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Audit of the Cooperative Agreement Awarded to the Minnesota Council on Crime and Justice Minneapolis, Minnesota

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AUDIT OF THE OFFICE OF JUSTICE PROGRAMS COOPERATIVE AGREEMENT AWARDED TO THE MINNESOTA COUNCIL ON CRIME AND JUSTICE MINNEAPOLIS, MINNESOTA

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of Office of Justice Programs (OJP) Cooperative Agreement Number 2012-VF-GX-K020 for $1,094,031 awarded to the Minnesota Council on Crime and Justice (CCJ), located in Minneapolis, Minnesota. This cooperative agreement, referred to as a grant throughout this report, was awarded to CCJ to plan, develop, and implement a statewide victim legal assistance network in Minnesota under OJP's Office for Victims of Crime's (OVC) Fiscal Year (FY) 2012 Wraparound Victim Legal Assistance Network Demonstration Project. OVC intended that the network models emerging from this project from CCJ and other awardees would be replicated by other jurisdictions in the future. As of January 31, 2016, the end of our audit period, CCJ had expended $491,672 (45 percent) of the total grant award.

The objective of the audit was to determine whether costs claimed under this grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award. In the beginning of our audit work, we identified that CCJ was in a critical financial situation, and through our audit work we identified significant performance deficiencies, material weaknesses in internal controls, non-compliance with grant requirements, and unallowable and unsupported grant-related expenditures.

In February 2016, given our concerns about CCJ's ability to accomplish grant objectives and oversee government funds, we briefed OJP on our preliminary findings. OJP subsequently designated CCJ as a high-risk grantee, froze the disbursement of all remaining grant funds to CCJ, and required CCJ to take corrective actions. On May 20, 2016, members of CCJ's Board of Directors communicated to us and OJP that the Board of Directors laid off all CCJ staff members and was in the process of dissolving CCJ. As of June 2016, CCJ filed dissolution paperwork with the court and all assets and debts were transferred to a court-appointed receiver. Our audit concluded that the grant-related work that CCJ performed prior to its closure was not fully consistent with the stated goals and objectives of the award. Given CCJ's impending dissolution, it appears that the $1 million program will not establish a statewide victim legal assistance network as the grant goals intended.

In addition, our audit identified $1,026,693 in dollar-related findings, consisting of $424,334 in questioned costs and $602,359 in funds to better use. We found that CCJ did not have any grant-related financial management policies and procedures in place, and that CCJ officials lacked an understanding of OJP financial and programmatic management requirements. As a result, we found that CCJ spent grant funds on a variety of unallowable and unsupported costs, including unapproved employees, unapproved salary supplements, and unsupported indirect and personnel costs. We also found that CCJ reallocated grant funds dedicated for Phase II of the project, and applied those funds to Phase I without OVC approval, in contrast to the approved grant budget and plan.

Further, although CCJ paid $91,754 in contractor and consultant-related costs, CCJ had inadequate processes and recordkeeping related to management and oversight of those contractors and consultants. CCJ could not provide documentation to substantiate that contractors were procured with fair and open competition as required, and CCJ did not have a system in place to monitor contractor performance. In addition, the CCJ Director of Programs and Services was unaware that CCJ entered into contracts for the grant program.

Because CCJ has ceased operations, our report does not include individual recommendations to enhance CCJ's internal controls. Instead, we focus our attention to remedying dollar-related findings and safeguarding any future DOJ funds. We provide 13 recommendations to OJP associated with rectifying the dollar-related findings we identified during our audit, which are detailed in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in Appendix 1 and our Schedule of Dollar-Related Findings appears in Appendix 2. We requested a response to our draft audit report from OJP and their response is appended to this report as Appendix 3. Our analysis of the response, as well as a summary of actions necessary to close the recommendations can be found in Appendix 4 of this report.

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INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of an Office of Justice Programs (OJP), cooperative agreement awarded to the Minnesota Council on Crime and Justice (CCJ), located in Minneapolis, Minnesota.[1] During the course of our audit work CCJ ceased operations and was in the state of dissolution; this issue is discussed in greater detail in the Findings and Recommendations section of our report. We present this audit report to OJP and its Office for Victims of Crime (OVC) to provide an overview of our findings and to remedy all questioned costs associated with the grant.

OVC awarded CCJ $1,094,031 through grant number 2012-VF-GX-K020 under OVC's Fiscal Year (FY) 2012 Wraparound Victim Legal Assistance Network Demonstration Project. OVC awarded grants associated with this project to a total of six grantees across the country with the purpose of developing pro-bono legal assistance networks to offer legal services to victims of crime. CCJ was a non-profit organization that provides research, demonstration, and advocacy in the areas of alternative sanctions, offender services, victims' services, and restorative justice. As of January 31, 2016, the end of our audit period, CCJ expended $491,672 (45 percent) of the total grant award.

Background

The mission of OVC, an office within DOJ's OJP, is to enhance the nation's capacity to assist crime victims and to provide leadership in changing attitudes, policies, and practices to promote justice and healing for all victims of crime. OVC also administers the Crime Victims Fund, which is financed by fines and penalties paid by convicted federal offenders, not from tax dollars. OVC channels funding for victim compensation and assistance throughout the United States, raises awareness about victims' issues, promotes compliance with victims' rights laws, and provides training and technical assistance and publications and products to victim assistance professionals.

CCJ was a nonprofit organization located in Minneapolis, Minnesota, that had a stated mission of seeking "a criminal justice system that is equitable and just, treats people with compassion and dignity, and allows for second chances, creating a safe and thriving community." Since 1957, CCJ worked to eliminate racial

[1] OJP awards cooperative agreements to states, units of local government, or private organizations at the discretion of the awarding agency. Cooperative agreements are utilized when substantial involvement is anticipated between the awarding agency and the recipient during performance of the contemplated activity. Although this is a cooperative agreement, we will refer to it as a grant throughout the report.

disparities in the criminal justice system; identify, address, and reduce the collateral consequences of a criminal record; and provide services to support the rights of victims of crime. OVC awarded this grant to CCJ to plan, develop, and implement a statewide victim legal assistance network in Minnesota. The goal of this network was to address the identified legal needs of victims of crime through the provision of an all-encompassing legal services network to victims throughout the state of Minnesota. OVC intended that the network models emerging from this project from CCJ and other grantees would be replicated by other jurisdictions in the future.

OIG Audit Approach

We tested compliance with what we consider to be the most important conditions of the award. Unless otherwise stated in the report, the criteria we audit against are contained in the OJP Office of the Chief Financial Officer Financial Guide (OJP Financial Guide), the Code of Federal Regulations (C.F.R.), Office of Management and Budget (OMB) Circulars, and the award documents.[2]

We tested CCJ's:

- **Program Performance and Accomplishments** to determine if CCJ met or is capable of meeting the award's objectives and whether the awardee collected data and developed performance measures to assess accomplishment of the intended objectives;
- **Financial Management** to determine whether CCJ had sufficient accounting and internal controls in place for processing and payment of funds and whether controls were adequate to safeguard award funds and ensure compliance with the terms and conditions of the award;
- **Drawdowns** to determine whether award drawdowns were adequately supported in accordance with federal requirements;
- **Budget Management and Control** to examine the amounts budgeted and the actual costs for each approved cost category and to determine if the awardee deviated from the approved budget, and if so, if CCJ received the necessary approval;
- **Grant Reporting** to determine whether the required reports were submitted in a timely manner and accurately reflected award activity;
- **Contracts** to determine whether CCJ adhered to OJP's guidance related to establishing contracts and whether the awardee conducted a cost analysis and procured its contracts competitively; and
- **Grant Expenditures** to determine the accuracy and allowability of costs charged to the award.

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

We confirmed that the award did not include sub-grantees, program income, or matching funds. We therefore performed no testing in these areas. 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. The Schedule of Dollar-Related Findings appears in Appendix 2.

FINDINGS AND RECOMMENDATIONS

Due to CCJ's financial difficulties, the Board of Directors laid off all CCJ staff members and ceased operations in May 2016; CCJ filed official dissolution paperwork with the court and was in the state of receivership as of June 2016. When we initiated the audit, we found that CCJ had expended 45 percent of grant funds over an almost 4-year time period, but had not yet accomplished any of the grant's overall goals and objectives. In addition, we found that CCJ did not have any grant-related financial management policies and procedures in place and that CCJ officials lacked an understanding of OJP financial and programmatic management requirements. As a result, we found significant deficiencies in CCJ's management and oversight of its grant funds and activities, including, but not limited to inadequate processes and recordkeeping related to the procurement of contractors and consultants. We identified $424,334 in net questioned costs and $602,359 in funds to better use.

Grantee Operational Status

During the course of our audit, we became aware of CCJ's financial difficulties, which included, but were not limited to, a $44,000 deficit incurred in FY 2015 and the required repayment of $98,000 from a line of credit, due in June 2016.[3] Due to CCJ's critical financial situation and concerns our audit revealed regarding the CCJ's ability to implement the grant program, in February 2016 we provided OJP with a preliminary audit briefing. In response to that briefing, OJP designated CCJ as a high-risk grantee, froze the disbursement of all grant funds to CCJ, and required CCJ to take corrective actions to remove the funding hold.

Separately and unrelated to OJP's aforementioned actions, on May 13, 2016, the Minnesota Department of Public Safety Office of Justice Programs (MN OJP) contacted the OIG and informed us that it was terminating two grants it had awarded to CCJ.[4] In its termination letter to CCJ, MN OJP cited CCJ's slow progress at addressing ongoing financial management issues and CCJ's staff layoffs as the reasons the two grants were terminated. The letter also stated that CCJ owed MN OJP $19,071 for unsubstantiated grant expenses for which CCJ was reimbursed.

In April 2016, officials on CCJ's Board of Directors stated CCJ's financial status was "dire" and began additional fundraising efforts in order to keep its doors open. However, in light of its financial situation, CCJ's Board of Directors also laid off 7 of its 10 total employees between April and May 2016. On May 16, 2016, we

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[3] As of the end of FY 2015, CCJ spent approximately $98,000 of a $100,000 line of credit, which had been established in 2010.

