



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



**Audit of the Office of Justice Programs  
Correctional Systems and Correctional  
Alternatives on Tribal Lands Program  
Grants Awarded to the Fort Peck  
Assiniboine and Sioux Tribes  
Poplar, Montana**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
CORRECTIONAL SYSTEMS AND CORRECTIONS ALTERNATIVES  
ON TRIBAL LANDS PROGRAM GRANTS AWARDED TO THE FORT  
PECK ASSINIBOINE AND SIOUX TRIBES  
POPLAR, MONTANA**

**EXECUTIVE SUMMARY**

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of grants awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), under the Correctional Systems and Correctional Alternatives on Tribal Lands (CSCATL) Program to the Fort Peck Assiniboine and Sioux Tribes (Fort Peck) in Poplar, Montana.<sup>1</sup> Fort Peck was awarded \$12,942,550 under Grant Numbers 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068 to plan and construct a tribal justice facility associated with the incarceration and rehabilitation of adult offenders subject to tribal jurisdiction.

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

As of November 2014, Fort Peck had drawn down \$12,942,550, representing the entire award for Grant Numbers 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068. We examined Fort Peck's accounting records, financial and progress reports, and operating policies and procedures and found that Fort Peck did not comply with essential award conditions related to the use of funds, performance, and financial controls. Specifically, Fort Peck: (1) was not conducting suspension and debarment checks for contractors paid with grant funds; (2) did not have a policy to maintain documentation to support allocations of employee time among multiple grants; (3) incurred \$246,983 in unallowable costs and \$109,737 in unsupported costs; and (4) did not fully achieve one of four grant objectives for Grant Number 2009-ST-B9-0090 related to providing alternative treatment.

Our report contains six recommendations to OJP. Our audit objective, scope, and methodology are discussed in Appendix 1 and our Schedule of Dollar-Related Findings appears in Appendix 2. In addition, we requested a response to our draft audit report from Fort Peck and OJP, which are appended to this report in Appendices 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.

---

<sup>1</sup> This program was formerly referred to as the Correctional Facilities on Tribal Lands Program.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
CORRECTIONAL SYSTEMS AND CORRECTIONS ALTERNATIVES  
ON TRIBAL LANDS PROGRAM GRANTS AWARDED TO THE FORT  
PECK ASSINIBOINE AND SIOUX TRIBES  
POPLAR, MONTANA**

**TABLE OF CONTENTS**

INTRODUCTION.....	1
Audit Approach.....	1
FINDINGS AND RECOMMENDATIONS .....	3
Grant Financial Management.....	3
Grant Expenditures .....	4
Direct Costs .....	5
Indirect Costs .....	5
Non-Compliance with Special Conditions.....	6
Matching Costs.....	7
Accountable Property .....	8
Budget Management and Control.....	8
Drawdowns.....	9
Federal Financial Reports.....	9
Program Performance.....	11
Categorical Assistance Progress Reports .....	12
Conclusion .....	12
Recommendations .....	12
APPENDIX 1: OBJECTIVES, SCOPE, AND METHODOLOGY.....	14
APPENDIX 2: SCHEDULE OF DOLLAR-RELATED FINDINGS .....	15
APPENDIX 3: FORT PECK ASSINIBOINE AND SIOUX TRIBES POPLAR, MONTANA RESPONSE TO THE DRAFT REPORT.....	16
APPENDIX 4: OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE DRAFT AUDIT REPORT .....	22
APPENDIX 5: OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT .....	26

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
CORRECTIONAL SYSTEMS AND CORRECTIONS ALTERNATIVES  
ON TRIBAL LANDS PROGRAM GRANTS AWARDED TO THE FORT  
PECK ASSINIBOINE AND SIOUX TRIBES  
POPLAR, MONTANA**

**INTRODUCTION**

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of the grants awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), under the Correctional Systems and Correctional Alternatives on Tribal Lands (CSCATL) Program to the Fort Peck Assiniboine and Sioux Tribes (Fort Peck) in Poplar, Montana.<sup>1</sup> Fort Peck was awarded three grants totaling \$12,942,550, as shown in Table 1.

**Table 1  
Grants Awarded to Fort Peck**

<b>AWARD NUMBER</b>	<b>AWARD DATE</b>	<b>PROJECT START DATE</b>	<b>PROJECT END DATE</b>	<b>AWARD AMOUNT</b>
2008-IP-BX-0018	08/21/2008	04/01/2008	12/31/2009	\$137,888
2009-ST-B9-0090	09/21/2009	07/01/2009	05/31/2014	\$12,683,342
2010-IP-BX-0068	09/15/2010	10/01/2010	07/31/2013	\$121,320
<b>Total:</b>				<b>\$12,942,550</b>

Source: OJP

Funding through the CSCATL Program supports efforts related to planning, constructing, and renovating tribal justice facilities associated with the incarceration and rehabilitation of juvenile and adult offenders subject to tribal jurisdiction, including exploring community-based alternatives. In 2010, the CSCATL Program was modified to allow the use of funds to construct multi-purpose justice centers that combine tribal police, courts, and corrections services.<sup>2</sup>

**Audit Approach**

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

<sup>1</sup> This program was formerly referred to as the Correctional Facilities on Tribal Lands Program.

<sup>2</sup> 42 U.S.C. §13709 (2012).

## **DRAFT AUDIT REPORT – LIMITED OFFICIAL USE**

We tested compliance with what we consider to be the most important conditions of the grants. The criteria we audited against are contained in the OJP Financial Guide and the award documents. The results of our analysis are discussed in detail in the Findings and Recommendations section of the report. Appendix 1 contains additional information on this audit's objective, scope, and methodology.

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

### FINDINGS AND RECOMMENDATIONS

Fort Peck was awarded \$12,942,550 under Grant Numbers 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068 to plan and construct a tribal justice facility associated with the incarceration and rehabilitation of adult offenders subject to tribal jurisdiction. The objective of Grant Number 2008-IP-BX-0018 was to complete the planning process for an Adult Correctional Facility Master Plan. After the Master Plan was completed, Grant Number 2009-ST-B9-0090 was awarded to construct a new Adult Correctional Facility. Finally, Grant Number 2010-IP-BX-0068 was awarded to extend water and sewer lines to the Adult Correctional Facility building site. At the time of this audit, Fort Peck had drawn down all funds related to these three grants. According to Fort Peck officials, the facility was substantially completed in January 2014. However, according to Fort Peck officials, due to delays with obtaining Operations and Maintenance funding from the Bureau of Indian Affairs (BIA), within the Department of Interior, the facility was not opened until October 2014. On December 5, 2014, Fort Peck received the permanent Certificate of Occupancy. According to Fort Peck officials, at the time of our fieldwork, the facility was only partially operational due to insufficient staffing.

#### Grant Financial Management

According to the OJP Financial Guide, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. We reviewed the Single Audit Report for 2011 and 2012 to identify any control weaknesses and significant non-compliance issues related to Fort Peck.<sup>3</sup> We also conducted interviews with financial staff and examined policy and procedures to determine whether the grant financial management system Fort Peck uses for the processing and payment of funds adequately safeguard grant funds and ensure compliance with the terms and conditions of the grant.

The 2012 Single Audit noted issues with obtaining documentation to audit the Tribal Credit Department, which was compromised with collusion in 2009 and identified non-compliance with Fort Peck's procurement process. During July 2009, management discovered significant irregularities in the operations of the Tribal Credit Department. Four Tribal employees were dismissed and the irregularities were reported to the BIA. The former Tribal Credit Department employees and others were subsequently indicted for conspiring to steal from an Indian organization and obstructing a federal audit. According to Fort Peck officials, they hired a consultant to assist with restoring the Tribal Credit Department. The issue of collusion in the Tribal Credit Department was also noted in the 2011 Single Audit.

