

1. [redacted] departure did not result in an effective transition to a replacement FPO of record, which would be able to provide program guidance and clarity to PFP in an ongoing manner.

2. We did not receive any notification, verbally or in writing that PFP's revised budget was "not approved".

3. We received no information, verbally or in writing, that there were any concerns with submitted FSR 269's. PFP acknowledges receiving late notices. However, once submitted - absent any feedback - PFP presumed all was well.

4. PFP acknowledges that personnel/management change at PFP contributed to inefficient program transition and related program inefficiencies.

5. This program began in the midst of a major Organizational transition at PFP where 3 different people occupied the company's key financial position (the Head of Finance).

6. PFP was the recipient of a grant from a different federal agency (HHS) for a similar program with similar goals and outcomes. These programs were co-located on our campus. Clearly differentiating these programs remained an ongoing challenge for many. PFP - made good faith efforts - to sustain the clearest level of differentiation possible.

7. The physical layout and configuration of our campus as well as the large number of programs operated by PFP can contribute to lines being blurred. We remain candid and transparent in our approach to space allocation. We have completed the following:

   - Presented financial records in both an Excel format and in QuickBook's report format.
   - Permitted access to the QuickBooks accounting system and all information at our facility.
   - Responded with all supporting documentation that exists.
   - Explained our methodology for allocation of rent, and shared expenses which including security, utilities, business insurance and other common building related expenses.
   - PFP has provided a detailed and comprehensive account of our basis theory and methodology.
   - Provided historical perspective that outlined how the initial method was based on program participants (or census); and was changed to square footage in order to comply with all contracts and grants in our menu of programs. This shift in allocation measurement occurred mid-grant.
   - Used square footage to provide consistency in allocation across all programs although some of the mentor/mentee activity occurred outside of the physical campus of People for
   - People, Inc. (and allocation by census would be more appropriate)
   - Made all staff available for interviews, and reviews of the manuals and training materials developed to help manage and operate the mentoring program.
   - Provided our mentor and mentee records in their entirety. Additionally, we have provided the supporting documentation that relate to participants activities.

General Response to Draft Audit Report

PFP vehemently disputes DOJ's contention regarding the modification of the budget and matters related to this grant award and the grant audit process.

1. PFP attempted to modify the budget and sought to collaborate with DOJ regarding this. Please see Attachment 1 and the email conversation between PFP and the DOJ FPO, [redacted].

   The email thread shows that PFP explicitly asked about the modification to the budget and DOJ's short and terse response was, "No".

DOJ's focus was on the draw down reversal which was initiated by PFP on 1/29 and received by DOJ on 2/6. (Please see Attachment 2). Clearly the FPO had no knowledge of this although PFP received the drawdown reversal instructions from DOJ.

2. Although PFP has been and remains candid about our program and operational areas that require improvement, DOJ has not through this audit process acknowledged or admitted the significant DOJ program monitoring weaknesses that directly contributed to the items contained in the draft audit report. These DOJ Program weaknesses include, but are not limited to:

    - DOJ clearly erred in the grant awarding PFP a $667,000 grant for a $2 million program proposal. Moreover, DOJ remains steadfast in holding PPF accountable to the original proposal's budget and benchmarks even though the award was for a substantially lesser amount.
    - Not providing PFP a copy of the DOJ Financial Guideline Document at the time the grant was awarded.
    - Not providing PFP any technical support or assistance on PFP's first DOJ grant.
    - Although noting the error, and subsequent to the drawdown reversal, providing no technical or program guidance to PFP to scale and calibrate the program down to match the reduced budget.
    - Upon the initial FPO's retirement, the lapse in assigning an FPO and the significant break in program management continuity from an already hands-off DOJ Program Monitoring approach.

3. The DOJ Audit process has been long and intensive. However, it has been unforgiving and possibly, unbalanced and unfair for the following reasons:

    - DOJ has consistently refused to grant a possible waiver and credit PFP for any rationale provided explaining PFP's decision making process. For instance, DOJ has ignored any and all verbal interactions between PFP and DOJ during the program period. The DOJ Audit Review Department has taken the position that "If PFP has no written evidence, the interaction did not occur". There are many undocumented points during this program that PFP was counseled and advised by DOJ.

    - Absent effective counsel and guidance, DOJ's failure to credit PFP for written evidence and support when provided. Attachment 1, for example, provides support that PFP made good faith efforts to collaborate with DOJ on modifying the budget from a $2 million program to a $667, 000 program.

    - The consistent failure to recognize or acknowledge that when PFP made reasonable decisions, with or without written approval - like scaling, calibrating and aligning the program budget and benchmarks to the approved grant award (as opposed to the original proposal). Rather, DOJ has opted to penalize in unreasonable ways.

