



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



**Audit of the
Office of Justice Programs
Bureau of Justice Assistance
Award to
Project Lifesaver International
Chesapeake, Virginia**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
BUREAU OF JUSTICE ASSISTANCE AWARD TO
PROJECT LIFESAVER INTERNATIONAL
CHESAPEAKE, VIRGINIA**

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG), completed an audit of the Bureau of Justice Assistance (BJA) grant number 2009-SJ-BX-K011 totaling \$1,828,605 awarded to Project Lifesaver International (PLI), based in Chesapeake, Virginia. BJA awarded the grant under its Missing Alzheimer's Disease Patient Assistance Program, which was established to aid in the protection and location of missing persons living with Alzheimer's disease and related dementias and other missing elderly individuals. Through this grant, PLI facilitates widespread, prompt, and safe return of wanderers with Alzheimer's disease. In addition, PLI utilizes available technologies to help solve the growing burden that search and rescue places on the nation's public safety personnel and taxpayers.

The objective of this audit was to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, federal financial reports, budget management and control, drawdowns, expenditures, and program performance.

Overall, we found that when our audit began, PLI did not have established written policies and procedures in place over aspects of grant administration. We also found that PLI charged personnel costs to the grant based on budget amounts rather than actual time spent working on the grant. Finally, PLI was not tracking or reporting program income properly. During our audit, PLI established written policies and procedures for grant administration.

Based on our audit results, we made four recommendations to address \$208,036 of dollar-related findings, improve internal controls, and determine whether program income was generated by the grant and spent in accordance with the OJP Financial Guide.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
BUREAU OF JUSTICE ASSISTANCE AWARD TO
PROJECT LIFESAVER INTERNATIONAL
CHESAPEAKE, VIRGINIA**

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AUDIT OF THE OFFICE OF JUSTICE PROGRAMS BUREAU OF JUSTICE ASSISTANCE AWARD TO PROJECT LIFESAVER INTERNATIONAL CHESAPEAKE, VIRGINIA

INTRODUCTION

In September 2009, the Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) awarded grant number 2009-SJ-BX-K011 in the amount of \$1,828,605 to Project Lifesaver International (PLI), based in Chesapeake, Virginia.¹ BJA awarded the grant under its Missing Alzheimer's Disease Patient Assistance Program, which was established to aid in the protection and location of missing persons living with Alzheimer's disease, related dementias, and other missing elderly individuals.

Established in 1999, PLI is a non-profit organization with a stated mission to provide timely response to save lives and reduce potential injury for adults and children who wander due to Alzheimer's, autism, and other related conditions. PLI has developed a search and rescue program specifically designed for "at-risk" individuals who are prone to the life-threatening wandering behavior. The program seeks to facilitate widespread, prompt, and safe return of wanderers; save lives; and apply available technologies to help solve the growing burden that search and rescue places on the nation's public safety personnel and taxpayers.

OIG Audit Approach

The objective of the audit was to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. We tested compliance with what we considered the most important conditions of the grant. Unless otherwise stated in the report, we applied the OJP Office of the Chief Financial Officer Financial Guide (Financial Guide) as our primary criterion to assess PLI performance and compliance with grant requirements.²

To accomplish this objective, we assessed performance in several areas of grant management. Specifically, we tested PLI's:

- **Internal Control Environment** to determine whether the internal controls in place for the processing and payment of funds adequately safeguarded grant funds and ensured compliance with tested award terms and conditions;

¹ PLI initially received funding in September 2009 in the amount of \$890,088. In August 2010 and September 2011, PLI received supplemental funding for the program in the amounts of \$500,000 and \$438,517, respectfully.

² The Financial Guide serves as a reference manual that provides guidance to award recipients on their fiduciary responsibility to safeguard award funds and to ensure funds are used appropriately. OJP requires award recipients to abide by the requirements in the Financial Guide.

- **Reporting** to determine whether PLI submitted accurate federal financial reports and progress reports;
- **Program Performance and Accomplishments** to determine whether PLI accomplished, was on track to accomplish, or otherwise made reasonable efforts to accomplish the grant objectives;
- **Budget Management and Control** to determine whether PLI appropriately accounted for grant funds and whether actual PLI expenditures aligned with approved budget cost categories;
- **Drawdowns** to determine whether PLI adequately supported drawdowns as required by federal rules and regulations;
- **Grant Expenditures** to determine whether costs charged to the grant were allowable, adequately supported, and allocated appropriately; and
- **Program Income** to ensure that any program income generated by DOJ-funded award activity was used as permitted by the Financial Guide.

