



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



Audit of the Office of Justice Programs Grants Awarded to Childhelp, Inc. Phoenix, Arizona

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
GRANTS AWARDED TO CHLDHELP, INC
PHOENIX, ARIZONA**

EXECUTIVE SUMMARY

The U.S. Department of Justice, Office of the Inspector General, Audit Division, has completed an audit of six grants totaling \$1,250,000 awarded by the Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP), to Childhelp, Inc., (Childhelp) as shown in Exhibit 1.

EXHIBIT 1: GRANTS AWARDED TO CHLDHELP, INC.

| AWARD NUMBER | AWARD DATE | PROJECT START DATE | PROJECT END DATE | AMOUNT |
|---------------------|-------------------|---------------------------|-------------------------|--------------------|
| 2010-JL-FX-0058 | 07/14/10 | 10/01/10 | 03/31/12 | \$100,000 |
| 2010-JL-FX-0428 | 09/14/10 | 08/01/10 | 12/31/11 | \$100,000 |
| 2010-JL-FX-0429 | 08/19/10 | 08/01/10 | 07/31/13 | \$300,000 |
| 2010-JL-FX-0430 | 09/03/10 | 08/01/10 | 12/31/11 | \$200,000 |
| 2010-JL-FX-0431 | 09/03/10 | 09/01/10 | 03/31/13 | \$300,000 |
| 2010-JL-FX-0432 | 08/19/10 | 10/01/10 | 10/31/11 | \$250,000 |
| Total: | | | | \$1,250,000 |

Source: OJP's Grants Management System (GMS)

The grants were awarded under OJP's Fiscal Year (FY) 2010 Earmarks Program for Developing, Testing, and Demonstrating Promising New Programs. The objectives of the program are to develop and implement programs that design, test, and demonstrate effective approaches, techniques and methods for preventing and controlling juvenile delinquency.

The purpose of the audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel costs; (4) budget management and control; (5) federal financial and progress reports; (6) program performance and accomplishments; (7) compliance with grant requirements; and (8) post grant end-date activities. We found that property management, local match, indirect costs, and program income were not applicable to these awards.

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

We examined Childhelp's accounting records, internal control environment, drawdowns, grant expenditures, budget management and control, financial and progress reports, program performance, compliance with grant requirements, and post grant-end date activity. We found that Childhelp did not comply with essential grant conditions in every area we tested. Specifically, the system of internal controls is not sufficient to effectively document and safeguard the use of federal funds, and drawdowns were not made in compliance with the *OJP Financial Guide*. Additionally, Childhelp did not maintain required personnel records for all full and part-time employees. We also identified unsupported and unallowable personnel and fringe expenditures, unallowable and unsupported direct cost expenditures, and unallowable budget transfers. We found that federal financial reports and semi-annual progress reports had been submitted inaccurately. We also found that Childhelp could not provide any documentation related to program performance for Grant Numbers 2010-JL-FX-0058, 2010-JL-FX-0430, and 2010-JL-FX-0431. Finally, we found not all goals and objectives of the awards had been achieved, and a complete and accurate financial reconciliation was not performed during closeout. Overall, we identified \$1,044,081 in net questioned costs, mostly comprised of unsupported costs, but also including \$30,076 in unallowable costs charged to the grants.¹

Our report contains 18 recommendations, which are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix 1, and our Schedule of Dollar-Related Findings appears in Appendix 2.

We discussed the results of our audit with Childhelp officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft audit report from Childhelp and OJP, and their responses are appended to this report as Appendix 3 and 4, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations, can be found in Appendix 5 of this report.

¹ Some costs were questioned for more than one reason. Net questioned costs, which exclude the duplicate amount, are detailed in Appendix 2.

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
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INTRODUCTION

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of six grants totaling \$1,250,000 awarded by the Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP), to Childhelp, Inc., (Childhelp) as shown in Exhibit 1.

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| 2010-JL-FX-0428 | 09/14/10 | 08/01/10 | 12/31/11 | \$100,000 |
| 2010-JL-FX-0429 | 08/19/10 | 08/01/10 | 07/31/13 | \$300,000 |
| 2010-JL-FX-0430 | 09/03/10 | 08/01/10 | 12/31/11 | \$200,000 |
| 2010-JL-FX-0431 | 09/03/10 | 09/01/10 | 03/31/13 | \$300,000 |
| 2010-JL-FX-0432 | 08/19/10 | 10/01/10 | 10/31/11 | \$250,000 |
| Total: | | | | \$1,250,000 |

Source: OJP's Grants Management System (GMS)

Background

OJP, a component of the DOJ, provides innovative leadership to federal, state, local, and tribal justice systems by disseminating state-of-the-art knowledge and practices across America, and by providing grants to assist with the implementation of crime fighting strategies. 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.

The OJJDP provides national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization. OJJDP supports states and communities in their efforts to develop and implement effective and coordinated prevention and intervention programs and to improve the juvenile justice system so that it protects public safety, holds offenders accountable, and provides treatment and rehabilitative services tailored to the needs of juveniles and their families.

The grants identified in Exhibit 1 were awarded under OJP's Fiscal Year (FY) 2010 Earmarks Program for Developing, Testing, and Demonstrating Promising New Programs. The objectives of the program are to develop and implement programs that design, test, and demonstrate effective approaches, techniques and methods for preventing and controlling juvenile delinquency. These may include community based alternatives to institutional confinement, developing and

implementing effective means of diverting juveniles from the traditional juvenile justice system, programs stressing advocacy activities aimed at improving services to youth impacted by the juvenile justice system, model programs to strengthen and maintain the family unit including self-help programs, prevention and treatment programs relating to juveniles who commit serious crimes, programs to prevent hate crimes, programs to provide aftercare and reintegration services, and programs to prevent youth gun and gang violence.

Childhelp was founded in 1959 as a national non-profit organization dedicated to helping victims of child abuse and neglect. Childhelp's stated mission is to meet the physical, emotional, educational, and spiritual needs of abused, neglected, and at-risk children with a focus on advocacy, prevention, treatment, and community outreach.

Our Audit Approach

The purpose of the audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel costs; (4) budget management and control; (5) federal financial and progress reports; (6) program performance and accomplishments; (7) compliance with grant requirements, and (8) post grant end-date activities. We found that property management, local match, indirect costs, and program income were not applicable to these awards.

We tested compliance with what we consider to be the most important conditions of the awards. Unless otherwise stated in our report, the criteria we audited against are contained in the *OJP Financial Guide*, Office of Management and Budget (OMB) Circulars, grant award documents, and relevant sections of the Code of Federal Regulations. We tested Childhelp's:

- **internal control environment** to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant;
- **drawdowns** to determine whether grant drawdowns were adequately supported and if Childhelp was managing grant receipts in accordance with federal requirements;
- **grant expenditures** to determine the accuracy and allowability of costs charged to the grant;
- **budget management and control** to determine Childhelp's compliance with the costs approved in the grant budget;

- **Federal Financial Reports (FFR) and progress reports** to determine if the required reports were submitted in a timely manner and accurately reflect grant activity;
- **grant compliance** to determine whether Childhelp was compliant with grant requirements;
- **program performance and accomplishments** to determine if Childhelp is capable of meeting the grant objectives; and
- **closeout activity** to determine if grants which had reached their end date were appropriately closed.

Our report contains 18 recommendations, which are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix 1, and our Schedule of Dollar-Related Findings appears in Appendix 2.

FINDINGS AND RECOMMENDATIONS

We found that Childhelp did not comply with essential grant conditions in the areas of internal controls, drawdowns, grant expenditures, budget management and control, financial and progress reports, program performance, compliance with grant requirements, and post grant-end date activity. Specifically, the system of internal controls is not sufficient to effectively document and safeguard the use of federal funds, and drawdowns were not made in compliance with the *OJP Financial Guide*. Additionally, Childhelp did not maintain required personnel records for all full and part-time employees. We also identified unsupported and unallowable personnel and fringe expenditures, unallowable and unsupported direct cost expenditures, and unallowable budget transfers. We found that federal financial reports and semi-annual progress reports had been submitted inaccurately. We also found that Childhelp could not provide any documentation related to program performance for Grant Numbers 2010-JL-FX-0058, 2010-JL-FX-0430, and 2010-JL-FX-0431. Finally, we found not all goals and objectives of the awards had been achieved, and a complete and accurate financial reconciliation was not performed during closeout. Overall, we identified \$1,044,081 in net questioned costs, mostly comprised of unsupported costs, but also including \$30,076 in unallowable costs charged to the grants.¹ Based on our audit results, we make ten recommendations to address dollar-related findings and eight recommendations to improve the management of DOJ grants.

Internal Control Environment

We reviewed Childhelp's financial management system, policies and procedures, and Single Audit reports to assess the risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the grants. We also interviewed Childhelp officials responsible for accounting and programmatic activities to further assess risk. As a result, we identified internal control weaknesses related to the allocation of personnel costs, and the review and authorization of payments. These matters are detailed below.

Financial Management System

The *OJP Financial Guide* requires that recipients establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them. Recipients must have a financial management system in place that is able to record and report on the receipt, obligation, and expenditure of grant funds. Additionally, 28 C.F.R § 70.21 (2009) states that recipient's financial management systems must provide accurate, current, and complete disclosure of the financial results of each federally sponsored project.

¹ Some costs were questioned for more than one reason. Net questioned costs, which exclude the duplicate amount, are detailed in Appendix 2.

Childhelp's accounting system includes traditional components such as accounts payable and accounts receivable; we determined that Childhelp outsources its payroll processing. Because the payroll system is not integrated with Childhelp's accounting software, separate spreadsheets are maintained to calculate the personnel and fringe amounts charged to the grants which are then recorded in Childhelp's general ledger (GL) through lump sum journal entries. In our review of personnel costs, we were unable to consistently recreate the percentages charged to the grants in order to determine their accuracy and allowability. We asked Childhelp officials to clarify the percentages used to allocate these costs. Those officials were unable to explain the precise allocation process, but stated that the percentages were likely those which were identified in the original budget narratives submitted to and approved by OJP. As the method of allocation lacks transparency and clarity, and because time sheets or official certifications were not provided, we are unable to definitively determine the accuracy and allowability of personnel cost allocations. We expand on issues related to personnel costs in the *Grant Expenditures* section of this report.