Response to Recommendations

1. Remedy $353,805 in unallowable employee salaries AND
2. Remedy $66,924 in unallowable fringe benefits:

DOJ is questioning $420,729 of salaries and fringe benefits. DOJ understands that these grant funds were disbursed for the above purpose.

Page 7 of the Draft Report states DOJ's rationale, in part. The report states, "According to the OJP Financial Guide, in cases where two or more grants constitute one identified activity or program, salary charges to one grant may be allowable after written permission is obtained from the awarding agency."

PFP concedes that written permission was not granted. In the event that DOJ's rationale is accurate – and PFP submits it is not, is it not reasonable to infer that PFP acted properly and reasonably? Is it not within the subjective discretion for DOJ, even during this audit process, to grant PFP a retroactive approval.

Notwithstanding the above rationale, PFP respectfully and strongly disagrees with this DOJ position for several reasons.

1. PFP has already previously indicated that the DOJ Financial Guide was not received and advised that it is a critical "guiding document".
2. PFP has also submitted that PFP may have "over-relied" on the guidance and counsel of the DOJ Federal Program Officer (FPO).
3. PFP received an abridged copy of the DOJ Financial Guide towards the latter stages of the DOJ Audit Review process.
4. The sentence quoted in this DOJ Draft Audit is inaccurate, unreliable and incomplete. Omitted in the DOJ Draft Audit Report, the section, Two or More Federal Grant Programs has the following statement as the leading sentence (which precedes that sentence quoted in this DOJ draft audit report).

"Where salaries apply to execution of two or more grant programs, cost activities, project periods, and/or overlapping periods, proration of costs to each activity must be made based on time and/or effort reports."

It is PFP's contention that PFP's DOJ-HHS scenario clearly constitute two or more grant programs and PFP implemented a "…proration of costs to each activity must be made based on time and/or effort reports" as required and stipulated by the DOJ Financial Guide.

PFP contends that DOJ's interpretation of the PFP grants is incorrect. PFP further contends that this draft audit report applies a narrow and fallacious interpretation of the DOJ Financial Guide by supporting its position by selectively extracting and isolating a sentence, outside the intended context of the DOJ Financial Guide.

3. Remedy $34,834 outside the scope of the approved budget

PFP has instituted stringent program budget monitoring procedures across the agency. Although PFP acknowledges that this budget monitoring arena required strengthening, the $34,834 represents less than 4% of the total grant amount. PFP is recommending that this disallowance be waived. After an internal program assessment, PFP engaged consultants to provide much needed technical assistance

4. Remedy $9, 631 in unsupported expenditures

DOJ recognizes that these funds were disbursed on legitimate and permissible grant activities. (Background checks and mentor recruiting). PFP's failure to provide the support for these expenditures is inexcusable. However, PFP is certain that the supporting documentation for the expenditures can be recovered. To that end, PFP is requesting that we either be provided additional time to pursue secondary sources to generate the supporting documentation for these program expenses or once again, consider waiving the disallowance.

5. Remedy $232, 754 in unallowable indirect costs.

PFP's foray and learning about indirect costs and federal indirect cost rates is relatively new. PFP's experience and exposure prior to this grant was mainly with non-federal programs where reimbursements for overhead and program administration expenses are permitted. PFP incurred real costs as an organization to operate these programs. These costs are associated with shared services such as utility costs, physical plant operations, administrative expenses and depreciation for building and equipment.

Our current research indicates that we should have applied for an indirect cost rate. However, an agency is not eligible for an indirect cost rate until you receive a federal grant. In this DOJ award, PFP should have applied for a provisional indirect cost rate. Once again, during the course of the grant and submitting quarterly financial reports, had this matter been surfaced to PFP, it could have been immediately rectified early in the early stage of the program.

PFP is recommending that we be permitted to complete our application for an indirect cost rate and receive a waiver for this indirect cost expenditure.

6. Remedy $195, 497 in excess draw down

PFP should reimburse the federal government for any excess draw downs. PFP unconditionally accepts that any excess draw down is unacceptable. PFP recommends a meeting with DOJ to confirm the amount in question and develop a mutually acceptable payment arrangement so PFP can return these funds to the federal government.

7. Ensure PFP enhances its financial management system.

People For People concurs with the recommendation and has made substantial progress in this area. PFP modified its current policies and procedures by developing an internal financial management guide as the foundation for ensuring uniform fiscal accounting methods. The guide is reviewed by everyone in a position of financial responsibility from both the administrative and fiscal divisions of the organization, including those whom prepare grant proposals. PFP recognizes that with a diverse set of programs, the guide cannot be a complete manual of procedures on grant administration and management, but function as a base standard by which the organization can pivot its practices while providing practical information on what is expected from grantee organizations in terms of fiscal accountability. All policies, procedures and processes are developed with the intention of reemphasizing the use of grant funds in accordance with the terms of the grant while complying with the grant's provisions and conditions. Furthermore the CEO and senior management conduct regularly scheduled meetings to ensure the proper execution of programs to monitor PFP's compliance for meeting Federal standards in the areas of financial management, internal control, performance reporting and auditing from the grantor.

