



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



Audit of the Office of Justice Programs Multi-Purpose Grants Awarded to the Lower Brule Sioux Tribe Lower Brule, South Dakota

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
MULTI-PURPOSE GRANTS
AWARDED TO
LOWER BRULE SIOUX TRIBE
LOWER BRULE, SOUTH DAKOTA**

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of grants awarded by the Office of Justice Programs (OJP) to the Lower Brule Sioux Tribe (LBST) in Lower Brule, South Dakota. LBST was awarded \$2,690,758 under Grant Numbers 2009-D1-BX-0254, 2009-VI-GX-0016, 2010-IC-BX-0039, 2010-JL-FX-0526, 2010-TY-FX-0002, 2011-MU-BX-0016, and 2012-DC-BX-0061 to support various OJP programs related to reduction of gang-related activities, prevention of juvenile delinquency, web-based case management, victims of child abuse, correctional alternatives, and adult drug courts.

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

As of June 2, 2015, LBST had drawn down \$2,327,991 of the total grant funds awarded. We examined LBST's policies and procedures, accounting records, and financial and Progress Reports, and found that the LBST did not comply with essential award conditions related to grant expenditures, award special conditions, budget management, and program performance. Specifically, LBST: (1) expended funds without prior approval, (2) paid for unbudgeted positions with federal funds, (3) did not maintain adequate documentation related to performance, (4) exceeded the allowable indirect cost rates, (5) exceeded the 10 percent rule for movement of funds between approved budget categories without the required approval, and (6) used federal funds to pay for unallowable and unsupported transactions.

Our report contains seven recommendations to OJP 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 discussed the results of our audit with LBST officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft audit report from LBST and OJP. The responses are appended to this report as Appendix 4 and 5, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations, can be found in Appendix 6 of this report.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
MULTI-PURPOSE GRANTS
AWARDED TO LOWER BRULE SIOUX TRIBE,
LOWER BRULE, SOUTH DAKOTA**

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LOWER BRULE SIOUX TRIBE
LOWER BRULE, SOUTH DAKOTA**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of grants awarded by the Office of Justice Programs (OJP), under multiple programs to the Lower Brule Sioux Tribe (LBST) in Lower Brule, South Dakota. LBST was awarded seven grants totaling \$2,690,758, as shown in Table 1.

**Table 1
Grants Awarded to Lower Brule Sioux Tribe**

Award Number	Award Date	Project Start Date	Project End Date	Award Amount
2009-D1-BX-0254	9/21/09	10/1/09	3/31/13	\$ 499,998
2009-VI-GX-0016 ^a	9/16/09	9/1/09	8/31/12	449,947
2010-IC-BX-0039	9/15/10	10/1/10	9/30/14	349,587
2010-JL-FX-0526	9/7/10	8/1/10	1/31/13	300,000
2010-TY-FX-0002	9/15/10	10/1/10	9/30/14	399,714
2011-MU-BX-0016	9/14/11	10/1/11	9/30/15	349,644
2012-DC-BX-0061	8/29/12	10/1/12	9/30/15	341,868
Total:				\$ 2,690,758

^a The original award amount for Grant number 2009-VI-GX-0016 was \$150,000 with two supplements of \$150,000 and \$149,947.

Source: GMS award documents

Funding through the awards was in support of:

- Congressional Programs to focus on reduction of gang-related activities and prevention of juvenile delinquency.
- Children's Justice Act (CJA) Partnerships for Indian Communities Grant Program to address needs of victims of child abuse.
- Tribal Courts Assistance Program (TCAP) to purchase a web-based case management system¹.
- Tribal Youth Program to prevent and control delinquency.
- Corrections and Correctional Alternatives Program to establish correctional alternatives¹.
- Adult Drug Court Discretionary Grant Program to develop and implement an adult drug court.

¹ These grants were part of the Coordinated Tribal Assistance Solicitation (CTAS) for Fiscal Years 2009 and 2010, combining DOJ's existing Tribal government-specific competitive solicitations.

Audit Approach

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

We tested compliance with what we consider to be the most important conditions of the grants. The criteria we audited against are contained in the OJP Financial Guide and the award documents. The results of our analysis are discussed in detail in the Findings and Recommendations section of the report. Appendix 1 contains additional information on this audit's objective, scope, and methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

FINDINGS AND RECOMMENDATIONS

We examined LBST's policies and procedures, accounting records, and financial and Progress Reports and found that LBST did not fully comply with essential grant conditions related to grant expenditures, award special conditions, budget management, and program performance. Specifically, LBST: (1) charged unallowable or unsupported direct and indirect costs to the grants, (2) did not meet all special conditions, (3) did not maintain support for Progress Reports, and (4) exceeded the 10 percent rule limits in transferred funds between budget categories without prior approval.

Grant 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. We reviewed LBST's Single Audit Reports for 2007, 2009, 2010, 2011, 2012, and 2013 to identify internal control weaknesses and significant non-compliance issues related to federal awards. We also conducted interviews with financial staff, examined policies and procedures, and inspected grant documents to determine whether LBST adequately safeguards grant funds.

Grant Expenditures

For this audit, there were seven grants, all of which budgeted for personnel, fringe benefits, supplies, and indirect costs. Each grant also had some combination in the approved budget of expense categories for travel, equipment, contractual, and other. Only one grant, 2012-DC-BX-0061, for Drug Court had a matching requirement. Only one grant, 2010-TY-FX-0002, did not have contractual expenses included in the approved budget. As of June 2, 2015, LBST had drawn down \$2,327,991 of the total grant funds awarded.

To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a judgmental sample of transactions. In total we tested 175 expense transactions, two non-consecutive payroll periods for each grant, 100 percent of the positions paid for each grant, and 100 percent of the indirect costs. The following sections describe the results of that testing.

Direct Costs

We judgmentally selected samples of 25 transactions from each of the 7 grants for a total of 175 transactions. We reviewed the expenses to determine if they were allowable, allocable, properly authorized, correctly classified, properly

charged to the grant, accurately recorded, fully supported, and that goods and services were verified. Personnel costs were further evaluated through payroll testing in which we judgmentally selected two non-sequential pay periods for each grant and reviewed the hours, wages, and benefits as discussed below.

Of the 175 transactions tested, we found 24 transactions that did not meet the requirements for which we tested. There were 15 unallowable transactions questioned as unbudgeted totaling \$50,875. We identified nine transactions that were questioned as unsupported totaling \$19,069. The total questioned costs related to transaction testing are \$69,945.

