



**AUDIT OF OFFICE OF JUSTICE PROGRAMS GRANTS  
AWARDED TO THE CHEROKEE NATION  
TAHLEQUAH, OKLAHOMA**

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

Audit Report GR-60-14-003  
February 2014

**AUDIT OF OFFICE OF JUSTICE PROGRAMS GRANTS  
AWARDED TO THE CHEROKEE NATION  
TAHLEQUAH, OKLAHOMA**

**EXECUTIVE SUMMARY**

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of four grants awarded by the Office of Justice Programs (OJP): Grant No. 2008-DD-BX-0081, awarded through the Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking (SMART) Office; Grant Nos. 2009-DC-BX-0117 and 2012-TY-FX-0016, awarded through the Office of Juvenile Justice and Delinquency Protection (OJJDP); and Grant No. 2011-AC-BX-0016, awarded through the Bureau of Justice Assistance (BJA); to the Cherokee Nation, as shown in Exhibit 1.

**EXHIBIT 1: GRANTS AWARDED TO THE CHEROKEE NATION**

<b>GRANT NUMBER</b>	<b>AWARD DATE</b>	<b>PROJECT START DATE</b>	<b>PROJECT END DATE</b>	<b>AMOUNT</b>
2008-DD-BX-0081	04/14/08	04/01/08	03/31/11	\$ 134,375
2009-DC-BX-0117	09/22/09	10/01/09	09/30/14	425,000
2011-AC-BX-0016	09/14/11	10/01/11	09/30/13	500,000
2012-TY-FX-0016	09/27/12	10/01/12	09/30/15	496,916
<b>Total:</b>				<b>\$1,556,291</b>

Source: The Office of Justice Programs (OJP) Grant Management System (GMS)

**Background**

The OJP's Adam Walsh Child Protection and Safety Act of 2006 authorized the SMART Office to implement a Sex Offender Management Assistance program (SOMA). SOMA grants were to assist state, local and tribal jurisdictions in implementing and/or enhancing sex offender registration and notification programs which support compliance with the Sex Offender Registration and Notification Act (SORNA). SORNA was enacted to protect the public from convicted sex offenders and offenders against children by establishing a comprehensive national system for the registration of those offenders.

The OJJDP's Grants to Expand Substance Abuse Treatment Capacity for Juvenile Drug Courts Program was to support programs to enhance and expand substance abuse treatment capacity for juvenile drug courts. The Substance Abuse and Mental Health Services Administration, Center for Substance Abuse Treatment (CSAT) and the OJJDP in partnership with the Robert Wood Johnson Foundation (RWJ) issued a joint solicitation for the Fiscal Year (FY) 2009 Juvenile Drug Court Program. The purpose of the program was to enhance the capacity of existing juvenile drug courts to serve substance-abusing juvenile offenders through the integration and implementation of the Juvenile Drug Court: Strategies in Practice and the Reclaiming Futures program models. CSAT was to provide funding for the treatment component of the program and OJJDP was to provide funding for the operation of the juvenile drug court component.

The FY 2011 Coordinated Tribal Assistance Solicitation (CTAS) served as a single solicitation for existing tribal government-specific grant programs administered by the OJP, the Office of Community Oriented Policing Services and the Office on Violence Against Women. The CTAS solicitation was designed to assist tribes with addressing crime and public safety issues in a comprehensive manner.

The FY 2012 CTAS also served as a single solicitation for existing tribal government-specific grant programs. The FY 2011 and FY 2012 CTAS grant-application processes were inspired by and developed after consultation with tribal leaders, including sessions at the DOJ's Tribal Nations Listening Session in 2009, and were updated based on continued tribal consultations and listening sessions.

According to its website, the Cherokee Nation is the federally-recognized government of the Cherokee people and has inherent sovereign status recognized by treaty and law. The seat of tribal government is the W.W. Keeler Complex near Tahlequah, Oklahoma, the capital of the Cherokee Nation. With more than 317,000 citizens, over 8,000 employees and a variety of tribal enterprises ranging from aerospace and defense contracts to entertainment venues, Cherokee Nation's economic impact in Oklahoma and surrounding areas is more than \$1.5 billion annually. Cherokee Nation is one of the largest employers in northeastern Oklahoma and is the largest tribal nation in the United States. The Cherokee Nation's stated mission is a commitment to protect its sovereignty, preserve and promote Cherokee culture, language and values, and improve the quality of life for the next seven generations of Cherokee citizens.