The audited award and its supplemental funding did not include accountable property, sub-recipients, or matching funds from other sources. We discuss the results of our analysis in the Findings and Recommendations section of the report. Appendix 1 contains additional information on our objective, scope, and methodology and Appendix 2 contains our schedule of dollar-related findings.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

We found that Project Lifesaver International (PLI) generally complied with essential grant conditions in the areas of reporting and budget management and control. However, we question a total of \$208,036 in costs that PLI charged to the grant, including unsupported personnel costs totaling \$188,233 and an additional \$19,803 in associated fringe benefit costs that PLI charged to the award. In addition, we found that PLI did not perform reconciliations between the grant expenditures and its general ledger. Finally, we determined that PLI did not properly track or record program income generated by the grant. Based on our audit results, we made four recommendations to address these dollar-related findings and improve internal controls.

Internal Control Environment

The OJP Financial Guide directs grant recipients to establish internal controls that ensure the optimal use and safeguarding of awarded funds. While our audit did not assess PLI's overall system of internal controls, we did review the internal controls of its financial management system specific to the administration of the BJA award during the period under review. We interviewed pertinent personnel regarding the PLI financial management system, record-keeping practices, and methods for ensuring adherence to the terms and conditions of the grant. We also reviewed written policies, procedures, and accounting records to assess PLI's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the award. Finally, we reviewed PLI's Single Audit report for FY 2010.³ We determined that the audit disclosed no significant deficiencies or material weaknesses of internal control.

Our assessment found that PLI has maintained an adequate segregation of duties and controls over the financial management system used to administer grant funds. However, we identified internal control weaknesses related to PLI's procedures for reconciling its grant information to its financial management system and PLI's lack of written policies and procedures for grant administration. We also identified weaknesses in PLI's payroll practices, which we detail later in the "Grant Expenditures" section of this report.

³ Non-federal entities that expended at least \$500,000 a year in federal awards during our audit period were required to have a Single Audit conducted. PLI did not expend \$500,000 in federal awards in FYs 2011, 2012, or 2013, and therefore did not have a single audit conducted in those years.

Financial Management System

The OJP Financial Guide requires that recipients establish and maintain adequate accounting systems and financial records to account for funds awarded to them accurately. 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. In addition, 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.

We found that PLI has an adequate system in place to record and report on the receipt, obligation, and expenditure of grant funds. However, we found that PLI maintained this as a separate system outside of its official accounting records. While we were able to reconcile the grant records maintained by PLI to the financial reports submitted to OJP, we found that PLI does not reconcile its grant records to its main system of accounting. PLI officials told us that, until 2013, PLI did not categorize expenditures in its official accounting system by grant, and therefore PLI was unable to reconcile its grant expenditures to its accounting records prior to this time. While PLI is now categorizing expenditures by grant in its official accounting records, PLI has not been reconciling the two systems. PLI is also still basing its financial activity reported to OJP on its separate system and not its official accounting system. As a result, PLI may not be positioned to ensure that grant activity is accurately reflected in its official accounting system and therefore on its financial statements. We recommend that OJP ensure that PLI reconciles grant expenditures to its official accounting records.

Policies and Procedures

According to 28 C.F.R. § 70.21 (2009), financial management systems used by award recipients must have 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.

When we began this audit, we found that PLI did not have written policies and procedures to govern the use and management of federal funds, including general grant management, grant timekeeping, and associated payroll procedures. This resulted in several findings and instances of questioned costs that we detail in the following sections of this report. In December 2014, PLI provided us the written policies and procedures it has implemented to address these concerns. We reviewed these policies and procedures and determined that they will help improve PLI's general grant administration, including timekeeping and payroll functions. As a result, we do not make any recommendations regarding this issue.

Reporting

The OJP Financial Guide requires that award recipients submit both financial and progress reports to inform awarding agencies on the status of each award. Federal Financial Reports (FFRs) should detail the actual expenditures incurred for each quarterly reporting period, while progress reports should describe the performance activities and achievements of the project supported by the award. Because accurate FFRs and progress reports are necessary to ensure that DOJ awarding agencies can effectively monitor award activities and expenditures, we reviewed reports PLI submitted for grant number 2009-SJ-BX-K011.