---

<sup>3</sup> The 2013 Single Audit Report was due on June 30, 2014. However, according to Fort Peck officials, due to the departure of the Chief Financial Officer, Fort Peck was unable to complete the audit by the due date. Fort Peck officials explained that they received the draft report on November 18, 2014, and were aware that it was late.

## **DRAFT AUDIT REPORT – LIMITED OFFICIAL USE**

We also reviewed Fort Peck's grant related operations, interviewed Fort Peck officials, and inspected grant award documents. Fort Peck officials provided us with documented policies governing accounting, procurement, receiving, payment, and asset monitoring. Those policies include a tiered payment approval process based upon dollar amount as well as segregation of duties in accounting, purchasing, and payment functions.

The OJP Financial Guide in place at the time Fort Peck entered into contracts for master planning services, architectural design services, and construction services stated that grantees must not award or permit any award at any level to any party which is debarred or suspended from participation in federal assistance programs. We asked Fort Peck officials what their policy was for checking the System for Award Management (SAM), which is the central repository for suspension and debarment actions taken by all federal government agencies. They review SAM for new hires. However, they do not review SAM for contractors. We reviewed SAM for the contractors paid with Grant Number 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068 and did not find any were suspended or debarred. However, according to the current OJP Financial Guide, grantees should establish and implement procedures that ensure federal assistance is not awarded to entities that are prohibited from receiving federal funds. These procedures should include a review of SAM regarding exclusion status. We found that Fort Peck's current policy does not require verification that contractors are not suspended or debarred before a contract is signed.

The OJP Financial Guide also states that, if employees are working on multiple programs or cost activities, the accounting system should be capable of allocating time between grants, which is supported by time sheets or allocation methodology. Currently, Fort Peck does not maintain documentation for allocated time. The tribe was unaware that they had to track this until the Single Audit auditors identified the issue during the 2013 Single Audit. Fort Peck's accounting system has the capability to allocate time, but this function had not been implemented. Although time was not allocated between the multiple grants we reviewed, there is a potential for Fort Peck to insufficiently document allocated time or inappropriately charge more time to grants

Based on the above information, we have concluded that internal controls for Fort Peck's management of potential payments to ineligible parties and policies related to employee time under multiple grants could be improved to mitigate the risk of fraud, waste, and abuse. We recommend that OJP ensure that Fort Peck has a process in place to ensure grant funds are only paid to recipients that are eligible to receive federal funding and implements a process to document time allocations.

### **Grant Expenditures**

We selected a sample of transactions to test from Grant Numbers 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068 to determine whether costs charged were allowable, supported, and properly allocated in compliance with award requirements. The general ledger for Grant Number 2008-IP-BX-0018

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

included 34 transactions totaling \$133,510. We selected 13 transactions for testing totaling \$121,905, which included all FY 2009 expenses and all non-personnel expenses in 2010.<sup>4</sup> The general ledger for Grant Number 2009-ST-B9-0090 included 66 transactions totaling \$12,683,342. We selected 25 transactions to test, totaling \$7,196,275, which included the 4 largest transactions for each of the two contractors, 11 random transactions for the contractors, all non-contractor payments, and 1 transaction without a description. The ledger for Grant Number 2010-IP-BX-0068 contained 15 transactions totaling \$121,320. We selected all transactions for testing. The following sections describe the results of that testing.

### *Direct Costs*

For Grant Number 2008-IP-BX-0018, we identified six unallowable expenditure payments totaling \$1,083. Four expenses, totaling \$141, were for food and refreshments purchased for meetings. These expenditures were not in the grantee's budget for this grant. Two expenses, totaling \$942, were for newspaper advertising solicitations for architects for the construction phase of the detention center. The solicitation for architects for the construction phase is outside the scope of completing a Master Plan. However, the newspaper solicitations were in the grantee's budget for the 2009 grant.

For Grant Number 2009-ST-B9-0090, we identified \$100 in unallowable expenditures for one stipend payment to a tribal member for attending a planning meeting. Payments to tribal members to attend grant related-meetings was not an allowable expense under the grant.

We also identified \$32,564 in unsupported expenses. Two payments totaling \$29,718 were paid to a contractor for pre-construction services. The services were paid for without a contract in place. A contract was drafted, but never signed or dated by any of the parties. The contract also lacked terms and conditions recommended by the OJP Financial Guide including period of performance, key personnel, invoice format, and approved budget lines. Finally, the contract was not in compliance with the tribe's procurement policy, which requires the contract to include a specific dollar limitation for the contract, the statement that lists individuals authorized to make purchases and financial commitments on behalf of Fort Peck, and the requirements of delivery tickets. We also found one payment for \$2,846 for services provided by the architectural firm in the accounting records that was a duplicate entry in the accounting system.

### *Indirect Costs*

We found that Fort Peck was only awarded indirect costs under Grant Number 2008-IP-BX-0018. We selected all indirect costs charged to the grant for

---

<sup>4</sup> Of the 13 transactions from Grant Number 2008-IP-BX-0018, we reviewed supporting documentation for 5 transactions. We were not provided source documentation for eight transactions. However, this grant was closed April 2010. Therefore, it was outside the OJP Financial Guide's records retention requirement of 3 years.



## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

testing. We verified that indirect costs were charged to the grant using the approved rate and did not identify any discrepancies with the indirect cost rate charged to Grant Number 2008-IP-BX-0018.

However, Fort Peck charged \$485 in indirect costs to the grant in June 2010. The OJP Financial Guide allows grantees 90 days after the end date of the award to expend funds. Any funds not liquidated at the end of the 90 day period will revert to the awarding agency, unless a Grant Adjustment Notice (GAN) extending the liquidation period has been approved. For Grant Number 2008-IP-BX-0018, the project end date was on December 31, 2009. Therefore the end of the 90 day liquidation period was on March 31, 2010. This indirect cost charge of \$485 was not allowable.

### *Non-Compliance with Special Conditions*

Under Grant Number 2008-IP-BX-0018, Special Condition Numbers 8 and 9 stated that Fort Peck could not obligate, expend, or drawdown funds until an indirect cost rate was approved by the cognizant federal agency and that the Single Audit report for fiscal year 2006 had been submitted to the Federal Audit Clearinghouse, the Office of the Comptroller has been notified, and GANs were issued removing both the special conditions.<sup>5</sup> We found that Fort Peck submitted GANs with an approved indirect cost rate and the 2006 Single Audit Report in order to remove the Special Conditions, which were approved by OJP on September 17, 2009. However, based on the accounting records, Fort Peck started incurring costs in October 2008. Therefore, from October 2008 to September 17, 2009, Fort Peck inappropriately incurred \$95,445.

Under Grant Number 2009-ST-B9-0090 Special Condition Number 9 stated that the recipient may not obligate, expend, or draw down any funds until the program office has verified that the recipient has submitted all necessary documentation required to comply with DOJ Environmental Impact Review Procedures and a GAN had been issued removing this condition. The GAN to remove the special condition was removed on July 26, 2010. We found that Fort Peck selected a firm to provide architectural design services for the Adult Detention Facility, which was approved by the tribe through a Tribal Resolution on September 28, 2009.<sup>6</sup> The OJP Financial Guide states that an obligation means a legal liability to pay under a grant, sub-grant, and/or contract determinable sums for services or goods incurred during the grant period. During our review, we found that the architectural design contractor submitted an invoice on August 17, 2010 for professional services provided from October 1, 2009 through July 31, 2010 in the amount of \$149,870, which was before the contract was signed. According to BJA officials, there was no partial release of funds prior to the removal of Special Condition Number 9 because there were concerns that grantees could end up

---

<sup>5</sup> Generally, if a grant recipient wants to change project scope, schedule, or budget, the grantee is required to request a GAN through OJP's Grant Management System (GMS).