Additionally, our review of Childhelp's financial records in relation to drawdowns and financial reporting confirmed that Childhelp's GLs did not consistently support grant related activity. We asked Childhelp officials for an explanation, and found that officials were aware that GL detail did not consistently reflect the correct expense activity. Those officials stated that programmatic staff responsible for making drawdowns and submitting financial reporting relied in part on the official accounting records, but also supplemented what was recorded in the ledger with additional receipts, invoices, or other documentation when drawing down funds or reporting financial activity to OJP. The *OJP Financial Guide* requires that a recipient's books of account must support all amounts reported to OJP, and the financial activity reported to OJP should reconcile to the amounts reported on the grantee's audited financial statements. As the full amounts reported to OJP do not reconcile with the official accounting records, we are unable to definitively conclude that expenses reported to OJP were accurate. These issues are expanded upon in the *Drawdowns* and *Grant Reporting* sections of this report.

Policies and Procedures

According to 28 C.F.R. § 70.21 (2009), recipient financial management systems must provide written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the award. Childhelp officials provided us with written accounting and financial procedures which address areas including payroll and purchasing. However, those officials were unable to provide an effective date for the accounting policies and procedures, and further stated that, due to accounting staff turnover, a high probability exists that the policies had been modified since the grant periods ended. The lack of reliable accounting policies for specific periods of time compromises our ability to evaluate compliance with internal policies for the grant periods. Therefore, our review primarily consisted of Childhelp's compliance with the requirements as stated in the *OJP Financial Guide* and applicable administrative requirements.

We reviewed grant expenditures to determine if payments were properly processed and allowable under the awards. Our review revealed numerous instances in which grant related expenditures lacked proper approval or adequate supporting documentation. Specifically, of the 154 transactions we reviewed, we found that 106 were not properly authorized by Childhelp officials, which constitutes a violation of the terms and conditions of the *OJP Financial Guide* and demonstrates weakness in Childhelp's overall internal control environment.

Finally, Childhelp staff reported a significant lapse in internal controls which allowed staff in a satellite office to open a separate bank account through which accounts receivable funds were diverted. Staff estimated that the account was open for 3 to 6 months, and stated that approximately \$100,000 in accounts receivable funds were filtered through the account. Staff further stated that the funds were not diverted for personal use, but to pay vendors directly. We consider the ability for staff to open a separate account and divert organizational funds to be a critical lapse in internal controls.

Our review of Childhelp's prior audits revealed that recent audit reports found issues similar to those identified above. Our summary of prior audits and our recommendations related to internal controls are included below.

Prior Audits

The *Office of Management and Budget Circular A-133* requires that non-federal entities that expend \$500,000 or more per year in federal funding have a single audit performed annually. We reviewed the three most recent single audits for Childhelp, which covered FYs 2011 through 2013. Each audit included findings, which we summarize below.

The 2011 single audit identified instances in which: (1) required reporting was not submitted within a timely manner, and (2) expenses allocated to programs, cash reimbursement requests and reports, and participating data reported were not reviewed by a second person to ensure completeness and accuracy. The 2012 single audit identified instances in which: (1) earned interest was incorrectly recorded resulting in adjustments to Childhelp's consolidated financial statements, (2) reporting was not submitted in a timely manner, (3) an audit report was not uploaded to the Federal Audit Clearinghouse in a timely manner, and (4) Childhelp had not verified that contracted vendors were not debarred or suspended from conducting business with the federal government.

The 2013 Single Audit included eight findings, which we list below.

1. Financial Statement Misstatements - Several material adjusting journal entries were identified that affected net assets, notes payable, accrued expenses, prepaid insurance, loan fees, and the associated income and expense accounts.
2. Payroll - Several discrepancies in payroll transactions and documentation were identified, including: (1) Personal Action Forms (PAF) were not consistently updated with employee's current pay, (2) PAFs were not updated

for the employee's appropriate cost center causing the employee to be charged to an incorrect cost center, and (3) some timesheets showed no evidence of supervisory review or approval.

3. Discrepancies in payroll transactions as discussed above, this time in reference to a federal award from the Department of Health and Human Services.
4. Late submissions of semi-annual expenditure reports, and non-compliance with contractual provisions regarding the submission of termination reports.
5. The lack of internal controls over employee and volunteer clearances, resulting in personnel with no current clearance report having direct contact with children.
6. Management did not prepare the schedule of federal expenditures.
7. The lack of documentation indicating adherence to the bidding guidelines for a contract.
8. Instances in which expenses were not coded to the correct expense account.

During our audit, we identified non-compliance with terms and conditions of the award similar to some of those noted in the prior audits. These instances are detailed in this audit report, and individual findings and recommendations are made as appropriate. However, we also recommend that OJP ensure that Childhelp has current accounting procedures covering internal controls, and that OJP ensure Childhelp establishes and maintains an adequate accounting system and financial records to accurately account for funds awarded to them.

Drawdowns

The *OJP Financial Guide* requires that recipient organizations draw down funds based upon immediate disbursement or reimbursement requirements. Recipients should time their drawdown requests to ensure that federal cash on hand is the minimum needed for disbursements/reimbursements to be made immediately or within 10 days.

To determine if Childhelp's drawdowns were in compliance with the *OJP Financial Guide*, we compared the cumulative drawdowns with cumulative expenditures for each drawdown period. We identified instances in which Childhelp was cumulatively overdrawn for Grant Numbers 2010-JL-FX-0428, 2010-JL-FX-0430, 2010-JL-FX-0431, and 2010-JL-FX-0432. Specifically, Childhelp was cumulatively overdrawn on one occasion for Grant Number 2010-JL-FX-0428, on three occasions for Grant Number 2010-JL-FX-0430, on six occasions for 2010-JL-FX-0431, and on one occasion for 2010-JL-FX-0432.

We asked Childhelp officials to provide a reason for drawdown discrepancies, and those officials stated that the detail in the GL did not reflect the correct expense activity for some grants. Grant Managers stated that they used the

monthly GL detail reports for drawdowns and to prepare the required FFRs, but also used their own calculations which were based on receipts and other documentation. If there was a discrepancy between the GL and the Grant Manager's calculations, the Grant Manager's calculations, supported by receipts, invoices, or other documentation, were relied upon.

The *OJP Financial Guide* requires that recipients establish and maintain an accounting system and financial records to accurately account for funds received. The financial management system must be able to record and report on the receipt, obligation, and expenditure of grant funds, including federal funds drawn down. According to Childhelp officials, the accounting records maintained and provided to the OIG for analysis were not complete, and were supplemented by programmatic staff when making drawdown requests. As a result, we recommend that OJP coordinate with Childhelp to ensure that all future drawdowns are made in accordance with the terms and conditions of the *OJP Financial Guide*.

We also evaluated total cumulative expenditures against total drawdowns, and found that for Grant Numbers 2010-JL-FX-0431 and 2010-JL-FX-0432, Childhelp had drawn down more total funds than had been recorded in the accounting records. Our findings are detailed in Exhibit 2 below.

EXHIBIT 2: AMOUNTS CUMULATIVELY OVERDRAWN

| GRANT NUMBER | TOTAL DRAWN | TOTAL SPENT | DIFFERENCE |
|---------------------|--------------------|--------------------|-------------------|
| 2010-JL-FX-0431 | \$207,791 | \$198,040 | \$9,751 |
| 2010-JL-FX-0432 | \$250,000 | \$230,209 | \$19,791 |
| Total: | | | \$29,542 |

Source: OJP's GMS; Childhelp accounting records

As shown above, the total drawdowns for Grant Number 2010-JL-FX-0431 exceeded the recorded expenditures by \$9,751, and the total drawdowns for Grant Number 2010-JL-FX-0432 exceeded the recorded expenditures by \$19,791, for a total of \$29,542 in unsupported drawdowns. The *OJP Financial Guide* requires that a recipient's accounting records support all amounts reported to OJP and that recipients who have drawn down funds in excess of their federal expenditures must return unused funds to the awarding agency. Therefore, we recommend that OJP coordinate with Childhelp to remedy the \$29,542 in unsupported drawdowns.

Grant Expenditures

During transaction testing we reviewed 154 transactions, which included 55 personnel, 25 fringe, and 74 other direct cost transactions, to determine whether grant expenditures were allowable, reasonable, and in compliance with the terms and conditions of the awards.²

² A sample of 25 expenses was selected for five of the six grants. For Grant Number 2010-JL-FX-0432 a sample of 30 was selected to include all expense categories. For Grant Number 2010-JL-FX-0429 24 transactions were reviewed, 1 of the 25 selected was not reviewed as it was reversed out.

Personnel and Fringe Costs

The *OJP Financial Guide* states that 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 signed by the employee and by a supervisory official having first-hand knowledge of the work performed. The *OJP Financial Guide* also states that when employees work solely on a specific grant award, after-the-fact certifications that the employee is working 100 percent of their time on the grant award must be prepared no less frequently than every 6 months and must be signed by the employee and supervisory official having first-hand knowledge of the work performed.

In addition, 2 C.F.R. § 230 (2005) states that reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates do not qualify as support for charges to awards. Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. The reports must be prepared at least monthly and must coincide with one or more pay periods.

During our initial review of the 55 personnel and 25 fringe benefit transactions from the 6 grants, we found that Childhelp did not maintain timesheets to support the time charged to the grants, employees and supervisors did not certify the time charged to the grants, and staff could not explain or re-create the workman's compensation calculations done by a past employee. In addition, Childhelp outsources the processing of their payroll. Since the payroll system is not integrated with Childhelp's accounting software, all personnel and fringe benefit expenses charged to the grants were recorded as lump sum journal entries covering a pay period. By recording personnel and fringe benefit expenditures in this manner, it was not possible to distinguish from the general ledger detail an employee who charged 100 percent of their time from an employee who charged a percentage of their time to the grants. As a result, we questioned all personnel and fringe benefits charged to the six grants as unsupported, as shown in Exhibits 3 and 4.