## **Our Audit Approach**

The purpose of the audit was to determine whether costs claimed under the grant were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of the audit was to review performance in the following areas: (1) internal control environment, (2) drawdowns, (3) grant expenditures, (4) budget management and control, (5) financial status and progress reports, (6) program performance and accomplishments, (7) post grant end-date activities, (8) property management, (9) matching costs, (10) monitoring of subgrantees and contractors, and (11) special grant requirements. We determined that program income was not applicable to this audit. We tested compliance with what we consider to be the most important conditions of the grants. Unless otherwise stated in this report, the criteria we audit against are contained in the *OJP Financial Guide* and the award documents.

We examined Cherokee Nation's accounting records, financial and progress reports, and operating policies and procedures and found:

- Activities under one contract were initiated , but had not been formally signed by the contractor or Cherokee Nation officials;

- Two unallowable expenditures, totaling \$2,662;
- Two unbudgeted expenditure types, totaling \$2,193; and,
- Progress reports were submitted late for two of the four grants audited.

This report contains four findings and four recommendations, which are detailed in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix I.

## TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>1</b>
Background.....	1
Our Audit Approach.....	2
<b>FINDINGS AND RECOMMENDATIONS .....</b>	<b>4</b>
Prior Audits .....	4
Internal Control Environment .....	4
Drawdowns .....	5
Grant Expenditures .....	5
Budget Management and Control .....	5
Grant Reporting.....	6
Financial Reporting.....	6
Categorical Assistance Progress Reports .....	6
Program Performance and Accomplishments .....	7
Conclusion .....	8
Recommendations.....	9
<b>APPENDIX I - OBJECTIVES, SCOPE, AND METHODOLOGY.....</b>	<b>10</b>
<b>APPENDIX II - SCHEDULE OF DOLLAR-RELATED FINDINGS .....</b>	<b>12</b>
<b>APPENDIX III - SUMMARY OF UNALLOWABLE AND UNSUPPORTED     EXPENDITURES .....</b>	<b>13</b>
<b>APPENDIX IV - CHEROKEE NATION RESPONSE .....</b>	<b>14</b>
<b>APPENDIX V - OFFICE OF JUSTICE PROGRAMS RESPONSE.....</b>	<b>15</b>
<b>APPENDIX VI - OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND     SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT .....</b>	<b>18</b>

**AUDIT OF OFFICE OF JUSTICE PROGRAMS GRANTS  
AWARDED TO THE CHEROKEE NATION  
TAHLEQUAH, OKLAHOMA**

**INTRODUCTION**

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of four grants awarded by the Office of Justice Programs (OJP): Grant No. 2008-DD-BX-0081, awarded through the Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking (SMART) Office; Grant Nos. 2009-DC-BX-0117 and 2012-TY-FX-0016, awarded through the Office of Juvenile Justice and Delinquency Protection (OJJDP); and Grant No. 2011-AC-BX-0016, awarded through the Bureau of Justice Assistance (BJA); to the Cherokee Nation, as shown in Exhibit 1.

**EXHIBIT 1: GRANTS AWARDED TO THE CHEROKEE NATION**

GRANT NUMBER	AWARD DATE	PROJECT START DATE	PROJECT END DATE	AMOUNT
2008-DD-BX-0081	04/14/08	04/01/08	03/31/11	\$ 134,375
2009-DC-BX-0117	09/22/09	10/01/09	09/30/14	425,000
2011-AC-BX-0016	09/14/11	10/01/11	09/30/13	500,000
2012-TY-FX-0016	09/27/12	10/01/12	09/30/15	496,916
<b>Total:</b>				<b>\$1,556,291</b>

Source: The Office of Justice Programs (OJP) Grants Management System (GMS)

**Background**

The Adam Walsh Child Protection and Safety Act of 2006 authorized the SMART Office to implement a Sex Offender Management Assistance program (SOMA). SOMA grants were to assist state, local and tribal jurisdictions in implementing and/or enhancing sex offender registration and notification programs which support compliance with the Sex Offender Registration and Notification Act (SORNA). SORNA was enacted to protect the public from convicted sex offenders and offenders against children by establishing a comprehensive national system for the registration of those offenders.

The Grants to Expand Substance Abuse Treatment Capacity for Juvenile Drug Courts Program was to support programs to enhance and expand substance abuse treatment capacity for juvenile drug courts. The Substance Abuse and Mental Health Services Administration, Center for Substance Abuse Treatment (CSAT) and the OJJDP in partnership with the Robert Wood Johnson Foundation (RWJ) issued a joint solicitation for the Fiscal Year (FY) 2009 Juvenile Drug Court Program. The purpose of the program was to enhance the capacity of existing juvenile drug courts to serve substance-abusing juvenile offenders through the integration and implementation of the Juvenile Drug Court: Strategies in Practice and the Reclaiming Futures program models. CSAT was to provide funding for the treatment component of the program and OJJDP was to provide funding for the operation of the juvenile drug court component.