We recommend that OJP remedy the \$69,945 in unallowable and unsupported expenditures and implement procedures to ensure only allowable expenses are paid with federal funds and all expenditures are properly supported.

We reviewed the payroll data for two judgmentally selected non-consecutive pay periods for each of the seven grants audited. We examined time sheets comparing budgeted and actual wages, hours worked, and fringe benefits. We found that payroll records were generally accurate and fringe benefits were computed correctly. However, we identified unbudgeted payroll expenses in four of the seven grants totaling \$4,727 as shown in Table 2.

Table 2
Unbudgeted Payroll

Award Number	Position	Pay Period	Year	Salary Amount	Benefits Amount	Total
2009-D1-BX-0254	Chief Prosecutor	21	2011	\$ 1,960	\$ 258	\$ 2,218
2010-IC-BX-0039	Data Base	23	2014	800	93	893
	Janitor	23	2014	640	49	689
2011-MU-BX-0016	Probation Officer	5	2015	160	131	291
	Probation Officer	10	2015	160	13	173
2012-DC-BX-0061	Public Defender	17	2013	173	50	223
	Public Defender	17	2014	178	62	240
Total:				\$ 4,070	\$656	\$ 4,727

Note: Differences in totals throughout the report are due to rounding (the sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded).

Source: LBST payroll records

As a result of the discovery of these unbudgeted positions in the payroll testing, we expanded testing to include a comparison of the approved budgets and the positions paid with grant funds from each of the seven grants. We determined that four of the grants were charged for a total of six positions paid with grant funds that were not approved in the grant budgets. As shown in Table 3, we identified \$150,331 in unallowable personnel costs that were not contained in the approved budgets. As a result, the total questioned costs related to unbudgeted personnel are \$150,987, which includes the previously identified unbudgeted

benefits of \$656 from Table 2. The \$150,331 captures the previously identified \$4,070 in unbudgeted salaries from Table 2.

Table 3
Unbudgeted Positions

Award Number	Position/Title	Total
2009-D1-BX-0254	Chief Prosecutor	\$ 81,846
	Youth Cultural Activities	1,440
	Data Base	30,120
2010-IC-BX-0039	Janitor	24,628
2011-MU-BX-0016	Probation Officer	1,760
2012-DC-BX-0061	Public Defender	10,537
Total:		\$ 150,331

Source: LBST payroll and accounting records

We recommend that OJP remedy the \$150,987 in unallowable personnel and benefits costs and implement procedures to ensure only allowable expenses are paid with federal funds.

Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. Indirect costs were included in the approved budgets for all seven grants. We evaluated the indirect costs charged to the grant by comparing the federally negotiated indirect cost rates with the actual amounts charged to the grants each year. We also compared the actual amounts charged with the budgeted amounts that were included with the original grant application. The federally negotiated rates establish the ceiling for the percentage of direct costs that may be charged to all federal grants as indirect costs. The OJP-approved budgets established the ceilings for the indirect costs that may be charged to the OJP grants, not to exceed the federally negotiated indirect cost rates. Consequently, the grantee may not exceed the lower of the federally negotiated indirect cost rate or the OJP-approved grant budget.

In comparing the indirect cost rates, we found that indirect costs charged to four of the seven grants exceeded either the OJP-approved budget or the federally negotiated indirect cost rate or both. Indirect costs charged to grant numbers 2009-D1-BX-0254 and 2009-VI-GX-0016 exceeded the budgeted indirect costs which were approved by OJP. As shown in Table 4 below, actual expenditures exceeded the approved budget by \$9,705 and \$23,692, respectively, for a total of \$33,397.

Table 4
Exceeded OJP-Approved Budget

Award Number	Approved Budget	Actual Expenditures	Exceeded Budget
2009-D1-BX-0254	\$ 52,400	\$ 62,105	\$ 9,705
2009-VI-GX-0016	20,089	43,781	23,692
Total:			\$ 33,397

Source: LBST accounting records and OJP-approved budgets

LBST's charges for indirect costs also exceeded the negotiated indirect cost rates for four of the seven grants. For grant number 2009-D1-BX-0254, the actual percent of indirect costs applied exceeded the negotiated indirect cost rate resulting in an unallowable excess charge of \$3,915. For grant number 2009-VI-GX-0016, the actual percent of indirect costs applied exceeded the negotiated indirect cost rate, resulting in an unallowable excess charge of \$1,480.

Table 5 shows the amounts that LBST's indirect cost charges exceeded the approved indirect cost rates for all four grants resulting in an unallowable indirect cost rate excess. The total questioned costs for exceeding the federally negotiated indirect cost rate are \$7,469. Combined with the indirect costs that exceeded budget, the total questioned costs related to excess indirect costs are \$40,866.

Table 5
Exceeded Federally Negotiated Indirect Cost Rate

Award Number	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
2009-D1-BX-0254	0	\$ 3,915	N/A	N/A	N/A	\$ 3,915
2009-VI-GX-0016	0	1,480	N/A	N/A	N/A	1,480
2010-IC-BX-0039	0	683	N/A	N/A	N/A	683
2010-TY-FX-0002	N/A	1,391	0	0	0	1,391
Total:	0	7,469	0	0	0	7,469

^a For FY 2012, grants 2009-D1-BX-0254 and 2009-VI-GX-0016 had instances where the indirect cost rate was exceeded by \$3,915 and \$1,480 respectively. However, we assumed these were duplicated with the amounts that were over budget from Table 4 and are treated as duplicates in the Schedule of Dollar-Related Findings.

Source: LBST accounting records and federally negotiated indirect cost rates

We recommend that OJP remedy the \$40,866 in unallowable indirect costs and implement procedures to ensure that the applied indirect cost rates do not exceed the negotiated indirect cost rates or the approved budget.

Matching Costs

Matching costs are the non-federal recipient's share of the total project costs. Grant number 2012-DC-BX-0061 was the only grant with a matching requirement. This grant was still active at the time of this audit and no matching costs had been recorded as of June 2, 2015.

Compliance with Special Conditions

We reviewed the special conditions for each of the seven grants and two supplements to select a judgmental sample to test for compliance. For our analysis, we judgmentally selected 12 special conditions, 1 related to submission of payroll reports and 11 related to the release of funds.