EXHIBIT 3: UNSUPPORTED PERSONNEL COSTS

| GENERAL LEDGER ACCOUNT | 0428 | 0429 | 0430 | 0431 | 0432 | 0058 |
|------------------------------------|------------------------------|----------|----------|-----------|-----------|----------|
| 5000 – Base Salaries | \$68,815 | \$87,778 | \$58,012 | \$133,471 | \$162,587 | \$55,284 |
| 5002 – PTO (Paid Time Off) | \$3,795 | \$7,339 | \$0 | \$9,064 | \$15,276 | \$4,256 |
| 5006 – Holiday | \$1,495 | \$1,211 | \$0 | \$2,868 | \$0 | \$2,788 |
| 5025 – Hourly Wage | \$1,955 | \$76,922 | \$8,899 | \$0 | \$0 | \$17,596 |
| 5035 – PTO Accrual | \$1,142 | (\$967) | \$0 | \$33 | (\$322) | \$1,601 |
| Total Unsupported Salaries: | \$720,897³ | | | | | |

Source: Childhelp accounting records

EXHIBIT 4: UNSUPPORTED FRINGE BENEFIT COSTS

| GENERAL LEDGER ACCOUNT | 0428 | 0429 | 0430 | 0431 | 0432 | 0058 |
|----------------------------------|------------------|----------|---------|----------|----------|---------|
| 5100 – Employer FFICA | \$4,806 | \$10,611 | \$5,301 | \$7,788 | \$8,448 | \$5,722 |
| 5103 – Employer SUI | \$0 | \$0 | \$0 | \$0 | \$276 | \$0 |
| 5150– Medical Insurance | \$1,493 | \$2,450 | (\$116) | \$12,241 | \$10,877 | \$1,880 |
| 5151 – Dental Insurance | \$63 | \$110 | \$0 | \$175 | \$295 | \$57 |
| 5152 – Life Insurance | \$0 | \$0 | \$0 | \$0 | \$56 | \$0 |
| 5160 – Workers Compensation | \$1,595 | \$10,129 | \$1,913 | \$4,253 | \$6,376 | \$3,042 |
| 5161 – Disability Insurance | \$268 | \$298 | \$0 | \$385 | \$512 | \$85 |
| Total Unsupported Fringe: | \$101,387 | | | | | |

Source: Childhelp accounting records

We recommend that OJP coordinate with Childhelp to remedy the \$720,897 in unsupported personnel transactions. Additionally, we recommend that OJP coordinate with Childhelp to remedy the \$101,387 in unsupported fringe benefits transactions. Finally, we recommend that OJP ensure that Childhelp maintains the required personnel records for all full and part-time individuals reimbursed under the awards.

In addition, as shown below, we identified unallowable personnel and fringe costs charged to the grant. Specifically, positions were charged to the grants that were not included in the approved budget resulting in \$6,211 in unallowable personnel and fringe costs. Therefore, we recommend that OJP coordinate with Childhelp to remedy the \$6,211 in unallowable personnel and fringe costs.

³ Here and throughout the report, differences in the total amounts are due to rounding.

EXHIBIT 5: UNALLOWABLE PERSONNEL AND FRINGE BENEFIT COSTS

| GRANT NUMBER | DESCRIPTION | TOTAL |
|---------------------|--|----------------|
| 2010-JL-FX-0058 | Unallowable Personnel Costs ⁴ (Unidentified individual) ⁵ | \$1,333 |
| 2010-JL-FX-0428 | Unallowable Personnel Costs (Office Manager) | \$2,257 |
| 2010-JL-FX-0429 | Unallowable Personnel Costs (Unidentified Employee) | \$761 |
| 2010-JL-FX-0432 | Unallowable Personnel Costs (Director and Grant Manager) | \$1,859 |
| Total: | | \$6,211 |

Source: Childhelp accounting records

Other Direct Costs

In addition to the personnel and fringe transactions discussed above, we reviewed 74 other direct costs transactions. We identified training and supply costs that were not included in the OJP approved budget, but were paid using OJP funds. We also identified miscellaneous unallowable charges including membership fees, phone charges, finance charges, office furniture, and sanitation costs that were not included in the OJP approved budget. The resulting questioned costs are summarized in Exhibit 6 below.

⁴ In some instances, Childhelp officials claimed that individual payments had been reclassified out of the grant accounts. However, no support was provided to support this claim.

⁵ This individual was charged to the grant, but was not included on the Childhelp employee list provided to us, and was not included in the approved budget.

EXHIBIT 6: UNALLOWABLE DIRECT COSTS

| GRANT NUMBER | DESCRIPTION | TOTAL |
|---------------------|-----------------------------------|----------------|
| 2010-JL-FX-0058 | | |
| | Unallowable mileage costs | \$419 |
| | Unallowable training costs | \$1,685 |
| | Unallowable other costs | \$588 |
| 2010-JL-FX-0428 | | |
| | Unallowable training costs | \$1,091 |
| 2010-JL-FX-0429 | | |
| | Excess phone charges ⁶ | \$1,120 |
| | Unallowable supplies | \$967 |
| 2010-JL-FX-0430 | | |
| | Unallowable supply purchases | \$85 |
| | Unallowable finance charges | \$28 |
| 2010-JL-FX-0432 | | |
| | Unallowable finance charges | \$14 |
| | Unallowable training costs | \$1,704 |
| | Unallowable office furniture | \$1,226 |
| | Unallowable sanitation costs | \$46 |
| Total: | | \$8,973 |

Source: Childhelp accounting records

As shown above, we identified \$8,973 in unallowable direct cost transactions. Additionally, regarding the unallowable supply purchase charged to Grant Number 2010-JL-FX-0429, the documentation provided only supported costs totaling \$722. Therefore, we question the difference of \$196 as unsupported. We recommend that OJP coordinate with Childhelp to remedy the \$8,973 in unallowable direct costs as well as the \$196 in unsupported direct costs.

Budget Management and Control

According to the *OJP Financial Guide*, grantees may request modification to the approved budget in order to reallocate dollar amounts among budget categories within the existing award amount. Movement of dollars between approved budget categories without a Grant Adjustment Notice (GAN) is allowable up to 10 percent of the total award amount, provided there is no change in project scope. A formal request from the grantee for a GAN is required when the proposed cumulative change is 10 percent of the total award amount.

As the 10 percent rule is only applicable to awards that exceed \$100,000, we did not conduct budget analysis for Grant Numbers 2010-JL-FX-0058 or 2010-JL-FX-0428. For the remaining four grants, we compared the actual amounts spent in each budget category to the budgeted amounts in those categories and determined that cumulative transfers for Grant Number 2010-JL-FX-0429 exceeded the allowable 10 percent threshold by \$14,891. Our detailed analysis is included below.

⁶ The excess phone charges include all the phone charges allocated to the grant, not just the one charge in our sample.

**EXHIBIT 7: TOTAL AMOUNT OVERBUDGET – GRANT NUMBER
2010-JL-FX-0429**

| BUDGET CATEGORY | BUDGETED AMOUNT | ACTUAL EXPENDITURES | DIFFERENCE |
|--|------------------------|----------------------------|-------------------|
| Personnel | \$131,328 | \$172,283 | \$40,955 |
| Fringe Benefits | \$10,412 | \$23,598 | \$13,186 |
| Travel | \$38,589 | \$19,874 | (\$18,715) |
| Equipment | - | - | - |
| Supplies | \$7,036 | \$2,256 | (\$4,780) |
| Construction | \$16,044 | \$22,515 | \$6,471 |
| Contractual | \$67,529 | \$46,133 | (\$21,396) |
| Other | \$29,062 | \$29,892 | \$830 |
| Total Overbudget: | | | \$61,442 |
| Allowable 10% of Total Project Costs: | | | \$30,000 |
| Direct Expenditures Exceeding Budget | | | \$16,550 |
| Difference: | | | \$14,891 |

Source: OJP's GMS; Childhelp accounting records.

As no GAN was submitted to OJP for approval, we question the \$14,891 as unallowable. We recommend that OJP coordinate with Childhelp to remedy the \$14,891 in unallowable expenses.

Grant Reporting

OJP requires award recipients to submit both financial and programmatic reports which describe the status of the funds and the status of the project. The specific requirements, reporting periods, and submission deadlines are detailed in the *OJP Financial Guide*. We reviewed the four most recent FFRs and Progress Reports for each grant to determine if the reports had been submitted in accordance with the terms and conditions of the *OJP Financial Guide*.⁷

Federal Financial Reports

Direct grant recipients are required to report, on a quarterly basis, using the Federal Financial Report (FFR). The FFR contains the cumulative expenditures and unliquidated obligations incurred for the grant as well as program income and indirect costs, if applicable. Quarterly FFRs are due no later than 30 days after the end of the calendar quarter, with the final FFR due no later than 90 days following the end of the grant period.

To determine if FFRs were submitted in a timely manner we evaluated the four most recent FFRs submitted for each award. We found that 23 of the 24 were submitted in accordance with the terms and conditions of the *OJP Financial Guide*. One report for Grant Number 2010-JL-FX-0430 was submitted three days late;

⁷ For Grant Numbers 2010-JL-FX-0428, 2010-JL-FX-0430, and 2010-JL-FX-0432, only three progress reporting periods passed during the life of the grant. Therefore, we only reviewed three reports.

however, we consider the instance to be immaterial and make no recommendations related to FFR timeliness.

We also evaluated FFRs for accuracy, and found that the totals reported to OJP generally did not reconcile to the accounting records provided. The results of our analysis are detailed below.

EXHIBIT 8: FFR ACCURACY

| REPORT NUMBER | REPORTING PERIOD | EXPENDITURES PER ACCOUNTING RECORDS | EXPENDITURES PER FFR | DIFFERENCE |
|------------------------|-------------------|-------------------------------------|----------------------|------------|
| 2010-JL-FX-0058 | | | | |
| 3 | 04/01/11-06/30/11 | \$12,259 | \$20,473 | (\$ 8,214) |
| 4 | 07/01/11-09/30/11 | \$20,964 | \$21,139 | (\$ 175) |
| 5 | 10/01/11-12/31/11 | \$25,083 | \$22,344 | \$ 2,739 |
| 6 | 01/01/12-03/31/12 | \$7,010 | \$5,283 | \$ 1,727 |
| 2010-JL-FX-0428 | | | | |
| 3 | 01/01/11-03/31/11 | \$29,626 | \$25,605 | \$ 4,021 |
| 4 | 04/01/11-06/30/11 | \$19,956 | \$23,729 | (\$ 3,773) |
| 5 | 07/01/11-09/30/11 | \$31,614 | \$29,144 | \$ 2,470 |
| 6 | 10/01/11-12/31/11 | - | - | - |
| 2010-JL-FX-0429 | | | | |
| 10 | 10/01/12-12/31/12 | \$18,131 | \$18,169 | (\$ 38) |
| 11 | 01/01/13-03/31/13 | \$24,492 | \$24,286 | \$206 |
| 12 | 04/01/13-06/30/13 | \$17,727 | \$11,188 | \$6,539 |
| 13 | 07/01/13-07/31/13 | - | - | - |
| 2010-JL-FX-0430 | | | | |
| 3 | 01/01/11-03/31/11 | \$44,283 | \$49,736 | (\$5,453) |
| 4 | 04/01/11-06/30/11 | \$43,201 | \$43,303 | (\$102) |
| 5 | 07/01/11-09/30/11 | \$31,275 | \$31,151 | \$124 |
| 6 | 10/01/11-12/31/11 | \$36,531 | \$20,425 | \$16,106 |
| 2010-JL-FX-0431 | | | | |
| 6 | 10/01/11-12/31/11 | \$18,118 | \$21,732 | (\$3,614) |
| 7 | 01/01/12-03/31/12 | \$19,569 | \$24,574 | (\$5,005) |
| 8 | 04/01/12-06/30/12 | \$30,108 | \$33,451 | (\$3,343) |
| 9 | 07/01/12-09/30/12 | \$1,380 | - | \$1,380 |
| 2010-JL-FX-0432 | | | | |
| 2 | 01/01/11-03/31/11 | \$55,139 | \$59,479 | (\$4,340) |
| 3 | 04/01/11-06/30/11 | \$58,194 | \$57,248 | \$946 |
| 4 | 07/01/11-09/30/11 | \$56,138 | \$56,475 | (\$337) |
| 5 | 10/01/11-10/31/11 | - | \$21,906 | (\$21,906) |

Source: OJP's GMS; Childhelp accounting records.