The FY 2011 Coordinated Tribal Assistance Solicitation (CTAS) served as a single solicitation for existing tribal government-specific grant programs administered by the OJP, the Office of Community Oriented Policing Services and the Office on Violence Against Women. The CTAS solicitation was designed to assist tribes with addressing crime and public safety issues in a comprehensive manner.

The FY 2012 CTAS also served as a single solicitation for existing tribal government-specific grant programs. The FY 2011 and FY 2012 CTAS grant-application processes were inspired by and developed after consultation with tribal leaders, including sessions at the DOJ's Tribal Nations Listening Session in 2009, and were updated based on continued tribal consultations and listening sessions.

According to its website, the Cherokee Nation is the federally-recognized government of the Cherokee people and has inherent sovereign status recognized by treaty and law. The seat of tribal government is the W.W. Keeler Complex near Tahlequah, Oklahoma, the capital of the Cherokee Nation. With more than 317,000 citizens, over 8,000 employees and a variety of tribal enterprises ranging from aerospace and defense contracts to entertainment venues, Cherokee Nation's economic impact in Oklahoma and surrounding areas is more than \$1.5 billion annually. Cherokee Nation is one of the largest employers in northeastern Oklahoma and is the largest tribal nation in the United States. The Cherokee Nation's stated mission is a commitment to protect its sovereignty, preserve and promote Cherokee culture, language and values, and improve the quality of life for the next seven generations of Cherokee citizens.

## **Our Audit Approach**

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide* and grant award documents. We tested Cherokee Nation'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;
- **grant drawdowns** to determine whether grant drawdowns were adequately supported and if Cherokee Nation 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 Cherokee Nation's compliance with the costs approved in the grant budget;

- **Federal Financial Reports (FFRs) and Progress Reports** to determine if the required FFRs and Progress Reports were submitted in a timely manner and accurately reflect grant activity;
- **grant objectives and accomplishments** to determine whether Cherokee Nation is capable of meeting the grant objectives;
- **grant closeout activities** to determine whether Cherokee Nation met grant closeout requirements.

The findings and recommendations are detailed in the Findings and Recommendations section of this report. Our audit objectives, scope, and methodology appear in Appendix I.



## FINDINGS AND RECOMMENDATIONS

We found that Cherokee Nation appeared to have adequate internal controls over grant financial and accounting activities. However, we found that activities were initiated under one contract prior to being signed by the Cherokee Nation or the contractor; the Cherokee Nation incurred two unallowable transactions totaling \$2,662 and expenditures in two unbudgeted categories totaling \$2,193. Additionally, progress reports were submitted late for two of the grants audited. Based on our audit results, we make two recommendations to address dollar-related findings and two recommendations to improve the management of DOJ grants.

### Prior Audits

The *Office of Management and Budget (OMB) Circular A-133* requires that non-federal entities that expend \$500,000 or more per year in federal awards have a single audit performed annually. We determined that Cherokee Nation was required to submit Single Audits during the scope of our audit, as federal expenditures exceeded \$500,000 in each year in the scope of our audit. We reviewed Cherokee Nation's Single Audits for the years ending September 30, 2010, September 30, 2011, and September 30, 2012, and determined there were findings and questioned costs related to Housing and Urban Development funding for the 2011 and 2012 Single Audits, but no findings related to DOJ funds.

### Internal Control Environment

We reviewed Cherokee Nation's internal control environment, including procurement, receiving, payment, and payroll procedures, and contractor controls. We consider Cherokee Nation's documented fiscal policies and guidelines to be adequate; Cherokee Nation's financial management policies appear to address internal controls and permitted activities related to strong internal controls. We reviewed oversight of grant activities by Cherokee Nation's accounting staff, management, and executive officials, and determined oversight to be adequate, with strong segregation of duties.

While we found that Cherokee Nation appeared to generally have adequate controls over grant financial and accounting activities, we identified one active contract that was not signed by Cherokee Nation officials or the contractor. Cherokee Nation officials informed us that the contract was a renewal of the previous year's contract and was in the process of being signed by the contractor and routed to Cherokee Nation contract management staff. While we concluded the contractor's work under an unsigned contract was contrary to grant management guidelines, we determined there were no questioned costs associated with the contract, as it was a renewal of the prior year's contract and because the contractor had not received payment on the contract at the time of this audit. We recommend

OJP coordinates with Cherokee Nation to ensure that grant-related contracts are signed by all parties prior to performance of any work under a contract.