8. Ensure that PFP requests grant funds based on immediate disbursement/reimbursement of actual grant expenditures

People For People concurs with this recommendation and is cognizant of the applicable OMB cost principles recognizing that the terms and conditions of the grant award should be observed to when determining the reasonableness, timeliness and validation of potential grant expenditures. .Requests for advance payment of Federal funds will be limited to immediate and approved program expenses will not exceed PFP's anticipated expenditures during the allowable drawdown period.

9. Ensure that PFP implements and adheres to the procedures that will result in the timely submission of FFRs.

People For People concurs with the recommendation. PFP is keenly aware of both financial and programmatic performance reporting deadlines. During the awarding process, the PFP finance team and the program manager engage the Federal Project Officer (FPO) in specific dialogue regarding the Federal Financial Report (SF 425) deadlines and additional detailed guidelines for facilitating budget related responsibilities. PFP continues to function as a willing participating partner with its contractors and regularly meets the performance and financial reporting deadlines.

10. Ensure that PFP implements procedures to ensure that expenses reported on future FFR's are based on actual expenditures for the reporting period.

People For People does not concur with this recommendation. The recommendation infers that PFP did not base the figures documented on the FFR's on actual expenses. PFP continues to advance and modify its data reconciling systems to reduce opportunity for variances.

11. Ensure that PFP implements and adheres to procedures that will result in the timely submission of supported progress reports.

People For People concurs with the recommendation. As stated in the recommendation #9, PFP is actively aware of both financial and programmatic performance reporting deadlines. Throughout the execution of the grant, PFP's executive management meets regularly with program and finance staff to receive, review and respond to progress reports provided by staff. PFP continues to function as a willing participating partner with its contractors and regularly meets the performance and financial reporting deadlines.

12. Ensure that PFP implements and adheres to the procedures to track expenditures by budget categories and to monitor budget versus actual spending on a consistent and ongoing basis.

People For People concurs with the recommendation. PFP's internal control policies and procedures provide safeguards for all grant expenditures and the properties acquired through those purchases. The expenditures are proposed, reviewed and approved based on established standards observed in the financial guide and subsequently discussed in detail for confirming clarity with the FPO. The memo, purchase order/invoice and detailed description are key components of the supporting documentation that senior management review and utilize as a compliancy rubric during monitoring exercises. Additionally, PFP is sensitive to the scalability of its processes; thus the implementation of a division of duties amongst its senior management team to ensure that no one person handles all aspects of any transaction from beginning to end. The process is effective due to the careful planning of the assignment of duties amongst team members to ensure no one has a predominance of the responsibilities. Real time recording of transactions, expense reconciling and transaction checklist are just some of the staples of the internal control paradigm that exist within PFP.

13. Ensure that PFP develops grant performance measures and monitors the performance of the grant to ensure that PFP reaches the program goals and objectives.

People For People concurs with the recommendation. At the commencement of a grant, the development and transition team discuss the performance standards, guidelines and metrics in order to customize our internal tracking systems and processes. PFP's internal information gathering and assessment tools are integrated with the contractors' for data congruency.

All grants received by PFP over the years from the city, state and federal agencies have always been seen as collaborative partnerships. There were some breakdowns in our collaborative partnership. We take responsibility for some of the collaborative breakdown; however we believe DOJ must also bear some of the responsibility. Lack of experience of PFP's finance director and collaborative challenges with DOJ resulted to the detriment of the overall application of this grant.

OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT AUDIT REPORT

U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

June 3, 2013

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

/s/

FROM: Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Mentoring Grants Administered by People for People, Inc., Philadelphia, Pennsylvania*

This memorandum is in reference to your correspondence, dated May 3, 2013, transmitting the above-referenced draft audit report for People for People, Inc. (PFP). We consider the subject report resolved and request written acceptance of this action from your office.

We received a copy of the PFP's response to the draft audit report, submitted to the Office of the Inspector General (OIG) on May 24, 2013. In its response, PFP acknowledges that they made various errors and missteps in administering their Office of Justice Programs (OJP) grants. PFP asserted that these miscues were due, in part, to a misinterpretation of grant guidelines. However, the award letters that PFP accepted for grant numbers 2007-JU-FX-0007 and 2008-DD-BX-0377 clearly outlined the special conditions that PFP were required to adhere to, including compliance with the financial and administrative requirements set forth in the OJP Financial Guide.