We contacted Childhelp officials to determine the reason for the discrepancies. Programmatic staff again stated that while they did consult the monthly GL detail reports, they also maintained their own records of grant related expenditures which included receipts, invoices, or other documentation. Programmatic staff reported that if there was a discrepancy between the Grant Manager's calculations and the official accounting records, the Grant Manager's calculations were used for financial reporting purposes.

While Childhelp offered an explanation for the differences, we are unable to confirm that the amounts reported to OJP were actually paid using OJP funds as the total amounts were not accounted for in the GL. We recommend that OJP

coordinate with Childhelp to ensure that any future FFRs are submitted in accordance with the terms and conditions of the *OJP Financial Guide*.

Progress Reports

Progress reports are used to describe the performance of activities or the accomplishment of objectives as set forth in the approved award application. These reports must be submitted within 30 days after the end of the reporting periods, which are June 30 and December 31 for the life of the award.⁸

We reviewed the four most recent progress reports for each award to determine if the reports had been submitted within the timeframes required by the *OJP Financial Guide*. We found that the reports had been submitted in a generally timely manner.

We also evaluated progress reports for accuracy. Progress report submissions for each of the six grants in this audit included both a narrative portion and a Performance Data Report (DCTAT). We reviewed the statistical information reported in the DCTATs against supporting documentation maintained by Childhelp personnel.

For Grant Number 2010-JL-FX-0428, extensive supporting documentation supported the claim that forensic interview services was provided. However, Childhelp programmatic staff were not able to provide complete support for all reporting statistics as the individual responsible for compiling the information is no longer with the organization. Adequate supporting documentation was provided for the statistics reported to OJP for Grant Number 2010-JL-FX-0429.

For Grant Numbers 2010-JL-FX-0430, 2010-JL-FX-0431, and 2010-JL-FX-0432 we reviewed statistical data compiled in Childhelp's automated recordkeeping system, but were unable to reconcile specific period data to the summary reports. For example, we reviewed statistical data for the January through June 2011 reporting period for Grant Number 2010-JL-FX-0430 and found Childhelp reported to OJP that 401 program youth (or youth and families) had been served. However, the statistical supporting documentation provided to us only confirmed services provided to 237 individuals. Additionally, the DCTAT form submitted to OJP includes specific categories, such as the number of youth served with evidence based program or practices intervention models. The statistical tracking documentation provided to us for review does not track categories such as this, and therefore we were unable to determine the accuracy of this data as reported to OJP. As noted throughout this report, adequate supporting documentation for Grant Number 2010-JL-FX-0058 was not provided; therefore, we were unable to confirm any of the statistical data reported to OJP for that award.

As we were not able to confirm the accuracy of the data in five out of the six grants in this audit, we recommend that OJP coordinate with Childhelp to ensure the establishment and implementation of procedures to maintain accurate grant

⁸ Final reports are due 90 days after the award period has ended.

records, and to ensure that all records pertinent to federal awards are maintained in accordance with the terms and conditions of the *OJP Financial Guide*

Compliance with Grant Requirements

We reviewed Childhelp's compliance with additional grant requirements and found the grants contained typical standard language requirements for adherence to laws, regulations and other guidelines. As shown throughout this audit report, Childhelp was not in compliance with grant requirements detailed in the award documentation or the *OJP Financial Guide* regarding a sufficient accounting system, drawdowns, recordkeeping, or reporting. Additionally, we found that Childhelp did not submit GANs when appropriate in order to request approval from OJP when making changes to the approved budgets. We have made individual recommendations throughout this report related to specific instances of non-compliance.

Program Performance and Accomplishments

The OJJDP FY 10 Earmarks Program is intended to further DOJ's mission by providing grants, cooperative agreements, and other assistance authorized by the Juvenile Justice and Delinquency Prevention Act of 1974. In the grant application, prospective grantees identify specific goals and objectives for each grant which should address the purpose areas of the OJJDP program. We reviewed all goals and objectives for each of the six grants in this audit to determine if Childhelp had successfully implemented the goals identified in their grant application. To determine programmatic accomplishments, we compared the stated goals and objectives against source documentation maintained by Childhelp officials.

Grant Number 2010-JL-FX-0058 was awarded to expand services offered by the Childhelp Foster Family Agency of Michigan to establish mental health diagnostic and treatment services. We reviewed the goals and objectives for the award, which included: (1) the provision of psychological assessments to a minimum of 60 birth families, (2) the identification of dispositional attributes for a minimum of 60 children to establish therapeutic service plans, and (3) the provision of therapy to a minimum of 25 children and/or parents. We requested documentation demonstrating Childhelp's progress towards, or achievement of, these goals. Despite multiple requests, Childhelp staff reported that they were unable to provide documentation indicating that the goals and objectives of the award had been met. Specifically, Childhelp programmatic staff reported that when the Michigan office was closed, records were sent to Childhelp's Arizona office. However, that documentation was not marked to indicate which client files were grant related, and that staff at the Michigan location had not provided back up documentation to the grant department despite repeated requests to do so.

We informed Childhelp officials that, absent any programmatic accomplishments attributable to this grant, the award would be questioned as unsupported. Childhelp officials stated that they could search location-related files until they located files that referenced mental health, and could submit those to the OIG under the assumption that the DOJ grant would have provided the services as, according to Childhelp officials, no other grant funds designated for mental health services had been received. The Controller and the CFO requested that the OIG

sample 5 names from a list of approximately 50 boxes, noting that if any of the 5 names were found not to have received mental health services, the OIG should continue to provide "sample" names until, eventually, Childhelp was able to support a sample of 5 individuals having received mental health services. The CFO and the Controller stated that this documentation should be accepted by the OIG as reliable source documentation to demonstrate achievement of the grant's goals and objectives. However, considering the serious internal control issues identified throughout this report and in Childhelp's 2013 single audit, and general grant accounting standards including a recipient's obligation to maintain auditable source documentation, we are unable to base a claim of programmatic success on a verbal assurance or assumption. Additionally, considering the issues we have identified related to the questionable accuracy of Childhelp's financial records, we cannot definitively come to the conclusion that no other funds were used to assist Childhelp in any claims of accomplishment. For these reasons, we question the \$100,000 awarded and drawn down under Grant Number 2010-JL-FX-0058 as unsupported. We recommend that OJP coordinate with Childhelp to remedy the \$100,000 in unsupported questioned costs.

We encountered similar issues with Grant Numbers 2010-JL-FX-0430 and 2010-JL-FX-0431. Grant Number 2010-JL-FX-0430 was awarded to extend the continuum of care for abused and neglected children through improved crisis intervention and support services that address the safety and emotional needs of child victims and their non-offending family members in Virginia, and Grant Number 2010-JL-FX-0431 was awarded to address victimization by supporting effective programs and services in four counties in Colorado. At the time of our audit, both locations were closed. Funds for Grant Number 2010-JL-FX-0431 were partially deobligated as Childhelp programmatic staff recognized that they would be unable to complete the goals and objectives of the award. Current staff reported that the program faced challenges due in part to the hiring of an individual to run the program who ultimately was unable to work with local representatives to sustain the program.

Between March and July 2014 we made multiple requests for documentation supporting any achievement of goals and objectives for the awards. For Grant 2010-JL-FX-0431 we were provided with a spreadsheet indicating that some training sessions had been offered, but Childhelp officials were unable to provide any support for the remaining goals, which included interviews with community stakeholders and the provision of services to child victims.⁹ We reviewed the training information, but did not determine that this partial accomplishment could be considered effective use of the \$207,791 that Childhelp had drawn down from this award.

Partial statistical reports were provided for both grants, but the information on those reports did not reconcile to the programmatic achievements reported to OJP during the award periods, calling into question the accuracy of the documents

⁹ The training objective was for the provision of at least four training sessions in each of the four counties. Childhelp's records indicated that at least four sessions had been offered in two of the four counties, but programmatic staff were unable to explain why the goal had not been met in the other two counties.

and compromising our ability to utilize the information as reliable evidence of programmatic achievements. We notified Childhelp officials that the documents did not reconcile to the data reported to OJP and requested complete statistical information for the award period. Childhelp programmatic staff reported that complete statistical reports for the grant periods were not available.¹⁰ Based on our determination that the statistical documentation was not reliable, or was unavailable, we asked programmatic staff if they maintained any documentation, such as intake reports, that would provide some evidence that services were provided at either the Colorado or Virginia locations. Childhelp staff reported that this documentation would have been maintained at the program sites, but was not available for audit. Based on the substantial lack of adequate supporting documentation for the programmatic achievements of either grant, we question the total amount drawn down for each award as unsupported. We recommend that OJP remedy the \$200,000 drawn down in relation to Grant Number 2010-JL-FX-0430 and the \$207,791 drawn down in relation to Grant Number 2010-JL-FX-0431. A summary of questioned costs is provided below.

EXHIBIT 9: PROGRAMMATIC QUESTIONED COSTS

| GRANT NUMBER | AMOUNT AWARDED | AMOUNT DRAWN DOWN |
|---------------------------------|-----------------------|--------------------------|
| 2010-JL-FX-0058 | \$100,000 | \$100,000 |
| 2010-JL-FX-0430 | \$200,000 | \$200,000 |
| 2010-JL-FX-0431 | \$300,000 | \$207,791 |
| Total Amount Questioned: | | \$507,791 |

Source: OJP's GMS

We were provided with source documentation for Grant Numbers 2010-JL-FX-0428, 2010-JL-FX-0429, and 2010-JL-FX-0432. Grant Number 2010-JL-FX-0428 was awarded to improve and expand comprehensive advocacy, treatment, and support services to child victims of abuse and their families offered at the Childhelp Children's Center of Arizona. The goals and objectives of this award included, but were not limited to, the provision of child forensic interviews, the installation of a new alarm system, the provision of crisis intervention and family therapy, and the provision of trainings to collaborating partners. Childhelp programmatic staff based in Arizona provided extensive documentation to support the achievements related to this award. We reviewed the documentation and found no indication that the goals and objectives of the award had not been met.