<sup>6</sup> Fort Peck provided a copy of the contract with the architectural design firm dated August 12, 2010.

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

planning a facility's design, based upon a site that could end up not receiving clearance as a result of the DOJ Environmental Impact Review. BJA officials' understanding was that Fort Peck did not enter into an architectural contract until the funds were released on July 26, 2010. We determined that the services provided by the architectural firm were provided before the removal of Special Condition Number 9 and before the contract was signed, therefore the costs were unallowable.<sup>7</sup>

### *Matching Costs*

Fort Peck was required to expend \$15,321 in local funds for Grant Number 2008-IP-BX-0018, \$1,409,260 for Grant Number 2009-ST-B9-0090, and \$13,480 for Grant Number 2010-IP-BX-0068.<sup>8</sup> According to the OJP Financial Guide, there are two kinds of match, a cash match (hard) includes cash spent for project-related costs or an in-kind match (soft) includes, but is not limited to, the valuation of non-cash contributions. "In-kind" may be in the form of services, supplies, real property, and equipment. Grantees are required to maintain documentation supporting the source, amount, and timing of all matched contributions. We reviewed documentation related to Fort Peck's matching expenditures for the grants.

For the \$62,263 in reported match expenditures for Grant Number 2008-IP-BX-0018, we found that Fort Peck contributed an in-kind match with employee time spent on grant activities and volunteer time. Fort Peck also contributed a cash match for travel, supplies, and other costs including office space, internet connections, and meeting space. We found that Fort Peck had a folder of forms to track each volunteer's time contributed on each day. We found that there was no tracking sheet to calculate the total amount, \$14,440, contributed to the match. Additionally, we found that the forms submitted by employees were not complete. For example, some forms were missing total hours worked, the pay rate, dates of work contributed, or signatures from employees certifying the contribution or a combination of missing items. For the cash contribution, \$900 was charged for supplies, which was not tracked and \$5,180 was charged for travel expenses, but there was no support, for who traveled, when or where. Also, for the in-kind contribution, 520 hours at \$33 per hour was contributed for salary and fringe to manage program reports and procurement for a total of \$20,263. We were not provided any documentation supporting the hours. Finally, \$380 was contributed for the use of the court room for meetings. There was no support for the amount charged or when the meetings occurred. Because grantees are required to

---

<sup>7</sup> The award documents for Grant Number 2009-ST-B9-0090 contained two other Special Conditions that prohibited Fort Peck from obligated, expending, or drawing down funds until a GAN was issued to remove the Special Conditions. Special Condition Number 25 was for the Office of the Chief Financial Officer (OCFO) to approve the budget and budget narrative, which occurred on June 10, 2010. Special Condition Number 26 was for the BJA to review and approve the budget narrative, which occurred on March 23, 2010.

<sup>8</sup> For Grant Number 2008-IP-BX-0018, the total match reported per the final Federal Financial Report (FFR) was \$62,263; \$1,409,260 for Grant Number 2009-ST-B9-0090; and \$33,800 for Grant Number 2010-IP-BX-0068.

## **DRAFT AUDIT REPORT – LIMITED OFFICIAL USE**

maintain documentation supporting the source, amount, and timing of all matched contributions these costs are unsupported.

For Grant Number 2010-IP-BX-0068, we found that Fort Peck contributed an in-kind portion and cash portion for the match requirement. We found that Fort Peck's support for the match was a piece of paper that had \$1,598 in labor costs contributed by a Fort Peck employee for the in-kind portion and a handwritten invoice for labor, machinery, and transportation costs contributed for the installation of the water line for \$32,202 as the cash contribution. According to Fort Peck officials, the in-kind labor costs were for meetings, ordering parts, and ensuring the parts were delivered. The amount was a low estimate, based on 85 hours at \$19 per hour. There was no support for when the labor hours were contributed, as it was based on an estimate. For the installation of the water line, Fort Peck officials explained that \$16,864 was for 6 workers to work 120 hours at \$141 per hour, \$12,544 was for machinery costs for 84 hours at \$150 per hour, and \$2,795 in transportation costs for the mobilization of the loader, backhoes, and work trucks. There was no support besides a Fort Peck official's explanation to indicate when the costs were incurred, who the six workers were, or the total hours incurred. Because grantees are required to maintain documentation supporting the source, amount, and timing of all matched contributions these costs are unsupported.

### *Accountable Property*

According to the OJP Financial Guide, grantees must retain records for property, including a description of the property, manufacturer's serial number or model number, source of property, acquisition date, location of property, and acquisition cost. Fort Peck's final bill from the construction contractor contained a listing of accountable property purchased with Grant Number 2009-ST-B9-0090 funds. We found that the equipment was not entered into the accounting system's fixed asset module. Without a listing of accountable property, we were unable to verify the existence of the equipment. Additionally, according to Fort Peck officials, an inventory audit is performed every 2 years. Without entering accountable property purchased under Grant Number 2009-ST-B9-0090 into the accounting system, there is no way to properly track and monitor the equipment in the future.

Based on our transaction testing, we recommend that OJP remedy \$246,983 in unallowable costs and \$107,527 unsupported expenses. OJP should also ensure Fort Peck has policies and procedures in place to ensure compliance with all grant special conditions, that matching costs are properly supported, and that records of accountable property are properly maintained.

### **Budget Management and Control**

According to the OJP Financial Guide, the grant recipient is responsible for establishing and maintaining an adequate system of accounting and internal controls, which includes presenting and classifying costs of the grant as required for budgetary and evaluation purposes, and providing financial data for planning,

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

controlling, measuring, and evaluating direct and indirect costs. For Grant Number 2008-IP-BX-0018, we analyzed Fort Peck's compliance with the 10-percent rule, which requires grantees to request a budget modification if the movement of dollars between approved budget categories is more than 10-percent. Grant Numbers 2009-ST-B9-0090 and 2010-IP-BX-0068 were both construction grants. Construction grants to state and local governments do not require grantees to request approval for any deviations from the budget unless additional grant funds are necessary.<sup>9</sup> While we did not identify any revisions resulting in the need for additional funds, we noted that Fort Peck requested and received GANs to reallocate budgeted funds between budget categories. With the exception of the four expenses, totaling \$141, that were not in the grantee's budget for Grant Number 2008-IP-BX-0018, we did not identify any issues with Fort Peck's compliance with the 10-percent rule for Grant Number 2008-IP-BX-0018 or any significant deficiencies with Fort Peck's budget management processes.

### Drawdowns

According to the OJP Financial Guide, funds should be requested based upon immediate disbursement or reimbursement need. Drawdown requests should be timed to ensure that federal cash on hand is the minimum needed for disbursements or reimbursements to be made immediately or within 10 days. Fort Peck officials stated grant drawdowns are requested monthly on a reimbursement basis, using reports generated by their accounting system. At the time of this audit, Grant Numbers 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068 were fully drawn down. For Grant Number 2008-IP-BX-0018, we found that tribe had drawn down \$136,315. We were provided support for \$133,510 in expenditures. Therefore, Fort Peck inappropriately received \$2,805 in drawdowns. Fort Peck officials explained that \$595 of the \$2,805 in over drawn funds was returned to OJP in September 2010. Therefore, \$2,210 remained over drawn. We did not identify any significant discrepancies in drawdowns for Grant Numbers 2009-ST-B9-0090 and 2010-IP-BX-0068. We recommend that OJP remedy the \$2,210 identified as excess drawdowns from Grant Number 2008-IP-BX-0018 in addition to the \$354,510 in questioned costs identified previously.