Further, PFP was non-compliant in submitting the final progress report under grant number 2007-JU-FX-0007. The Office of Juvenile Justice and Delinquency Prevention (OJJDP) contacted PFP on three different occasions, in March 2011, to request the final progress report for this grant. However, PFP never submitted it, so a non-compliant closeout package for the grant was processed by OJP in May 2011.

The draft report contains **13** recommendations and **$893,445** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP remedy the $353,805 in unallowable employee salaries.**

   OJP agrees with the recommendation. We will coordinate with PFP to obtain documentation regarding the questioned expenditures, and will request a final determination from the Bureau of Justice Assistance (BJA) and OJJDP regarding the allowability of the expenditures that were charged to grant numbers 2007-JU-FX-0007 and 2008-DD-BX-0377. If the expenditures are determined to be unallowable, we will request that PFP return the funds to the Department of Justice (DOJ).

2. **We recommend that OJP remedy the $66,924 in unallowable fringe benefits.**

   OJP agrees with the recommendation. We will coordinate with PFP to obtain documentation regarding the questioned expenditures, and will request a final determination from BJA and OJJDP regarding the allowability of the expenditures that were charged to award numbers 2007-JU-FX-0007 and 2008-DD-BX-0377. If the expenditures are determined to be unallowable, we will request that PFP return the funds to the DOJ.

3. **We recommend that OJP remedy the $34,834 in unallowable expenditures outside the scope of the approved budget or used for purposes not permitted under the awards.**

   OJP agrees with the recommendation. We will coordinate with PFP to obtain documentation regarding the questioned expenditures, and will request a final determination from BJA and OJJDP regarding the allowability of the expenditures that were charged to award numbers 2007-JU-FX-0007 and 2008-DD-BX-0377. If the expenditures are determined to be unallowable, we will request that PFP return the funds to the DOJ.
   .

4. **We recommend that OJP remedy the $9,631 in unsupported expenditures including background checks and recruiting mentors.**

   OJP agrees with the recommendation. We will coordinate with PFP to obtain documentation to support the $9,631 in questioned expenditures, related to background checks and recruiting mentors, that were charged to award numbers 2007-JU-FX-0007 and 2008-DD-BX-0377. If adequate documentation cannot be provided, we will request that PFP return the funds to the DOJ.

5. **We recommend that OJP remedy the $232,754 in unallowable indirect costs.**

OJP agrees with the recommendation. We will coordinate with PFP to remedy the $232,754 in questioned costs, related to unallowable indirect costs charged to award numbers 2007-JU-FX-0007 and 2008-DD-BX-0377.

6. **We recommend that OJP remedy the $195,497 in draw down expenditures that were not recorded in the accounting records.**

OJP agrees with the recommendation. We will coordinate with PFP to remedy the $195,497 in questioned drawdowns that were not recorded in the accounting records for award numbers 2007-JU-FX-0007 and 2008-DD-BX-0377.

.

7. **We recommend that OJP ensures that PFP enhances its financial management system to adequately safeguard, document, and properly account for grant funds.**

OJP agrees with the recommendation. We will coordinate with PFP to obtain a copy of procedures implemented to ensure that its financial management system is enhanced to adequately safeguard, document, and properly account for Federal grant funds.

8. **We recommend that OJP ensures that PFP requests grant funds based on immediate disbursement/reimbursement of actual grant expenditures.**

OJP agrees with the recommendation. We will coordinate with PFP to obtain a copy of procedures implemented to ensure that it requests grant funds based on immediate disbursement needs, for actual grant expenditures.

9. **We recommend that OJP ensures that PFP implements and adheres to procedures that will result in the timely submission of Federal Financial Reports.**

OJP agrees with the recommendation. We will coordinate with PFP to obtain a copy of procedures implemented to ensure that Federal Financial Reports are timely submitted.

10. **We recommend that OJP ensures that PFP implements procedures to ensure that expenses reported on future FFRs are based on actual expenditures for the reporting period.**

OJP agrees with the recommendation. We will coordinate with PFP to obtain a copy of procedures implemented to ensure that expenses reported on future FFRs are based on actual expenditures for the reporting period.

11. **We recommend that OJP ensures that PFP implements and adheres to procedures that will result in the timely submission of supported progress reports.**

    OJP agrees with the recommendation. We will coordinate with PFP to obtain a copy of procedures implemented to ensure that progress reports are properly supported and timely submitted.

12. **We recommend that OJP ensures that PFP implements and adheres to procedures to track expenditures by budget categories and to monitor budget versus actual spending on a consistent and ongoing basis.**

    OJP agrees with the recommendation. We will coordinate with PFP to obtain a copy of procedures implemented to ensure that expenditures are tracked by budget categories, and that budgeted versus actual expenditures are monitored on a consistent and ongoing basis.