Grant Number 2010-JL-FX-0429 was awarded to increase capacity, expand service availability, and provide access to services for victims of child abuse and their non-offending family members in Northern Arizona. The goals and objectives of the award included, but were not limited to, the provision of services to 50 victims of child abuse and their non-offending family members, the development of an online Mandatory Reporter training module specific to four counties in Arizona, and the development of new partnerships with tribal reservations. Again, Childhelp programmatic staff provided documentation to support the achievement of goals and objectives. We reviewed the documentation and found Childhelp had

¹⁰ Childhelp programmatic staff stated that they lost access to the recordkeeping database when the program sites were closed.

provided coordinated services to child abuse victims and their non-offending family members. We also found Childhelp had been successful in the development of online Mandatory Reporter training module for two of the four counties listed in the program narrative; however, modules for the other two counties listed in the program narrative had not been completed. Childhelp programmatic staff reported that the development of new partnerships with three new tribal reservations had not been accomplished, but that staff continues to work with tribal reservations in hopes of providing services to those communities. We consider the goals and objectives of Grant Number 2010-JL-FX-0429 to have been partially accomplished.

Grant Number 2010-JL-FX-0432 was awarded to maintain and expand efficient investigational resources and mental health therapy to address the safety and emotional needs of abused and neglected children who are referred to the center in Tennessee. The goals and objectives of the program included the expansion of core services including forensic interviews and victim advocacy to serve 100 children, the provision of specialized trauma-informed mental health therapy services to a minimum of 25 child victims, and the provision of trainings and consultations to a minimum of six collaborating partners. We reviewed the supporting documentation provided and found Childhelp was able to demonstrate that they had provided mental health services, forensic interviews, and victim advocacy to child victims. We were also able to verify that Childhelp had held one of the six proposed trainings. A staff member stated that she had led additional trainings, but no supporting documentation was provided to support that claim. We consider the goals and objectives of this grant to have been partially accomplished.

In summary, we were able to verify that all goals and objectives had been accomplished for only one out of the six grants in this audit. A federal award is a legally binding agreement, and recipients are obligated to properly track the use of funds and maintain adequate supporting documentation. In addition to the questioned cost recommendations we have issued in relation to program performance, we also recommend that OJP coordinate with Childhelp to ensure the establishment and implementation of procedures to maintain accurate grant records, and to ensure that all records pertinent to federal awards are maintained in accordance with the terms and conditions of the *OJP Financial Guide*.

Closeout Activity

Recipients have 90 days after the end date of the project period to close out the award. Closeout includes performing a financial reconciliation, requesting any final drawdowns, and submitting any required final reports to OJP for review. We reviewed Closeout activity and found Childhelp submitted the required reports. However, we also found that the amounts reported for Grant Numbers 2010-JL-FX-0431 and 2010-JL-FX-0432 were in excess of the amounts supported by Childhelp's accounting records. The total amount reported to OJP on the final FFR for Grant Number 2010-JL-FX-0431 was \$207,791, which equals the total amount drawn down. However, Childhelp's accounting records only supported total expenditures of \$198,040. Similarly, the total amount reported to OJP on the final FFR for Grant Number 2010-JL-FX-0432 was \$250,000, which again equals the total amount drawn down. However, Childhelp's accounting records only support total expenditures of \$230,209. We questioned the resulting difference of \$29,542 as

unsupported in the Drawdowns section of this report. We also recommend that OJP coordinate with Childhelp to ensure that final financial reconciliations are performed for any future awards to verify that Childhelp's accounting records are complete and accurate, and to ensure that any funds due back to OJP will be returned as required.

Conclusion

The purpose of our audit was to determine whether reimbursements claimed under the grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award. We examined Childhelp's internal controls; drawdowns; grant expenditures, including personnel costs; budget management and control; federal financial and progress reports; program performance and accomplishments; compliance with grant requirements; and post grant end-date activities and found:

- the system of internal controls is not sufficient to effectively document and safeguard the use of federal funds;
- drawdowns were not made in compliance with the *OJP Financial Guide*;
- \$29,542 in drawdowns which were not supported by the official accounting records;
- \$720,897 in unsupported personnel expenditures;
- \$101,387 in unsupported fringe expenditures;
- the lack of required personnel records for all full and part-time individuals reimbursed under the awards;
- \$6,211 in unallowable personnel and fringe expenditures;
- \$8,973 in unallowable direct cost expenditures;
- \$196 in unsupported direct costs;
- \$14,891 in unallowable budget transfers;
- inaccurate federal financial reports;
- inaccurate semi-annual progress reports;
- \$100,000 in unsupported costs associated with Grant Number 2010-JL-FX-0058;
- \$200,000 in unsupported costs associated with Grant Number 2010-JL-FX-0430;

- \$207,791 in unsupported costs associated with Grant Number 2010-JL-FX-0431;
- not all goals and objectives of the awards had been achieved; and
- a complete and accurate financial reconciliation was not performed during closeout.

Recommendations

We recommend that OJP:

1. Ensure that Childhelp establishes and implements accounting procedures covering internal controls.
2. Ensure that Childhelp establishes and maintains an adequate accounting system and financial records to accurately account for funds received.
3. Ensure that drawdowns are made in accordance with the terms and conditions of the *OJP Financial Guide*.
4. Remedy the \$29,542 in drawdowns which are not supported by Childhelp's accounting records.
5. Remedy the \$720,897 in unsupported personnel transactions.
6. Remedy the \$101,387 in unsupported fringe transactions.
7. Ensure that Childhelp maintains the required personnel records for all full and part-time individuals reimbursed under the awards.
8. Remedy the \$6,211 in unallowable personnel and fringe transactions.
9. Remedy the \$8,973 in unallowable direct cost transactions.
10. Remedy the \$196 in unsupported direct cost transactions.
11. Remedy the \$14,891 in unallowable transfers between budget categories.
12. Ensure that future FFRs are submitted in accordance with the terms and conditions of the *OJP Financial Guide*.
13. Coordinate with Childhelp to ensure the establishment and implementation of procedures to maintain accurate grant records, and to ensure that all records pertinent to federal awards are maintained in accordance with the terms and conditions of the *OJP Financial Guide*.
14. Remedy the \$100,000 in unsupported costs associated with Grant Number 2010-JL-FX-0058.

15. Remedy the \$200,000 in unsupported costs associated with Grant Number 2010-JL-FX-0430.
16. Remedy the \$207,791 in unsupported costs associated with Grant Number 2010-JL-FX-0431.
17. Ensure that Childhelp establish and implement policies and procedures to ensure that future services provided are adequately documented and that records are retained in accordance with the terms and conditions of the *OJP Financial Guide*.
18. Ensure that final financial reconciliations are performed for any future awards to verify that Childhelp's accounting records are complete and accurate, and to ensure that any funds due back to OJP will be returned as required.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether reimbursements claimed under the grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel costs; (4) budget management and control; (5) federal financial and progress reports; (6) program performance and accomplishments; (7) compliance with grant requirements; and (8) post grant end-date activities. We found that property management, local match, indirect costs, and program income were not applicable to these awards.

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

Our audit concentrated on, but was not limited to, the award of Grant Number 2010-JL-FX-0058 on July 14, 2010, through October 29, 2013, the date Closeout documentation was due to OJP for Grant Number 2010-JL-FX-0429. As of November 6, 2013, Childhelp drew down funds totaling \$1,157,791.

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

In conducting our audit, we performed sample testing of: (1) grant expenditures, including personnel and fringe costs, (2) financial reports, and (3) progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the award we reviewed, such as dollar amounts or expenditure categories. We selected a sample of 155 transactions.¹¹ This non-statistical sample design does not allow for the projection of the test results to the universes from which the samples were selected.

Finally, we evaluated the internal control environment, drawdowns, budget management, actual program performance and accomplishments to grant goals and

¹¹ A sample of 25 expenses was selected for five of the six grants. For Grant Number 2010-JL-FX-0432, a sample of 30 was selected to include all expense categories. For Grant Number 2010-JL-FX-0429, 24 transactions were reviewed; 1 of the 25 selected was not reviewed as it was reversed out.

objectives, grant special requirements, and closeout activity. However, we did not test the reliability of the financial management system as a whole.

SCHEDULE OF DOLLAR-RELATED FINDINGS

| <u>DESCRIPTION</u> | <u>AMOUNT</u> | <u>PAGE</u> |
|---|------------------------|-------------|
| QUESTIONED COSTS¹² | | |
| Unsupported drawdowns | \$29,542 | 8 |
| Unsupported personnel costs | \$720,897 | 10 |
| Unsupported fringe | \$101,387 | 10 |
| Other unsupported direct costs | \$196 | 12 |
| Unsupported costs related to Grant Number 2010-JL-FX-0058 | \$100,000 | 18 |
| Unsupported costs related to Grant Number 2010-JL-FX-0430 | \$200,000 | 18 |
| Unsupported costs related to Grant Number 2010-JL-FX-0431 | \$207,791 | 18 |
| Total Unsupported | \$1,359,813 | |
| Unallowable personnel and fringe costs | \$6,211 | 11 |
| Other unallowable Direct Costs | \$8,973 | 12 |
| Unallowable budget transfers | \$14,891 ¹³ | 13 |
| Total Unallowable | \$30,076 | |
| Total (Gross) | \$1,389,889 | |
| Less Duplication¹⁴ | \$345,807 | |
| Net Questioned Costs | \$1,044,081 | |
| TOTAL DOLLAR-RELATED FINDINGS | \$1,044,081 | |

¹² **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.

¹³ If OJP determines that the amount overbudget is related to payroll, fringe, or the expenditures questioned in Exhibit 6, this amount would need to be excluded as duplication of questioned costs. The OIG conducts analysis based on the percentage of total amounts overbudget, not on individual transactions. Therefore, exact duplication of specific transactions has not been determined.

¹⁴ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which include direct costs associated with unsupported personnel (\$336,596), direct costs associated with unallowable personnel (\$6,211), and direct costs associated with supplies, travel, and other unallowable expenditures (\$3,000).