### Federal Financial Reports

According to the OJP Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report. Recipients must report expenditures online using the Federal Financial Report (FFR) no later than 30 days after the end of each calendar quarter costs.<sup>10</sup> To determine whether the FFRs submitted by Fort Peck accurately reflected the grant expenditures; we performed testing of the last four FFRs submitted. We compared the reported expenditures per the FFR to the expenditures in the

---

<sup>9</sup> 28 C.F.R. 66.30 (2013).

<sup>10</sup> The final report must be submitted no later than 90 days following the end of the grant period.

**DRAFT AUDIT REPORT – LIMITED OFFICIAL USE**

accounting records for each period. As shown in Table 2, we identified discrepancies between the expenditures in the accounting records and what was reported in the FFR for Grant Numbers 2008-IP-BX-0018 and 2009-ST-B9-0090.

**Table 2  
FFR Analysis**

AWARD NUMBER	REPORT PERIOD FROM DATES	REPORT PERIOD TO DATES	EXPENDITURES PER FFR	EXPENDITURES PER FFR ACCOUNTING RECORDS	DIFFERENCE	CUMULATIVE DIFFERENCE
<b>2008-IP-BX-0018</b>						
	01/01/2009	03/31/2009	\$28,914	\$28,847	\$67	\$67
	04/01/2009	06/30/2009	\$43,282	\$44,311	(\$1,029)	(\$962)
	07/01/2009	09/30/2009	\$25,623	\$20,580	\$5,043	\$4,081
	10/01/2009	12/31/2009	\$37,051	\$40,537	(\$3,486)	\$595
<b>2009-ST-B9-0090</b>						
	10/01/2013	12/31/2013	\$460,017	\$280,485	\$179,532	\$179,532
	01/01/2014	03/31/2014	\$0	\$52,222	(\$52,222)	\$127,310
	04/01/2014	05/31/2014	\$0	\$127,310	(\$127,310)	\$0

Source: OJP and Fort Peck

For Grant Number 2008-IP-BX-0018, the \$67 difference for the period ended March 31, 2009. On April 1, 2009, Fort Peck entered the \$67 expense into the accounting records. Therefore, the difference occurred due to the timing of expenditures being recorded in the accounting records. For the remaining reporting periods, the differences were corrected with adjusting entries in the accounting records subsequent to the FFR reporting of expenditures. However, we found that the cumulative expenditures in the final FFR over reported the total expenditures per Fort Peck’s accounting records by \$595. According to Fort Peck officials, the \$595 was returned to OJP in September 2010.<sup>11</sup>

Fort Peck officials explained that for Grant Number 2009-ST-B9-0090 the differences were due to a double entry of \$260,875 that occurred in December 2013. This double entry caused the grant to appear to be fully expended. In January 2014, the error in the accounting records was corrected. According to Fort Peck officials this is why the grant showed fully expended on the December 2013 FFR, but expenses were shown in the accounting records through May 2014. Cumulative expenditures in the final FFR matched the Fort Peck accounting records for Grant Number 2009-ST-B9-0090.

For Grant Number 2010-IP-BX-0068, we did not identify any discrepancies for the last 4 quarters and cumulative expenditures in the final FFR matched Fort Peck’s accounting records. The FFRs did not identify any program income for any of the grants.

<sup>11</sup> Fort Peck reported expenditures based on the accounting records, which included the \$2,210 in excess drawdowns identified in the Drawdowns section of this report. For our analysis of FFRs, we used the accounting records that included the \$2,210 in excess drawdowns.

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

### Program Performance

Fort Peck was awarded three grants all related to the construction of an Adult Correctional Facility. The goal for Grant Number 2008-IP-BX-0018 was to complete a Master Plan. We were provided a copy of the October 2009 Master Plan completed with the grant funds. Therefore the goal of Grant Number 2008-IP-BX-0018 was met.

The objective of Grant Number 2009-ST-B9-0090 was to build an Adult Correctional Facility, with the goals of: (1) enhancing public safety by providing a facility with adequate capacity that allows for swift and sure punishment, appropriate consequences, and deterrence in response to criminal behavior; (2) participating in the American Recovery Act of 2009 by providing jobs and essential services through timely implementation of new construction and purchase of materials and supplies through by "buying American;" (3) promoting spiritual and cultural connection in the provision of programs and self-help opportunities for offenders and their families; and (4) utilizing efficiently utilize regional resources through collaborative planning and implementation of the Fort Peck Adult Correctional Facility by ensuring participation of federal government agencies, local governments, and the tribal community.

Although Fort Peck completed the overall objective of constructing an Adult Correctional Facility, we found that the facility is only partially operational. According to Fort Peck officials, operations and maintenance funding is provided through a Public Law 93-638 contract with the BIA. The BIA provides funding to the tribe to self-operate the facility. The current operations and maintenance funding provided by the BIA supports 22 correctional officers. For the facility to be fully staffed and operational, Fort Peck needs 35 correctional officers and 6 to 7 administrative positions. Additionally, we determined that Fort Peck did not fully achieve the third grant objective, which was to build a facility to promote spiritual and cultural connection in the provision of programs and self-help opportunities for offenders and their families. Due to the staffing shortage, the alternative treatment programs were not operational at the time of our fieldwork.

The goal of Grant Number 2010-IP-BX-0068 was to connect the Adult Correctional Facility with the sewer and water lines. We reviewed all transactions paid for with grant funds and toured the facility and saw that the facility had water and working toilet facilities.

Grantees are required to obtain prior approval from the awarding agency for changes to scope or objectives of a grant funded project, regardless of whether there is an associated budget revision.<sup>12</sup> Fort Peck did not submit a GAN to change any of the objectives of the Grant Number 2009-ST-B9-0090. While Grant Numbers 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068 were officially closed by OJP, we recommend that OJP ensures that Fort Peck completes all planned objectives for Grant Number 2009-ST-B9-0090.

---

<sup>12</sup> 28 C.F.R. 66.30.

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

### *Categorical Assistance Progress Reports*

According to the OJP Financial Guide, progress reports are prepared twice a year and are used to describe performance of activities or the accomplishment of objectives as set forth in the award application. Progress reports must be submitted within 30 days of the end of the reporting period, which are June 30th and December 31st. Therefore, progress reports are due semi-annually on January 30th and July 30th for the life of the award.<sup>13</sup> To determine whether the progress reports submitted by Fort Peck accurately reflected the activity of the grant, we performed testing of some of the accomplishments described in the last two Categorical Assistance Progress Reports for Grant Numbers 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068. We did not identify significant discrepancies with accomplishments described in the progress reports.

### **Conclusion**

The objective of this 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. We examined Fort Peck's accounting records, budget documents, financial and progress reports, and financial management procedures. We found that Fort Peck does not check SAM to ensure grant funds are not paid to suspended or debarred parties, does not maintain documentation to support allocations of employee time among multiple grants, did not fully achieve one of the four grant objectives for Grant Number 2009-ST-B9-0090, incurred \$138,176 in questioned costs under Grant Number 2008-IP-BX-0018, \$182,534 under Grant Number 2009-ST-B9-0090, and \$33,800 under Grant Number 2010-IP-BX-0068, and overdrew grant funds for Grant Number 2008-IP-BX-0018 by \$2,210.

We made six recommendations to improve Fort Peck's management of awards.

### **Recommendations**

We recommend that OJP:

1. Ensure Fort Peck develops and implements a process to ensure grant funds are only paid to recipients that are eligible to receive federal funding.
2. Ensure Fort Peck implements a process to ensure employee time allocated to multiple grants is properly supported.
3. Remedy \$246,983 in unallowable costs associated with the following issues:

---

<sup>13</sup> Generally, the final report is due within 90 days after the end date of the award.