Federal Financial Reports

The OJP Financial Guide states that the accounting system the award recipient uses to prepare financial reports must support the figures reported on the FFRs. We discussed with the responsible PLI officials how they prepare and submit FFRs and compared the amounts PLI reported on its last four FFRs to actual expenditures in the PLI grant records. We found that overall the FFRs accurately reflected grant-related expenditures as recorded in PLI's accounting records.⁴

Progress Reports

Award recipients must collect, maintain, and report data to measure and evidence the effectiveness of their funded program and activities. While FFRs report financial activity, progress reports should capture the project status and accomplishments with regard to the objectives included in the approved award application. Progress reports should compare anticipated program objectives with actual accomplishments. To assess the accuracy of the progress reports, we reviewed the program accomplishments for the period July 2013 through December 2013 and January 2014 through June 2014. We compared the reported achievements to source data that PLI provided and found sufficient evidence to support the program accomplishments reported to BJA.

Program Performance and Accomplishments

The purpose of the award was for PLI to facilitate the prompt return of wanderers and consequently save lives by offering technological solutions to address the growing burden that searches and rescues places on public safety agencies. In its grant application, PLI outlined three goals for its proposed project: (1) increase the number of law enforcement agencies using the Project Lifesaver program by 232, (2) increase the number of users enrolled under participating

⁴ We noted that PLI reported \$8,487 more in cumulative expenditures in its FFRs than was reported in PLI grant records. We determined this occurred because a PLI official accidentally recorded the same expense in two separate reporting periods. During the audit, PLI corrected the accuracy of the information reported in a later FFR. We also identified discrepancies with PLI's tracking of program income, which we detail in the "Program Income" section of this report.

agencies by providing transmitters to 2,218 new clients, and (3) raise program visibility among professionals and consumers.

To assess PLI's progress toward meeting the grant's stated goals and objectives, we reviewed OJP award documents, interviewed PLI officials, and reviewed PLI documents that track goals and objectives. We found that as of June 2014, PLI has increased program membership by 202 law enforcement agencies and provided transmitters to 2,139 new clients associated with previously enrolled agencies. Finally, based on PLI's attendance at nine conferences, its published advertisements in relevant media sources, and the creation and distribution of numerous brochures promoting PLI's mission, we determined that PLI has raised program visibility among professionals and consumers. Therefore, we find that PLI appears to be on track to meet its established goals and objectives by the grant end date.

Budget Management and Control

Grant recipients need to expend funds according to the budget approved by the awarding agency and included as part of the final award package. Approved award budgets document how much the awarding agency authorized the recipient to spend in high-level budget categories, such as personnel, supplies, and contractors. Recipients may request OJP approval to modify previously approved award budgets to reallocate funds between different budget categories within the same award.⁵ We compared the actual amount PLI spent in each budget category to the approved budgeted amounts in the same categories and found that PLI's grant expenditures align with the approved award budget.

Drawdowns

BJA provides recipients access to an electronic financial management system by which they must request awarded funds via drawdowns. Award recipients should only request federal award funds when they incur or anticipate project costs. Therefore, recipients should time their requests for award funds to ensure they will have only the minimum federal cash on hand required to pay actual or anticipated costs within 10 days.

PLI personnel told us that drawdown requests are based on reimbursements of expenses for salaries, fringe benefits, travel, and training. To ensure that PLI requested funds properly and kept a minimum of federal cash on hand, we analyzed drawdowns through September 24, 2014 and compared the overall amount of these drawdowns to PLI's general ledger. Overall, we found that the amount of funds PLI drew down did not exceed the expenditures in the accounting records.

⁵ No prior approval is required if the reallocations between budget categories do not exceed 10 percent of the total award amount.

Grant Expenditures

To be allowable, an expense charged to an award must be reasonable, consistently applied, adequately documented, and compliant with applicable policies and procedures. As shown in Table 1, as of September 24, 2014, PLI's accounting records reported \$1,615,786 in costs associated with grant number 2009-SJ-BX-K011.