## **Drawdowns**

We determined that the grants awarded to Cherokee Nation were reimbursement based, and therefore subject to the *OJP Financial Guide* requirement that drawdown requests be timed to ensure that federal cash on hand is the minimum needed for disbursements or reimbursements to be made immediately or within the next ten days.

We analyzed grant drawdowns and expenditures to determine if the total actual costs recorded in the accounting records were equal to, or in excess of, the cumulative drawdowns as reported by OJP. We found that grant expenditures were equal to or in excess of drawdown amounts for each grant.

## **Grant Expenditures**

According to the *OJP Financial Guide*, a grantee is responsible for establishing and maintaining an adequate system of accounting, financial records, and internal controls to accurately account for the funds awarded to them. An acceptable and adequate system must: (1) present and classify projected historical costs of the grant as required for budgetary and evaluation purposes; (2) provide costs and property control to ensure optimal use of funds; (3) control funds and other resources to assure that the expenditure of funds and use of property conform to any general or special conditions that apply to the recipient; (4) meet the prescribed requirements for periodic financial reporting of operations; and (5) provide financial data for planning, control, measurement, and evaluation of direct and indirect costs.

We tested a judgmental sample of 100 Cherokee Nation grant expenditures, totaling \$377,572, and identified two unallowable transactions for Grant No. 2011-AC-BX-0016, totaling \$2,662. Those expenditures were for tuition reimbursement, which was not included in the approved grant budget. We recommend OJP coordinates with Cherokee Nation to remedy the \$2,662 for two unallowable expenditures for Grant No. 2011-AC-BX-0016.

## **Budget Management and Control**

Cherokee Nation received approved budgets for each grant, which included Personnel, Fringe Benefits, Travel, Equipment, Supplies, Contractual, and Other budget categories. If changes are subsequently made, the *OJP Financial Guide* requires that prior approval from the granting agency be obtained if modifications will result in a change that exceeds 10 percent of the total award amount. We used the approved budget to determine the approved budgeted amounts by category.

We compared the approved budgets and expenditures for each grant and determined that each grant was in compliance with the *OJP Financial Guide's* 10-percent rule.

Cherokee Nation accounting records identified expenditures in unbudgeted categories for two grants. For Grant No. 2009-DC-BX-0117, \$1,380 was charged to "Space Cost," which was not part of the approved budget for that grant. For Grant No. 2011-AC-BX-0016, \$813 was charged to "Recruitment," which was not part of the approved budget for that grant. Because these expenditures were not part of the approved budgets for the grants, we question the amount of \$2,193 as unallowable. We recommend OJP coordinates with Cherokee Nation to remedy the \$2,193 for unallowable unbudgeted expenditures for Grant Nos. 2009-DC-BX-0117 and 2011-AC-BX-0016.

## **Grant Reporting**

We reviewed the Financial Reports and Categorical Assistance Progress Reports (Progress Reports) to determine if the required reports had been submitted accurately, and within the timeframes required by the *OJP Financial Guide*.

### *Financial Reporting*

For financial reporting prior to October 1, 2009, the *OJP Financial Guide* states that Financial Status Reports (FSRs) should be submitted online no later than 45 days after the last day of each quarter. The *OJP Financial Guide* also states that effective for the quarter beginning October 1, 2009, grant recipients must report expenditures online using the Federal Financial Report (FFR) no later than 30 days after the end of each calendar quarter.<sup>1</sup>

According to the *OJP Financial Guide*, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report. Also, award recipients should report program outlays and revenue on a cash or accrual basis in accordance with their accounting system.

Based on the above criteria, we reviewed Cherokee Nation's FFRs for timeliness and accuracy. We reviewed the four most recent FFRs for each grant, and determined each FFR was submitted timely and accurately.

### *Categorical Assistance Progress Reports*

According to the *OJP Financial Guide*, Categorical Assistance Progress Reports are due semiannually on January 30 and July 30 for the life of the award. To verify the timely submission of Progress Reports, we reviewed the last four Progress

---

<sup>1</sup> The Office of Justice Programs changed from using SF-269 Financial Status Reports (FSRs) to SF-425 Federal Financial Reports (FFRs), beginning October 1, 2009. For consistency purposes, we use the term "FFR" throughout this audit when discussing any financial reports submitted by Cherokee Nation for the audited grant.