[4] The Minnesota Department of Public Safety, Office of Justice Programs (MN OJP) is a separate entity and is not a component of the U.S. Department of Justice Office of Justice Programs (OJP). Additionally, the two grants MN OJP had with CCJ were different from the OVC grant we were auditing.

provided OJP, OVC, and CCJ a briefing on our audit findings. Following this briefing, members of CCJ's Board of Directors informed us that on May 20, 2016, the Board of Directors laid off the remaining CCJ staff members and was in the process of dissolving CCJ. On June 17, 2016, CCJ filed paperwork with the court for official dissolution and all of its assets and debts were transferred to a court-appointed receiver.

Because CCJ has ceased operations, our report does not include individual recommendations to improve CCJ's internal controls. In turn, we focus our attention on remedying costs and safeguarding future DOJ funds. As a result, we recommend that if CCJ restarts operations and in the event that OJP awards future grants to CCJ, then OJP should ensure that CCJ implements appropriate internal controls and procedures to safeguard DOJ grant funds. Further, we recommend OJP remedy $424,334 in questioned costs and $602,359 in unspent funds to better use.

Program Performance and Accomplishments

CCJ was awarded the initial grant in September 2012, with the potential for additional funding supplements. The initial award was in the amount of $294,940 and was referred to as "Phase I." According to the awarding document from OVC, "funding for this first 15-month Phase I will support extensive planning that includes formation of a steering committee or governing body made up of network partners, conducting a comprehensive needs assessment, and developing a detailed implementation plan that includes policies, procedures, and protocols for providing victims with necessary legal services and referrals within the network."

Phase II funding was awarded in September 2013, in the amount of $399,397, for the purpose of supporting the "implementation of the plan developed in the first phase for providing direct legal services to victims of crime through the legal assistance network." Phase III funding was awarded in September 2014, in the amount of $399,694, for the purpose of continuing the implementation of CCJ's "plan to provide legal services to victims through a statewide victim legal assistance network in Minnesota."

We reviewed the programmatic details and accomplishments for the audited award. Based on our review, we believe CCJ's grant-related work performed was not fully consistent with the stated goals and objectives of the award, as detailed below.

Program Goals and Objectives

The purpose of the grant was to develop a holistic model for pro-bono legal assistance networks that offer the wide range of legal assistance to victims. CCJ's objective was to plan, develop, and implement a statewide victim legal assistance network in Minnesota in three separate phases. OVC's award solicitation for Phase I stated that grantees' implementation plans must be detailed and, as noted above, include policies, procedures, and protocols for providing necessary legal services and referrals. The Phase I grant was awarded on September 25, 2012 and was estimated by OVC to require 15 months to complete. As of January 31, 2016, CCJ had not yet completed the objectives of Phase I of the award because it did not yet have an OVC-approved detailed implementation plan. OVC recognized that all six grantees were having difficulty completing Phase I objectives by the estimated completion date of January 2014. Therefore, OVC requested that all grantees submit a memorandum explaining the delays they were facing as well as a revised timeline for Phase I activities. CCJ did not submit either of these requested documents. The other grantees ultimately submitted their implementation plans to OVC between September 2014 and March 2015.

We found that CCJ submitted a one-page summary of its implementation plan in January 2015. OVC approved the plan with the condition that CCJ work with OVC to submit a revised, more detailed implementation plan. However, at this time, CCJ began to experience some changes in personnel and activity level. In January 2015, CCJ's Director of Programs and Services (DPS), who was responsible for overseeing the grant at CCJ, left CCJ. CCJ officials stated that little to no work took place on the grant between January 2015 and May 2015. OVC recognized this hiatus and did not award FY 2015 Phase IV funding to CCJ as a result. CCJ rehired the previous CCJ DPS as the new President in May 2015 and hired staff in May and June 2015 to work on the grant and in November 2015, CCJ submitted a revised implementation plan to OVC, 10 months after CCJ submitted its 1-page implementation plan summary. However, according to the Phase I award solicitation, CCJ was supposed to submit a needs assessment along with its implementation plan and CCJ only submitted an executive summary of its needs assessment. We questioned the CCJ President about the full needs assessment document and this individual stated that as of January 31, 2016, the full needs assessment was still considered a draft.[5]

Although OVC had not yet approved the implementation plan, we reviewed the plan that CCJ submitted as its Phase I product. Based on this review, we do not believe that CCJ's implementation plan adequately addresses the legal needs of victims of crime that were identified in the draft needs assessment. We spoke with the CCJ President regarding our concerns and this individual stated that the legal needs of victims would not be discovered until CCJ and its legal service providers began providing services to victims of crime. However, based on our review of the grant objectives, the needs assessment was supposed to identify the legal needs of victims of crime and the implementation plan was supposed to detail how CCJ would address the legal needs identified.

As an example of this discrepancy, we found one of the recommendations in the legal needs assessment was to "Increase the number of pro-bono attorneys across the state to help victims with complex legal needs, such as family law and immigration." We asked the CCJ President where in the implementation plan this need would be addressed. This official stated that this information was not in the implementation plan, but rather this information would be in the legal service

[5] Based on our review, the CCJ draft needs assessment identified several legal needs of victims that could be addressed in the implementation plan.

providers' meeting notes. As a result of the implementation plan lacking detailed information on how CCJ and the legal service providers will address the legal needs of victims of crime, we do not believe that the full implementation plan CCJ submitted to OVC adequately details how it will address the identified legal needs of victims of crime. Moreover, without an approved and detailed implementation plan, CCJ was still operating to achieve the Phase I goals of the grant and had not entered the second phase of the grant at the time of its closure.

As discussed in further detail later in this report, CCJ had already expended funds that were awarded for Phase II. Because CCJ has ceased operations, we do not make individual management improvement recommendations to enhance operations at this time. However, if CCJ is reestablished and any federal funds are expended on this project in the future, OVC must increase its involvement to help ensure that all grant work undertaken by CCJ is conducted in a manner that is consistent with the grant's goals and objectives.

Progress Reports

According to the OJP Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. Additionally, grantees are required to submit semiannual progress reports within 30 days of the end of the reporting periods, which are June 30 and December 31, for the life of the award. CCJ did not maintain records in a readily retrievable format to support the information it reported in its semiannual progress reports. At the time of our audit, CCJ's Director of Programs and Services and the most current President had been in their positions for less than 1 year and the original staff members who were associated with grant management were no longer employed by CCJ. The CCJ President stated that the process for completing the semiannual progress reports included obtaining oral information from the Director of Research and that supporting documentation was not provided. According to this CCJ official, CCJ did not have written policies or procedures for the compilation, review, or submission of progress reports.

We also reviewed the filing dates of all of the progress reports submitted and found that three of the seven progress reports were submitted late. One of these late reports, submitted for the reporting period ending December 31, 2014, was submitted 82 days late and resulted in OVC freezing CCJ's grant funds until the progress report was submitted. We also found that this progress report was initially incorrectly submitted through the Grant Management System (GMS) as a Grant Adjustment Notice (GAN) when it should have been submitted as a progress report. OVC informed CCJ of this error and CCJ correctly submitted the progress report 5 days after the original submission.

We believe the report was misfiled due to CCJ's lack of policies and procedures over the submission of progress reports, as well as CCJ's turnover of grant personnel normally responsible for submitting the progress reports. Because CCJ has ceased operations, we do not make individual management improvement recommendations to remedy internal control issues at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ establishes and implements policies and procedures for submitting timely and readily supportable progress reports.

Financial Management

According to the OJP Financial Guide, all grant recipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. Those records shall include both federal funds and all matching funds of state, local, and private organizations, when applicable. Further, recipients must be able to account for the receipt, obligation, and expenditure of funds awarded on an individual basis. The awardee must track and account for funds separately from other OJP awards, as well as other federal agency awards.

We reviewed CCJ's financial management system and its policies and procedures to assess CCJ's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. To assess internal control risks, we obtained an understanding of the financial reporting process, examined various grant accounting records and reports prepared by CCJ, and interviewed CCJ personnel regarding grant expenditures. Our testing revealed that CCJ did not have adequate written internal control procedures to govern the use of federal funds, as detailed in the following sections.

Policies and Procedures

Policies and procedures provide the framework within which an organization operates. Such rules provide guidance for handling a wide range of organizational, programmatic, and financial issues, and establish a framework for both management and staff decision making. We interviewed CCJ staff who were involved in the grant's financial management and reviewed CCJ's accounting policies and procedures. We found that CCJ did not establish policies and procedures to address the areas specific to grant-related financial management activities. As described in this section and throughout the report, we found CCJ's policies and procedures to be in material noncompliance with the guidelines set forth in the OJP Financial Guide and the Uniform Administrative Requirements for Grants and Agreements (28 C.F.R. § 70).

According to 28 C.F.R. § 70.21 (2013), recipients' financial management systems must provide for written procedures for determining the reasonableness, allocability, and allowability of costs charged to the grant in accordance with the provisions of the applicable Federal Cost Principles and the terms and conditions of the grant. We found CCJ's accounting policies and procedures do not address the determination of the reasonableness, allocability, and allowability of grant costs. Due to CCJ's lack of documented grant policies and procedures, we asked CCJ officials to describe their grant-related financial management responsibilities. CCJ officials stated that its practice was to have the Director of Programs and Services approve and allocate all expenditures to the grant's general ledger by writing the appropriate grant code and the budget category code on the transaction supporting documents. The CCJ Accounting Manager would then review the documentation for accuracy and allocate the expenditure to the grant's general ledger based on the notes provided.