Table 1
Summary of Grant Expenditures

Type of Cost	Total Accounting Records Costs (\$)
Personnel	188,233
Fringe Benefits	19,803
Travel	31,298
Supplies	3,027
Contractual	1,139,821
Other Direct Costs	233,604
TOTAL	\$1,615,786

Source: PLI accounting records as of September 24, 2014.

While we found that there was adequate support for PLI's non-payroll transactions, PLI was not able to provide adequate documentation to support the payroll related costs that were charged to the grant. As discussed below, we questioned \$188,233 in personnel costs charged to the award through September 24, 2014 and fringe benefits costs totaling \$19,803, as unsupported expenditures.⁶

Personnel and Fringe Benefits Costs

Salaries, wages, and fringe benefits charged to a federal award must be based on payroll records approved by responsible officials, and the charges must comport with the generally accepted practices of the organization. In particular, where grant recipients work on multiple grant programs or activities, a reasonable allocation of costs to each activity must be made based on time and effort reports, such as timesheets.

We reviewed PLI policies for timekeeping and charging salary and benefit costs to the grant. While PLI had no written policies or procedures for timekeeping and payroll, at the time of our audit, PLI required employees to submit monthly activity reports that documented the total hours worked and were usually signed off by the employee and a supervisor. PLI also required its employees to keep track of

⁶ Questioned costs are expenditures that are not supported by adequate documentation at the time of the audit or otherwise do not comply with legal, regulatory, or contractual requirements. Questioned costs may be remedied by offset, waiver, recovery of funds, or the subsequent provision of supporting documentation.

hours spent working on the grant but, until the time of our audit, PLI did not require that employees sign or submit such grant-related timesheets. Regardless of both the activity sheets and grant-related timesheets, PLI officials stated that salaries were charged to the grant based on the award budget rather than actual time spent working on the grant.

To verify how PLI charged personnel costs to the grant, we judgmentally selected costs associated with four non-consecutive pay periods to test.⁷ We examined grant-related timesheets, monthly activity reports, and payroll distribution records, and recalculated salaries allocated to the grant. We found that the payroll costs charged to the grant were not supported by timesheets or activity sheets. Rather, our testing confirmed that PLI improperly charged personnel costs to the grant based on budgeted amounts instead of actual time and effort reports. As a result, we question the personnel costs that PLI has been reimbursed with grant funds through September 2014 and recommend that OJP remedy the \$188,233 in unsupported personnel costs.

Fringe benefits approved by BJA in the award's budget included payroll taxes, including Social Security, Medicare, workers' compensation insurance, and state unemployment insurance. PLI requests reimbursement for fringe benefits expense based on 11.37 percent of personnel costs. Our review determined that PLI properly calculated fringe benefits expense in line with its budget. In fact, it appears that overall PLI charged less than the 11.37 percent allowable under the terms of the grant. However, because we question all personnel costs, we also question the related fringe benefit costs charged to the grant, totaling \$19,803 as unsupported. Therefore, we recommend that OJP remedy \$19,803 in unsupported fringe benefits costs.

Other Tested Costs

We selected a judgmental sample of 20 non-payroll transactions totaling \$1,075,473 to determine if the charges were included in the approved budget, allowable, and allocable to the DOJ award. These transactions included 1 travel, 14 contractual, and 5 transactions listed as other expenses. We determined that all tested charges were allowable, properly supported, and accurately recorded to grant number 2009-SJ-BX-K011.

Program Income

PLI's original award budget included \$249,600 of program income via payments from local law enforcement agencies for equipment shipping fees, instructor fees, and instructor travel reimbursements.⁸ We conducted interviews

⁷ PLI requests reimbursement for personnel costs on a monthly basis. We selected the pay periods for February 2010, January 2012, August 2012, and September 2013 for our testing. Salaries totaled \$28,887 for these pay periods.

⁸ According to the OJP Financial Guide, any income made from an award is considered program income. Program income can be used to advance program objectives, or it can be refunded back to the awarding agency.

with PLI and OJP officials and reviewed PLI's initial budget documents and determined that, based on information available to us during the audit, PLI based equipment shipping fees and instructor travel reimbursements on the actual costs that it incurred to provide equipment and training to individual police departments. As such, neither shipping fees nor reimbursements generated income over and above the actual costs it incurred.