Reports submitted for the grant to determine if the reports had been submitted as required by the *OJP Financial Guide*. We determined the four most recent Progress Reports for Grant Nos. 2009-DC-BX-0016 and 2012-TY-FX-0016 were submitted timely; however, we determined that three of the four Progress Reports reviewed for Grant No. 2008-DD-BX-0081 were submitted late, and two of three Progress Reports submitted for Grant No. 2011-AC-BX-0016 were submitted late, as shown in Exhibit 2. We recommend that OJP ensures that Cherokee Nation has a process in place to submit all progress reports in a timely manner.

**EXHIBIT 2: LATE PROGRESS REPORTS**

REPORT NO.	REPORT PERIOD FROM - TO DATES	DUE DATE	DATE SUBMITTED	DAYS LATE
<b>Grant No. 2008-DD-BX-0081</b>				
4	07/01/09 – 12/31/09	01/30/10	08/18/10	200
5	01/01/10 – 06/30/10	07/30/10	08/18/10	19
6	07/01/10 – 12/31/10	01/30/11	02/11/11	12
7 <sup>2</sup>	01/01/11 – 03/31/11	07/30/11	03/31/11	-
<b>Grant No. 2011-AC-BX-0016</b>				
1	10/01/11 – 12/31/11	01/30/12	05/22/12	113
2	01/01/12 – 06/30/12	07/30/12	07/17/12	-
3	07/01/12 – 12/31/12	01/30/13	02/14/13	15

Source: OJP GMS

We also reviewed Progress Reports for accuracy. According to the *OJP Financial Guide*, the funding recipient agrees to collect data appropriate for facilitating reporting requirements established by Public Law 103-62 for the Government Performance and Results Act. The funding recipient will ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation.

We reviewed the two most recently submitted Progress Reports for each grant. For three of the grants, documentation appeared to match reported information. For Grant No. 2009-DC-BX-0117, reports stated that 19 youth were served in the reporting period, while documentation supported that 18 youth had been served. Cherokee Nation officials reviewed the supporting documentation and concluded that one individual had been counted twice.

**Program Performance and Accomplishments**

To assess program performance and accomplishments, we reviewed the grant documentation and Progress Reports, and interviewed Cherokee Nation officials, to determine the goals and objectives of the program and whether those goals and objectives have been or are being implemented.

We determined Grant No. 2008-DD-BX-0081 had been successfully completed. Cherokee Nation officials were able to demonstrate that the sex

<sup>2</sup> Progress Report 7 was the final report for Grant No. 2008-DD-BX-0081.

offender registry had been developed and was still in use. OJP documentation recognized that the grant program had been successfully implemented.

The program developed with Grant No. 2009-DC-BX-0117 was active and appeared to be following the stated goals and objectives. Cherokee Nation officials stated the program was behind schedule and that a one-year extension of the grant end date was going to be requested. Cherokee Nation officials also stated they don't feel the program is sustainable after the grant ends, due to other similar programs. We reviewed the most recent Progress Reports for this grant and determined the reported activities appeared to match the goals and objectives stated in Cherokee Nation's application for this grant.

The program developed with Grant No. 2011-AC-BX-0016 was in an early stage. At the time of this audit, 4 people had been served by the program, with a final goal of 25 people served. Cherokee Nation officials stated that the program was behind schedule, but could be completed by the current end date. We reviewed the most recent Progress Reports for this grant and determined the reported activities appeared to match the goals and objectives stated in Cherokee Nation's application for this grant, although the Progress Report for the period ending December 31, 2012, indicated that grant goals were not currently being met, but stated specific plans to meet grant goals in the next six months.

The program funded by Grant No. 2012-TY-FX-0016 was in the planning phase at the time of this audit, but the goals and objectives stated for this program by Cherokee Nation officials matched the goals and objectives stated in the application for this grant.

## **Conclusion**

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, terms and conditions of the grant, and to determine program performance and accomplishments. We performed detailed transaction testing and examined Cherokee Nation's accounting records, budget documents, financial and progress reports, and operating policies and procedures. We found:

- one contract that was currently operating was not signed by the Cherokee Nation or the contractor;
- the Cherokee Nation paid \$2,662 for two unallowable tuition expenditures for Grant No. 2011-AC-BX-0016;
- the Cherokee Nation paid \$1,380 for expenditures in one unbudgeted category for Grant No. 2009-DC-BX-0117 and \$813 for expenditures in one unbudgeted category for Grant No. 2011-AC-BX-0016; and,
- Progress Reports were submitted late for two of the audited grants.