CCJ accounting staff stated that they relied on the Director of Programs Services to determine what costs were allowable grant costs because the accounting staff were not fully aware of all of the allowable grant expenditures. Further, the accounting staff stated that they had not seen the approved grant budget and or anything else that detailed allowable grant expenditures. While the accounting staff stated they were unaware of what was an allocable and allowable grant expenditure and they were not familiar with the requirements in the OJP Financial Guide, we found that they processed transactions and allocated some expenditures to the grant's general ledger without the knowledge or approval of the Director. We determined that these expenditures included expenditures such as staff parking, general liability insurance, and postage, which were not approved grant costs identified in the approved grant budget. We found that the two accounting staff members did not have an understanding of their specific grant-related responsibilities for the financial management of the grant. In addition, CCJ had not documented the grant-related job responsibilities for these two positions. We believe that the absence of policies and procedures documenting the grant-related job responsibilities of each CCJ position led to these individuals not having a full and complete understanding of how to effectively manage the financial aspects of the grant.

The OJP Financial Guide also requires agencies to establish and implement procedures to ensure federal assistance is not provided to entities that are prohibited from receiving federal funds. The Guide further requires that recipients of federal funds must not award or permit any award to any party, which is debarred or suspended from participation in federal assistance programs. The CCJ policies and procedures did not contain any information related to this requirement, so we asked CCJ 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. The CCJ Director of Programs and Services stated that she had never heard of the SAM and referred us to the CCJ President for CCJ's procedures regarding checking the SAM. The CCJ President was aware of the system, but was unsure about when a search had to be conducted in the SAM and then referred us back to the Director of Programs and Services because the CCJ President believed that individual would know the requirements. In addition, we found that CCJ did not have any documents that indicated personnel had reviewed SAM for its employees or contractors. We reviewed the SAM for the employees and contractors paid with grant funds and did not find any indication that any had been suspended or debarred.

Because CCJ has ceased operations, we do not make individual management improvement recommendations to address internal control issues at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ establishes and implements detailed policies and procedures for: (a) determining the reasonableness, allocability, and allowability of costs charged to the grant; (b) documenting the grant-related responsibilities of

CCJ staff working on this grant; and (c) requiring all grant employees, vendors, contractors, and consultants to be reviewed for compliance with suspension and debarment provisions.

Financial Management Systems

According to the OJP Financial Guide, award recipients are required to establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them. Grantees must have an adequate accounting system that can be used to generate reports required by award and federal regulations. Systems must support financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of the award. Further, accounting systems should be able to account for award funds separately (no commingling of funds). Finally, grantees' accounting system must also allow for the grantee to exercise effective control and accountability for all grant funds.

We found CCJ's financial management system did not have adequate controls in place to safeguard grant funds. Most significantly, we determined that the practices for recording and supporting grant-related expenditures were inadequate to ensure compliance with the terms and conditions of the grant. Specifically, we found that CCJ kept an accounting general ledger that tracked all expenditures related to the work of the grant; however, the ledger commingled federal expenditures with transactions expected to be paid from other sources. Furthermore, this ledger did not provide for the identification of the expenditures that could and could not be reimbursed with federal grant funds. CCJ accounting staff stated that prior to every drawdown request they would update a spreadsheet, referred to as a “workbook,” and manually transfer the expenditures in the general ledger. The accounting staff stated that they removed the expenditures for postage and general liability insurance from the total drawdown request amount because these costs were not in the OVC-approved budget and would not be included in the reimbursement request. The staff, however, would not remove these unallowable expenditures from the grant’s general ledger.

In addition, due to CCJ’s accounting staff’s lack of knowledge of approved or unapproved grant expenditures, we found CCJ allocated additional unapproved expenditures, such as staff parking expenses, to the grant’s general ledger on a proportional basis based on the percentage of total direct costs the grant incurred in relation to all CCJ organization-wide program costs. These staff members were unaware that these expenditures were not included in the OVC-approved grant budget and did not remove them from the drawdown request. We have identified these expenditures as questioned costs later in this report in the Grant Expenditures section.

As a result, CCJ's accounting practices prevented it from producing a reliable, accurate, and supportable representation of how grant funding was being used. Without this, grant funding was not adequately safeguarded to ensure compliance with the terms and conditions of the grant. Further, if grantees are not properly safeguarding grant funds, there is a potential for fraud, waste, and abuse.

Per 28 C.F.R. §70.53 (2013), financial records, supporting documents, statistical records, and all other records pertinent to an award must be retained for a period of 3 years from the date of submission of the final expenditure report. During our audit, we requested documents to support CCJ's grant expenditures and activities; however, CCJ could not locate some of the timesheets and signed contracts. In addition, a CCJ official stated they would have had to contact the former Director of Research to locate documentation supporting the information provided in the progress reports submitted to OVC.

Because CCJ has ceased operations, we do not make individual management improvement recommendations to remedy internal control issues at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ: (a) establishes appropriate internal controls that include the design and implementation of policies and procedures to ensure that the financial management system provides for adequate recording and safeguarding of grant-related activities; (b) makes certain that staff are adequately trained and supervised in the use of the system; and (c) establishes and implements policies and procedures to retain all pertinent grant records for a period of three years from the date of submission of the final expenditure report.

Single Audit Requirements

During the FYs under our review, CCJ did not have an OMB A-133 Single Audit conducted because it did not believe that its federal expenditures exceeded the audit threshold.[6] We reviewed CCJ's accounting records to confirm whether the entity expended federal expenditures in excess of the threshold in any fiscal year and found that CCJ's records were inaccurate as they contained errors and were incomplete because they did not clearly identify all federal funding sources or expenditures. We therefore asked CCJ to compile a list of its outside funding sources, including, but not limited to, any government awards or private funds received between FYs 2012 and 2015. We found that the list that CCJ provided us was, again, incomplete and inaccurate because CCJ's Accounting Manager did not have a clear understanding that some funds passed through to CCJ by the state of Minnesota were federal funds, not state funds, even though they were given to CCJ from the state of Minnesota. We contacted the state of Minnesota agency responsible for distributing the federal pass-through and state funds to CCJ and requested grant documents supporting the federal funds expended by CCJ. Based on our review of these records, we verified that CCJ did not require a Single Audit between FYs 2012 through 2015.

Because CCJ has ceased operations, we do not make individual management improvement recommendations to address internal control issues at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ: (a) establishes and implements policies and procedures detailing the requirement that a Single Audit needs to be completed when federal

[6] The Single Audit threshold for FYs 2012, 2013, and 2014 was $500,000 and increased to $750,000 for FY 2015.

expenditures exceed the Single Audit threshold in any given fiscal year; and (b) accurately tracks all sources of funding including government grants and funds from other entities.

Drawdowns

The term drawdown is used to describe the process by which a recipient requests and receives funds under a grant award agreement. The OJP Financial Guide states that all recipients of federal funds must develop procedures for the disbursement of funds to ensure federal cash on hand is kept at a minimum. We analyzed drawdowns through January 31, 2016, and compared the overall amount of these drawdowns to CCJ's grant general ledger. We determined that CCJ's requested drawdowns were $7,020 less than what was stated in the grant's general ledger at that time.

During our interviews with CCJ officials and our review of CCJ's accounting policies and procedures, we determined that CCJ did not have written procedures for drawing down grant funds. Because CCJ did not have written procedures, we asked the Accounting Manager and the contracted Controller to describe the process CCJ used for requesting drawdown reimbursements from OVC for its grant-related costs. These officials explained that drawdowns were typically requested on a monthly basis after all of the accounting entries for the previous month had been entered into the grant's general ledger. As previously mentioned, either individual used the amounts listed in the grant's general ledger and entered these amounts into unofficial "workbooks," which were spreadsheets that CCJ created to track budgeted to actual expenditures. The CCJ accounting staff stated that they would not enter any expenditures associated with general liability insurance or postage into the workbooks because they understood that those were not reimbursable grant expenditures, but there was no indication of this in the grant's general ledger. Then the drawdown request amount would be based on the total expenditures from the manually created workbook, not the general ledger.

Moreover, the accounting staff did not provide the Director of Programs and Services, who was responsible for programmatic and financial oversight of the grant, with the workbooks or drawdown requests to review and approve. This first occurred in January 2016. Through our review of the workbooks, we found that the manual process of entering expenditures from the grant's general ledger to the workbooks resulted in inaccurate and incomplete records.

We believe that CCJ's lack of written drawdown procedures and its manual entry system could have led to erroneous or inappropriate drawdown requests. Because CCJ has ceased operations, we do not make individual management improvement recommendations to improve internal controls at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ establishes and implements new accounting policies and procedures for: (a) accurately tracking grant funds expended and not use a manual entry system to record and track federal grant expenditures; (b) drawing down grant funds; and (c) requiring appropriate review and approval of drawdown requests.

Budget Management and Control

As previously discussed in the Program Performance and Accomplishments section of this report, CCJ was awarded a total of $1,094,031 in funding for three different phases of grant work. We determined that completion of Phase I activities, including the needs assessment and implementation plan, were required prior to moving to Phase II. We found that CCJ's needs assessment was still in draft form and its implementation plan was submitted in November 2015. As of January 31, 2016, the end of our audit period, the implementation plan was still pending OVC approval. Because CCJ was not able to provide direct legal services without an approved implementation plan, we therefore consider that CCJ was still in Phase I of the grant at the time of our audit. Both OVC and a CCJ official concurred with our assessment that CCJ had not moved out of Phase I.

We found that CCJ used funds from Phase II to complete Phase I activities. During our review period, we found that CCJ had allocated $491,672 to the grant's general ledger, which is $196,732 more than the OVC-approved Phase I budget.[7] Further, we found that CCJ did not seek approval from OVC to use the funds from Phase II for Phase I grant activities.

Due to CCJ's delayed implementation of Phase II, OVC requested that CCJ submit a revised budget and timeline detailing how CCJ would use the remaining grant funds to serve the legal needs of victims of crime in Minnesota. CCJ's submitted plan was to complete the remaining grant activities from February 2016 to January 2017, which also included spending the $610,335 in remaining grant funds that existed at the time the budget revision was submitted. We noted that for Phase II and Phase III, OVC expected CCJ to provide services to victims of crime for a total period of 2 years. However, CCJ's revised plan was to provide services for less than 1 year, but to spend the remaining funds that should have been spent over a 2-year period. Therefore, the revised plan provided fewer services (due to the shortened delivery timeframe), thereby raising the cost of services to be delivered. OVC denied the request for a revised budget and timeline in April 2016.