CHILDHELP INC'S RESPONSE TO THE DRAFT AUDIT REPORT



Founded in 1959
by Sara O'Meara and Yvonne Fedderson
PREVENTION and TREATMENT of CHILD ABUSE

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October 21, 2014

David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1120 Lincoln Street, Suite 1500
Denver, CO 80203

**RE: RESPONSE TO THE DRAFT AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
GRANTS AWARDED TO CHILDEHELP, INC. PHOENIX, AZ**

Dear Mr. Sheeren,

Thank you for sending members of your team to Childhelp, Inc. to conduct an audit regarding the Office of Justice Programs Grant Numbers 2010-JL-FX-0058, 2010-JL-FX-0428, 2010-JL-FX-0429, 2010-JL-FX-0430, 2010-JL-FX-0431, and 2010-JL-FX-0432, as well as, allowing Childhelp, Inc. the opportunity to respond to the findings and recommendations in the subject audit report.

The outcomes achieved through the programs funded by these grants is something the Office of Justice Programs and Childhelp, Inc. along with the contracted professionals and employees who provided the therapy and services can all be proud of. Numerous children were treated in the United States with our quality program services funded by the above referenced grants. Although we are all proud of the outcomes, a result of this audit, Childhelp, Inc. realizes certain administrative procedures or documentation practices could have been better.

The OIG auditors brought new information to us regarding areas to improve. As areas of improvement were identified, Childhelp wasted no time in making changes to implement these improvements. It should be noted that Childhelp, Inc. experienced substantial turnover in key positions subsequent to the time periods covered by the audit. The Finance Department Leadership referenced in the OIG draft report were not employed or affiliated with Childhelp, Inc. during the periods audited. As you can appreciate, this created significant challenges that were required to be overcome during the audit. The financial professionals who accounted for the grant funds employed various systems which the current staff did not have access to which created difficulties when attempting to reconcile. Additionally three (3)¹ of the programs awarded grants were transitioned to other entities and are no longer affiliated with Childhelp,

¹ Program associated with Grant No. 2010-JL-FX-0058 transitioned from Childhelp, Inc. (ownership and operations) effective November 20, 2012, Grant No. 2010-JL-FX-0430 effective May, 10 2012, and Grant No. 2010-JL-FX-0431 effective July, 1 2012.



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Inc. With these challenges and the associated confusion, the current staff made every effort to obtain substantiation while working to provide answers to the auditor's questions.

Considering the confusion, we respectfully request that you reconsider a statement found on page six (6) of the draft audit report, wherein, OIG notes, "Childhelp staff reported a significant lapse in internal controls which allowed staff to open a separate bank account which accounts receivable funds were diverted." Although a bank account was opened without proper authorization, Childhelp, Inc.'s internal controls worked properly by alerting the Chief Financial Officer 'CFO' to irregular activities. Once alerted, The CFO immediately took measures to correct the unauthorized opening of a bank account to which Childhelp, Inc.'s funds were deposited.² Internal controls cannot prevent such breaches of internal control; however, a good control environment does mitigate the likelihood of an individual accomplishing a scheme whereby funds can be diverted away from the organization. In this case that was raised, all of the funds that were deposited into this unauthorized bank account were returned to Childhelp, Inc. because the internal controls did exist to identify and commence corrective action. We felt this clarification was warranted and trust you will concur.

With the new accounting team assembled in the past year, Childhelp, Inc. made many changes prior to and during this audit. Childhelp, Inc. also began implementing policies to address areas of previous ambiguity that your auditors clarified so the organization can be compliant with time and attendance record-keeping requirements, and will continue with implementation of any corrections per the final request of the Federal Office of Juvenile Justice and Delinquency Prevention.

Below we have organized Childhelp, Inc.'s response including corrective action steps associated with specific report recommendations along the lines of your report. Again, we thank you for the thorough audit which has provided a roadmap to focus our attention as we all seek to further strengthen Childhelp, Inc.'s fiscal integrity.

1. Ensure that Childhelp establishes and implements accounting procedures covering internal controls.

- a. We concur; Childhelp, Inc. established accounting procedures covering internal controls. The CFO will ensure all Finance Department Staff review the Finance Manual. Please see **Attachment A: Childhelp Orientation to Internal Control Document.**

² The CFO referenced in this scenario is no longer affiliated with Childhelp, Inc. and did not participate in this audit. In this instance, an employee of a bank (not affiliated with Childhelp) conspired with a previous Childhelp, Inc. employee and violated banking policies which required Board approved resolutions assigning authority to open an account. Internal controls mitigate risk but could not prevent the banking agent's disregard of his/her institution's policies. Participants in the diversion of accounts receivables are no longer affiliated with Childhelp. Additionally, all diverted funds were retrieved and accounted for by Childhelp, Inc. and spent appropriately.



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2. **Ensure that Childhelp establishes and maintains adequate accounting systems and financial records to accurately account for funds received.**
 - a. We concur; Childhelp, Inc. established and currently maintains adequate accounting systems and financial records, which facilitates the accurate accounting for funds received.
 - b. The CFO and HR Designee will ensure all Leadership, Finance, and Grants Department Employees read and acknowledge Orientation to Internal Control Information (Attachment A), as well as the Childhelp Finance Manual. Please see **Attachment B: Childhelp, Inc. Finance Manual**.
3. **Ensure that draw-downs are made in accordance with the terms and conditions of the OJP Financial Guide.**
 - a. We concur; Childhelp will ensure that draw downs are made in accordance with the terms and conditions of the OJP Financial Guide.
 - b. All draw downs will be approved by at least two members of the leadership team (Program Operations and Finance Departments) and a grant oversight employee.
 - c. Draw downs associated with employee allocation will be established at onset of grant award and approved by employee (attesting time allocation), supervisor, and reviewed by payroll processor. Payroll processor review may be replaced for automated payroll processes.
4. **Remedy the \$29,542 in draw-downs which are not supported by Childhelp's accounting records.**
 - a. Childhelp, Inc. does not concur. The identified remedy of Grant Numbers 2010-JL-FX-0431 (\$9,751 difference) and 2010-JL-FX-0432 (\$19,791 difference) totaling \$29,542 in draw-downs was supported by receipts and other documentation. It was explained that the General Ledger 'GL' may not match the activity listed. However, Childhelp, Inc. had documentation (i.e. receipts) to show the draw downs were valid. The services were provided and supporting information available and should not be discounted because it did not match the GL.
 - b. Beginning on July 1, 2014 new procedures were adopted, whereby Childhelp will insure all draw downs submitted are reconciled and given final approval by National oriented staff; Program, Grant and Finance. Draw down substantiation (non salary) must be submitted for approval.



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5. Remedy the \$720,897 in unsupported personnel transactions.

- a. Childhelp, Inc. does not concur. Per the exit interview and discussion with the auditors, the auditors explained that the personnel transactions were determined to be unsupported because time cards specifying what percentage of time was worked on each grant were not signed by employees in accordance with the OJP Financial Guide. We do agree that the time sheets were not completed in this particular manner. However, the majority of the employees worked solely (100%) on the audited grants which makes any time and recordkeeping extremely clear and straightforward since there could be no other place to charge the time to other than the related grant, which was the methodology employed during the timeframe audited. Therefore, whether a signed timesheet was signed by one of these employees or not, none of these personnel transaction costs could have been inadvertently or intentionally allocated incorrectly to the grants being audited. Additionally, the positions reimbursed by the grants were the same positions that were approved per the original budget and grant request. Additionally, Childhelp, Inc. maintains employee files which include employee signed job descriptions associated with program oriented staff. Finally, the staff who provided services which were reimbursed from these grants all were paid; therefore, the beneficiaries of the grantor's funds were the children who received treatment and the employees who were paid to provide the services, while Childhelp, Inc. received no benefit beyond serving as the conduit for directing the treatment of the abused children.

6. Remedy the \$101,387 in unsupported fringe transactions.

- a. Childhelp, Inc. does not concur. Although there was difficulty in recalculating the amounts which were calculated by the accountant who prepared the allocations during the periods audited, the amounts paid for fringes were legitimate payments, all of which have third party substantiation, and would not call for a remedy per the auditor's recommendation. To avoid any future confusion, Childhelp's Controller has adopted new allocation methodologies of fringes including but not limited to Worker's Comp, FICA, Disability, and Medical. These changes have been implemented and a clear trail of the calculations will be maintained.

7. Ensure that Childhelp maintains the required personnel records for all full and part-time individuals reimbursed under the awards.

- a. We concur; Childhelp, Inc. developed procedures to maintain personnel records for all full and part time individuals. Please see **Attachment C: Personnel Records Management.**

8. Remedy the \$6,211 in unallowable personnel and fringe transactions.

- a. We concur; Childhelp, Inc. will arrange remedy of \$6,211 in unallowable personnel and fringe transactions with the Office of Justice Programs.



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- 9. Remedy the \$8,973 in unallowable direct cost transactions.**
 - a. We concur; Childhelp, Inc. will arrange remedy of \$8,973 in unallowable direct cost transactions with the Office of Justice Programs

- 10. Remedy the \$196 in unsupported direct cost transactions.**
 - a. We concur; Childhelp will arrange remedy of \$196 in unsupported direct cost transactions with the Office of Justice Programs.

- 11. Remedy the \$14,891 in unallowable transfers between budget categories**
 - a. Childhelp, Inc. does not concur. The draft audit report does not list any concerns with the objectives or goals associated with Grant No. 2010-JL-FX-0429. The amount of \$14,891 is listed as unallowable, because a Grant Award Adjustment was not submitted. However, the funds were used in furtherance of program objectives and scope of work approved by the grantor.

- 12. Ensure that future FFRs are submitted in accordance with the terms and conditions of the OJP Financial Guide.**
 - a. We concur; Childhelp, Inc.'s Grant Manager/Designee and Controller/Designee will ensure all Federal Financial Reports are submitted in a timely manner as identified in the OJP Financial Guide.

- 13. Coordinate with Childhelp to ensure establishment and implementation of procedures to maintain accurate grant records, and to ensure that all records pertinent to federal awards are maintain in accordance with the terms and conditions of the OJP Financial Guide.**
 - a. We concur; Childhelp, Inc. will ensure procedures which maintain accurate grant records and all records pertinent to federal awards are maintained in accordance to the Office of Justice Program Guide.