## **Recommendations**

We recommend that OJP coordinate with Cherokee Nation to:

1. Ensure that the Cherokee Nation has controls in place so that contracts are signed by all parties prior to performance of any contract work.
2. Remedy the \$2,662 in unallowable direct cost expenditures.
3. Remedy the \$2,193 in unallowable expenditures in unbudgeted categories.
4. Ensure that the Cherokee Nation has a process in place to submit all Progress Reports in a timely manner.

## APPENDIX I

### OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of the audit was to determine whether reimbursements claimed for costs under the grant were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants, and to determine program performance and accomplishments. The objective of the audit was to review performance in the following areas: (1) internal control environment, (2) drawdowns, (3) grant expenditures, (4) budget management and control, (5) financial status and progress reports, (6) program performance and accomplishments, (7) post grant end-date activities, (8) property management, (9) matching costs, (10) monitoring of subgrantees and contractors, and (11) special grant requirements. We determined that program income was not applicable to this audit.

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. This was an audit of four grants awarded to the Cherokee Nation by the Office of Justice Programs (OJP):

- Grant No. 2008-DD-BX-0081, for \$134,375, awarded through the Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking (SMART) Office, which had \$46,218 in drawdowns;
- Grant No. 2009-DC-BX-0117, for \$425,000, awarded through the Office of Juvenile Justice and Delinquency Protection (OJJDP), which had \$228,939 in drawdowns;
- Grant No. 2011-AC-BX-0016, for \$500,000, awarded through the Bureau of Justice Assistance (BJA), which had \$186,894 in drawdowns; and,
- Grant No. 2012-TY-FX-0016, for \$496,916, awarded through the Office of Juvenile Justice and Delinquency Protection (OJJDP), which had \$84,062 in drawdowns.

Our audit concentrated on, but was not limited to, the period from the April 1, 2008, start date for Grant No. 2008-DD-BX-0081 to August 16, 2013.

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

In conducting our audit, we performed sample testing in three areas, which

were grant expenditures (including personnel expenditures), Federal Financial Reports, and Progress Reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards reviewed, such as dollar amounts, expenditure category, or risk. However, this non-statistical sample design does not allow a projection of the test results for all grant expenditures or internal controls and procedures.

In addition, we evaluated internal control procedures, performance to grant objectives, and grant drawdowns, and we assessed the recipient's monitoring of subrecipients. However, we did not test the reliability of the financial management system as a whole and reliance on computer based data was not significant to our objective.



## APPENDIX II

### SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS</u> <sup>3</sup>	<u>AMOUNT</u>	<u>PAGE</u>
Unallowable Other Direct Costs	\$2,662	5
Unallowable Unbudgeted Expenditures	\$2,193	6
<b>TOTAL QUESTIONED COSTS</b> <sup>4</sup>	<b>\$4,854</b>	
<b>TOTAL DOLLAR-RELATED FINDINGS</b>	<b>\$4,854</b>	

---

<sup>3</sup> **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.

<sup>4</sup> Throughout this report, differences between individual amounts and totals are due to rounding.

**APPENDIX III**

**SUMMARY OF UNALLOWABLE AND UNSUPPORTED  
EXPENDITURES<sup>5</sup>**

TRANSACTION DATE	CHECK No.	PAYEE NAME	AMOUNT QUESTIONED
<b>Unallowable Direct Cost Expenditures</b>			
05/14/13	414787	TP	\$1,316.80
06/07/13	417676	TP	1,344.80
<b>Total Unallowable Direct Cost Expenditures</b>			\$2,661.60
<b>Unbudgeted Expenditures – Grant No. 2009-DC-BX-0117</b>			
09/30/12		Admin BldgRm#56	\$114.04
09/30/12		Admin BldgRm#56	114.04
09/30/12		Admin BldgRm#56	114.04
09/30/12		Admin BldgRm#56	114.04
09/30/12		Admin BldgRm#56	114.04
09/30/12		Admin BldgRm#56	114.04
09/30/12		Admin BldgRm#56	114.04
09/30/12		Admin BldgRm#56	114.04
09/30/12		Admin BldgRm#56	114.04
09/30/12		Admin BldgRm#56	114.04
09/30/12		Admin BldgRm#56	119.82
09/30/12		Admin BldgRm#56	119.82
<b>Total Unbudgeted Expenditures – Grant No. 2009-DC-BX-0117</b>			\$1,380.04
<b>Unbudgeted Expenditures – Grant No. 2011-AC-BX-0016</b>			
02/15/12		NEWSPAPER HOLDINGS IN	\$13.00
02/16/12		SEQUOYAH COUNTY TIMES	22.57
02/21/12		Summarized transaction	613.17
03/07/12		NEWSPAPER HOLDINGS IN	20.63
03/31/12		TAHLEQUAH DAILY PRESS	11.43
03/31/12		MUSKOGEE PHOENIX	79.84
04/24/12		NEIGHBOR NEWSPAPERS	52.20
<b>Total Unbudgeted Expenditures – Grant No. 2011-AC-BX-0016</b>			\$812.84

<sup>5</sup> Proper names have been converted to initials.