According to the OJP Financial Guide, the recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. As previously discussed, we found that CCJ created spreadsheets, referred to as "workbooks," that it used to track the budgeted to actual expenditures for the grant. On a periodic basis, CCJ accounting staff would take the information from the grant's general ledger and manually enter these amounts into the workbooks. We found that the budget categories listed in the workbooks omitted some of the grant's approved budget categories and included additional unapproved categories. This made it impossible to accurately compare the actual grant expenditures to the budgeted amounts. The CCJ President stated that the budgeted to actual

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[7] This general ledger amount was reached after removing general liability insurance and postage expenses from the grant's general ledger. This amount removed totaled $5,578. The original amount awarded for Phase I was $294,940.

expenditures were "not very well tracked" and CCJ staff who oversaw the grants had a difficult time seeing how CCJ spent grant funds. Also, CCJ officials were not periodically reviewing the budgeted to actual expenditures on a routine basis and were unaware of the errors in the workbooks.

Additionally, the OJP Financial Guide requires grant recipients initiate a Grant Adjustment Notice (GAN) for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount.[8] As a result of CCJ's incorrect budgeted tracking, we had to recreate CCJ's budgeted to actual expenditures spreadsheet and found that CCJ did not expend funds in any budget category in excess of the 10 percent threshold. However, when transactions are not tracked by approved budget categories, management does not have the information it needs to ensure it is in compliance with the 10 percent budget deviation criteria.

We recommend that OJP remedy the $196,732 in unallowable grant expenditures for the expenditures in excess of the Phase I budgeted amount. Because CCJ has ceased operations, we do not make individual management improvement recommendations to remedy internal control issues at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ creates an accurate system to track budgeted to actual grant expenditures.

Grant Reporting

The OJP Financial Guide requires that the quarterly Federal Financial Reports (FFRs) be submitted online no later than 30 days after the last day of each quarter. If an FFR is late, an automatic hold is placed on the remaining funds with each award. We determined that 3 of the 13 FFRs submitted were filed between 1 and 5 days late. Due to these late FFRs, CCJ's grant funds were frozen until each late FFR had been submitted. We also found that CCJ did not have written policies and procedures for the submission of FFRs.

Inaccurate and untimely reporting compromises OVC's ability to monitor grant funds and increases the risk that funding will be subject to waste, fraud, and abuse. Because CCJ has ceased operations, we do not make individual management improvement recommendations to improve internal controls at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP should ensure CCJ establishes and implements policies and procedures to ensure FFRs are submitted no later than 30 days after the last day of each quarter.

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[8] A GAN is used to request project changes or corrections for any programmatic, administrative, or financial changes associated with a grant award. The awarding agency will notify the grantee of its decision (i.e., approval or denial) on any of the requested changes.

Contracts

According to 28 C.F.R. § 70.44 (2013), award recipients must establish written procurement procedures. These include requirements that recipients avoid purchasing unnecessary items and solicitations for goods and services provide for all of the following: a clear and accurate description of the technical requirements for material, product, or service to be procured; requirements that the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals; and a description of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards. We found that CCJ did not have any written policies and procedures documenting the process for procuring goods and services. Without these written policies and procedures, the potential exists for the procurement of inappropriate, unnecessary, or duplicative goods and services.

Further, 28 C.F.R. § 70.45 (2013) stipulates that some form of cost or price analysis must be made and documented in the procurement files in connection with every procurement action. Additionally, the OJP Financial Guide requires procurement transactions to be conducted with open, free, and fair competition. Also, Special Condition 41 of the Phase I award documentation required that all contracts under this grant should be competitively awarded unless circumstances preclude competition. We requested procurement files for all consultants and contractors paid with grant funds to determine if CCJ competitively procured services; however, CCJ did not maintain procurement files on its consultants and contractors. As a result, we could not determine if consultants and contractors were procured competitively or at the lowest rate available. This lack of procurement files and competitive procurement practices could have subjected CCJ's grant funding to potential fraud, waste, and abuse.

Additionally, according to 28 C.F.R. § 70.47 (2013), a system for contract administration must be maintained to ensure contractor conformance with the terms, conditions, and specifications of the contract and to ensure adequate and timely follow up of all purchases. Recipients must evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions, and specifications of the contract. The CCJ President stated that CCJ did not have formal or informal processes in place to monitor or evaluate contractors' performance. Without adequate review of contractors' performance, CCJ was unable to easily determine if contractors conformed to the terms, conditions, and specifications of the contract. Moreover, when contractors were not adequately monitored, the implementation of the grant's program objectives were placed at risk and the potential for fraud, waste, and abuse of grant funds increased. We also found that the Director of Programs and Services, who again was responsible for oversight of the grant at CCJ, did not know that CCJ had contracts with the contractors and consultants that worked on the grant and was therefore unaware of the terms and conditions listed in the contracts. The CCJ President stated that the accounting staff were also not apprised as to when a contractor's services were finished and when CCJ contractors should have ceased submitting invoices for payment to CCJ.

The contractors and consultants that CCJ paid to work on the grant were paid a total of $84,030. In addition, CCJ reimbursed $7,724 in travel expenses to these contractors and consultants in performance of the grant-related work, which was not an OVC-approved budget item. Further, even if OVC had approved a budget category to reimburse contractors' travel expenses, we found that CCJ incorrectly allocated these expenses to its own internal Travel budget category. In the original grant solicitation, OVC required that any travel costs associated with project staff who were not directly employed by the grantee organization be listed under the Consultant category of the submitted budget.

We question and recommend that OJP remedy the $84,030 in contractor and consultant expenditures that were unsupported due to CCJ's failure to maintain procurement files, which prevented us from determining if contractors and consultants were procured in a competitive manner and whether the terms, conditions, and specifications of the contracts were met. We also question and recommend that OJP remedy the $7,724 in unapproved travel expenditures incurred by the contractors and consultants. Because CCJ has ceased operations, we do not make individual management improvement recommendations to enhance the internal control structure. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ: (a) establishes and implements written procedures to document its procurement process for goods and services and its monitoring process for contractors and consultants; and (b) maintains the analysis, negotiation, justification, and monitoring documentation for each contractor and consultant.

Research Consultants

CCJ budgeted $30,000 of its Phase I grant funds to pay a consultant to assist with the research to be conducted as part of the needs assessment and implementation plan. At the time CCJ initiated the contract with the research consultant, the OJP Financial Guide's maximum rate for consultants was $450 per day or $56.25 per hour. The Guide stipulated that the maximum rate should not be used for all consultants, and when a consultant's rate exceeds the maximum rate, additional justification and a written prior approval is required from OVC.

In the grant's approved budget, CCJ stated it would pay the research consultant a $55 per hour rate. Upon review of the research consultant's invoices submitted to CCJ for grant-related work performed, we found that the rate used was between $95 and $100 per hour. We did not find evidence that CCJ sought and received approval from OVC to pay this consultant in excess of the maximum rate set forth in the OJP Financial Guide.

In addition, the research consultant hired to work on the grant was a former CCJ employee. While this related party transaction could be acceptable if there was adequate competition in the procurement process of this consultant's services, we could not determine if this consultant was procured in a fair and competitive manner because of the aforementioned lack of documented procurement files. We also could not determine if the consultant's status as a former employee had any undue influence in CCJ's selection process.

Because CCJ exceeded the maximum consultant rate and did not receive prior written approval from OVC to exceed the rate, and we cannot determine if this consultant was procured competitively and free of bias, we recommend that OJP remedy the $27,975 paid to the research consultant as unallowable questioned costs.

Independent Contractors

The OJP Financial Guide states that grantees must also initiate a GAN if a grantee is going to use organizations other than those identified in the original approved budget, or for contracting for or transferring of award-supported efforts.

We found that CCJ hired independent contractors that were not in the original approved budget or approved at a later time by OVC. These contractors were hired to perform a number of tasks related to the grant including researching, editing, and revising the needs assessment; conducting and transcribing interviews; and attending tribal workgroup meetings. In addition to lacking approval to hire these independent contractors, some of these contractors were former employees and one of the contractors was the sister of a CCJ employee. As previously mentioned, CCJ did not maintain a procurement file which made it impossible for us to determine if CCJ procured these independent contractors in a free, open, fair, and competitive manner.

Without seeking approval from OVC to use additional contractors to perform grant work, the potential existed for unnecessary services to be paid for with grant funds. As a result, we question the $17,962 in grant funds used on unapproved independent contracts and recommend OVC remedy these costs.

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. Table 1 illustrates CCJ's approved budget for all three phases of the audited grant.

Table 1

Summary of Grant Budget

Budget Category	Phase I	Phase II	Phase III
Personnel	$112,100	$48,000	$104,500
Fringe Benefits	$27,690	$13,920	$29,465
Travel	$8,418	$2,198	$2,217
Supplies	$1,972	$0	$560
Consultants/Contracts	$79,912	$308,650	$223,920
Other	$10,676	$6,000	$2,640
Indirect Costs	$54,172	$20,629	$36,392
TOTAL	**$294,940**	**$399,397**	**$399,694**

Source: GMS

As of January 31, 2016, CCJ's grant general ledger listed $491,672 in expenditures. To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions. We reviewed documentation, accounting records, and performed verification testing related to grant expenditures. The following sections describe the results of that testing.

Personnel Costs

Our initial testing of personnel costs was on two non-consecutive pay periods. Due to the variety of issues we found in these pay periods, which are discussed at length in this section, we expanded our testing to include all pay periods through December 31, 2015. As a result, we tested a total of $193,376 in salary costs.

Allocation of Salary Costs to the Grant

According to the OJP Financial Guide, when staff members do not work solely on a single federal award, a reasonable allocation of costs to each activity must be made based on time and effort reports (e.g., timesheets). These reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, be prepared monthly and coincide with at least one or more pay periods, and be signed by the employee and approved by a supervisory official having firsthand knowledge of work performed. CCJ's written payroll procedures also required that timesheets be signed by the employee and their supervisor and returned to the Accounting Manager on the Monday following the end of the pay period.