Special condition number 23 for grant number 2009-VI-GX-0016 required the submission of semiannual payroll reports. This special condition was fully met. The remaining 11 special conditions were restrictions on use of funds for all seven grants plus one supplement for grant number 2009-VI-GX-0016. In general, these special conditions required an approved Grant Adjustment Notice (GAN) to release funds once an award budget had been submitted and approved by OJP, Office of the Chief Financial Officer.

Table 6 shows the results of our analysis, with unallowable premature spending identified for five of the grants and unallowable premature drawdowns for three of those five grants. The total questioned costs related to these items totaled \$976,753. However, there were three transactions that were questioned during our transaction testing totaling \$20,711 that are duplicated in the premature spending and will be subtracted from the total. Also, for grant 2009-VI-GX-0016, we identified \$7,175 in premature spending for special condition 30. However, all of these transactions were duplicated in the premature spending identified for special condition 31 and will be included in the duplicated costs in the Schedule of Dollar-Related Findings.

Table 6
Premature Expenditures and Drawdowns

Award Number	Special Conditions	Premature Spending	Premature Draws
2009-D1-BX-0254	8, 9	\$ 0	\$ 0
2009-VI-GX-0016 (00)	25	4,930	0
2009-VI-GX-0016 (S2)	30, 31	43,294	33,960
2010-IC-BX-0039	24	0	0
2010-JL-FX-0526	17	262,482	193,612
2010-TY-FX-0002	15	237,382	199,857
2011-MU-BX-0016	16, 17	0	0
2012-DC-BX-0061	24	1,236	0
Total:		\$ 549,324	\$ 427,429

Source: LBST accounting records, award documents, and drawdown histories

The early drawdowns were presumed to cover the early expenditures and are therefore considered duplicate. As a result, questioned costs due to early drawdowns are deducted in the Schedule of Dollar-Related Findings.

These early expenditures and early draws indicate a breakdown in internal control of federal funds and inadequate procedures to insure compliance with award special conditions. We recommend that OJP remedy the \$549,324 in early expenditures and implement procedures to ensure adherence to all special conditions.

Overall, based on our transaction testing, we recommend that OJP remedy \$1,238,550 in questioned costs related to unallowable and unsupported transactions, excess indirect costs, and the premature drawdown of federal funds. We also recommend that OJP implement procedures to ensure all special conditions are met.

Budget Management and Control

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. Additionally, the grant recipient must initiate a 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.

We compared grant expenditures to the approved budgets to determine whether LBST transferred funds among budget categories in excess of 10 percent. We found three of the seven grants had transferred funds that exceeded the allowable 10 percent without prior approval from OJP. Table 7 shows the results of our analysis.

**Table 7
Analysis of 10 Percent Rule**

Award Number	Award Amount	10% Limit	Actual Transfers	Questioned Costs
2009-VI-GX-0016	\$ 449,947	\$ 44,995	\$ 73,786	\$ 28,791
2010-IC-BX-0039	349,587	34,959	196,244	81,778
2010-JL-FX-0526	300,000	30,000	81,372	48,703
Total:				\$ 159,272

Note: In calculating unallowable transfers for the 10 percent rule, if actual direct costs exceed budget, the 10 percent limit is deducted from the total over-budget amount and then the amount of actual direct costs that exceed budget is subtracted from that sum.

Source: LBST accounting records and OJP-approved budgets

We recommend that OJP remedy the \$159,272 in unallowable transfers and implement procedures to ensure transfers between budget categories are accomplished in accordance with the 10 percent rule.

Drawdowns

According to the OJP Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency.

To assess whether LBST managed grant receipts in accordance with federal requirements, we compared the total amounts reimbursed to the total expenditures in the accounting records.

Table 8
Analysis of Drawdowns

Award Number	Total Draws	Total Expenses as of Last Draw	Date of Last Draw	Excess Draws as of Last Draw	Total Excess Draws as of 6/2/15
2009-D1-BX-0254	\$ 499,997	\$ 481,660	10/24/12	\$ 18,338	\$ 0
2009-VI-GX-0016	448,165	445,878	10/10/12	2,287	565
2010-IC-BX-0039	349,587	349,845	10/22/14	0	0
2010-JL-FX-0526	300,000	300,000	2/3/12	0	0
2010-TY-FX-0002	378,532	377,903	11/5/14	629	0
2011-MU-BX-0016	211,273	180,929	4/23/15	30,344	0
2012-DC-BX-0061	140,437	155,881	5/21/15	0	0
Total:				\$ 51,598	\$ 565

Source: LBST accounting records and drawdown histories

As shown in Table 8, LBST had excess draws as of the date of the last drawdown for four of the seven grants. To determine expenditures, we took the general ledgers as of June 2, 2015, and sorted out all expenditures which were entered after the date of the last drawdown. We found LBST had excess draws totaling \$51,598 as of the last drawdown for four of the grants. For grant number 2011-MU-BX-0016, as of November 3, 2015, the excess had been eliminated and total expenses exceeded drawdowns. For grant number 2009-VI-GX-0016, as of June 2, 2015, LBST had an excess of \$565. For all other grants that closed out, the accounting records as of June 2, 2015 indicate that total expenses met or exceeded drawdowns. As a result, we are questioning the \$565 of excess drawdowns related to grant number 2009-VI-GX-0016.

We recommend that OJP remedy the \$565 in excess drawdowns and implement procedures to ensure drawdowns do not exceed expenditures and no excess cash is held by the grantee.

Federal Financial Reports

According to the OJP Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report. To determine whether the federal financial reports submitted by

LBST were accurate we compared the last four most recent reports to LBST's accounting records for each grant.

We determined that quarterly and cumulative expenditures for the reports reviewed generally matched the accounting records.

Program Performance and Accomplishments

We reviewed the Categorical Assistance Progress Reports (Progress Reports), which are completed semiannually, to determine if the required reports are accurate. We also interviewed grant officials, reviewed the goals and objectives stated in the project narratives, and where possible, observed equipment and activity to determine whether the program goals and objectives were implemented. Finally, we reviewed LBST's compliance with the special conditions identified in the award documentation.

Categorical Assistance 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. We judgmentally selected a sample of three grants to review program performance: 2010-IC-BX-0039, 2011-MU-BX-0016, and 2012-DC-BX-0061. However, LBST did not keep records to support the Progress Reports except for informal notes for grant number 2012-DC-BX-0061, Adult Drug Court, that identified personnel that were scheduled to appear, warrants issued, and new referrals to the committee for candidates for Drug Court. These notes were unspecific and did not provide adequate information to verify the statistics reported.