13. **We recommend that OJP ensures that PFP develops grant performance measures and monitors the performance of the grant to ensure that PFP reaches the program goals and objectives.**

    OJP agrees with the recommendation. We will coordinate with PFP to obtain a copy of procedures implemented to ensure that grant performance measures are developed; and that grants are properly monitored to ensure that the program goals and objectives are attained.

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

Denise O'Donnell
Director
Bureau of Justice Assistance

Tracey Trautman
Deputy Director for Programs
Bureau of Justice Assistance

Amanda LoCicero
Budget Analyst
Bureau of Justice Assistance

cc: Gale Farquhar
Grant Program Specialist
Bureau of Justice Assistance

Robert L. Listenbee
Administrator
Office of Juvenile Justice and Delinquency Prevention

Marilyn Roberts
Deputy Administrator
Office of Juvenile Justice and Delinquency Prevention

James Antal
Deputy Associate Administration
Office of Juvenile Justice and Delinquency Prevention

Leigh A. Benda
Chief Financial Officer

Jerry Conty
Assistant Chief Financial Officer
Office of the Chief Financial Officer

Lucy Mungle
Manager, Evaluation and Oversight Division
Office of the Chief Financial Officer

Richard P. Theis
Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number 20130581

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

The OIG provided a draft of this audit report to People for People (PFP) and the Office of Justice Programs (OJP). PFP's response is incorporated in Appendix III of this final report, and OJP's response is included as Appendix IV. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Analysis of PFP's Response

Prior to addressing each of our findings, PFP provided an extensive narrative responding to our draft audit report. We have addressed the narrative provided by PFP below, using the headings PFP utilized in its response.

Preface

In response to our audit report, PFP included statistics for its social service accomplishments. These accomplishments are not related to the grant-funded program and as a result, we did not audit or assess this information. Additionally, we noted that PFP made no mention of the results of the mentoring program which was the subject of this report. PFP stated that it has secured the services of a fiscal intermediary and systems management firm to consult with its finance and operations team to strengthen PFP in all areas of grant and financial management. We have not spoken to or met with this firm and cannot comment on these actions.

PFP also acknowledged various misinterpretations and missteps that occurred from the inception of the grant awards and throughout the duration of the grants we audited. PFP stated internal controls have been strengthened; however, it provided no documentation demonstrating the strengthened internal controls. As a result, we have not had the opportunity to assess the updated internal controls.

Throughout PFP's response it references communications and guidance provided by OJP. During our audit and report preparation, we made numerous requests to PFP to provide documentation and explanations of actions taken during the grant award periods. PFP did not provide the requested documentation or explanations to satisfy our concerns as this report demonstrates. In addition, without documentation of the communication or guidance that occurred with OJP, we cannot comment on PFP's statements.

Overview of Program Events and Circumstances

In PFP's response, it disputed the substance of the draft audit report regarding disallowances. It goes on to say that PFP has functioned and performed in good faith and when errors were made, PFP immediately took action to rectify the errors. In reviewing this discussion, we noted that none of the statements minimize or negate the findings and questioned costs contained in our report.

PFP's response then listed the factors it believed impacted the program. We have already included a discussion of these circumstances in our report, where appropriate, and again note that these factors do not eliminate or mitigate the findings in the report, but instead demonstrate the causes for some of the findings we've noted. These factors are further discussed below.

Unique Circumstances and Events

Revised Budget. In this section, PFP stated our audit contends that PFP revised a budget but did not receive "official" approval. However, our report makes no mention of a revised budget that was not approved. The budget section of our report relied on the approved financial clearance memoranda and the budgeted amounts it included. This revised budget was sent to OJP and approved as the final budget in November 2007. At no time during our audit were we presented with a subsequent revised budget or budget request.

Program Award Ambiguities. PFP stated in its response that its grant proposal was for a 3-year $2 million grant. Further, PFP believed that OJP funded its proposed program stating "a $666,667 award for 3 years at our proposed program scale was clearly an inadvertent error on the part of the grantor agency." However, the grant award documents clearly show the awarded grant was for a 3-year $666,667 grant and any reference to its oversight of the correct amount and duration of the grant does not justify the mismanagement of grant funds.

PFP's argument that it should have been given $2 million is irrelevant as PFP was in fact granted $666,667 for a 3-year grant period.

PFP also offered a listing of events and circumstances that occurred between its administration and OJP during the grant program. We cannot comment on any communications between PFP and OJP that have not been formally documented, and we addressed PFP's suggestion that it submitted a revised budget earlier in our response. While PFP did submit and receive approval of a revised budget in November 2007, this budget provided for the actual approved grant funding of $666,667 not the requested $2 million.

PFP stated in its response that during the grant period OJP never raised any concerns regarding the Federal Financial Reports submitted by PFP. However, we would note that these reports are to contain the actual expenditures as incurred for the reporting period, and to imply that OJP could have identified concerns regarding the administration of the grants beyond that, we believe, is unreasonable.