 - b. Childhelp, Inc. created and implemented a destruction and retention schedule. Please see **Attachment D: Destruction and Retention Schedule.**

- 14. Remedy the \$100,000 in unsupported costs associated with Grant Number 2010-JL-FX-0058. (MI)**
 - a. Childhelp, Inc. does not concur. Childhelp, Inc. referenced sample reports during the audit. Access to the archived records would take additional time due to the program transitions, staff turnover, and record storage relocations. Timely reports were made and example records were provided during the audit. The amount should not be disallowed solely because documentation was not easily accessible during the audit.



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15. Remedy the \$200,000 in unsupported costs associated with Grant Number 2010-JL-FX-0430 (VA CAC)

- a. Childhelp, Inc. does not concur. Childhelp, Inc. referenced sample reports during the audit. Access to the archived records would take additional time due to the program transitions, staff turnover, and record storage relocations. Timely reports were made and example records were provided during the audit. The amount should not be disallowed solely because documentation was not easily accessible during the audit.

16. Remedy the \$207,791 in unsupported costs associated with Grant Number 2010-JL-FX-0431 (CO)

- a. Childhelp, Inc. does not concur. During the period of 2010 – 2012 the program had approximately five to seven staff. The majority of staff were fully assigned and funded by the award. Payroll information was presented to the auditors. However, because time cards were not physically signed and did not list an allocation of 100% time worked, the costs were wholly disallowed.
- b. The award was utilized to fund activities listed in the attached reports submitted by the Program Director to Childhelp, Inc. (National Office), the services delivered by the individuals at the program, and those individuals paid by Childhelp, Inc. using funds purposed by the award.

17. Ensure that Childhelp establish and implement policies and procedures to ensure that future services provided are adequately documented and that records are retained in accordance to with the terms and conditions of the OJP Financial Guide.

- a. We concur; Childhelp, Inc. will ensure procedures which maintain accurate grant records and all records pertinent to federal awards are maintained in accordance to the Office of Justice Program Guide.
- b. Childhelp, Inc. created and implemented a destruction and retention schedule. Please see **Attachment D: Destruction and Retention Schedule.**

18. Ensure that final financial reconciliations are performed for any future awards to verify that Childhelp's accounting records are complete and accurate, and to ensure that any funds due back to OJP will be returned as required.

- a. Concur; Childhelp, Inc.'s Controller/Designee and Grant Manager Designee will perform final reconciliations for all grant awards. Childhelp, Inc. will return funds to the grantor as appropriate.



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Childhelp, Inc. agrees that an environment of internal controls and compliance with grantor requirements is necessary to effectively and efficiently reflect how awarded activities benefit children and communities. We are committed to providing quality services, as well as, improving our compliance measures. Additionally, we look forward to working with the Office of Juvenile Justice and Delinquency Prevention to ensure children and communities nation-wide continue to benefit from our desperately needed services, and to clear each of your suggested points of remedy.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon K. Taylor", written over a horizontal line.

Jon K. Taylor
Chief Financial Officer

THE 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

OCT 30 2014

Washington, D.C. 20531

MEMORANDUM TO: David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General

FROM: Jeffery A. Haley 
Acting Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Grants Awarded to Childhelp, Inc. Phoenix, Arizona*

This memorandum is in reference to your correspondence, dated September 11, 2014, transmitting the above-referenced draft audit report for Childhelp, Inc. (Childhelp). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **18** recommendations, **\$1,044,081¹** in net 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 ensure that Childhelp establishes and implements accounting procedures covering internal controls.**

OJP agrees with the recommendation. We will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that adequate internal controls are established.

- 2. We recommend that OJP ensure that Childhelp establishes and maintains an adequate accounting system and financial records that accurately accounts for funds received.**

OJP agrees with the recommendation. We will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that an adequate accounting system is established, which accurately accounts for Federal funds received.

¹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts.

- 3. We recommend that OJP ensure that drawdowns are made in accordance with the terms and conditions of the OJP Financial Guide.**

OJP agrees with the recommendation. We will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that drawdowns of Federal grant funds are based on the actual expenditures incurred, or are the minimum needed for disbursements to be made immediately or within 10 days.

- 4. We recommend that OJP remedy \$29,542 in drawdowns which are not supported by Childhelp's accounting records.**

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$29,542 in questioned costs related to drawdowns under grant numbers 2010-JL-FX-0431 (\$9,751) and 2010-JL-FX-0432 (\$19,791), which were not supported by Childhelp's accounting records.

- 5. We recommend that OJP remedy \$720,897 in unsupported personnel transactions.**

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$720,897 in questioned costs, related to unsupported personnel transactions that were charged to grant numbers 2010-JL-FX-0058, 2010-JL-FX-0428, 2010-JL-FX-0429, 2010-JL-FX-0430, 2010-JL-FX-0431, and 2010-JL-FX-0432.

- 6. We recommend that OJP remedy \$101,387 in unsupported fringe transactions.**

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$101,387 in questioned costs related to unsupported fringe benefits transactions that were charged to grant numbers 2010-JL-FX-0058, 2010-JL-FX-0428, 2010-JL-FX-0429, 2010-JL-FX-0430, 2010-JL-FX-0431, and 2010-JL-FX-0432.

- 7. We recommend that OJP ensure that Childhelp maintains the required personnel records for all full and part-time individuals reimbursed under the awards.**

OJP agrees with the recommendation. We will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that required personnel records for all full and part-time employees are maintained.

- 8. We recommend that OJP remedy \$6,211 in unallowable personnel and fringe transactions.**

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$6,211 in questioned costs, related to unallowable personnel and fringe benefits transactions that were charged to grant numbers 2010-JL-FX-0058, 2010-JL-FX-0428, 2010-JL-FX-0429, and 2010-JL-FX-0432.

9. We recommend that OJP remedy \$8,973 in unallowable direct cost transactions.

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$8,973 in questioned costs related to unallowable direct cost transactions that were charged to grant numbers 2010-JL-FX-0058, 2010-JL-FX-0428, 2010-JL-FX-0429, 2010-JL-FX-0430, and 2010-JL-FX-0432.

10. We recommend that OJP remedy \$196 in unsupported direct costs.

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$196 in questioned costs related to unsupported direct costs that were charged to grant number 2010-JL-FX-0429.

11. We recommend that OJP remedy \$14,891 in unallowable transfers between budget categories.

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$14,891 in questioned costs related to unallowable transfers between budget categories that were charged to grant number 2010-JL-FX-0429.

12. We recommend that OJP ensure that future Federal Financial Reports (FFRs) are submitted in accordance with the terms and conditions of the OJP Financial Guide.

OJP agrees with the recommendation. We will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that future Federal Financial Reports (FFRs) are timely submitted.

13. We recommend that OJP coordinate with Childhelp to ensure that the establishment and implementation of procedures to maintain accurate grant records, and to ensure that all records pertinent to Federal awards are maintained in accordance with the terms and conditions of the OJP Financial Guide.

OJP agrees with the recommendation. We will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that accurate records pertinent to Federal awards are maintained.

14. We recommend that OJP remedy \$100,000 in unsupported costs associated with grant number 2010-JL-FX-0058.

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$100,000 in questioned costs related to unsupported costs charged to grant number 2010-JL-FX-0058.

15. **We recommend that OJP remedy \$200,000 in unsupported costs associated with grant number 2010-JL-FX-0430.**

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$200,000 in questioned costs related to unsupported costs charged to grant number 2010-JL-FX-0430.

16. **We recommend that OJP remedy \$207,791 in unsupported costs associated with grant number 2010-JL-FX-0431.**

OJP agrees with the recommendation. We will coordinate with Childhelp to remedy the \$207,791 in questioned costs related to unsupported costs charged to grant number 2010-JL-FX-0431.

17. **We recommend that OJP ensure that Childhelp establishes and implements policies and procedures to ensure that future services provided are adequately documented, and that records are retained in accordance with the terms and conditions of the OJP Financial Guide.**

OJP agrees with the recommendation. We will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that future services provided under Federal awards are adequately documented, and the supporting records are retained for future auditing purposes, in accordance with the terms and conditions of the OJP Financial Guide.

18. **We recommend that OJP ensure that final financial reconciliations are performed for any future awards to verify that Childhelp's accounting records are complete and accurate, and to ensure that any funds due back to OJP will be returned as required.**

OJP agrees with the recommendation. We will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that complete and accurate final financial reconciliations are performed at the end of award periods, and any funds due back to Federal agencies are promptly returned.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Linda Taylor, Lead Auditor, Audit Coordination Branch, Audit and Review Division, on (202) 514-7270.

cc: Linda J. Taylor
Lead Auditor, Audit Coordination Branch
Audit and Review Division
Office of Audit, Assessment, and Management

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

cc: Chryl Jones
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OJP Executive Secretariat
Control Number IT20140912155738

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 Childhelp, Inc. (Childhelp) and the Office of Justice Programs (OJP). Childhelp's response is incorporated as Appendix 3 of this final report, and OJP's response is included as Appendix 4. In response to our audit report, OJP agreed with our recommendations and discussed the actions it will take to address each of our findings. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Analysis of Childhelp and OJP Responses

In its response to the draft report, Childhelp concurred with 11 of the 18 findings and recommendations. In addition, Childhelp officials provided a copy of updated internal policies and procedures. These policies include indication that Childhelp's Board of Directors will be providing additional guidance to staff, but did not provide evidence demonstrating the implementation of the policies and procedures. Therefore, the related recommendations will remain resolved until we receive documentation demonstrating that OJP has coordinated with Childhelp to address the related issues.

Additionally, Childhelp officials requested that the OIG reconsider our statement regarding a lapse in internal controls that allowed staff to open a second bank account through which Childhelp accounts receivable funds were diverted.¹⁵ Childhelp conceded that the account was opened without proper authorization, but stated that the internal controls were working properly and indicated that the CFO's response demonstrates an adequate level of internal controls. In our judgment, the ability for staff to open a new bank account and divert organization funds constitutes a critical deficiency in internal controls. Further, Childhelp asserted that the CFO took immediate action to correct the issue, but we received information indicating that the account was open for a period of several months. We consider the ability of staff to open an unauthorized account to itself represent an internal control deficiency, and a stronger internal control environment would reduce the likelihood of such instances in the future.

OJP agreed with each recommendation contained in this report. However, as noted above, Childhelp officials did not fully concur with 7 of the 18 recommendations concerning unsupported funds. We respond to these issues individually below.

- 1. We recommend that OJP coordinate with Childhelp officials to ensure that Childhelp establishes and implements accounting procedures covering internal controls.**

¹⁵ We confirmed that OJP grant funds were not diverted to this account.

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that adequate internal controls are established.

This recommendation can be closed when we receive evidence that OJP has coordinated with Childhelp to establish and implement accounting procedures to cover internal controls.