Additionally, without supporting documentation, we were unable to verify the timeliness of the achievement of the goals. While we were reasonably able to confirm that goals were being met based on physical evidence (such as computers, software, and tracking bracelets) we could not verify when they were achieved.

Therefore, we recommend that OJP implement procedures to ensure supporting documentation for Progress Reports is maintained.

Program Goals and Objectives

Grant number 2010-IC-BX-0039 was primarily for the purchase and implementation of a web-based case management system for the Tribal Court through new equipment purchases and upgrades to existing software and computer systems. According to the Progress Reports, the equipment upgrades purchased were in accordance with the goals and objectives. Additionally, we observed the new recording equipment and the software upgrades to the court system. Grant number 2011-MU-BX-0016 was for implementation of the SCRAM Program, which is

a corrections alternative monitoring system using SCRAM monitoring bracelets.² We were able to examine the bracelets and observe participants wearing the bracelets. For Grant number 2012-DC-BX-006, the goal was to implement an Adult Drug Court. We were provided notes from the weekly Drug Court proceedings and physically viewed the courtroom.

Based on our review, there were no indications that LBST was not addressing the stated goals and objectives of the grants reviewed. However, as mentioned above under Categorical Assistance Progress Reports, there was no supporting documentation provided to verify the timeliness and completeness of achieving the goals and objectives.

Conclusion

The objective of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. We examined LBST's accounting records, budget documents, financial and Progress Reports, and financial management procedures. We found that LBST had unallowable and unsupported transactions; unallowable personnel; excess indirect costs; premature obligations, expenditures, and drawdowns; and moved funds between budget categories in excess of the 10 percent allowable without prior approval. We made seven recommendations to improve LBST's management.

Recommendations

We recommend that OJP:

1. Remedy the \$19,069 in unsupported expenditures.
2. Remedy the \$1,379,318 in unallowable questioned costs associated with the following issues:
 - a. Remedy the \$50,875 in unallowable expenditures which were not budgeted.
 - b. Remedy the \$656 in unallowable personnel fringe benefits that were not budgeted.
 - c. Remedy the \$150,331 in unallowable personnel salaries that were not budgeted.
 - d. Remedy the \$33,397 in unallowable indirect costs that exceeded the approved budget.

² SCRAM is the name of the monitoring program. It is not listed on the vendor's website as an acronym.

- e. Remedy the \$7,469 in unallowable indirect costs that exceeded the federally negotiated indirect cost rates.
 - f. Remedy the \$549,324 in unallowable costs that were incurred prior to the approval by the Office of the Chief Financial Officer through a Grant Adjustment Notice.
 - g. Remedy the \$427,429 in unallowable draws that were incurred prior to the approval by the Office of the Chief Financial Officer through a Grant Adjustment Notice.
 - h. Remedy the \$159,272 in unallowable transfers that exceeded the limits of the 10 percent rule.
 - i. Remedy the \$565 in unallowable excess drawdowns for grant 2009-VI-GX-0016.
3. Implement procedures to ensure only allowable expenses are paid with federal funds and are properly supported.
 4. Implement procedures to ensure adherence to award special conditions.
 5. Implement procedures to ensure that the applied indirect cost rates do not exceed the negotiated indirect cost rates or the approved budgets.
 6. Implement procedures to ensure transfers between budget categories are accomplished in accordance with the 10 percent rule.
 7. Implement procedures to ensure supporting documentation for Progress Reports is maintained.

APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

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

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

This was an audit of the Office of Justice Programs grants awarded to the Lower Brule Sioux Tribe (LBST) under the various programs including:

- Congressional Earmarks (2)
- Children's Justice Act (CJA) Partnerships for Indian Communities Grant Program
- Tribal Courts Assistance Program (TCAP)³
- Tribal Youth Program
- Corrections and Correctional Alternatives Program³
- Adult Drug Court Discretionary Grant Program

Our audit concentrated on, but was not limited to September 16, 2009, the award date for Grant number 2009-VI-GX-0016, the earliest award date, through June 25, 2015, the last day of our fieldwork. As shown in Table 9, five of the seven awards have been closed out, and two of the awards ended September 30, 2015.

³ These grants were part of the Coordinated Tribal Assistance Solicitation (CTAS) for Fiscal Years 2009 and 2010, combining DOJ's existing Tribal government-specific competitive solicitations into one, and thus requiring only one application from each Tribe or Tribal consortium.

Table 9
Grants Awarded with Drawdowns as of June 2, 2015

Award Number	Award Amount	Drawdowns	Status
2009-D1-BX-0254	\$ 499,998	\$ 499,997	Closed
2009-VI-GX-0016	449,947	448,165	Closed
2010-IC-BX-0039	349,587	349,587	Closed
2010-JL-FX-0526	300,000	300,000	Closed
2010-TY-FX-0002	399,714	378,532	Closed
2011-MU-BX-0016	349,644	211,273	Ended 9/30/15
2012-DC-BX-0061	341,868	140,437	Ended 9/30/15
Total:	\$ 2,690,758	\$ 2,327,991	

Source: GMS award documents and drawdown histories

As of June 2, 2015, LBST had drawn down \$2,327,991 of the \$2,690,758 total grant funds awarded.

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

During our audit, we obtained information from OJP's Grant Management System (GMS) as well as LBST'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.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Questioned Cost</u> ¹	AMOUNT	PAGE
Unallowable Costs		
Transaction Testing Unallowable Expenses	\$ 50,875	4
Unbudgeted Personnel Benefits (Sample)	656	4
Unbudgeted Personnel Salaries (All)	150,331	4-5
Unbudgeted Indirect Costs	33,397	5-6
Indirect Costs Exceeding Negotiated Rate	7,469	6
Premature Spending (Special Condition requires GAN)	542,149	7
Premature Drawdowns (Special Condition requires GAN)	427,429	7
Excess Transfers Between Budget Categories (10% Rule)	159,272	8
Excess drawdowns	565	9
Total Unallowable Costs	\$1,379,318	
Unsupported Costs		
Transaction Testing Unsupported Expenses	\$19,069	4
Total Unsupported Costs	\$19,069	
Gross Questioned Costs	\$1,398,387	
<i>Less Duplicative Costs</i> ²	(460,710)	
Net Questioned Costs	\$ 937,677	
Total Dollar-Related Findings	\$ 937,677	

¹ 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.

² Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts, which include: \$20,711 for three transactions questioned during transaction testing that are duplicated in the premature spending amount (Table 6); \$5,395 in indirect costs that are presumed to be duplicated in the indirect costs over budget amount; and \$427,429 for premature drawdowns that are presumed to duplicate a portion of the premature expenditures (Table 6).

LBST'S RESPONSE TO THE DRAFT AUDIT REPORT

Introduction

The Lower Brule Sioux Tribe (LBST) has always had the reputation in Indian Country and throughout the United States as being progressive and visionary in its attempts to expand economic development and enhance opportunities for American Indians. While desiring to be progressive and visionary, the Lower Brule Sioux Tribe has also sought to lead in the areas of transparency and accountability. To this end, the Lower Brule Sioux Tribe has conducted an annual audit by an independent CPA firm for many years, and published these audits on the Federal Audit Clearinghouse (FAC) website.

The Lower Brule Sioux Tribe received notice in a letter dated June 8, 2015, that the Department of Justice, Office of Inspector General (DOJ-OIG) was going to be arriving June 22, 2015, to audit seven (7) grants that were awarded to, and operated by, the Lower Brule Sioux Tribe between 2009 and 2015. As alluded to above, all Single Audits already due (FY 2009 thru FY 2013) for the Fiscal Years to be reviewed further by DOJ-OIG had been uploaded to, and accepted as supported on, the Federal Audit Clearinghouse *prior to their due date*.

It should also be noted that all Single Audits for the Lower Brule Sioux Tribe prior to FY 2009 were also uploaded to, and accepted as supported on, the Federal Audit Clearinghouse website, and freely available for any and all entities and individuals to read at all times. Obviously, the only caveat to this assertion is that Single Audits for *all entities* were unable to be uploaded to, or downloaded from, the Federal Audit Clearinghouse website from July of last year through January of this year, in light of the serious security breach suffered by the U.S. Census Bureau, under which jurisdiction the FAC falls. The final Single Audit already due (FY 2014) as of the date of this response was uploaded to, and accepted as supported on, the Federal Audit Clearinghouse on 02/11/2016. Despite the enormous amount of time and resources dedicated by LBST Management to answering the DOJ-OIG's numerous inquiries, Management hopes to be back on schedule to file its Single Audit for FY 2015 prior to the due date.

LBST Management *does* wish to assert that the opportunity to respond to the DOJ-OIG requests as comprehensively as is customary for LBST Management was hampered significantly by the onset of other agencies' demands for the same type of audits. This included audits by the Internal Revenue Service, the Department of Interior-Office of Inspector General, Bureau of Indian Affairs, not to mention our own annual Single Audit. These audits all commenced between June and July of 2015. The expansive demands of these audits have been so great, in fact, that some remain to be completed as of the date of this response. The LBST has been subjected to requests for thousands of documents and reports by these federal agencies. With these matters firmly in mind, LBST Management/staff hopes that DOJ-OIG can clearly determine that the Lower Brule Sioux Tribe is responding with the utmost good faith in addressing the following recommendations.

Draft Audit Report Recommendations Responses

1. Remedy the \$19,069 in unsupported expenditures.

LBST Management concurs with this finding, however, the LBST also contends that these expenditures were largely, if not entirely, in support of the objectives of the Grant(s). As an example:

Travel Advance documentation was found to have been separated from Purchase Order for airline tickets. These tickets were deemed unsupported by DOJ-OIG, but there was just not enough *time* to pull the itinerary from Travel Office documentation.

LBST would recommend that they be given the opportunity to formulate a remedy with DOJ-OJP in a mutually-agreeable manner

2. Remedy the \$1,379,318 in unallowable questioned costs associated with the following issues.

- a. Remedy the \$50,875 in unallowable expenditures which were not budgeted.

LBST Management concurs with this finding, although the LBST also contends that these expenditures were largely, if not entirely, in support of the objectives of the Grant(s). LBST would recommend that they be given the opportunity to formulate a remedy with DOJ-OJP in a mutually-agreeable manner

- b. Remedy the \$656 in unallowable personnel fringe benefits that were not budgeted.

LBST Management concurs with this finding. LBST would recommend that they be given the opportunity to formulate a remedy with DOJ-OJP in a mutually-agreeable manner

- c. Remedy the \$150,331 in unallowable personnel salaries that were not budgeted.

LBST Management partially concurs with this finding. As indicated in Table 3, the purported unallowable personnel salaries, totaling \$150,331, breaks down by Award as follows:

AWARD NUMBER	POSITION/TITLE	TOTAL
2009-D1-BX-0254	Chief Prosecutor	\$ 81,846
2010-IC-BX-0039	Youth Cultural Activities	1,440
	Data Base	30,120
	Janitor	24,628
2011-MU-BX-0016	Probation Officer	1,760
2012-DC-BX-0061	Public Defender	10,537
TOTAL:		\$ 150,331

Source: LBST payroll and accounting records

Relative to the largest purported unallowable unbudgeted personnel cost, LBST Management responds as follows regarding the amounts paid toward a Chief Prosecutor under Award 2009-D1-BX-0254, Data Base personnel, and Janitor under Award 2010-IC-BX-0039:

The Project Director, who took over administration of **Grant No. 2009-D1-BX-0254** from a previous LBST employee and admits the New Hope Grant was the first grant they had administered for the Tribe. Therefore, certain processes and procedures that are now second nature were then just one more challenge in an already immensely-challenging judicial environment. The Project Director requested assistance from LBST Management, as they were overseeing seven (7) grants simultaneously.

The LBST readily admits it was unable to provide the Project Director with assistance requested due to a rapid drain of institutional grant management knowledge with the retirement of key finance staff with over 74 years of combined grant management experience for LBST.

Our records contain documents that included the position of Chief Prosecutor, Data Base personnel, and Janitor accompanied by email conversations between those involved in administering the grant programmatically and financially. (Available for DOJ-OJP review during remedy process).

There is internal correspondence within the Grant Management System (GMS), which included the "request" on **02-Aug-2011** regarding a "**Budget Modification**" (Available for DOJ-OJP review during remedy process) to which there was no written response of any kind from DOJ-OJP personnel within GMS.

Other correspondence within GMS was not responded to: (Available for DOJ-OJP review during remedy process).