In its response, PFP also stated that internal personnel and management changes contributed to its grant program's inefficiencies. PFP went on to say the program began in the midst of a major organizational transition where three different people occupied the company's key financial position (Head of Finance). This may be a cause of the financial and program missteps for the two grants we audited, however, in our judgment, if proper financial and programmatic policies and procedures were in place and monitored, the missteps may not have occurred. In any case, the funds were not properly managed and that led to the findings in the report.

PFP also stated it received a grant from the Department of Health and Human Services (HHS) for a similar program with similar goals and outcomes. PFP went on to say differentiating these programs was an ongoing challenge for many within the organization and that a good faith effort to sustain the clearest level of differentiation possible was made during the grant periods. However, during our transaction testing, the expenditures were clearly divided 50 percent to HHS grant, 50 percent to DOJ grant(s) and we could not identify any differentiation being made between the HHS program and DOJ program.

Finally within this section of PFP's response, it states that it provided the indirect cost allocation method it used for the grant-funded program to the OIG. However, after numerous attempts during the audit, PFP was unable to provide the methodology or numbers used to compute the indirect cost rate used for the audited grants. In our report we state PFP did not have an approved indirect cost rate and therefore cannot charge indirect costs to the grant. This issue is also further discussed in recommendation 5 below.

General Response to Draft Audit Report

In its response, PFP stated that it vehemently disputes our contention regarding the modification of the budget and matters related to this grant award and the grant audit process.

(1) PFP raised the budget issue, discussed earlier in our response, again within this section stating that OJP's reply to PFP's request to submit a revised budget was answered with a short and terse "No" in an e-mail exchange between PFP and OJP. However, we believe the e-mails provided deal with OJP's efforts to have PFP refund the $375,000 in excessive drawdowns. The short and terse "No" response PFP references, we believe, indicated only that OJP was interested in the repayment of the funds not the submission of another budget. We do not believe OJP was refusing to allow PFP to submit a revised budget.

(2) PFP stated that although it has been and remains candid about its program and operations, it did not receive a copy of the OJP Financial Guide. However, within the documentation PFP received for each award, special conditions that the grantee must follow are included, including the first special condition that states, "the recipient agrees to comply with the financial and administrative requirements set forth in the current edition of the Office of Justice Programs (OJP) Financial Guide." In addition, PFP went on to cite numerous areas of DOJ program weaknesses that contributed to the issues we identified in our audit.

(3) PFP stated the DOJ (we assume that PFP is referring to the OIG) consistently refused to grant possible waiver and credit for any rationale provided explaining PFP's decision making process. As stated in our report, the objective of our audit was to determine whether reimbursements claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. The OIG cannot grant waivers or give credit for any actions not complying with the OJP Financial Guide. PFP stated that DOJ (OIG) has ignored any and all verbal interactions between PFP and DOJ during the program period. However, we were provided nothing to support any approvals or interactions with OJP to change the findings in our report. In addition, in the OJP response to our audit report, OJP agreed with all of our audit findings.

In the last paragraph of PFP's response, PFP stated that the lack of experience of PFP's Finance Director and collaborative challenges with DOJ resulted to the detriment of the overall application of this grant. We do not believe that lack of experience and collaborative challenges are reasonable explanations to excuse the misspending and mishandling of grant funds. The OJP Financial Guide provides detailed policies and procedures grantees must follow when receiving OJP funds. In PFP's response, it clearly stated it was unaware of this guide during the execution of the grant program and therefore did not follow the OJP guidance. However, it cited this guide in its application and acknowledged its existence and the requirement to adhere to it when it accepted the grants.

Summary of Actions Necessary to Close the Report

1. **Resolved.** OJP agreed with our recommendation to remedy the $353,805 in unallowable employee salaries. OJP stated in its response that it will coordinate with PFP to obtain documentation regarding the questioned expenditures. OJP stated it will request a final determination from BJA and OJJDP regarding the allowability of the personnel expenditures. If the expenditures are determined to be unallowable, OJP will request that PFP return the funds to DOJ.

   In its response, PFP disagreed with our recommendation. Specifically, PFP stated it did not receive a copy of the OJP Financial Guide. Again, the award documentation received for each award contains special conditions that the grantee must follow. The first special condition for the grants PFP agreed to receive stated, "the recipient agrees to comply with the financial and administrative requirements set forth in the current edition of the Office of Justice Programs (OJP) Financial Guide." In addition, PFP in its original application agreed to comply with all the OJJDP financial requirements including the Financial Guide.