As part of our expanded testing of payroll, we reviewed all documentation supporting payroll transactions, including timesheets. We found that some timesheets were not approved by a CCJ supervisor or received supervisory approval after the salary costs had already been allocated to the grant. In addition, we found that CCJ's allocation methodology and supporting documentation of salary costs lacked sufficient detail. As a result, we recalculated all salary costs using the documentation available. We found that when we calculated the salary costs that should have been allocated to the grant, the amounts did not always equal what was in the grant's general ledger for each pay period. Overall, we found that CCJ undercharged the grant for salary costs in the amount of $1,902. While the differences between the calculated salary and the salary expenditures listed in the grant's general ledger did not have a material impact on the grant, we believe that our results illustrate that CCJ needed to develop a more accurate and reliable method for calculating salary costs to the grant.

Because CCJ has ceased operations, we do not make individual management improvement recommendations to remedy internal control weaknesses at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ: (a) enforces its existing policies and procedures for the supervisory review and approval of employees' timesheets in a timely manner; and (b) develops an accurate and reliable method to properly charge salary expenditures to the grant.

Unapproved Personnel and Unapproved Positions

Special Condition 37 of CCJ's Phase I award stipulated that the grant's project director and key personnel identified in the grant application would be replaced only for compelling reasons. Successors to key personnel were required to be approved by OVC, and such approval would be contingent upon submission of appropriate information, including, but not limited to, a résumé. Changes to the other program personnel identified in the grant application only required notification to OVC and submission of a résumé.

We found that throughout our review period CCJ allocated to the grant salaries and fringe benefits for employees who were not originally designated in the CCJ's grant application. CCJ did not alert OVC to these changes nor did it submit to OVC résumés for these individuals, as required. During our onsite fieldwork at CCJ, we informed CCJ officials that key personnel had to be approved by OVC prior to working on the grant and that CCJ must provide résumés for all other employees prior to working on the grant. Subsequent to our discussion, CCJ submitted, and OVC approved, the résumés of the prior CCJ President, current CCJ President, and current Director of Programs and Services. However, we found that CCJ had an additional six employees, including a key staff member, work on the grant and used grant funds to reimburse these employees' related salary and fringe benefits, but did not provide OVC with their résumés, as required. Three of these six employees also worked in positions that were never approved by OVC. We found that CCJ allocated $123,129 in unallowable salaries and fringe benefits to the grant for all six CCJ employees. We also found that $4,640 was allocated to the grant for grant-related travel expenses incurred by these employees.

Further, through our review of the timesheets of CCJ grant staff, we found that one of the six CCJ employees, a Research Assistant, never actually worked on the grant. Moreover, we found no evidence that a CCJ supervisory official approved this Research Assistant's timesheets. As a result, we are questioning the $1,621 in grant funds expended for this individual's salary expenditures and fringe benefits.

We recommend that OJP remedy: (a) $123,129 in unallowable salaries and fringe benefits of the unapproved CCJ employees working on the grant; (b) $4,640 in unallowable travel expenses incurred by these unapproved employees; and (c) $1,621 in unallowable salary and fringe benefit costs paid to a CCJ employee who did not work on the OVC grant. Because CCJ has ceased operations, we do not make individual management improvement recommendations to address internal control issues at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ establishes and implements policies and procedures to verify employees paid with grant funds have been approved by OVC.

Salary Supplements[9]

The OJP Financial Guide requires that the awarding agency must approve all salary supplements. Additionally, executives, such as the president or executive director of an organization, may not be reimbursed for overtime or compensatory time under grants and cooperative agreements. We found that the individual who was the current CCJ President at the time of our audit was initially hired as Director of Programs and Services and served as the interim President for a period of 3 months. During the scope of the grant, this individual received a salary supplement for work performed as the Director of Programs and Services. In addition, we found that while serving as interim President, this individual received a supplement for overtime incurred. However, according to this individual they did not perform any work on the grant during the 3-month "interim" time period. Also, because this individual received supplements during their tenure as a Director and interim President, the OJP Financial Guide stipulation prohibiting grant funds to be used for executives' salary supplements would apply. Therefore, we are questioning the $2,721 in grant funds used to pay this individual's salary supplements and associated fringe benefits. As such, we recommend that OJP remedy the $2,721 in unallowable salary supplements and associated fringe benefits paid for with grant funds.

Retention of Supporting Documentation

The OJP Financial Guide required that CCJ's financial records and supporting documents, including personnel and payroll records, be retained for a period of at least 3 years after receiving notification from the awarding agency that the award has been financially and programmatically closed. In a few instances, CCJ could not provide us with timesheets to support the CCJ employees whose salaries were allocated to the grant. By failing to maintain supporting documentation for the required length of time, CCJ made it impossible to determine if these costs were allowable and accurately calculated and recorded. Due to the lack of timesheets, we recommend that OJP remedy $2,536 for unsupported personnel salary costs.

[9] While these salary supplements were referred to as stipends by CCJ, OJP defined stipends as a living supplement for items such as rent or utilities. We have therefore referred to them as supplements within the report.

Paid Time Off Accruals

CCJ employees earned paid time off (PTO) hours each pay period. CCJ staff stated that CCJ would make an accrual entry at the end of each fiscal year to accrue for any employee's earned, but unused PTO hours. This year-end PTO accrual would then be allocated among CCJ's different programs and grants. We reviewed the PTO accruals and supporting documentation for FYs 2013, 2014, and 2015 and found that CCJ could not properly support the calculations for these accruals. The total amount allocated to the grant's general ledger for PTO accruals made between FYs 2013 and 2015 was $8,699. We recommend that OJP remedy $8,699 for the unsupported paid time off accruals.

Other Direct Costs

We selected a judgmental sample of non-payroll transactions, including travel, supplies, and contractor expenses, totaling $28,274 to determine if the charges were included in the approved budget, allowable, and allocable to the award.

As a result of our testing, we determined that CCJ allocated expenditures to the grant's general ledger that were not approved in the grant's Phase I budget. These expenses included access to a research website, a newspaper advertisement, a subscription for an online survey generator, and employee parking costs. The total amount of these expenses equaled $8,544. We recommend that OJP remedy the $8,544 in unallowable expenditures that were not approved in the grant budget.

Indirect Costs

Indirect costs are the shared costs incurred by an organization that may not be readily identifiable with a particular project or program, but are necessary to the overall operation of the organization and the performance of its programs. In conjunction with its grant budget, a grantee must have a written indirect cost rate agreement approved by its cognizant or oversight agency prior to using grant funding for indirect costs.[10] We determined that the indirect costs were approved in the budget for the grant we audited, and CCJ had an approved indirect cost rate agreement. However, we found that CCJ failed to follow the approved methodology in the indirect cost rate agreement to calculate the amount of indirect costs associated with the grant we audited.

According to CCJ's approved indirect cost rate agreement, indirect costs were to be calculated by multiplying the approved cost rate by the total eligible direct grant costs incurred during a period of time.[11] For CCJ's indirect cost rate

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[10] The designated cognizant or oversight agency is the federal awarding agency that provides the predominant amount of funding to an award recipient. For grants awarded to CCJ, the U.S. Department of Health and Human Services (HHS) was the oversight agency at the time the grant application was submitted.

[11] CCJ's Phase I budget included an approved indirect cost rate of 22.5 percent.

agreement, eligible direct costs were to include all direct costs incurred by the organization with the exception of capital expenditures, pass-through funds, and each subaward in excess of $25,000.

According to the CCJ contracted Controller and its accounting policies and procedures, CCJ's indirect costs associated with the grant were not calculated using the methodology defined in the indirect cost rate agreement. Rather, between FYs 2012 and 2015, CCJ would calculate indirect costs by allocating the administration costs among all programs based on the program's total expenses for the month as a percentage of the agency's total expenses.[12] We found this methodology to be incorrect as the indirect costs were not calculated as a percentage of the grant's direct costs.

In FY 2015, the CCJ contracted Controller realized that this indirect cost calculation methodology was incorrect and started calculating the indirect costs by multiplying the grant's direct costs for each month by an indirect cost rate of 27 percent.[13] We also found this methodology to be incorrect because CCJ's approved indirect cost rate for Phase I activities was 22.5 percent. Using the correct indirect cost calculation methodology to determine the amount of indirect costs, we used CCJ's grant general ledger to recalculated CCJ's indirect costs through December 31, 2015. We found that CCJ should have allocated $85,972 in indirect costs, which is $19,635 less than the $105,607 that CCJ calculated and allocated to the grant.

Additionally, throughout the report we identified questioned costs. Because CCJ allocated indirect costs to the grant based upon their direct costs, we calculated the indirect costs associated with both the unallowable and unsupported questioned direct costs. We made these determinations by multiplying the approved indirect cost rate of 22.5 percent by the questioned costs we have identified. CCJ's indirect costs associated with unallowable questioned direct costs totaled $33,020 and the indirect costs associated with unsupported questioned costs totaled $21,799.

We recommend that OJP remedy: (a) $19,635 in unallowable indirect costs allocated to the grant in excess of the approved indirect cost rate; and (b) $33,020 in unallowable indirect costs associated with unallowable questioned direct costs and $21,799 in unsupported indirect costs associated with unsupported questioned direct costs. Because CCJ has ceased operations, we do not make individual management improvement recommendations to address internal control weaknesses at this time. However, if CCJ is reestablished and OJP awards any future grant funds to CCJ, then OJP must ensure CCJ establishes and implements written policies and procedures for accurately calculating and charging indirect costs to federal grants.

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[12] CCJ considered administration costs to be any costs that serve a common final cost objective and cannot be identified with a specific program.

[13] As the oversight agency, HHS approved CCJ, in October 2015, for a final indirect cost rate of 27.0 percent for 2014 and a provisional indirect cost rate of 27.0 percent from January 2015 to December 2016. However, CCJ did not have OVC approval to begin using this new indirect cost rate.