- 7/27/12 Project Director emails DOJ-OJP, requesting six-month, no-cost extension of **Grant No. 2009-D1-BX-0254**.
- 7/27/12 DOJ-OJP responds, asking Project Director to submit request for six-month, no-cost extension of **Grant No. 2009-D1-BX-0254** through GMS.

- 7/27/12 LBST submits request for extension of **Grant No. 2009-D1-BX-0254** through GMS, as directed. Receives no response from DOJ-OJP within GMS or via email.
- 7/31/12 LBST submits *detailed* request for extension of **Grant No. 2009-D1-BX-0254** through GMS. Receives no response from DOJ-OJP within GMS or via email.
- 9/10/12 LBST inquires as to status of request for extension of **Grant No. 2009-D1-BX-0254** through GMS. Receives no response from DOJ-OJP within GMS or via email.
- 9/11/12 Project Director emails DOJ-OJP, inquiring as to status of 46-day-old request for six-month, no-cost extension of **Grant No. 2009-Di-BX-0254**.
- 9/11/12 DOJ-OJP emails response, indicating award number **Grant No. 2009-Di-BX-0254** is incorrect (correct within GMS, however), and asking Project Director to send the correct award number of **Grant No. 2009-D1-BX-0254**.
- 9/11/12 DOJ-OJP emails Project Director, indicating request for extension was not received within GMS. States too late to submit **Grant Adjustment Notice (GAN)**. Will submit for LBST.

This string of correspondence made it patently clear that for quite some time our people (to wit, Project Director) were talking a different language than DOJ-OJP's people. In hindsight, it is easy to see DOJ-OJP fully expected the Project Director to submit a **GAN** requesting an extension, whereas the Project Director repeatedly kept sending "requests" within the communication tool inside GMS (aka "**email requests**").

The Project Director could not understand why no one was responding to our repeated queries within GMS, thinking we had done precisely what DOJ-OJP had advised us to do.

DOJ-OJP could not understand why the Project Director had not yet submitted a formal request (aka "a GAN") within GMS.

Obviously, the request for an extension (later in the grant award period) is not the focus of our discussion today. The funding of the Chief Prosecutor, Data Base personnel, and Janitor positions are. But this example applies to the earlier "request" for a Budget Modification in some ways.

- | | | |
|------------|-------------------------|--|
| 12/11/2009 | GAN Number 001 Approved | Removal of Special Condition 8 |
| 03/12/2010 | GAN Number 002 Approved | Change Grantee Contact or Alternate Contact/Principal Investigator |

03/12/2010 GAN Number 003 Approved Removal of Special Conditions Related to Programmatic Requirements Withholding Funds (SC#9)

08/02/2011 Project Director sends a "request" (GMS email) for a Budget Modification, indicating we "*would like to modify this grant to provide for a full-time prosecutor.*"

09/14/2012 GAN Number 004 Approved Change Project Period (graciously submitted by DOJ-OJP on behalf of LBST)

The Project Director receives no response to the "request". We *now* know we should have submitted a **GAN** requesting the budget modification. (Although an email response from DOJ-OJP at that juncture reminding us we needed to submit the request via a GAN would have been helpful).

There is evidence to indicate the Project Director *thought* a GAN was submitted, as a "Modify Budget GAN" printed on 7/29/2011 was placed in our records (Available for DOJ-OJP review during remedy process). However, this document could not have been saved within GMS as the only "GAN" pertaining to a Budget Modification for this grant...was saved within the **Draft GAN's** folder within GMS...on 09/12/2011.

Grant-required reports were submitted by LBST on a quarterly basis, which included these supposedly unallowable positions, and yet these reports were repeatedly accepted and approved by DOJ-OJP program personnel tied to the respective oversight agency. As such, while LBST agrees that GAN's were not always submitted in the appropriate manner, LBST also believes that quarterly reports accepted and approved by personnel includes these changes, which indicated to LBST staff that all was well to proceed.

LBST would acknowledge that there were shortcomings on our part as LBST attempted to modify grant budgets to address the judicial reality on the ground in 2011 and beyond. The Project Director obviously thought the Tribe was cleared to move forward with hiring a Chief Prosecutor, Data Base personnel, and a Janitor for the overall function of the Court.

The Tribe submits that it acted in good faith with regard to all grants, including Grant No. 2009-D1-BX-0254 and 2010-IC-BX-0039. Obviously, we have corrected these shortcomings in the ensuing years. The Tribe has recently moved a new person into the position of grants management for the Tribal Court system, with ongoing training in progress.

LBST respectfully submits the DOJ-OJP waived the necessity for a GAN when DOJ-OJP continued to approve programmatic reports and financial reports leading us to believe we were in compliance. We were not instructed to discontinue these critically-needed initiatives provided by this funding.

LBST respectfully requests a retroactive approval by DOJ-OJP of the GAN for Grant No. 2009-D1-BX-0254 as to the position of Chief Prosecutor for \$81,846, and retroactive approval of the costs associated with Data Base personnel for \$30,120 and Janitor for \$24,628 for Grant No. 2010-IC-BX-0039, as grant goals and objectives were being achieved in each circumstance.

- d. Remedy the \$33,397 in unallowable indirect costs that exceeded the federally negotiated indirect cost rates.

LBST Management concurs with this finding. LBST would recommend that they be given the opportunity to formulate a remedy with DOJ-OJP in a mutually-agreeable manner.

- e. Remedy the \$7,469 in unallowable indirect costs that exceeded the federally negotiated indirect cost rates.

LBST Management concurs with this finding. LBST would recommend that they be given the opportunity to formulate a remedy with DOJ-OJP in a mutually-agreeable manner.

- f. Remedy the \$549,324 in unallowable costs that were incurred prior to the approval by the Office of the Comptroller through a GAN.

LBST Management partially concurs with this finding. Two of the grants in question were reviewed by the Department of Justice when Enhanced Programmatic Desk Reviews (EPDR) were conducted by DOJ-OJP officials. DOJ-OJP officials did not address any unsatisfied SPECIAL CONDITIONS during these EPDRs. LBST did not receive notification that the grant expenditures were not allowed due to a SPECIAL CONDITION that went unsatisfied.

LBST respectfully submits the DOJ-OJP waived these special conditions when they did not notify LBST and yet continued to approve programmatic and financial reports leading us to believe we were in compliance. We were not instructed to discontinue these critically-needed initiatives provided by this funding.

LBST respectfully requests a retroactive approval of the SPECIAL CONDITIONS, as grant goals and objectives were being pursued from the moment of implementation.