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

- a. \$141 in grant reimbursements from Grant Number 2008-IP-BX-0018 for unbudgeted expenses.
  - b. \$942 in grant reimbursements from Grant Number 2008-IP-BX-0018 for advertisement expenses that were not within the scope of the award.
  - c. \$100 in grant reimbursements from Grant Number 2009-ST-B9-0090 for one stipend payment to a tribal member for attending a planning meeting.
  - d. \$485 in grant reimbursements from Grant Number 2008-IP-BX-0018 for indirect costs charged to the grant after the 90 day liquidation period.
  - e. \$95,445 in grant reimbursements from Grant Number 2008-IP-BX-0018 expended prior to the removal of Special Condition Number 8 and 9 and release of funds.
  - f. \$149,870 in grant reimbursements from Grant Number 2009-ST-B9-0090 expended on architectural services which are unallowable because the costs were incurred prior to the removal of Special Condition Number 9 and release of funds.
4. Remedy \$109,737 in unsupported costs associated with the following issues:
    - a. \$29,718 in grant reimbursements from Grant Number 2009-ST-B9-0090 for pre-construction services that were not properly supported.
    - b. \$2,846 in grant reimbursements from Grant Number 2009-ST-B9-0090 for a duplicate entry in the accounting records.
    - c. \$41,163 in match expenditures from Grant Number 2008-IP-BX-0018 for unsupported employee time, volunteer services, supplies, and travel.
    - d. \$33,800 in match expenditures from Grant Number 2010-IP-BX-0068 for unsupported employee time, machinery costs, labor, and transportation costs.
    - e. \$2,210 in grant reimbursements for Grant Number 2008-IP-BX-0018 that were not supported by grant accounting records.
  5. Ensures Fort Peck has policy and procedures in place to ensure compliance with all grant special conditions, that matching costs are properly supported and documented, and that records of accountable property are properly maintained.
  6. Ensure Fort Peck completes all planned objectives for Grant Number 2009-ST-B9-0090.



**OBJECTIVES, SCOPE, AND METHODOLOGY**

The objective of this 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. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance.

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 the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), grants awarded to Fort Peck under the Correctional Systems and Correctional Alternatives on Tribal Lands (CSCATL) Program. Fort Peck was awarded \$12,942,550 under Grant Numbers 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068. Our audit concentrated on, but was not limited to August 21, 2008, the award date for Grant Number 2008-IP-BX-0018, through November 20, 2014, the last day of our fieldwork. At the time of our audit, funds from all grants had been fully drawdown and each grant had been closed.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of Fort Peck's activities related to the audited grants. We performed sample-based audit testing for grant expenditures, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant reviewed, such as unique payroll and fringe benefits adjustments throughout the year. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. Unless otherwise stated in our report, the criteria we audit against are contained in the OJP Financial Guide and the award documents. In addition, we evaluated Fort Peck's (1) grant financial management, including grant-related procedures in place for financial status reports, progress reports, procurement, and contractor monitoring; (2) budget management and controls; (3) drawdowns, and (4) program performance.

During our audit, we obtained information from OJP's Grant Management System (GMS) as well as the Fort Peck's accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole. Any findings related to information received from those systems were verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<b><u>QUESTIONED COSTS</u></b> <sup>14</sup>	<b>AMOUNT</b>	<b>PAGE</b>
<b><u>Unallowable Costs</u></b>		
Meals	\$141	5
Advertising	942	5
Stipend Payment	100	5
Outside Project Period	485	6
Non-Compliance with Grant Special Conditions	245,315	6, 7
<b>Total Unallowable Costs</b>	<b>\$246,983</b>	
<b><u>Unsupported Costs</u></b>		
Pre-Construction Services	\$29,718	5
Duplicate Entry in Accounting System	2,846	5
Matching Costs	74,963	7, 8
Overdrawn Grant Funds	2,210	9
<b>Total Unsupported Costs</b>	<b>\$109,737</b>	
<b><u>GROSS QUESTIONED COSTS</u></b>		
<i>Less Duplicative Costs</i> <sup>15</sup>	\$1,065	
<b>NET QUESTIONED COSTS</b>	<b>\$355,655</b>	

---

<sup>14</sup> **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; 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>15</sup> Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which include meal (\$123) and advertising costs (\$942) from Grant Number 2008-IP-BX-0018 that were also unallowable because they were incurred prior to the removal of Special Condition Numbers 8 and 9.

FORT PECK ASSINIBOINE AND SIOUX TRIBES  
POPLAR, MONTANA  
RESPONSE TO THE DRAFT REPORT<sup>16</sup>

FORT PECK TRIBES  
Assiniboine & Sioux

April 9, 2015

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, Colorado 80203

Dear Mr. Sheeren:

We have reviewed the Draft Audit Report issued by the United States Department of Justice Office of the Inspector General Audit Division.

Additionally, we received a letter dated March 19, 2015 under your signature requesting our official response to the report within 21 days from March 19, 2015.

This response is written as follows:

- The OJP recommendation/finding is reprinted
- Our response states whether we agree or disagree with each of the recommendations. This indication is at the beginning of each response in bold red
- Our response to the recommendation/finding is written in red

**General comment about disallowed expenses**

The Tribe has paid for a substantial portion of the cost of this project out of its own pocket. The General Fund program 6105 has incurred substantial costs. Any cost disallowed as a result of this field review could be transferred to the general fund program (6105) and the cost replaced by an allowable cost from program 6105. Ft. Peck Tribe feels this exchange of costs is sufficient to reduce the disallowed costs to zero.

1. Ensure Fort Peck develops and implements a process to ensure grant funds are only paid to recipients that are eligible to receive federal funding.

**Agree**

Ft. Peck has in the past used the Excluded Parties Listing Service (EPLS). This system is now included in the System for Award Management (SAM). A copy of the policy is attached.

Poplar, Montana 59255

P.O. Box 1027

(406) 768-2300  
1

<sup>16</sup> Attachments to this response were not included in this final report.

## FORT PECK TRIBES

Assiniboine & Sioux

Please provide the names of the contractors/vendors where this information has been omitted.

2. Ensure Fort Peck implements a process to ensure employee time allocated to multiple grants is properly supported.

**Agree**

Ft. Peck is in the process of reviewing the new Super Circular to determine what policy changes need to be made.

This new circular has changed the requirements for time and effort tracking.

3. Remedy \$246,983 in unallowable costs associated with the following issues:
  - a. \$141 in grant reimbursements from Grant number 2008-IP-BX-0018 for unbudgeted expenses.

**Agree**

The amount is immaterial. See general comment about disallowed expenses.

- b. \$942 in grant reimbursements from Grant Number 2008-IP-BX-0018 for advertisement expenses that were not within the scope of the award.

**Agree**

The amount is immaterial. See general comment about disallowed expenses.

- c. \$100 in grant reimbursements from Grant Number 2008-ST-B9-0090 for one stipend payment to a tribal member for attending a planning meeting.

**Agree**

The amount is immaterial. See general comment about disallowed expenses.

- d. \$485 in grant reimbursements from Grant Number 2008-IP-BX-0018 for indirect costs charged to the grant after the 90-day liquidation period.

**Agree**

The amount is immaterial. See general comment about disallowed expenses.

- e. \$95,445 in grant reimbursements from Grant Number 2008-IP-BX-0018 expended prior to the removal of Special Condition Number 8 and 9 and release of funds.

**Disagree**

The Special conditions 8 and 9 read as follows:

8. An indirect cost rate for the recipient has not been approved; therefore, the recipient agrees not to drawdown federal funds for indirect costs until a



## FORT PECK TRIBES

Assiniboine & Sioux

rate has been approved by the cognizant federal agency, and a Grant Adjustment Notice has been issued removing this Special Condition.