Views of Responsible Officials

We discussed the results of our audit with grantee and OJP officials throughout our fieldwork and at formal exit conferences, and we have included their comments as appropriate.

Conclusion

We determined that CCJ did not adequately manage the cooperative agreement. Our audit identified significant performance deficiencies, material weaknesses in internal controls, non-compliance with grant requirements, and unallowable and unsupported grant-related expenditures. In total, we identified $1,026,693 in dollar-related findings, consisting of $424,334 in net questioned costs and $602,359 in funds to better use.

Our audit concluded that the grant-related work that CCJ did perform was not fully consistent with the stated goals and objectives of the award. Given CCJ's impending dissolution, it appears that the $1 million program will not establish a statewide victim legal assistance network as the grant goals intended.

Because CCJ has ceased operations, our report does not include individual recommendations to enhance CCJ's internal controls. Instead, we focus our attention to remedying costs and safeguarding future DOJ funds with adequate controls.

Recommendations

We recommend that OJP:

1. In the event that CCJ reestablishes its operations and seeks funding from DOJ, ensure that CCJ implements appropriate internal controls and procedures to safeguard DOJ grant funds prior to the awarding of any future grant funds.

2. Remedy the $602,359 in unspent grant funds as funds to better use.

3. Remedy the $196,732 in unallowable grant expenditures for the expenditures in excess of the Phase I budgeted amount.

4. Remedy the $84,030 in contractor and consultant expenditures that were unsupported due to CCJ's failure to maintain procurement files.

5. Remedy the $7,724 in unallowable travel expenditures incurred by the contractors and consultants.

6. Remedy the $27,975 in unallowable consultant expenditures due to the failure to obtain prior approval and provide justification for the $95-$100 per hour rate.

7. Remedy the $17,962 in unallowable costs due to CCJ's failure to seek approval prior to hiring the independent contractors and using related parties without evidence of competitive procurement practices.

8. Remedy: (a) $123,129 in unallowable salaries and fringe benefits of the unapproved CCJ employees working on the grant; (b) $4,640 in unallowable travel expenses incurred by these unapproved employees; and (c) $1,621 in unallowable salary and fringe benefit costs paid to a CCJ employee who did not work on the OVC grant.

9. Remedy the $2,721 in unallowable salary supplements and associated fringe benefits paid for with grant funds.

10. Remedy $2,536 for unsupported personnel salary costs.

11. Remedy $8,699 for the unsupported paid time off accruals.

12. Remedy the $8,544 in unallowable expenditures that were not approved in the grant's budget.

13. Remedy: (a) $19,635 in unallowable indirect costs allocated to the grant in excess of the approved indirect cost rate; and (b) $33,020 in unallowable indirect costs associated with unallowable questioned direct costs and $21,799 in unsupported indirect costs associated with unsupported questioned direct costs.

OBJECTIVE, 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: program performance and accomplishments, financial management, drawdowns, budget management and control, grant reporting, contracts, and grant expenditures. We confirmed that the award did not include sub-grantees, program income, or matching funds; therefore, we performed no testing in these areas.

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 our audit evidence provides a reasonable basis for our finding and conclusions based on our audit objective.

The OIG requested a Management Representation Letter signed by appropriate officials who worked with the OIG during the audit to attest to CCJ's provision of relevant, complete, and accurate documentation to the OIG. Because the Board of Directors laid off all CCJ personnel prior to the OIG completing its audit, we were unable to obtain such an assurance statement signed by appropriate CCJ officials, in particular the CCJ President, with whom the OIG coordinated during our audit. In our judgment, the risk in not obtaining such assurance is mitigated by the sufficiency and appropriateness of the evidence and the fact that we question almost all costs that CCJ charged to the grant. Further, we have no reason to believe that the evidence we obtained throughout our audit does not provide reasonable basis for our findings and conclusions.

Our audit concentrated on, but was not limited to, the inception of the grant on November 1, 2012, through January 31, 2016. This was an audit of the Office for Victims of Crime (OVC) Cooperative Agreement Number 2012-VF-GX-K020 awarded to the Minnesota Council on Crime and Justice (CCJ), of Minneapolis, Minnesota, for $1,094,031. OVC awarded this cooperative agreement under the Fiscal Year (FY) 2012 Wraparound Victim Legal Assistance Network Demonstration Project. In conducting our audit, we reviewed Federal Financial Reports (FFR) and Progress Reports and performed testing of grant expenditures, including reviewing supporting accounting records. We reviewed internal controls and procedures for the grant that we audited and judgmentally selected a sample of expenditures. A judgmental sampling design was applied to obtain broad exposure to numerous facets of the grant reviewed, such as dollar amounts, expenditure category, and risk. This non-statistical sample design does not allow for projection of test results to all grant expenditures or internal controls and procedures. We selected 135 transactions for audit testing and these transactions totaled $241,223. As of

January 31, 2016, the end of our review period, CCJ had expended $491,672 (45 percent) of the total grant award.[14]

We performed limited testing of source documents to assess the accuracy of FFRs, reimbursement requests, expenditures, and Progress Reports; evaluated performance to grant objectives; and reviewed grant-related internal controls over the financial management system. We also tested invoices as of January 31, 2016. During our audit, we obtained information from OJP's Grants Management System (GMS) as well as CCJ'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, therefore any findings identified involving information from those systems was verified with documentation from other sources.

Due to the significant issues we found during the course of our audit, we communicated regularly with OJP and OVC to provide updates on our audit work and related findings. In addition, we were contacted by members of CCJ's Board of Directors who asked to be provided with preliminary audit findings and recommendations in an effort to begin the remediation process. On May 16, 2016, we provided a preliminary audit findings briefing to OJP, OVC, CCJ personnel, and CCJ's Board of Directors. Following this briefing, members of CCJ's Board of Directors informed us that on May 20, 2016, the Board of Directors laid off all CCJ staff members and was in the process of dissolving CCJ. On June 17, 2016, CCJ filed paperwork with the court for dissolution and all of its assets and debts were transferred to a receiver.

[14] The award period ends January 31, 2017.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS[15]	AMOUNT	PAGE
Unallowable Costs		
Expenses in excess of Phase I budget	$196,732	13
Travel expenses incurred by contractors/consultants	$7,724	16
Consultant expenditures with $95-$100/hour rate	$27,975	17
Unapproved independent contractors	$17,962	17
Salaries and fringe benefits for unapproved CCJ employees	$123,129	19
Travel expenses incurred by unapproved CCJ employees	$4,640	19
Unapproved salary supplements	$2,721	20
Unapproved grant expenditures	$8,544	21
Incorrectly calculated indirect costs	$19,635	22
Indirect costs associated with net unallowable direct costs	$33,020	22
Total Unallowable Costs	**$442,082**	
Unsupported Costs		
No procurement files for contractors/consultants	$84,030	16
Salary and fringe benefits for non-grant employee	$1,621	19
Salaries associated with missing timesheets	$2,536	20
Paid time off accruals	$8,699	21
Indirect costs associated with net unsupported direct costs	$21,799	22
Total Unsupported Costs	**$118,685**	
GROSS QUESTIONED COSTS	**$560,767**	

[15] **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.

<u>**GROSS QUESTIONED COSTS**</u>	**$560,767**	
Less Duplicative Costs[16]	($136,433)	
NET QUESTIONED COSTS	<u>**$424,334**</u>	
FUNDS PUT TO BETTER USE[17]	**$602,359**	4
TOTAL DOLLAR—RELATED FINDINGS	**$1,026,693**	

[16] Some costs were questioned for more than one reason. The $196,732 in unallowable expenses in excess of Phase I budget includes $3,772 in travel expenses incurred by contractors/consultants, $30,742 in salaries and fringe benefits for unapproved CCJ employees, $2,721 in unapproved salary stipends, $441 in unapproved grant expenditures, $28,483 in contractor/consultant expenditures lacking procurement files, $1,067 in salaries for missing timesheets, and $3,558 in paid time off accruals. The $84,030 in unsupported expenses for contractors/consultants with no procurement files included $27,975 in consultant expenditures with the $95-100/hour rate and $17,962 in expenditures for unapproved independent contractors. The $123,129 in salaries and fringe benefits for unapproved CCJ employees included $1,469 in salaries for missing timesheets and $1,621 in salary for an employee who did not work on the grant. Finally, we identified $16,622 in indirect costs related to these expenses.

[17] Funds to Better Use are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations.

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

August 19, 2016

MEMORANDUM TO: Carol Taraszka
Regional Audit Manager
Chicago Regional Audit Office
Office of the Inspector General

/s/
FROM: Ralph E. Martin
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Cooperative Agreement, Awarded to the Minnesota Council for Crime and Justice, Minneapolis, Minnesota*

This memorandum is in reference to your correspondence, dated July 6, 2016, transmitting the above-referenced draft audit report for the Minnesota Council for Crime and Justice (CCJ). We consider the subject report resolved and request written acceptance of this action from your office.

As background, the award reviewed during your audit of CCJ (cooperative agreement number 2012-VF-GX-K020) was part of six nationwide awards issued by the Office of Justice Programs (OJP), Office for Victims of Crime (OVC), under the Fiscal Year (FY) 2012 Victims Legal Assistance Networks demonstration projects. These awards were designed to develop holistic models for wraparound pro bono legal assistance networks that offer a wide range of legal assistance to victims of all types of crime. The models emerging from this demonstration could be replicated by other jurisdictions in the future. OVC anticipated four phases to the project, as follows: (a) Phase 1 - the collaboration and establishment of service provider partners, the creation of a steering committee, and the development and completion of a detailed execution plan; (b) Phase 2 - the implementation of the project; and (c) Phases 3 and 4 - full implementation of the project. While OVC planned for grantees to complete the first phase within 15 months after award issuance, none of the grantees met that timeframe for various reasons. As a result, OVC worked with all grantees, including CCJ, to adjust the phases and objectives of each phase.