However, the instructor fees charged by PLI appear to have generated additional income over and above the associated costs. PLI officials stated that local law enforcement agencies each paid \$450 to PLI to be trained on how to use the PLI equipment. PLI then paid the instructor or the instructor's agency \$350 for providing the training but kept the \$100 difference. While PLI officials stated that it received this additional \$100 for the 100 agencies that entered the PLI program through the original grant award, PLI did not track program income in its internal accounting records or report program income on its federal financial reports. PLI officials stated that they were unaware that this \$100-difference constituted program income, and therefore did not track or report it as such. PLI also did not have written procedures for tracking program income. As a result, we have no way of determining whether PLI actually received program income. Because of this, we also cannot determine the amount of program income received by PLI derived from grant-related projects.

The OJP Financial Guide requires that recipients use program income to pay for program expenses prior to requesting additional grant funds. PLI officials stated that they used the additional income to pay administrative expenses associated with enrolling and supporting agencies in the program. However, because PLI did not track program income, we could not determine whether PLI actually spent the amounts received on such administrative expenses. We further could not determine whether PLI expended program income prior to requesting additional grant funds. Due to the lack of tracking of program income at the time it was received, we were unable to determine the exact amount of program income generated and therefore are unable to identify exact questioned costs.⁹ Therefore, we recommend that OJP work with PLI to (1) calculate the actual amount of program income generated by grant-related activities, (2) determine whether PLI spent such program income as stipulated by the OJP Financial Guide, and (3) remedy any misapplied program income, as appropriate.

⁹ According to PLI, it only received program income within the initial project period of the grant. PLI no longer receives \$100 in addition to its \$350 instructor fee and therefore no longer has a need to develop procedures or methods for tracking such profits from grant-related activity.

Recommendations

We recommend that OJP:

1. Ensure that PLI reconciles grant expenditures to its official accounting records.
2. Remedy \$188,233 in unsupported personnel costs.
3. Remedy \$19,803 in unsupported fringe benefits costs.
4. Work with PLI to (1) calculate the actual amount of program income generated by grant-related activities, (2) determine whether PLI spent such program income as stipulated by the OJP Financial Guide, and (3) remedy any misapplied program income, as appropriate.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, federal financial reports, budget management and control, drawdowns, expenditures, and program performance.

We conducted this 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit focused on activities funded by the \$1,828,605 Office of Justice Programs (OJP) grant (grant number 2009-SJ-BX-K011) awarded to PLI to operate its "Project Lifesaver Replication Initiative." The scope of our review included OJP funded activity from the inception of the subject award in September 2009 to September 2014. However, due to the timing of our fieldwork, our testing on financial and progress reports, program performance and accomplishments was completed on data through June 2014. To accomplish the objectives of the audit, we interviewed PLI personnel responsible for overseeing program performance, and compiling and approving financial and progress reports. We examined PLI grant records, timesheets, and other documents supporting activity funded by the subject grant. We also considered the internal controls PLI had established and used to guide the requesting, approving, and recording of grant-related expenses during the scope of our review. We did not assess the overall reliability of PLI's financial management system or internal controls of that system.

We tested compliance with what we considered to be the most important conditions of the award. Unless otherwise stated in our report, the criteria we audit against are contained in the OJP Office of the Chief Financial Officer's Financial Guide and the awarding documents such as the OJP-approved grant narrative and budget. In addition, we assessed the accuracy of financial and progress reports submitted by PLI and evaluated grant performance in relation to the grant objectives. We performed sample testing in the following areas:

- **Reporting.** To determine whether the required Federal Financial Reports and Progress Reports accurately reflect award activity.
- **Program Performance and Accomplishments.** To determine whether PLI met the award goals and objectives.

- **Drawdowns.** We analyzed PLI's overall drawdowns of \$1,615,786 for the Department of Justice (DOJ) award from the inception of the award through September 2014. PLI provided documentation supporting the drawdown requests.
- **Payroll Costs.** We judgmentally selected the February 2010, January 2012, August 2012, and September 2013 pay periods to verify how PLI computed, authorized, recorded, and allocated personnel costs to the grant. We also analyzed the fringe benefits costs to ensure the charges were consistent with the approved budgeted amounts.
- **Other Expenditures.** To test PLI's transactions for authorizations, vouchers, and supporting documentation, we judgmentally selected 20 non-payroll transactions totaling \$1,075,473. We analyzed these transactions to determine if these costs were properly authorized, classified, recorded, supported, and charged to the grant.