### Response

The indirect cost rate agreement for the years ended 09.30.2008 and 2009 was negotiated on May 6, 2009. This is prior to the drawdown of any funds. The first drawdown was in November 2009.

9. The recipient may not obligate, expend, or draw down funds until the audit report for its fiscal year 2006 has been submitted to the Federal Audit Clearinghouse, the Office of the Comptroller has been notified at [askocfo@usdoj.gov](mailto:askocfo@usdoj.gov) and a Grant Adjustment Notice has been issued removing this special condition.

### Response

The A-133 Single Audit Report for 2006 was submitted to the Clearinghouse on 07/28/08.

The first expenditure was during the quarter ending December 31, 2008 as per the 269a.

The first drawdown was in November 2009.

Ft. Peck improved their email system and no longer uses outlook. As a result, the history of sent email is not available. However, we believe the Office of the Comptroller was timely notified.

Please provide us with a copy of the Grant Adjustment Notice (GAN). We cannot locate the document.

- f. \$149,870 in grant reimbursements from Grant Number 2008-ST-B9-0090 expended on architectural services which are unallowable because the costs were incurred prior to the removal of Special condition Number 9 and release of funds.

The Special conditions 9 reads as follows:

9. The recipient may not obligate, expend or draw down any funds until the program office has verified that the recipient has submitted all necessary documentation required to comply with Department of Justice environmental impact review procedures for the VOI/TIS grant program found at 28 CFR Part 91 Subpart D and a Grant Adjustment Notice has been issued removing this Condition.

### Disagree

Grant Number 2008-ST-0090 was a project to construct a 102-bed adult detention center to meet current and future needs on the Fort Peck Reservation. The project budget was in excess of \$12 million.

## FORT PECK TRIBES

Assiniboine & Sioux

A project of this size and complexity requires a substantial amount of project management skills. Timing and the management of various required tasks are crucial to completing the project on time and on budget.

The Department of Justice requires compliances with the National Environmental Policy Act (NEPA) for the construction of facilities using DOJ funds. The NEPA analysis involves an Environmental Assessment that requires at a minimum 2 alternatives and one no action alternative.

In order to adequately address any human and natural resource concerns, the alternatives must approximate the size, scope, and exact location of the final project. Specifically, water usage and source, waste water treatment and volumes, air emissions sources, traffic data are generated based on some preliminary design of the final project and it's expected service population. The public has to have some idea of the project dimensions, location, and activity in order to provide needed comments to the project managers.

This was accomplished by contracting with CTA Architects and Engineers.

The project suffered no damages. The advance completion of the services provided by CTA was an integral and required part of the overall project. The overall effect of the advance performance of this service was immaterial to the project.

The contract required performance of the contract in a specific time period. Failure to complete the contract within the time period could result in a breach and result in incurring substantial monetary damages.

Based on this, requesting the return of \$149,870 in costs is unwarranted.

The outlook email system has been discontinued. As a result, there is no history of sent email available to determine if an email was sent to askocfo@usdoj.gov.

4. Remedy \$109,737 in unsupported costs associated with the following issues:
  - a. \$29,718 in grant reimbursements from Grant Number 2008-ST-B9-0090 for pre-construction services that were not properly supported.

**Disagree**

The signed contract copy is provided on the CD included with this response.

- b. \$2,846 in grant reimbursements from Grant Number 2008-ST-B9-0090 for a duplicate entry in the accounting records.

**Disagree**



## FORT PECK TRIBES

Assiniboine & Sioux

There is a subsequent entry to reverse this amount.

- c. \$41,163 in match expenditures from Grant Number 2008-IP-BX-0018 for unsupported employee time, volunteer services supplies, and travel.

### Disagree

General comment about match:

The Tribe has contributed amounts well in excess of the required amounts. There is an analysis of the match provided in an Excel spreadsheet. Documents supporting the match are attached. The total cash based out of pocket financial support provided by the Tribe is well in excess of \$1 million. This amount more than satisfies the contractual match requires discussed in items 4(c) and 4(d).

We request the DOJ consider OMB Circular A-110 pertaining to budget modifications. The following is from OMB A0110 .25 Revision of budgets and program plans subsection (f):

(f) The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for awards in which the Federal share of the project exceeds \$100,000 and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency. No Federal-awarding agency shall permit a transfer that would cause any Federal appropriation or part thereof to be used for purposes other than those consistent with the original intent of the appropriation.

The amounts of the match are less than 10% of the total budget. Based on this, the budgets can be modified by the Tribe as necessary.

- d. \$33,800 in match expenditures from Grant Number 2010-IP-BX-0068 for unsupported employee time, machinery cost, labor, and transportation costs.

### Disagree

The Grant does not include anything about a match.

However, the Tribe has contributed a substantial amount of cash toward the completion of this project. The payments to LSC, Inc. and Interstate Engineering total \$78,087.55. This amount exceeds the \$33,800 match amount.

- e. \$2,210 in grant reimbursements from Grant Number 2008-IP-BX-0018 that were not supported by grant accounting records

## FORT PECK TRIBES

Assiniboine & Sioux

**Agree**

The amount is immaterial. See general comment about disallowed expenses.

5. Ensures Fort Peck has policy and procedures in place to ensure compliance with all grant special conditions that matching costs are properly supported and documented, and that records of accountable property are properly maintained.

**Agree**

6. Ensure Fort Peck completes all planned objectives for Grant Number 2009-ST-B9-0090

**Agree**

If you need additional information please contact Jackie Weeks at 406-768-2302.

Sincerely



A. T. Stafne, Chairman  
Enclosures



OFFICE OF JUSTICE PROGRAMS  
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs



Office of Audit, Assessment, and Management

---

Washington, D.C. 20531

APR 17 2015

MEMORANDUM TO: David M. Sheeren  
Regional Audit Manager  
Denver 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, Correctional Systems and Correctional Alternatives on Tribal Lands Program, Grants Awarded to the Fort Peck Assiniboine and Sioux Tribes, Poplar, Montana*

This memorandum is in reference to your correspondence, dated March 19, 2015, transmitting the above-referenced draft audit report for the Fort Peck Assiniboine and Sioux Tribes (Fort Peck). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **six** recommendations and **\$355,655<sup>1</sup>** 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 ensures that Fort Peck develops and implements a process to ensure grant funds are only paid to recipients that are eligible to receive Federal funding.**

OJP agrees with the recommendation. We will coordinate with Fort Peck to obtain a copy of policies and procedures, developed and implemented, to ensure that grant funds are only paid to recipients eligible to receive Federal funding.

---

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

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

2. **We recommend that OJP ensures Fort Peck implements a process to ensure employee time allocated to multiple grants is properly supported.**

OJP agrees with the recommendation. We will coordinate with Fort Peck to obtain a copy of policies and procedures, developed and implemented, to ensure that proper support is maintained for employees that allocate their time to multiple grants.

3. **We recommend that OJP remedy \$246,983 in unallowable costs associated with the following issues:**

- a. **Remedy \$141 in grant reimbursements from Grant Number 2008-IP-BX-0018 for unbudgeted expenses.**
- b. **Remedy \$942 in grant reimbursements from Grant Number 2008-IP-BX-0018 for advertisement expenses that were not within the scope of the award.**
- c. **Remedy \$100 in grant reimbursements from Grant Number 2009-ST-B9-0090 for one stipend payment to a tribal member for attending a planning meeting.**
- d. **Remedy \$485 in grant reimbursements from Grant Number 2008-IP-BX-0018 for indirect costs charged to the grant after the 90 day liquidation period.**
- e. **Remedy \$95,445 in grant reimbursements from Grant Number 2008-IP-BX-0018 expended prior to the removal of Special Condition Numbers 8 and 9 and release of funds.**
- f. **Remedy \$149,870 in grant reimbursements from Grant Number 2009-ST-B9-0090 expended on architectural services which are unallowable because the costs were incurred prior to the removal of Special Condition Number 9 and release of funds.**

OJP agrees with the recommendation. We will coordinate with Fort Peck to remedy the \$246,983 in questioned costs, related to the items listed above, that were charged to Grant Numbers 2008-IP-BX-0018 and 2009-ST-B9-0090.