As part of CCJ's work on this grant, CCJ produced a draft needs assessment and implementation plan, which were conditionally approved by OVC in December 2015. Throughout the duration of CCJ's grant period, CCJ experienced institutional and financial issues, which OVC attempted to work through with CCJ. In light of the number of challenges experienced by CCJ, OVC elected not to continue funding to CCJ in fiscal year 2015. Although OVC had concerns about CCJ's management of the grant, OVC has recognized CCJ's commitment to this project.

As you know, OJP and CCJ management and its Board of Directors have been working together since notification of the preliminary audit findings. Upon learning from the OIG that significant accounting issues had been identified, OJP immediately took steps to mitigate the corresponding risks associated with CCJ's grant funds to include freezing CCJ's active grant funds, and designating CCJ as a Department of Justice (DOJ) high-risk grantee.

On June 17, 2016, the CCJ Board of Directors notified OVC of its intent to dissolve the organization; and subsequently filed an assignment with the County of Hennepin, Minnesota Judicial Branch to begin a dissolution process of CCJ. In its August 5, 2016, response to OJP, CCJ's Board Chairperson stated that CCJ will work with OVC to address the findings and recommendations in the draft audit report; and remains committed to completing the work, even if it entails transferring the project to another agency.

The draft audit report contains 13 recommendations, $424,334 in net questioned costs, and $602,359 in funds put to better use, directed to OJP. The following is OJP's analysis of the draft audit report recommendations. For ease of review, the recommendations directed to OJP are restated in bold and are followed by our response.

1. **We recommend that OJP, in the event that CCJ reestablishes its operations and seeks funding from DOJ, ensure that CCJ implements appropriate internal controls and procedures to safeguard DOJ grant funds prior to the awarding of any future grant funds.**

   OJP agrees with the recommendation. If, in the future, CCJ reestablishes its operations and seeks funding from the DOJ, OJP will require CCJ, as a pre-condition to any award, that it develop and implement appropriate internal controls and procedures to safeguard DOJ grant funds.

2. **We recommend that OJP remedy the $602,359 in unspent grant funds as funds to better use.**

   OJP agrees with the recommendation. OJP has a financial hold on all remaining funds, totaling $609,406, for cooperative agreement number 2012-VF-GX-K020, which represent funds not drawn down by CCJ, so that CCJ cannot access them. OJP's Office of the Chief Financial Officer will deobligate the remaining funds by September 30, 2016, and award them to a new organization to carry out the purpose of the award.

3. **We recommend that OJP remedy the $196,732 in unallowable grant expenditures for the expenditures in excess of the Phase I budgeted amount.**

OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $196,732 in questioned costs, related to unallowable expenditures in excess of the Phase I budgeted amount, which were charged to cooperative agreement number 2012-VF-GX-K020.

4. **We recommend that OJP remedy the $84,030 in contractor and consultant expenditures that were unsupported due to CCJ's failure to maintain procurement files.**

OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $84,030 in questioned costs, related to unsupported contractor and consultant expenditures, which were charged to cooperative agreement number 2012-VF-GX-K020.

5. **We recommend that OJP remedy the $7,724 in unallowable travel expenditures incurred by the contractors and consultants.**

OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $7,724 in questioned costs, related to unallowable travel expenditures incurred by the contractors and consultants, which were charged to cooperative agreement number 2012-VF-GX-K020.

6. **We recommend that OJP remedy the $27,975 in unallowable consultant expenditures due to the failure to obtain prior approval and provide justification for the $95-$100 per hour rate.**

OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $27,975 in questioned costs, related to the excess consultant expenditures, which were charged to cooperative agreement number 2012-VF-GX-K020.

7. **We recommend that OJP remedy the $17,962 in unallowable costs due to CCJ's failure to seek approval prior to hiring the independent contractors and using related parties without evidence of competitive procurement practices.**

OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $17,962 in questioned costs, related to unauthorized procurement expenditures, which were charged to cooperative agreement number 2012-VF-GX-K020.

8. **We recommend that OJP remedy: (a) $123,129 in unallowable salaries and fringe benefits of the unapproved CCJ employees working on the grant; (b) $4,640 in unallowable travel expenses incurred by these unapproved employees; and (c) $1,621 in unallowable salary and fringe benefit costs paid to a CCJ employee who did not work on the OVC grant.**

   OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $129,390 in total questioned costs, associated with this recommendation, related to unallowable and unsupported personnel and travel costs, which were charged to cooperative agreement number 2012-VF-GX-K020.

9. **We recommend that OJP remedy the $2,721 in unallowable salary supplements and associated fringe benefits paid for with grant funds.**

   OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $2,721 in questioned costs, related to unallowable salary supplements and associated fringe benefits, which were charged to cooperative agreement number 2012-VF-GX-K020.

10. **We recommend that OJP remedy $2,536 for unsupported personnel salary costs.**

    OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $2,536 in questioned costs, related to unsupported personnel salary costs, which were charged to cooperative agreement number 2012-VF-GX-K020.

11. **We recommend that OJP remedy $8,699 for the unsupported paid time off accruals.**

    OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $8,699 in questioned costs, related to unsupported paid time off accruals, which were charged to cooperative agreement number 2012-VF-GX-K020.

12. **We recommend that OJP remedy the $8,544 in unallowable expenditures that were not approved in the grant's budget.**

    OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $8,544 in questioned costs, related to unallowable expenditures that were not approved in the award budget, which were charged to cooperative agreement number 2012-VF-GX-K020.

13. **We recommend that OJP remedy: (a) $19,635 in unallowable indirect costs allocated to the grant in excess of the approved indirect cost rate; and (b) $33,020 in unallowable indirect costs associated with unallowable questioned direct costs and $21,799 in unsupported indirect costs associated with unsupported questioned direct costs.**

    OJP agrees with the recommendation. We will coordinate with CCJ to remedy the $74,454 in total questioned costs, associated with this recommendation, related to unallowable and unsupported indirect costs, which were charged to cooperative agreement number 2012-VF-GX-K020.

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: Maureen A. Henneberg
Deputy Assistant Attorney General
for Operations and Management

Anna Martinez
Senior Policy Advisor
Office of the Assistant Attorney General

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

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

OJP Executive Secretariat
Control Number IT20160712111624

Response of the Council on Crime and Justice to OIG Draft Audit Report

The purpose of this document is to respond to the Draft Audit Report produced by the Office of the Inspector General (OIG) relating to Cooperative Agreement Number 2012-VF-GX-K020, referred to herein as the WAVLAN grant.

The Draft Audit Report produced by OIG found that there were deficiencies in the Council on Crime and Justice's accounting and financial controls. Throughout the WAVLAN grant, the Council contracted with two independent firms – an accounting firm and an auditor – to assist with and review our accounting practices. We are continuing to investigate why these controls ultimately proved inadequate.

We are taking this opportunity to make absolutely clear that any financial control deficiencies did not prevent the Council from producing excellent work on this project. The work that the Council's staff did under the WAVLAN grant lived up to our usual high standards. It was in-line with the project's goals and The Office of Victims of Crime's (OVC) expectations. Most importantly, the work product that we created will allow another organization to easily pick up where we left off by implementing the plan that we created for a statewide network to provide comprehensive "wraparound" legal services to people who have been victims of crime.

The Council's staff put a tremendous amount of time, energy, and passion into the WAVLAN project. At its genesis, the project consisted of little more than a gut feeling, based on our anecdotal experiences, that there was a need to provide better legal services to victims of crime in Minnesota. Now, because of the Council's work, we have a full delivery service model – backed by a rigorous statewide needs assessment – that is currently ready to be implemented.

We are saddened that the Council's dissolution will prevent us from being the agency to oversee the implementation of our plans, but we know that our efforts, and the work product we produced, will provide a solid framework for another agency to take over the project. The work we have done on the WAVLAN grant will allow a new agency to easily pick up where we left off, and begin implementing the designed services in order to improve access to the legal system for crime victims. We are committed to seeing this transition happen and we are looking forward to working with OVC to make it so.

The implementation plan that we created is designed to address the legal needs of crime victims by utilizing a three-tiered network approach consisting of:

1. Legal Service Providers: our needs assessment found that the legal needs of victims vary depending upon the geographic location of the victim. For that reason, the project was designed to provide services in rural, urban, suburban and tribal areas in Minnesota. To accomplish this, the project utilizes partnerships with three legal service providers from across the state who would each hire a licensed attorney though the WAVLAN grant. This attorney is specifically assigned to meet the legal needs of the crime victims in each location.
2. Network Service Advisors: 15 Network Service Advisors, all who have expertise in working with crime victims, helped create and design the project and were to continue to provide assistance and guidance regarding the model as we moved forward.

3. Lead Legal Navigator: The Council was to employ a lead legal navigator who will also be a licensed attorney, to lead the project and take on a small caseload of clients. This position was to focus on the coordination of the project and services, documentation and tracking, sharing promising practices, and continued development of the service model.

As a part of the implementation plan, Council staff and our network partners also developed a uniform intake process for legal service organizations to help identify the variety of legal needs resulting from victimization, catalogue the services available to meet those needs, and document instances where a need was identified but no services were available. Each of the three Legal Service Providers agreed to utilize this *Legal Needs Checklist* and it was our hope that eventually it would be adopted by service providers statewide.

Additionally, we drafted eligibility requirements for services through the network, a project information sheet to be disseminated to project participants, a participant consent form that addresses sharing of non-identifiable information in order to track outcomes, a policy and procedure manual governing the attorneys working at each of the Legal Service Provider sites, and a set of data collection policies and a project budget.

A tremendous amount of work also went into laying the groundwork for the implementation plan.

We conducted a thorough, statewide needs assessment to identify gaps in legal services for crime victims as well as models for best practices in delivering services to crime victims. This research consisted of: 1) a literature review to explore the variety of basic and legal needs crime victims may have, 2) qualitative interviews with crime victims, system professionals – judges and attorneys, and community based service providers; and 3) a statewide online survey of organizations that provide legal services to crime victims. The needs assessment was completed in October of 2014 and consisted of 233 pages of detailed findings.