   In its response, PFP also stated the sentence quoted in the DOJ Draft Audit was inaccurate, unreliable and incomplete. According to PFP, the OJP Financial Guide states, "Two or More Federal Grant Programs. Where salaries apply to the execution of two or more grant programs, cost activities, project periods, and/or overlapping periods, proration of costs to each activity must be made based on time and/or effort reports." We believe the statement in our report reflects the intent of the OJP Financial Guide. As stated in our draft report, since there were two grants, the amount charged to each grant must be based on time and effort reports. We reviewed timesheets and found the employees did not track time spent on individual programs. As we stated in our report, "We were not provided any other documentation of time and effort to substantiate that 25 percent of these salaries was an appropriate allocation to charge to the grant."

This recommendation can be closed when we receive documentation that OJP has remedied the $353,805 in unallowable salaries.

2. **Resolved.** OJP agreed with our recommendation to remedy the $66,924 in unallowable fringe benefits. OJP stated in its response that it will coordinate with PFP to obtain documentation regarding the questioned expenditures. OJP will request a final determination from BJA and OJJDP regarding the allowability of the fringe benefits expenditures. If the expenditures are determined to be unallowable, OJP will request that PFP return the funds to DOJ.

   PFP responded to recommendations 1 and 2 collectively; therefore, the response to recommendation 1 is the same as recommendation 2, where PFP disagreed with our recommendation.

   This recommendation can be closed when we receive documentation that OJP has remedied the $66,924 in unallowable fringe benefits.

3. **Resolved.** OJP agreed with our recommendation to remedy the $34,834 in unallowable expenditures outside the scope of the approved budget or used for purposes not permitted under the awards. OJP stated in its response that it will coordinate with PFP to obtain documentation regarding the questioned expenditures. OJP will request a final determination from BJA and OJJDP regarding the allowability of the expenditures. If the expenditures are determined to be unallowable, OJP will request that PFP return the funds to DOJ.

   In its response, although PFP acknowledges that this "budget monitoring arena required strengthening", the $34,834 represents less than 4 percent of the total grant amount. PFP asked that this disallowance be waived and stated after performing an internal program assessment, PFP engaged consultants to provide much needed technical assistance.

   The $34,834 in unallowable costs consists of $22,201 for consultant payments, $8,935 for gift cards, $1,413 for food, and a number of other unallowable expenses totaling $2,285. OJP may remedy the costs using a variety of methods, including the provision of additional documentation, recovering the costs, and waiver. The specific method of remedy will be determined by OJP in its management decision. In addition, although these costs represent less than four percent of the grant amount, they were not approved and were outside the scope of the project and therefore we consider them to be unallowable.

This recommendation can be closed when we receive documentation that OJP has remedied the $34,834 in unallowable expenditures.

4. **Resolved.** OJP agreed with our recommendation to remedy the $9,631 in unsupported expenditures including background checks and recruiting mentors. In its response, OJP stated it will coordinate with PFP to obtain documentation to support the expenditures. If adequate documentation cannot be provided, OJP will request that PFP return the funds to DOJ.

   In its response, PFP requested additional time to pursue secondary sources to generate the supporting documentation for these program expenses or once again, consider waiving the disallowance. However, PFP was made aware of the specific unsupported expenditures during our audit and was again provided a spreadsheet detailing the questioned expenditures in October 2012. PFP has yet to provide support for these expenditures. This recommendation can be closed when we receive documentation that OJP has remedied the $9,631 in unsupported expenditures.

5. **Resolved.** OJP agreed with our recommendation to remedy the $232,754 in unallowable indirect costs. OJP stated in its response that it will coordinate with PFP to remedy the questioned costs.

   In its response, PFP stated OJP should have recognized this issue through the submitting of quarterly financial reports. We note, however, that quarterly financial reports provide summary information and OJP would have no way to identify unallowable indirect costs through this reporting mechanism. In addition, PFP did not categorize these costs as indirect costs within the reports and again, OJP would have no way of knowing PFP was charging indirect costs to the grant. This recommendation can be closed when we receive documentation that OJP has remedied the $232,754 in unallowable indirect costs.

6. **Resolved.** OJP agreed with our recommendation to remedy the $195,497 in excess drawdown. OJP stated in its response that it will coordinate with PFP to remedy the questioned drawdowns.

   In its response, PFP agreed with the recommendation and agreed to return these funds to OJP.

This recommendation can be closed when we receive documentation that OJP has remedied the $195,497 in drawn down expenditures not supported in the accounting records.

7. **Resolved**. OJP agreed with our recommendation to ensure PFP enhances its financial management system to adequately safeguard, document, and properly account for grant funds. In its response, OJP stated it will coordinate with PFP to obtain a copy of procedures implemented to ensure that its financial management system is enhanced to adequately safeguard, document, and properly account for federal grant funds.

   In its response, PFP agreed with our recommendation and stated that it is developing an internal financial management guide and the CEO and senior management will conduct regularly scheduled meetings to ensure proper execution of programs to monitory compliance with federal standards.