We employed such method of sampling to obtain a broad exposure to numerous facets of the grant reviewed, such as high-dollar amounts or expenditure categories based on the approved grant budget. This non-statistical sample design does not allow for the projection of the test results to the universe from which we selected our sample.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS ¹⁰	AMOUNT (\$)	PAGE
<u>Unsupported Costs</u>		
Personnel Costs	\$188,233	8
Fringe Benefits Costs	\$19,803	8
Total Unsupported Costs	<u>\$208,036</u>	
TOTAL QUESTIONED COSTS	\$208,036	

¹⁰ Questioned costs are expenditures that are not supported by adequate documentation at the time of the audit or otherwise do not comply with legal, regulatory, or contractual requirements. Questioned costs may be remedied by offset, waiver, recovery of funds, or the subsequent provision of supporting documentation.

**PROJECT LIFESAVER INTERNATIONAL
CHESAPEAKE, VIRGINIA
RESPONSE TO DRAFT AUDIT REPORT¹¹**



*Chief Executive Officer/Founder
Gene Saunders*

Project Lifesaver

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"Guardians of Alzheimer's, Autism and Special Needs Wanderers"

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May 4, 2015

Mr. John Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General
U. S. Department of Justice
1300 N. 17th Street, Suite 3400
Arlington, Virginia 22209

In Re: OIG Audit of Project Lifesaver under the BJA Grant 2009-SJ-BX-K011

Dear Mr. Manning:

In review of the Draft Audit Report Recommendations from the Office of the Inspector General's Office, Project Lifesaver concurs with the recommendations and has addressed each with the action taken on each recommendation below:

Recommendation 1

Ensure that PLI reconciles grant expenditures to its official accounting records.
In 2012 Project Lifesaver stepped up the use of Quickbooks in its operation. Based on the recommendations and suggestions of the auditors, Project Lifesaver implemented the process of reconciling the grant expenditures with Project Lifesaver's official accounting records. The Quickbooks enhancement incorporates the grant and reconciles grant expenditures.

Recommendation 2

Remedy \$188,233 in unsupported personnel costs
Enclosed are the Project Lifesaver personnel time/grant sheets . During the audit, noted that all time and grant sheets were on a 30 day calendar format, even though the pay periods were from the 16th to the 15th of the month. The auditor recommendation was to have all time sheets to coincide with the actual pay period. This process was immediately implemented. Taking the recommendation one step further, Project Lifesaver went back to 2010 with this process so that all time/grant sheets reflect Project Lifesaver pay periods. Attachment 1 is the personnel time/grant sheets. A breakdown of each sheet reflects the time the individual worked during the pay period as well as the total amount of time spent on the grant during that period. It needs to be noted that during the entire grant cycle, there were employees that were hired and left employment of the organization. This turnover caused the

*The Experts at Bringing Loved Ones Home
www.projectlifesaver.org
A non-profit 501 (c) (3) organization*

¹¹ Attachments to this response were not included in this final report.

existing employees to take up the slack with the duties that were required by the grant until a replacement was hired, and trained to be up to speed on the job duties. Many times, employees leaving the organization failed to submit their grant time sheets. Due to the short report extension allowed, we were unable to fully research all avenues that would allow us to account for the grant time documentations.

Recommendation 3

Remedy \$19,803 in unsupported fringe benefits costs

The Personnel time/grant sheets referenced above in "Recommendation 2" and labeled "Attachment 1", also have the fringe benefits calculation based on the personnel time allocation to the grant during each pay period for each individual.

Recommendation 4

Work with PLI to (1) calculate the actual amount of program income generated by grant-related activities, (2) determine whether PLI spend such program income as stipulated by the OJP Financial Guide, and (3) remedy any misapplied program income, as appropriate.

When an agency wants to start Project Lifesaver in their community, they contact our office and request information about the program. They also request a start-up cost sheet so that they know what expenses they will incur to initiate the program in their area. Project Lifesaver supplies them with the basic start-up cost which includes the basic start-up equipment, a two day basic operator training course for up to 8 officers, a one day instructor course for the same officers, and the instructor fee. Not included is the travel expense of the instructor that comes to their agency to conduct the training.