CHEROKEE NATION RESPONSE



GWYB D3P  
CHEROKEE NATION®  
P.O. Box 948 • Tahlequah, OK 74465-0948 • 918-453-5000 • cherokee.org

Office of the Chief

Bill John Baker  
Principal Chief  
ᎠᎩ ᎠᎩᎩᎩᎩᎩᎩ  
ᎠᎩᎩᎩᎩᎩ

S. Joe Crittenden  
Deputy Principal Chief  
ᎠᎩ ᎠᎩᎩᎩᎩᎩᎩ  
ᎠᎩᎩᎩᎩᎩ ᎠᎩᎩᎩᎩᎩ

January 29, 2014

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

Dear Mr. Sheeren:

In response to the correspondence received regarding the U.S. Department of Justice (DOJ), Office of Inspector General (OIG) audit of certain Office of Justice Programs (OJP) grants awarded to Cherokee Nation, the following information is being providing to you:

Recommendation 1: Cherokee Nation agrees with this recommendation. Cherokee Nation has within its Acquisition Management Manual certain Policies and Procedures regarding Acquisition Management, some of which govern contracting. In addition to this manual, Cherokee Nation will conduct training for staff that will re-emphasize the controls, including a review of the Acquisition Management Manual. This training may be held as early as the end of March 2014.

Recommendation 2: Cherokee Nation agrees with this recommendation. Cherokee Nation has reviewed these direct cost expenditures. Cherokee Nation will work with the Office of Justice Programs to remedy this issue by the end of March 2014.

Recommendation 3: There are two different grants related to this recommendation. As for grant 2011-AC-BX-0016, the amount of \$813 was direct cost expenditures not within an approved budgeted category. Cherokee Nation agrees with this recommendation. Cherokee Nation will work with the Office of Justice Programs to remedy this issue by the end of March 2014. As for grant 2009-DC-BX-0117, the amount of \$1,380 was direct cost expenditures not within an approved budgeted category. Although Cherokee Nation does agree with this recommendation, the program manager had requested a reallocation to approve the budgeted category and that request has been approved. Therefore, this recommendation, regarding grant 2009-DC-BX-0117, has been resolved.

Recommendation 4: Cherokee Nation agrees with this recommendation. Cherokee Nation has established a centralized Grant Services Office. A new Cherokee Nation Grant Manual is expected to be issued by June 30, 2014, containing procedures for grant reporting.

If you need any additional information, please contact me directly at 918-207-3902 or by email at [lacey-horn@cherokee.org](mailto:lacey-horn@cherokee.org).

Sincerely,

Lacey A. Horn, Treasurer  
Cherokee Nation

Cc: Jamie Cole  
Cliff Powell  
Tanya Johnson  
Contract Files

OFFICE OF JUSTICE PROGRAMS RESPONSE



U.S. Department of Justice


Office of Justice Programs

Office of Audit, Assessment, and Management

FEB - 5 2014

Washington, D.C. 20531

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

FROM:   
LeToya A. Johnson  
Acting Director

SUBJECT: Response to the Draft Audit Report, *Audit of Office of Justice Programs Grants Awarded to the Cherokee Nation, Tahlequah, Oklahoma*

This memorandum is in reference to your correspondence, dated January 8, 2014, transmitting the above-referenced draft audit report for Cherokee Nation. We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **four** recommendations and **\$4,855** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP ensure that the Cherokee Nation has controls in place so that contracts are signed by all parties prior to performance of any contract work.**

OJP agrees with the recommendation. We will coordinate with the Cherokee Nation to obtain a copy of written procedures implemented to ensure that future contracts are signed by all parties prior to the performance of any contract work.

2. **We recommend that OJP remedy the \$2,662 in unallowable direct cost expenditures.**

OJP agrees with the recommendation. We will coordinate with the Cherokee Nation to remedy the \$2,662 in unallowable direct costs charged to grant number 2011-AC-BX-0016.

**3. We recommend that OJP remedy the \$2,193 in unallowable expenditures in unbudgeted categories.**

OJP agrees with the recommendation. We will coordinate with the Cherokee Nation to remedy the \$2,193 in unallowable expenditures in unbudgeted categories charged to grant numbers 2009-DC-BX-0117 (\$1,380) and 2011-AC-BX-0016 (\$813).