- 2. We recommend that OJP coordinate with Childhelp officials to ensure that Childhelp establishes and maintains an adequate accounting system and financial records to accurately account for funds received.**

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that an adequate accounting system is established which accurately accounts for federal funds received.

This recommendation can be closed when we receive evidence that OJP has coordinated with Childhelp officials to ensure that Childhelp establishes and maintains an adequate accounting system and financial records to accurately account for funds received.

- 3. We recommend that OJP coordinate with Childhelp to ensure that drawdowns are made in accordance with the terms and conditions of the *OJP Financial Guide*.**

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure drawdowns of federal grant funds are based on the actual expenditures incurred, or are the minimum needed for disbursements to be made immediately or within 10 days.

This recommendation can be closed when we receive evidence that OJP has coordinated with Childhelp to ensure that future drawdowns are made in accordance with the terms and conditions of the *OJP Financial Guide*.

4. We recommend that OJP coordinate with Childhelp to remedy the \$29,542 in drawdowns which are not supported by Childhelp's accounting records.

Resolved. The OJP concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to remedy the \$29,542 in questioned costs.

Childhelp officials did not concur and stated that receipts and "other documentation" should be accepted despite the fact that the costs were not recorded in Childhelp's accounting records. As noted in our report, Childhelp staff supplemented the official accounting records using handwritten notes, calculations, receipts, etc. As these costs are not recorded in Childhelp's official, audited accounting records, we do not have adequate assurance of the source and application of those funds. Additionally, handwritten notes or calculations on their own cannot be accepted as reliable, auditable source documentation. Without reliable, auditable records, we cannot definitively conclude that the drawdowns were supported or allowable.

This recommendation can be closed when we receive evidence that OJP has coordinated with Childhelp to remedy the \$29,542 in unsupported drawdowns.

5. We recommend that OJP coordinate with Childhelp to remedy the \$720,897 in unsupported personnel transactions.

Resolved. The OJP concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to remedy the \$720,897 in questioned costs related to unsupported personnel transactions.

Childhelp officials did not concur, although they agreed that after-the-fact certifications were not maintained in accordance with the terms and conditions of the *OJP Financial Guide*. Further, Childhelp did not contest our finding that time sheets were not maintained for employees whose time was distributed between more than one program. Childhelp officials did not provide evidence of employee attestation or supervisory review. Although Childhelp officials stated that none of the costs could have been allocated incorrectly to the grants being audited, our audit examined Childhelp's compliance with the grant requirements which Childhelp officials concede were not followed. Additionally, without documentation of employee attestation or supervisory review, we are unable to determine if hours charged to the grants are reliable, allowable, or supported.

This recommendation can be closed when we receive evidence that OJP has remedied the \$720,897 in unsupported personnel payments.

6. We recommend that OJP coordinate with Childhelp to remedy the \$101,387 in unsupported fringe transactions.

Resolved. The OJP concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to remedy the \$101,387 in questioned costs.

Childhelp did not concur, although officials previously agreed that Childhelp lacked the personnel documentation required by OJP, and additionally acknowledge that they were unable to recreate the allocations used to charge fringe benefits to the grants. However, these officials contend that the fringe amounts were legitimate and do not call for remedy per our recommendation. However, without reliable time and attendance reports or certifications for personnel, we cannot definitively conclude that salary payments or the associated fringe payments are allowable or supported.

This recommendation can be closed when we receive evidence that OJP has remedied the \$101,387 in unsupported fringe payments.

7. We recommend that OJP coordinate with Childhelp officials to ensure that Childhelp maintains the required personnel records for all full and part-time individuals reimbursed under the awards.

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that required personnel records for all full and part-time employees are maintained.

This recommendation can be closed when we receive evidence that OJP has coordinated with Childhelp officials to ensure that Childhelp maintains the required personnel records for all full and part time individuals reimbursed under the awards.

8. We recommend that OJP coordinate with Childhelp to remedy the \$6,211 in unallowable personnel and fringe transactions.

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to remedy the \$6,211 in questioned costs related to unallowable personnel and fringe benefits.

This recommendation can be closed when we receive evidence that OJP has remedied the \$6,211 in unallowable personnel and fringe transactions.

9. We recommend that OJP coordinate with Childhelp to remedy the \$8,973 in unallowable direct cost transactions.

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to remedy

the \$8,973 in questioned costs related to unallowable direct cost transactions.

This recommendation can be closed when we receive evidence that OJP has remedied the \$8,973 in unallowable direct cost transactions.

10. We recommend that OJP coordinate with Childhelp to remedy the \$196 in unsupported direct cost transactions.

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to remedy the \$196 in questioned costs related to unsupported direct costs.

This recommendation can be closed when we receive evidence that OJP has remedied the \$196 in unsupported direct cost transactions.

11. We recommend that OJP coordinate with Childhelp to remedy the \$14,891 in unallowable transfers between budget categories.

Resolved. The OJP concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to remedy the \$14,891 in questioned costs related to unallowable transfers between budget categories.

Childhelp officials did not concur, but conceded that a Grant Adjustment Notice was not submitted in order to obtain OJP approval prior to making transfers between budget categories. Childhelp stated that the funds were used in furtherance of program objectives, and we did make statements to the contrary. However, as noted throughout this report, we audit against the criteria in the *OJP Financial Guide*, which states that OJP approval is required when cumulative budget transfers exceed 10 percent of the total award amount. This approval was not obtained, and the associated costs have been questioned accordingly.

This recommendation can be closed when we receive evidence that OJP has remedied the \$14,891 in unallowable budget transfers.

12. We recommend that OJP coordinate with Childhelp to ensure that future Federal Financial Reports (FFRs) are submitted in accordance with the terms and conditions of the *OJP Financial Guide*.

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that future FFRs are submitted in a timely manner.

This recommendation can be closed when we receive evidence that OJP has coordinated with Childhelp to ensure that future FFRs are submitted in accordance with the terms and conditions of the *OJP Financial Guide*.

- 13. We recommend that OJP coordinate with Childhelp to ensure the establishment and implementation of procedures to maintain accurate grant records, and to ensure that all records pertinent to federal awards are maintained in accordance with the terms and conditions of the *OJP Financial Guide*.**

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that accurate records pertinent to Federal awards are maintained.

This recommendation can be closed when we receive documentation demonstrating that OJP has coordinated with Childhelp to ensure the establishment and implementation of procedures to maintain accurate grant records, and to ensure that all records pertinent to federal awards are maintained in accordance with the terms and conditions of the *OJP Financial Guide*.

- 14. We recommend that OJP coordinate with Childhelp to remedy the \$100,000 in unsupported costs associated with Grant Number 2010-JL-FX-0058.**

Resolved. The OJP concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to remedy the \$100,000 in unsupported costs associated with Grant Number 2010-JL-FX-0058.

Childhelp did not concur, and officials stated that adequate supporting documentation for the grant could be provided, but that additional time would be required. During our audit, we provided repeated opportunities to Childhelp staff in order to support the achievements under all grants; no acceptable documentation was provided, and we received confirmation from two Childhelp employees that such documentation was not maintained, and could not be provided. We informed Childhelp officials that reliable documentation, if provided, would be reviewed by OJP or the OIG and given consideration in resolving the final audit report. The audit follow-up process affords Childhelp the opportunity to provide additional supporting documentation to adequately remedy the funds after this final report is issued.

Further, Childhelp also stated that sample reports were provided to us for review. However, as noted in this audit report, we reviewed the sample reports and determined they were inconsistent with grant goals and objectives, inconsistent with actual numbers reported to OJP, and incomplete for the time periods of the grants. For these reasons, the sample reports could not be relied upon in order to determine completion of, or progress towards, the goals and objectives of the awards.

This recommendation can be closed when we receive evidence that OJP has remedied the \$100,000 in unsupported costs.

15. We recommend that OJP coordinate with Childhelp to remedy the \$200,000 in unsupported costs associated with Grant Number 2010-JL-FX-0430.

Resolved. The OJP concurred with our recommendation. The OJP stated in its response that it would coordinate with Childhelp to remedy the \$200,000 in questioned costs related to unsupported costs charged to Grant Number 2010-JL-FX-0431.

Childhelp did not concur with this recommendation due to the same issues noted and addressed in our analysis of recommendation number 14.

This recommendation can be closed when we receive evidence that OJP has remedied the \$200,000 in unsupported costs.

16. We recommend that OJP coordinate with Childhelp to remedy the \$207,791 in unsupported costs associated with Grant Number 2010-JL-FX-0431.

Resolved. The OJP concurred with our recommendation. The OJP stated in its response that it will coordinate with Childhelp to remedy the \$207,791 in questioned costs related to unsupported costs charged to Grant Number 2010-JL-FX-0431.

Childhelp did not concur and addressed only payroll concerns in its response to this recommendation. However, as noted in our audit report, the basis of this recommendation was the lack of performance related documentation, not the lack of payroll documentation. The audit follow-up process affords Childhelp the opportunity to provide additional supporting documentation to adequately remedy the funds after this final report is issued.

This recommendation can be closed when we receive evidence that OJP has remedied the \$207,791 in unsupported costs.

17. We recommend that OJP coordinate with Childhelp to ensure that Childhelp establish and implement policies and procedures to ensure that future services provided are adequately documented and that records are retained in accordance with the terms and conditions of the *OJP Financial Guide*.

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that future services provided under federal awards are adequately documented, and the supporting records are retained for future auditing purposes, in accordance with the terms and conditions of the *OJP Financial Guide*.

This recommendation can be closed when we receive evidence that OJP has coordinated with Childhelp officials to ensure that Childhelp establish and

implement policies and procedures to ensure that future services provided are adequately documented and that records are retained in accordance with the terms and conditions of the *OJP Financial Guide*.

- 18. We recommend that OJP coordinate with Childhelp to ensure that final financial reconciliations are performed for any future awards to verify that Childhelp's accounting records are complete and accurate, and to ensure that any funds due back to OJP will be returned as required.**

Resolved. The OJP and Childhelp concurred with our recommendation. The OJP stated in its response that it will coordinate with Childhelp to obtain a copy of written policies and procedures, developed and implemented, to ensure that complete and accurate final financial reconciliations are performed at the end of award periods, and any funds due back to federal agencies are promptly returned.

This recommendation can be closed when we receive evidence that OJP has coordinated with Childhelp officials to ensure that final financial reconciliations are performed for any future awards to verify that Childhelp's accounting records are complete and accurate, and to ensure that any funds due back to OJP will be returned as required.

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