4. **We recommend that OJP remedy \$109,737 in unsupported costs associated with the following issues:**

- a. **Remedy \$29,718 in grant reimbursements from Grant Number 2009-ST-B9-0090 for pre-construction services that were not properly supported.**
- b. **Remedy \$2,846 in grant reimbursements from Grant Number 2009-ST-B9-0090 for a duplicate entry in the accounting records.**

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

- c. **Remedy \$41,163 in match expenditures from Grant Number 2008-IP-BX-0018 for unsupported employee time, volunteer services, supplies, and travel.**
- d. **Remedy \$33,800 in match expenditures from Grant Number 2010-IP-BX-0068 for unsupported employee time, machinery costs, labor, and transportation costs.**
- e. **Remedy \$2,210 in grant reimbursements from Grant Number 2008-IP-BX-0018 that were not supported by grant accounting records.**

OJP agrees with the recommendation. We will coordinate with Fort Peck to remedy the \$109,737 in questioned costs, related to the items listed above, that were charged to Grant Numbers 2008-IP-BX-0018, 2009-ST-B9-0090, and 2010-IP-BX-0068.

- 5. **We recommend that OJP ensures Fort Peck has policies and procedures in place to ensure compliance with all grant special conditions, that matching costs are properly supported and documented, and that records of accountable property are properly maintained.**

OJP agrees with the recommendation. We will coordinate with Fort Peck to obtain a copy of policies and procedures, developed and implemented, to ensure: compliance with all grant special conditions, that matching costs are properly supported and documented, and that records of accountable property are properly maintained.

- 6. **We recommend that OJP ensures Fort Peck completes all planned objectives for Grant Number 2009-ST-B9-0090.**

OJP agrees with the recommendation. We will coordinate with Fort Peck to ensure that the planned objectives for Grant Number 2009-ST-B9-0090 are completed.

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

**DRAFT AUDIT REPORT – LIMITED OFFICIAL USE**

cc: Eileen Garry  
Deputy Director  
Bureau of Justice Assistance

Amanda LoCicero  
Budget Analyst  
Bureau of Justice Assistance

Dara Schulman  
Grant Program Specialist  
Bureau of Justice Assistance

Leigh A. Benda  
Chief Financial Officer

Christal McNeil-Wright  
Associate Chief Financial Officer  
Grants Financial Management Division  
Office of the Chief Financial Officer

Jerry Conty  
Assistant Chief Financial Officer  
Grants Financial Management Division  
Office of the Chief Financial Officer

Aida Brumme  
Acting Manager, Evaluation and Oversight Branch  
Grants Financial Management Division  
Office of the Chief Financial Officer

Jackie A. Weeks  
Tribal Operations Officer  
Fort Peck Assiniboine and Sioux Tribes  
(Provided electronically at: [jweeks@fortpecktribes.net](mailto:jweeks@fortpecktribes.net))

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

OJP Executive Secretariat  
Control Number IT20150319163019

**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 Fort Peck and the OJP. Fort Peck's response is incorporated as Appendix 3 of this final report, and OJP's response is included as Appendix 4. The following provides the OIG's analysis of the responses and summary of actions necessary to close the report.

**Analysis of Fort Peck and OJP Responses**

In its response, OJP concurred with our recommendations and stated that it will coordinate with Fort Peck to address our recommendations.

In its response, Fort Peck made a general comment that it paid for a substantial portion of the cost of this project out of its own funds. Fort Peck further stated that any questioned costs that resulted from the audit could be charged to the general fund and replaced with allowable costs from the general fund, which Fort Peck believes would be sufficient to remedy any questioned costs. However, Fort Peck did not identify which transactions would be allowable or provide any supporting documentation in order for us to verify allowability.

**Summary of Actions Necessary to Close the Report:**

- 1. Ensure Fort Peck develops and implements a process to ensure grant funds are only paid to recipients that are eligible to receive federal funding.**

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with Fort Peck to obtain a copy of written policies and procedures, developed and implemented, to ensure that grant funds are only paid to recipients eligible to receive federal funding.

In its response, Fort Peck concurred with our recommendation and provided a copy of the policy. The policy requires that for all potential vendors who provide a service of \$1,000 or more to undergo a computer search to verify suspended or debarred status. Based on our review, Fort Peck's policy should be updated to reflect that every vendor undergo a search in SAM to verify suspended or debarred status regardless of dollar value.

This recommendation can be closed when we receive evidence that Fort Peck has developed and implemented policies and procedures that ensure grant funds are only paid to recipients eligible to receive federal funding.

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

### **2. Ensure Fort Peck implements a process to ensure employee time allocated to multiple grants is properly supported.**

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with Fort Peck to obtain a copy of written policies and procedures, developed and implemented, to ensure that proper support is maintained for employees that allocate their time to multiple grants.

In its response, Fort Peck concurred with our recommendation and explained it is in the process of reviewing new regulations to determine what policy changes need to be made for time and effort tracking.

This recommendation can be closed when we receive documentation that Fort Peck has developed and implemented policies and procedures that ensure proper support is maintained for employees that allocate their time to multiple grants.

### **3. Remedy \$246,983 in unallowable costs associated with the following issues:**

- a. \$141 in grant reimbursements from Grant Number 2008-IP-BX-0018 for unbudgeted expenses.
- b. \$942 in grant reimbursements from Grant Number 2008-IP-BX-0018 for advertisement expenses that were not within the scope of the award.
- c. \$100 in grant reimbursements from Grant Number 2009-ST-B9-0090 for one stipend payment to a tribal member for attending a planning meeting.
- d. \$485 in grant reimbursements from Grant Number 2008-IP-BX-0018 for indirect costs charged to the grant after the 90 day liquidation period.
- e. \$95,445 in grant reimbursements from Grant Number 2008-IP-BX-0018 expended prior to the removal of Special Condition Number 8 and 9 and release of funds.
- f. \$149,870 in grant reimbursements from Grant Number 2009-ST-B9-0090 expended on architectural services which are unallowable because the costs were incurred prior to the removal of Special Condition Number 9 and release of funds.

Resolved. OJP concurred with our recommendation. The OJP stated in its response that it will coordinate with Fort Peck to remedy the \$246,983 in unallowable expenditures.

Fort Peck responded to each of the six unallowable expenditure categories separately and had the following comments related to the specific recommendations.

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

For recommendations subpart a through subpart d, Fort Peck concurred with our recommendation and as part of its general comment believes these costs can be remedied with other costs paid from Fort Peck's general fund. However, we were not provided detail on which expenses could be used from the general fund to ensure allowability.

For subpart e, Fort Peck did not agree with our recommendation and stated in its response that for Special Condition Number 8, the indirect cost rate agreement for years 2008 and 2009 was negotiated on May 6, 2009, which was prior to its first drawdown of funds in November 2009. Fort Peck further explained that for Special Condition Number 9, it submitted the 2006 Single Audit Report to the Federal Audit Clearinghouse on July 28, 2008, which was before its first expenditure during the quarter ending December 31, 2008. Fort Peck believes that the Office of the Comptroller was notified timely that the 2006 Single Audit Report was submitted. However, due to an e-mail system upgrade, Fort Peck could not locate the e-mail history to support the notification.