**4. We recommend that OJP ensure that the Cherokee Nation has a process in place to submit all Progress Reports in a timely manner.**

OJP agrees with the recommendation. We will coordinate with the Cherokee Nation to obtain a copy of written procedures implemented to ensure that future progress reports are timely submitted.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

cc: Jeffery A. Haley  
Deputy Director, Audit and Review Division  
Office of Audit, Assessment, and Management

Denise O'Donnell  
Director  
Bureau of Justice Assistance

Tracey Trautman  
Deputy Director for Programs  
Bureau of Justice Assistance

Eileen Garry  
Deputy Director  
Bureau of Justice Assistance

James Simonson  
Budget Director  
Bureau of Justice Assistance

Amanda LoCicero  
Budget Analyst  
Bureau of Justice Assistance

Kathy Mason  
Grant Program Specialist  
Bureau of Justice Assistance

cc: Robert Listenbee  
Administrator  
Office of Juvenile Justice and Delinquency Prevention

Janet Chiancone  
Acting Deputy Administrator  
Office of Juvenile Justice and Delinquency Prevention

Angela Parker  
Grant Program Specialist  
Office of Juvenile Justice and Delinquency Prevention

Dawn Doran  
Acting Director  
Office of Sex Offender Sentencing, Monitoring, Apprehending,  
Registering and Tracking

Faith Baker  
Associate Director  
Office of Sex Offender Sentencing, Monitoring, Apprehending,  
Registering and Tracking

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

OJP Executive Secretariat  
Control Number IT20140109093942

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

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and the Cherokee Nation. The OJP's response is incorporated as Appendix V and the Cherokee Nation response is incorporated in Appendix IV of this final report.

The following provides the OIG analysis of the responses and a summary of actions necessary to close the report.

**Recommendation Number:**

1. **Resolved.** In its response to our recommendation to ensure that the Cherokee Nation has controls in place so that contracts are signed by all parties prior to performance of any contract work, the Cherokee Nation stated that it concurred with the recommendation. The Cherokee Nation stated that it has acquisition management policies and procedures within its Acquisition Management Manual, and will conduct training for staff to re-emphasize the controls and review that document, as early as March 2014.

In its response, OJP stated that it concurred with our recommendation to ensure that the Cherokee Nation has controls in place so that contracts are signed by all parties prior to performance of any contract work. OJP stated that it will coordinate with the Cherokee Nation to obtain a copy of written procedures implemented to ensure that future contracts are signed by all parties prior to the performance of any contract work.

This recommendation can be closed when we receive evidence that the Cherokee Nation has conducted staff training to ensure that future contracts are signed by all parties prior to the performance of any contract work.

2. **Resolved.** In its response to our recommendation to remedy the \$2,662 in unallowable direct cost expenditures, the Cherokee Nation stated that it concurred with the recommendation, and will work with OJP to remedy the unallowable expenditures, by the end of March 2014.

OJP stated that it concurred with our recommendation to remedy the \$2,662 in unallowable direct costs charged to Grant No. 2011-AC-BX-0016.

This recommendation can be closed when we receive evidence that the \$2,662 in unallowable direct cost expenditures has been remedied in an appropriate manner.

3. **Resolved.** In its response to our recommendation to \$2,193 in unallowable expenditures in unbudgeted categories, the Cherokee Nation stated that it concurred with the recommendation. The Cherokee Nation stated that it has been approved for a reallocation of the grant budget for the \$1,380 in unbudgeted expenditures for Grant No. 2009-DC-BX-0117. For the \$813 in questioned expenditures for Grant No. 2011-AC-BX-0016, the Cherokee Nation stated that it will work with OJP to remedy the unbudgeted amount, by the end of March 2014.

OJP stated that it concurred with our recommendation to remedy the \$2,193 in unallowable expenditures in unbudgeted categories.

This recommendation can be closed when we receive evidence that the \$2,193 in unallowable expenditures in unbudgeted categories has been remedied in an appropriate manner.

4. **Resolved.** In its response to our recommendation to ensure that the Cherokee Nation has a process in place to submit all Progress Reports in a timely manner, the Cherokee Nation stated that it concurred with the recommendation and has established a centralized Grant Services Office. The Cherokee Nation stated that it will issue a Grant Manual containing procedures for grant reporting, by June 30, 2014.

OJP stated that it concurred with our recommendation to ensure that the Cherokee Nation has a process in place to submit all Progress Reports in a timely manner.

This recommendation can be closed when we receive evidence that the Cherokee Nation has a process in place to submit all Progress Reports in a timely manner.