- g. Remedy the \$427,429 in unallowable draws that were incurred prior to the approval by the Office of the Comptroller through a GAN.

LBST Management partially concurs with this finding. Two of the grants in question were reviewed by the Department of Justice when Enhanced Programmatic Desk Reviews (EPDR) were conducted by DOJ-OJP officials. DOJ-OJP officials did not address any unsatisfied SPECIAL CONDITIONS during these EPDRs. LBST did not receive notification that the grant draw downs were not allowed due to a SPECIAL CONDITION that went unsatisfied.

LBST respectfully submits the DOJ-OJP waived these special conditions when they did not notify LBST and yet continued to approve programmatic and financial reports leading us to believe we were in compliance. We were not instructed to discontinue these critically-needed initiatives provided by this funding.

LBST respectfully requests a retroactive approval of the SPECIAL CONDITIONS, as grant goals and objectives were being pursued from the moment of implementation. We acknowledge the draw-downs totaling \$427,429 were duplicative of the \$549,324 in expenditures referenced in section f.

- h. Remedy the \$159,272 in unallowable transfers that exceeded the limits of the 10 percent rule.

LBST Management concurs with this finding. The lion's share of the unallowable transfers coincided with what was perceived to be DOJ-OJP's tacit approval of budget modifications through acceptance and approval of grant-required quarterly reports. This review process has underscored Management's emphasis with Program Directors and Program Personnel upon being meticulous in all record-keeping and with being in continual contact with respective oversight agencies in writing to secure prior authorization via a GAN to modify budgets in accordance with grant guidelines.

- i. Remedy the \$565 in unallowable excess drawdowns for grant 2009-VI-GX-0016.

LBST Management concurs with this finding. LBST would recommend that they be given the opportunity to formulate a remedy with DOJ-OJP in a mutually-agreeable manner.

- 3. Implement procedures to ensure only allowable expenses are paid with federal funds and are properly supported.

LBST Management concurs with this finding. LBST Management will implement procedures to ensure only allowable expenses are paid with federal funds and are properly supported. Obviously, LBST's grant compliance efforts would be greatly

enhanced if the respective federal agency were to answer all correspondence (phone, email, website, etc.) in a timely manner to properly support grantees.

4. Implement procedures to ensure adherence to award special conditions.

LBST Management concurs with this finding. Management intends to clarify award special conditions with respective Grant oversight agencies in much greater detail moving forward. LBST will ensure that authorization to commence/proceed is secured prior to initiation of projects. Obviously, LBST's grant compliance efforts would be greatly enhanced if the respective federal agency were to answer all correspondence (phone, email, website, etc.) in a timely manner to properly support grantees.

5. Implement procedures to ensure that the applied indirect cost rates do not exceed the negotiated indirect cost rates or the approved budgets.

LBST Management concurs with this finding. LBST Management will review and update current procedures immediately to ensure indirect cost rates do not exceed negotiated indirect cost rates or approved budgets.

6. Implement procedures to ensure transfers between budget categories are accomplished in accordance with the 10 percent rule.

LBST Management concurs with this finding. This review process has underscored Management's emphasis with Program Directors and Program Personnel upon being meticulous in all record-keeping and with being in continual contact with respective oversight agencies in writing to secure prior authorization via a GAN to modify budgets in accordance with grant guidelines. Programs with grants are now instructed and required to work closely with finance office for dual oversight of grant budgets, spending and reporting. Obviously, LBST's grant compliance efforts would be greatly enhanced if the respective federal agency were to answer all correspondence (phone, email, website, etc.) in a timely manner to properly support grantees.

7. Implement procedures to ensure supporting documentation for Progress Reports is maintained.

LBST Management concurs with this finding. LBST Management will implement procedures to ensure supporting documentation for Progress Reports is maintained.

Conclusion

The Lower Brule Sioux Tribe would like to thank the Department of Justice-Office of Inspector General for their due diligence, professionalism, and their expressed desire to assist Lower Brule Sioux Tribe with improving upon what we believe we already do well. We would also like to thank them for the educational opportunity to enhance our capacity to properly manage and oversee grant awards/expenditures. Management, Finance Staff, and Program Directors are all more aware of requirements for proper Grant management and fulfillment.

OJP'S 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

MAR - 8 2016

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

FROM: Ralph E. Martin
Director 

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Multi-Purpose Grants Awarded to the Lower Brule Sioux Tribe, Lower Brule, South Dakota*

This memorandum is in reference to your correspondence, dated January 12, 2016, transmitting the above-referenced draft audit report for the Lower Brule Sioux Tribe (LBST). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **seven** recommendations and **\$937,677¹** in net questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations directed to OJP are restated in bold and are followed by our response.

1. **We recommend that OJP remedy \$19,069 in unsupported expenditures.**

OJP agrees with the recommendation. We will coordinate with LBST to remedy the \$19,069 in questioned costs, related to unsupported expenditures.
2. **We recommend that OJP remedy the \$1,379,318 in unallowable questioned costs associated with the following issues:**
 - a. **Remedy the \$50,875 in unallowable expenditures which were not budgeted.**
 - b. **Remedy the \$656 in unallowable personnel fringe benefits that were not budgeted.**
 - c. **Remedy the \$150,331 in unallowable personnel salaries that were not budgeted.**

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

- d. **Remedy the \$33,397 in unallowable indirect costs that exceeded the approved budget.**
- e. **Remedy the \$7,469 in unallowable indirect costs that exceeded the Federally negotiated indirect cost rates.**
- f. **Remedy the \$549,324 in unallowable costs that were incurred prior to the approval by the Office of the Chief Financial Officer through a Grant Adjustment Notice (GAN).**
- g. **Remedy the \$427,429 in unallowable draws that were incurred prior to the approval by the Office of the Chief Financial Officer through a GAN.**
- h. **Remedy the \$159,272 in unallowable transfers that exceeded the limits of the 10 percent rule.**
- i. **Remedy the \$565 in unallowable excess drawdowns for grant 2009-VI-GX-0016.**

OJP agrees with all subparts of this recommendation. We will coordinate with LBST to remedy the \$1,379,318 in questioned costs that were charged to the various OJP grants.

- 3. **We recommend that OJP implements procedures to ensure only allowable expenses are paid with Federal funds and are properly supported.**

OJP agrees with the recommendation. We will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure that only allowable costs are paid for with Federal funds, and that proper supporting documentation is maintained for all expenditures.