   This recommendation can be closed when we receive documentation demonstrating that PFP has procedures in place to ensure adequate safeguarding and accounting for grant funds.

8. **Resolved.** OJP agreed with our recommendation to ensure that PFP requests grant funds based on immediate disbursement/ reimbursement of actual grant expenditures. In its response, OJP stated it will coordinate with PFP to obtain a copy of procedures implemented to ensure that it requests grant funds based on immediate disbursement needs for actual grant expenditures.

   In its response, PFP agreed with our recommendation and stated that any requests it makes for advance payment of federal funds in the future will be limited to immediate and approved program expenses not to exceed PFP's anticipated expenditures during the allowable drawdown period.

   This recommendation can be closed when we receive documentation demonstrating that PFP has procedures in place to ensure requests for grant funds are based on immediate disbursement/reimbursement of actual grant expenditures.

9. **Resolved.** OJP agreed with our recommendation to ensure that PFP implements and adheres to procedures that will result in the timely submission of Federal Financial Reports (FFR). In its response, OJP

stated it will coordinate with PFP to obtain a copy of procedures implemented to ensure that FFRs are timely submitted.

In its response, PFP agrees with our recommendation. PFP stated it is aware of the reporting deadlines and, during the awarding process, spoke with OJP about the FFR deadlines and detailed guidelines for facilitating budget related responsibilities. PFP went on to say it regularly meets the performance and financial reporting deadlines. This recommendation can be closed when we receive documentation demonstrating that PFP has procedures in place to ensure timely submission of FFRs.

10. **Resolved.** OJP agreed with our recommendation to ensure that PFP implements procedures to ensure that expenses reported on future FFRs are based on actual expenditures for the reporting period. In its response, OJP stated it will coordinate with PFP to obtain a copy of procedures implemented to ensure that expenses reported on future FFRs are based on actual expenditures for the reporting period.

    In its response, PFP did not agree with this finding and stated the recommendation infers PFP did not base the FFR figures on actual expenses. In our audit report, we do not infer PFP did not base the FFRs on actual expenses, we directly state that PFP was unable to provide any evidence that FFRs were based on actual expenses. In our report we stated PFP was unable to provide a methodology for calculating the amounts contained within the FFRs. We determined that the FFRs did not match the accounting records (PFP expenses) and we were unable to determine how PFP calculated the amounts recorded on the FFRs.

    This recommendation can be closed when we receive documentation demonstrating that PFP has procedures in place to ensure FFRs are based on actual expenditures for the reporting period.

11. **Resolved.** OJP agreed with our recommendation to ensure that PFP implements and adheres to procedures that will result in the timely submission of supported progress reports. In its response, OJP stated it will coordinate with PFP to obtain a copy of procedures implemented to ensure that progress reports are properly supported and timely submitted.

    In its response, PFP agreed with the recommendation stating it is actively aware of programmatic performance reporting deadlines. PFP also stated its executive management meets regularly with program and finance staff to receive, review, and respond to progress reports provided by the staff.

This recommendation can be closed when we receive documentation demonstrating that PFP has procedures in place to ensure timely submission of supported progress reports.

12. **Resolved.** OJP agreed with our recommendation to ensure that PFP implements and adheres to procedures to track expenditures by budget categories and to monitor budget versus actual spending on a consistent and ongoing basis. In its response, OJP stated it will coordinate with PFP to obtain a copy of procedures implemented to ensure that expenditures are tracked by budget categories and that budgeted versus actual expenditures are monitored on a consistent and ongoing basis

    In its response, PFP agreed with the recommendation and stated it has a process for expending funds, including ensuring expenditures follow the financial guide, confirming clarity with the OJP, detailing descriptions on purchase orders and invoices, assigning duties among team members, recording transactions in real time, reconciling and using a checklist.

    This recommendation can be closed when we receive documentation demonstrating that PFP has procedures in place to ensure it implements and adheres to procedures to track expenditures by budget categories and to monitor budget versus actual spending on a consistent and ongoing basis.

13. **Resolved.** OJP agreed with our recommendation to ensure that PFP develops grant performance measures and monitors the performance of the grant to ensure that PFP reaches the program goals and objectives. In its response, OJP stated it will coordinate with PFP to obtain a copy of procedures implemented to ensure that grant performance measures are developed; and that grants are properly monitored to ensure that the program goals and objectives are attained.

    In its response, PFP agreed with the recommendation, stating that at the commencement of a grant, a development and transition team discusses the performance standards, guidelines and metrics in order to customize its internal tracking systems and processes. Its internal information gathering assessment tools are integrated with contractors' for data congruency. We did not find that this process took place for the audited grants, but PFP's response may have been speaking of current procedures for performance.

This recommendation can be closed when we receive documentation demonstrating that PFP develops grant performance measures and monitors the performance of the grant to ensure that PFP reaches the program goals and objectives.