In its report, the OIG characterized CCJ's needs assessment as "merely a draft." This characterization, while literally true, is very misleading. The only aspect of the document that was not complete was the final formatting for publication. The research undertaken to produce the document, as well as the substance of the assessment and its findings, were all complete. The Council's executive summary of the needs assessment has been provided to OVC and is ready for publication. It is attached to this response.

In addition to a thorough needs assessment, CCJ built and coordinated a network of partners to serve as an advisory committee for all aspects of the project. The partners consisted of three legal service providers (Anishinabe Legal Services, Mid-Minnesota Legal Aid, and Southern Minnesota Regional Legal Services) and 12 Network Service Advisors, a group comprised of organizations with expertise relating to the legal system, working with victims, or both[1]. There was a concerted effort to ensure that these project partners had a diversity of viewpoints and represented all parts of our state, including rural communities and native communities. All project partners (15 separate organizations) were consistently

[1] The group consisted of Battered Women's Legal Advocacy Project, Immigrant Law Center of Minnesota, Minnesota Alliance on Crime, Minnesota Coalition Against Sexual Assault, Minnesota Coalition for Battered Women, Minnesota Department of Health, Minnesota Office of Justice Programs, Minnesota State Bar Association, Ramsey County Attorney's Office, Saint Paul Domestic Abuse Intervention Project, Someplace Safe, and Volunteer Lawyer's Network.

engaged in monthly meetings throughout phase one of the project, and they were set to play key roles in the implementation plan the project ultimately produced.

As of November 2015, all of our substantive work on the WAVLAN grant had been submitted and accepted, either formally or informally, by OVC. The Council acknowledges that there were delays throughout the project, including a 10 month delay in finalizing the implementation plan caused by turnovers in the Council's key staff positions. But, throughout the course of the WAVLAN grant, the Council remained in close contact with OVC. The Council explained to OVC how staffing issues were causing delays in the project. Despite these delays, OVC told the Council that the Council's work was excellent and in line with OVC's goals and expectations for the WAVLAN grant.

Neither the Council nor OVC agree~~s~~ with OIG's conclusion that the Council's implementation plan did not meet the needs of crime victims as outlined in the Council's needs assessment. To the contrary, OVC supported the implementation plan. That is why OVC remained committed to working with the Council to complete the project, notwithstanding the audit.

The Council looks forward to working with OVC to reconcile the questioned expenses and to transfer WAVLAN to another agency. Where the Council's expenditures were not adequately supported, we believe we can support those expenditures so that they may be retroactively approved by OVC. We expect that retroactive approval will satisfy the bulk of the questioned costs listed in OIG's Draft Audit Report. Where the Council's expenditures were not allowable, such as the overallotment of indirect expenses, we look forward to working with OVC to satisfy those obligations.

Dated: 8/5/2016

Respectfully submitted,

/s/ Perry Moriearty

Perry Moriearty
Chair, Board of Directors, Council on Crime and Justice
229 19th Avenue South
Minneapolis, MN 55455
612-625-4562

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

The Office of the Inspector General (OIG) provided a draft of this audit report to the U.S. Department of Justice Office of Justice Programs (OJP) and a courtesy copy to the Chair of the Minnesota Council on Crime and Justice (CCJ) Board of Directors. Due to the imminent CCJ dissolution and lack of personnel who were involved in the audit, CCJ did not provide the OIG with a response to each recommendation but instead provided OJP with a summary response to the OIG's draft audit report. OJP attached this submission from the CCJ Board to its formal response to the OIG's draft audit report, and this document is incorporated in its entirety as Appendix 3 of this final report.

OJP concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of OJP's responses and summary of actions necessary to close the report.

Recommendation:

1. **In the event that CCJ reestablishes its operations and seeks funding from DOJ, ensure that CCJ implements appropriate internal controls and procedures to safeguard DOJ grant funds prior to the awarding of any future grant funds.**

   Resolved. OJP concurred with our recommendation. OJP stated that if, in the future, CCJ reestablishes its operations and seeks funding from DOJ, OJP will require CCJ, as a pre-condition to any award, to develop and implement appropriate internal controls and procedures to safeguard DOJ grant funds.

   This recommendation can be closed when we receive evidence that OJP has memorialized this pre-condition requirement in order to ensure that if CCJ were to reestablish operations and seek funding, OJP would ensure that CCJ had implemented appropriate internal controls and procedures to safeguard DOJ grant funds.

2. **Remedy the $602,359 in unspent grant funds as funds to better use.**

   Resolved. OJP concurred with our recommendation. OJP stated it has a financial hold on all remaining funds, totaling $609,406, for cooperative agreement number 2012-VF-GX-K020, which represents funds not drawn down by CCJ.[18] According to its response, OJP's Office of the Chief Financial Officer intends to deobligate the remaining funds by September 30, 2016, and award them to a new organization to carry out the purpose of the award.

[18] The $609,406 in remaining funds includes the $602,359 identified in the recommendation, as well as $7,047 in expenditures that were not yet reimbursed by OJP.

This recommendation can be closed when we receive evidence that the $609,406 in remaining funds that were not drawn down by CCJ have been appropriately remedied.

3. **Remedy the $196,732 in unallowable grant expenditures for the expenditures in excess of the Phase I budgeted amount.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy the $196,732 in questioned costs related to unallowable expenditures in excess of the Phase I budgeted amount that were charged to cooperative agreement number 2012-VF-GX-K020.

This recommendation can be closed when we receive evidence that the $196,732 in questioned costs related to unallowable grant expenditures that were in excess of the Phase I budgeted amount has been appropriately remedied.

4. **Remedy the $84,030 in contractor and consultant expenditures that were unsupported due to CCJ's failure to maintain procurement files.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy the $84,030 in questioned costs related to unsupported contractor and consultant expenditures, which were charged to cooperative agreement number 2012-VF-GX-K020.

This recommendation can be closed when we receive evidence that the $84,030 in questioned costs related to contractor and consultant expenditures that were unsupported due to CCJ's failure to maintain procurement files has been appropriately remedied.

5. **Remedy the $7,724 in unallowable travel expenditures incurred by the contractors and consultants.**

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy the $7,724 in questioned costs related to unallowable travel expenditures incurred by the contractors and consultants, which were charged to cooperative agreement number 2012-VF-GX-K020.

This recommendation can be closed when we receive evidence that the $7,724 in questioned costs related to unallowable travel expenditures incurred by the contractors and consultants has been appropriately remedied.

6. **Remedy the $27,975 in unallowable consultant expenditures due to the failure to obtain prior approval and provide justification for the $95-$100 per hour rate**.

   Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy the $27,975 in questioned costs related to the excess consultant expenditures, which were charged to cooperative agreement number 2012-VF-GX-K020.

   This recommendation can be closed when we receive evidence that the $27,975 in questioned costs related to the excess consultant expenditures has been appropriately remedied.

7. **Remedy the $17,962 in unallowable costs due to CCJ's failure to seek approval prior to hiring the independent contractors and using related parties without evidence of competitive procurement practices**.

   Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy the $17,962 in questioned costs related to unauthorized procurement expenditures, which were charged to cooperative agreement number 2012-VF-GX-K020.

   This recommendation can be closed when we receive evidence that the $17,962 in questioned costs related to unauthorized procurement expenditures has been appropriately remedied.

8. **Remedy: (a) $123,129 in unallowable salaries and fringe benefits of the unapproved CCJ employees working on the grant; (b) $4,640 in unallowable travel expenses incurred by these unapproved employees; and (c) $1,621 in unallowable salary and fringe benefit costs paid to a CCJ employee who did not work on the OVC grant.**

   Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy the $129,390 in total questioned costs associated with this recommendation, related to unallowable and unsupported personnel and travel costs, which were charged to cooperative agreement number 2012-VF-GX-K020.

   This recommendation can be closed when we receive evidence that the $129,390 in total questioned costs related to unallowable and unsupported personnel and travel costs has been appropriately remedied.

9. **Remedy the $2,721 in unallowable salary supplements and associated fringe benefits paid for with grant funds.**

   Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy the $2,721 in questioned costs related to unallowable salary supplements and associated fringe benefits, which were charged to cooperative agreement number 2012-VF-GX-K020.

This recommendation can be closed when we receive evidence that the $2,721 in questioned costs related to unallowable salary supplements and associated fringe benefits has been appropriately remedied.

10. Remedy $2,536 for unsupported personnel salary costs.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy the $2,536 in questioned costs related to unsupported personnel salary costs, which were charged to cooperative agreement number 2012-VF-GX-K020.

This recommendation can be closed when we receive evidence that the $2,536 in questioned costs, related to unsupported personnel salary costs has been appropriately remedied.

11. Remedy $8,699 for the unsupported paid time off accruals.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy the $8,699 in questioned costs related to unsupported paid time off accruals, which were charged to cooperative agreement number 2012-VF-GX-K020.

This recommendation can be closed when we receive evidence that the $8,699 in questioned costs related to unsupported paid time off accruals has been appropriately remedied.

12. Remedy the $8,544 in unallowable expenditures that were not approved in the grant's budget.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy $8,544 in questioned costs related to unallowable expenditures that were not approved in the award budget, which were charged to cooperative agreement number 2012-VF-GX-K020.

This recommendation can be closed when we receive evidence that the $8,544 in questioned costs related to unallowable expenditures that were not approved in the award budget has been appropriately remedied.

13. Remedy: (a) $19,635 in unallowable indirect costs allocated to the grant in excess of the approved indirect cost rate; and (b) $33,020 in unallowable indirect costs associated with unallowable questioned direct costs and $21,799 in unsupported indirect costs associated with unsupported questioned direct costs.

Resolved. OJP concurred with our recommendation. OJP stated it will coordinate with CCJ to remedy $74,454 in total questioned costs associated with this recommendation related to unallowable and unsupported indirect costs, which were charged to cooperative agreement number 2012-VF-GX-K020.

This recommendation can be closed when we receive evidence that the $74,454 in total questioned costs, associated with this recommendation, related to unallowable and unsupported indirect costs has been appropriately remedied.