- 4. **We recommend that OJP implements procedures to ensure adherence to award special conditions.**

OJP agrees with the recommendation. We will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure adherence to Federal award special conditions.

- 5. **We recommend that OJP ensure LBST implements procedures to ensure that the applied indirect cost rates do not exceed the negotiated indirect cost rates or the approved budgets.**

OJP agrees with the recommendation. We will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure that indirect costs charged to Federal grants are based on the negotiated indirect cost rates, and limited to the amount outlined in the approved budgets.

6. **We recommend that OJP implements procedures to ensure transfers between budget categories are accomplished in accordance with the 10 percent rule.**

OJP agrees with the recommendation. We will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure that any transfers between budget categories are in accordance with the guidelines set forth in the Department of Justice Financial Guide.

7. **We recommend that OJP implement procedures to ensure supporting documentation for progress reports is maintained.**

OJP agrees with the recommendation. We will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure that documentation to support the data reported in semi-annual progress reports is properly maintained for future auditing purposes

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

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OJP Executive Secretariat
Control Number IT20160113155933

**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 Lower Brule Sioux Tribe (LBST) and the Office of Justice Programs (OJP). LBST's response is included as Appendix 3 and OJP's response is included as Appendix 4 of this final report. The following provides the OIG analysis of the responses and a summary of actions necessary to close the report.

Recommendation:

1. Remedy the \$19,069 in unsupported expenditures.

Resolved. OJP agreed with our recommendation, and stated in its response that it will coordinate with LBST to remedy the \$19,069 in unsupported expenditures. LBST management concurred with this recommendation, but contended that the expenditures were in support of the overall objectives. LBST stated that it will work with OJP to resolve this issue.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$19,069 in unsupported expenditures.

2. Remedy the \$1,379,318 in unallowable questioned costs associated with the following issues:

- a. **Remedy the \$50,875 in unallowable expenditures which were not budgeted.**
- b. **Remedy the \$656 in unallowable personnel fringe benefits that were not budgeted.**
- c. **Remedy the \$150,331 in unallowable personnel salaries that were not budgeted.**
- d. **Remedy the \$33,397 in unallowable indirect costs that exceeded the approved budget.**
- e. **Remedy the \$7,469 in unallowable indirect costs that exceeded the federally negotiated indirect cost rates.**
- f. **Remedy the \$549,324 in unallowable costs that were incurred prior to the approval by the Office of the Chief Financial Officer through a Grant Adjustment Notice.**

- g. Remedy the \$427,429 in unallowable draws that were incurred prior to the approval by the Office of the Chief Financial Officer through a Grant Adjustment Notice.**
- h. Remedy the \$159,272 in unallowable transfers that exceeded the limits of the 10 percent rule.**
- i. Remedy the \$565 in unallowable excess drawdowns for grant 2009-VI-GX-0016.**

Resolved. OJP agreed with our recommendation, and stated in its response that it will coordinate with LBST to remedy the \$1,379,318 in unallowable direct costs. LBST management stated that it partially concurred, but did not state that it disagreed and did not provide a basis for refuting the findings of non-compliance. However, LBST contended that some expenditures were in support of the overall objectives. Additionally, LBST stated that the former program manager made some efforts to submit a GAN, but ultimately one was not submitted, partly due to correspondence concerning budget modification requests being unanswered. LBST indicated that it may have been able to address the issues sooner had they been identified by OJP through its desk review or site visit performed. LBST stated that it acted in good faith, and believed that approval of progress reports indicated approval of the costs. However, it acknowledged that GANs will be requested for future reprogramming and cost approvals. LBST will work with OJP to resolve this issue.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$1,379,318 in unallowable direct costs.

3. Implement procedures to ensure only allowable expenses are paid with federal funds and are properly supported.

Resolved. OJP agreed with our recommendation, and stated in its response that it will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure that only allowable costs are paid for with Federal funds, and that proper supporting documentation is maintained for all expenditures. LBST management concurred with the recommendation and will implement procedures to ensure only allowable expenses are paid with federal funds. LBST also stated that its compliance efforts would be enhanced if correspondence to the federal agency was answered timely.

This recommendation can be closed when we receive a copy of the revised policy that includes assurance that only allowable costs are paid with federal funds.

4. Develop policies and procedures to ensure drawdown requests are based on immediate need or within 10 days of disbursement.

Resolved. OJP agreed with our recommendation, and stated in its response that it will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure adherence to federal award special conditions. LBST management concurred with our recommendation and intends to clarify award special conditions with the federal agency in greater detail moving forward to ensure compliance. LBST stated its compliance efforts would be enhanced if correspondence to the federal agency was answered timely.

This recommendation can be closed when we receive a copy of the policy that addresses adherence to special conditions.

5. Implement procedures to ensure the applied indirect cost rates do not exceed the negotiated indirect cost rates or the approved budgets.

Resolved. OJP agreed with our recommendation, and stated in its response that it will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure that indirect costs charged to Federal grants are based on the negotiated indirect cost rates, and limited to the amount outlined in the approved budgets. LBST management concurred with the recommendation and will review and update current procedures to ensure indirect costs rates do not exceed negotiated indirect cost rates or approved budgets.

This recommendation can be closed when we receive a copy of the policy that addresses limits on charging indirect costs to federal grants.

6. Implement procedures to ensure transfers between budget categories are accomplished in accordance with the 10 percent rule.

Resolved. OJP agreed with our recommendation, and stated in its response that it will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure that any transfers between budget categories are in accordance with the guidelines set forth in the Department of Justice (DOJ) Financial Guide. LBST management concurred with this recommendation. Programs with grants are now instructed to work closely with the finance office for dual oversight of grant budgets, spending, and reporting. LBST also stated its compliance efforts would be enhanced if correspondence to the federal agency was answered timely.

This recommendation can be closed when we receive a copy of the policy that addresses limitations on transfers between budget categories as set forth in the DOJ Financial Guide.

7. Implement procedures to ensure supporting documentation for progress reports is maintained.

Resolved. OJP agreed with our recommendation, and stated in its response that it will coordinate with LBST to obtain a copy of written policies and procedures, developed and implemented, to ensure that documentation to support the data reported in semi-annual progress reports is properly maintained for future auditing purposes. LBST management concurred with this recommendation.

This recommendation can be closed when we receive a copy of the policy that addresses maintaining support documentation for data reported on the semi-annual progress reports.