As mentioned above, the start-up cost includes the basic start-up equipment, basic operator training, instructor training, instructor fee, Agency paperwork and instructor package (both supply sample SOPs, templates of forms, guides, and instructional materials.), listing of the agency name and information on the Project Lifesaver Website, enrollment into the PLS Database, membership in the Alzheimer's Foundation of America, opportunity to apply for any grants, discounts, organizational benefits, and any other Project Lifesaver Promoted discounts.

The start-up cost from a new agency covers many areas, many of which are mentioned above, i.e. equipment, courses, training fees, and member perks. Two of those perks that are utilized by all members, and that require constant upkeep by Project Lifesaver, are the PLS Database and the PLS file server.

The PLS Database is an important part of the program. It is used by agencies to keep up with the clients that they have enrolled the program. The client information includes information for tracking battery and strap change dates, information needed in a search, officer training records, purchase of equipment, and communication with Project Lifesaver International Office for repairs, questions, and concerns.

The file server located at the international office is another integral part of the operation where member information is kept on file, (i.e. Funding is tracked, equipment orders cataloged, inventory maintained, and financials retained).

Both the PLS Database, and the Project Lifesaver File Server requires software updates, and occasional troubleshooting for problems. Due to the sensitivity of the contents in the PLS Database, a 24/7 secure coverage is needed. The cost for and the upkeep for both of these were and are paid for by Project Lifesaver International.

Although not separately documented, the new agency start-up costs helps to support both the file server and the database. Thus some of the funds paid by the new agencies coming on board not under the grant went towards the support for both of these necessary items.

The first portion of the grant that funded 100 agencies required that the agency pay \$350 for the instructor fee as well as the travel expense of that instructor. It was understood that under the grant, that Project Lifesaver could not make a profit. In lieu of the agency paying \$350, the agency was charged \$450 with the \$100 difference going towards the up keep cost for the file server and the database.

Supplemental grant funding received included the payment for the instructor's fee and travel expenses. Based on this change and the fact that the grant was paying for the instructor fee, Project Lifesaver, absorbed any additional costs.

Supporting attachments are as follows:

Attachment 2 - Invoices for database operation and support

Attachment 3 - File Server purchase

Attachment 4 - Computer support & maintenance

Attachment 5 – Software Purchase

Both The PLS Database as well as the Fileserver are extremely important parts of the Project Lifesaver Program and operation.

I hope the above explanation and attachments will help to clearly explain and justify the recommendations.

If you have any questions, please feel free to contact me.

Sincerely,



Gene Saunders, Chief Executive Officer and Founder
Project Lifesaver International

**OFFICE OF JUSTICE PROGRAMS
RESPONSE TO DRAFT AUDIT REPORT**




U.S. Department of Justice
Office of Justice Programs
Office of Audit, Assessment, and Management

Washington, D.C. 20531

MAY 11 2015

MEMORANDUM TO: John J. Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin
Director 

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Bureau of Justice Assistance Award to Project Lifesaver International, Chesapeake, Virginia*

This memorandum is in reference to your correspondence, dated April 8, 2015, transmitting the above-referenced draft audit report for Project Lifesaver International (PLI). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **four** recommendations, and **\$208,036** 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 ensures that PLI reconciles grant expenditures to its official accounting records.**

OJP agrees with the recommendation. We will coordinate with PLI to obtain a copy of written policies and procedures, developed and implemented, to ensure that PLI routinely reconciles Federal grant expenditures to their official accounting records.

2. **We recommend that OJP remedy \$188,233 in unsupported personnel costs.**

OJP agrees with the recommendation. We will coordinate with PLI to remedy the \$188,233 in questioned costs, related to unsupported personnel costs that were charged to cooperative agreement number 2009-SJ-BX-K011.

3. We recommend that OJP remedy \$19,803 in unsupported fringe benefits costs.

OJP agrees with the recommendation. We will coordinate with PLI to remedy the \$19,803 in questioned costs, related to unsupported fringe benefits costs that were charged to cooperative agreement number 2009-SJ-BX-K011.

4. We recommend that OJP work with PLI to (1) calculate the actual amount of program income generated by grant-related activities, (2) determine whether PLI spent such program income as stipulated by the OJP Financial Guide, and (3) remedy any misapplied program income, as appropriate.