As explained in our report, the Grant Adjustment Notices (GAN) issued to remove Special Condition Numbers 8 and 9 occurred on September 17, 2009. Fort Peck was not permitted to incur indirect or direct expenses prior to receiving the GANs to remove Special Condition Numbers 8 and 9. Based on the accounting records, Fort Peck started incurring costs in October 2008. Therefore, from October 2008 to September 17, 2009, Fort Peck inappropriately incurred expenditures of \$95,445.

For subpart f, Fort Peck did not agree with our recommendation and stated in its response the advance completion of services provided by CTA Architects and Engineers before the DOJ Environmental Impact Review was an integral and required part of the overall project. Additionally, Fort Peck stated that the contract with CTA Architects and Engineers required performance of the contract in a specific time period, which could have resulted in a breach and substantial monetary damages if there was a failure to timely complete the contract.

As stated in our report, according to BJA officials, the release of funds prior to the removal of Special Condition Number 9 was not permitted because there were concerns that grantees could end up planning a facility's design, based upon a site that could end up not receiving clearance as a result of the DOJ Environmental Impact Review. Additionally, Special Condition Number 9 states that no funds were to be obligated prior to the removal of the Special Condition with the issuance of a GAN. Entering into a contract is defined as an obligation. Therefore, the contract with CTA Architects and Engineers should not have been entered into prior to the issuance of the GAN.

This recommendation can be closed when we receive documentation supporting that the \$246,983 in unallowable expenditures has been remedied.

## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

### 4. Remedy \$109,737 in unsupported costs associated with the following issues:

- a. \$29,718 in grant reimbursements from Grant Number 2009-ST-B9-0090 for pre-construction services that were not properly supported.
- b. \$2,846 in grant reimbursements from Grant Number 2009-ST-B9-0090 for a duplicate entry in the accounting records.
- c. \$41,163 in match expenditures from Grant Number 2008-IP-BX-0018 for unsupported employee time, volunteer services, supplies, and travel.
- d. \$33,800 in match expenditures from Grant Number 2010-IP-BX-0068 for unsupported employee time, machinery costs, labor, and transportation costs.
- e. \$2,210 in grant reimbursements for Grant Number 2008-IP-BX-0018 that were not supported by grant accounting records.

Resolved. OJP concurred with our recommendation. The OJP stated in its response that it will coordinate with Fort Peck to remedy the \$109,737 in unsupported expenditures.

Fort Peck responded to each of the five unsupported expenditure categories separately and had the following comments related to the specific recommendations.

For recommendation subpart a, Fort Peck did not agree that the \$29,718 for pre-construction services was not properly supported. Fort Peck provided a signed complete copy of the contract, which had not previously been provided. These costs are therefore supported.

For subpart b, Fort Peck did not agree that \$2,846 in grant reimbursements from Grant Number 2009-ST-89-0090 for a duplicate entry in the accounting records was not supported. It stated in its response that there is a subsequent entry to reverse this amount and provided a printout from the accounting system showing the reversal, which had not been previously provided. Although we were able to verify the reversal, this grant has been fully drawn down. Therefore, the duplicate entry resulted in an unsupported drawdown that cannot be remedied by the reversing entry.

For subpart c, Fort Peck did not agree that the \$41,163 in match expenditures from Grant Number 2008-IP-BX-0018 was not supported. Fort Peck provided timesheets to support \$23,888 contributed as in-kind match for the salary and fringe of an employee to manage program reports and procurement. The other costs Fort Peck originally provided as matching costs included: \$5,180 for travel, \$900 in office supplies, \$380 in meeting



## DRAFT AUDIT REPORT – LIMITED OFFICIAL USE

space costs, and \$14,724 in volunteer time. Fort Peck did not provide any additional support for these costs. Rather, Fort Peck stated in its response that it has contributed well in excess of \$1 million towards the financial support of the project. Fort Peck explained that this amount more than satisfies the contractual match required. Although Fort Peck stated it has contributed \$1 million for the project, we have not been provided documentation to support \$17,275 in expenditures to fulfill the match requirement for Grant Number 2008-IP-BX-0018.

For subpart d, Fort Peck did not agree that \$33,800 in match expenditures for Grant Number 2010-IP-BX-0068 for employee time, machinery cost, labor, and transportation costs was not supported. Fort Peck stated that the grant did not include a required match. However, Fort Peck stated that the total amount of cash contributed by Fort Peck to the project was \$78,088, which exceeded the \$33,800 match. We found that the final approved budget included \$33,800 as Fort Peck's non-federal share, which was to be contributed by Fort Peck and was part of the minimum 10-percent match amount required for the grant. We found no GAN removing the requirement for Fort Peck to contribute funds to the project. Fort Peck provided documentation that was not previously provided to support \$33,800 in expenditures contributed to support the match requirement, therefore these costs are supported.

For subpart e, Fort Peck concurred with our recommendation that \$2,210 in grant reimbursements from Grant Number 2008-IP-BX-0018 were not supported.

Additionally, Fort Peck provided an invoice and payment for \$564,266 paid for paving the road, curbs, gutters, and the parking lot. Fort Peck explained that this payment represents match in general for this project and pertains to all three grants. However, the pay applications from the contractor were dated June 18, 2014 and July 17, 2014. These services were incurred after the closure of all three DOJ grants and therefore cannot be considered as match.

This recommendation can be closed when we receive documentation that the \$22,331 in remaining unsupported expenditures has been remedied. This includes \$2,846 in grant reimbursements from Grant Number 2009-ST-B9-0090 for a duplicate entry in the accounting records; \$17,275 in match expenditures from Grant Number 2008-IP-BX-0018 for unsupported, volunteer services, supplies, and travel; and \$2,210 in grant reimbursements for Grant Number 2008-IP-BX-0018 that were not supported by grant accounting records. Of the original \$109,737 in unsupported costs, Fort Peck provided documentation that was not previously provided to support \$87,406.

- 5. Ensures Fort Peck has policy and procedures in place to ensure compliance with all grant special conditions, that matching costs are**

**DRAFT AUDIT REPORT – LIMITED OFFICIAL USE**

**properly supported and documented, and that records of accountable property are properly maintained.**

Resolved. OJP concurred with our recommendation. The OJP stated in its response that it will coordinate with Fort Peck to obtain a copy of policies and procedures, developed and implemented, to ensure: compliance with all grant special conditions, that matching costs are properly supported and documented, and that records of accountable property are properly maintained.

In its response, Fort Peck concurred with our recommendation.

This recommendation can be closed when we receive documentation that Fort Peck has developed and implemented policies and procedures to ensure: (1) compliance with all grant special conditions, (2) matching costs are properly supported and documented, and (3) records of accountable property are properly maintained.

**6. Ensure Fort Peck completes all planned objectives for Grant Number 2009-ST-B9-0090.**

Resolved. OJP concurred with our recommendation. The OJP stated in its response that it will coordinate with Fort Peck to ensure that the planned objectives for Grant Number 2009-ST-B9-0090 are completed.

In its response, Fort Peck concurred with our recommendation.

This recommendation can be closed when we receive documentation supporting the completion of planned objectives for Grant Number 2009-ST-B9-0090.

*The Department of Justice Office of the Inspector General (DOJ OIG) is a statutorily created independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct in the Department of Justice, and to promote economy and efficiency in the Department's operations. Information may be reported to the DOJ OIG's hotline at [www.justice.gov/oig/hotline](http://www.justice.gov/oig/hotline) or (800) 869-4499.*



Office of the Inspector General  
U.S. Department of Justice  
[www.justice.gov/oig](http://www.justice.gov/oig)