OJP agrees with the recommendation. We will coordinate with PLI to: (1) ensure that the actual amount of program income generated by grant-related activities was correctly calculated; (2) determine whether PLI spent the program income, as stipulated by the OJP Financial Guide; and (3) recover any misapplied program income, as appropriate.

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.

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**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 Project Lifesaver International (PLI) and the Office of Justice Programs (OJP) for review and official comment. PLI's response is included as Appendix 3 and OJP's response is included as Appendix 4 of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation:

1. Ensure that PLI reconciles grant expenditures to its official accounting records.

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with PLI to obtain a copy of written policies and procedures, developed and implemented, to ensure that PLI routinely reconciles Federal grant expenditures to its official accounting records.

In its response, PLI concurred with our recommendation and stated that, based on the recommendations from its auditors, it implemented the process of reconciling the grant expenditures with its official accounting records. This recommendation can be closed when we receive evidence that PLI has developed and implemented a process for reconciling grant expenditures to its official accounting records.

2. Remedy \$188,233 in unsupported personnel costs.

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with PLI to remedy the \$188,233 in questioned costs, related to unsupported personnel costs.

PLI concurred with our recommendation and as part of its response, provided additional documentation, including personnel time/grant sheets to reflect PLI pay periods. The personnel time/grant sheets reflect the time the individual worked during the pay period as well as the total amount of time spent on the grant during that period. PLI officials stated that due to the short report extension, they were unable to fully research all avenues that would allow them to account for the grant time documents.

We reviewed the documentation provided and recalculated the salaries for the four non-consecutive pay periods in our test sample. While the personnel time/grant sheets accurately reflect the correct pay periods, we found that the payroll costs charged to the grant were not supported by the personnel time/grant sheets provided. In these cases, the amount charged

to the grant exceeded what was supported by the personnel time/grant sheets.

This recommendation can be closed once we receive evidence that OJP has coordinated with PLI to remedy the \$188,233 in questioned costs, related to unsupported personnel costs.

3. Remedy \$19,803 in unsupported fringe benefits costs.

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with PLI to remedy the \$19,803 in questioned costs, related to unsupported fringe benefits costs.

PLI concurred with our recommendation. As part of its response, PLI provided additional documentation, including personnel time/grant sheets to reflect PLI pay periods. PLI also provided the fringe benefit calculation based on the personnel time allocation to the grant. While our review found that PLI properly calculated fringe benefits expense in line with its budget, we question the fringe benefit costs associated with unsupported personnel costs, which total \$19,803. Therefore, this recommendation can be closed once we receive evidence that OJP has coordinated with PLI to remedy the \$19,803 in questioned costs, related to unsupported fringe benefits costs.

4. Work with PLI to (1) calculate the actual amount of program income generated by grant-related activities, (2) determine whether PLI spent such program income as stipulated by the OJP Financial Guide, and (3) remedy any misapplied program income, as appropriate.

Resolved. OJP agreed with our recommendation. OJP stated it will coordinate with PLI to: (1) ensure that the actual amount of program income generated by grant-related activities was correctly calculated; (2) determine whether PLI spent the program income, as stipulated by the OJP Financial Guide; and (3) recover any misapplied program income, as appropriate.

PLI concurred with our recommendation. As part of its response, PLI explained that a new agency entering the program incurs start-up costs, for expenses such as basic start-up equipment, training, and instructor fees. PLI also explained that the start-up costs help support the Project Lifesaver database and the Project Lifesaver file server. In its response, PLI stated that 100 agencies paid \$450, which covered the \$350 instructor fee and associated travel expenses per agency with the remaining \$100 going towards the database and file server cost. While PLI provided documentation, which included invoices for database operation and support, the file server purchase, computer support and maintenance, and software purchase, PLI did not provide documentation supporting the specific amount received from the new agencies. Therefore, we could not verify the amount

received and also could not determine whether PLI actually spent the amounts received on such administrative expenses. We further could not determine whether PLI expended program income prior to requesting additional grant funds. The OJP Financial Guide requires that recipients use program income to pay for program expenses prior to requesting additional grant funds. Therefore, this recommendation can be closed once we receive evidence that OJP has coordinated with PLI to: (1) ensure that the actual amount of program income generated by grant-related activities was correctly calculated; (2) determine whether PLI spent the program income, as stipulated by the OJP Financial Guide; and (3) recover any misapplied program income, as appropriate.

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