



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



**Audit of the  
Office of Justice Programs  
Awards to the  
University of North Dakota,  
Grand Forks, North Dakota**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
AWARDS TO THE  
UNIVERSITY OF NORTH DAKOTA,  
GRAND FORKS, NORTH DAKOTA**

**EXECUTIVE SUMMARY**

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of grants and cooperative agreements awarded by the Office of Justice Programs' (OJP) National Institute of Justice (NIJ) and Bureau of Justice Assistance (BJA) to the University of North Dakota (UND) in Grand Forks, North Dakota. UND was awarded \$3,798,294, as shown below.

**Table 1  
OJP Awards to UND**

<b>AWARD NUMBER</b>	<b>PROGRAM</b>	<b>AWARD AMOUNT</b>
2009-D1-BX-0214	Fiscal Year (FY) 2009 BJA Congressionally Selected	\$300,000
2010-DD-BX-0429	FY 2010 BJA Congressionally Selected	\$300,000
2010-DN-BX-K263	NIJ FY 2010 Forensic Science, Training, Development, and Delivery Program	\$999,876
2013-ZD-CX-0072	NIJ FY 2013 Exploratory Research on the Impact of the Growing Oil Industry in the Dakotas on Domestic Violence, Dating Violence, Sexual Assault, and Stalking	\$498,418
2013-IC-BX-K001	BJA Tribal Courts Assistance Program	\$1,700,000
<b>Total:</b>		<b>\$3,798,294</b>

Source: OJP's Grants Management System (GMS)

The objective of this audit was to determine whether costs claimed under the awards 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 award 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 award documents.

As of January 12, 2016, UND had drawn down \$2,369,862 of the total funds awarded. We examined UND's policies and procedures, accounting records, and financial and progress reports, and found that UND did not comply with essential award conditions related to the use of funds and Federal Financial Reports (FFR). Specifically, UND: (1) charged unallowable travel and overtime to the awards, and (2) did not consistently report quarterly indirect cost information in the FFRs. As a result of these deficiencies, we identified \$2,191 in total questioned costs.

Our report contains two recommendations to OJP which are detailed in the body 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 UND officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft audit report from UND and OJP, and their responses are appended to this report as Appendix 3 and 4, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations, can be found in Appendix 5 of this report.

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AWARDS TO THE  
UNIVERSITY OF NORTH DAKOTA,  
GRAND FORKS, NORTH DAKOTA**

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**Table 1  
OJP Awards to UND**

AWARD NUMBER	PROGRAM	AWARD AMOUNT
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2013-IC-BX-K001	BJA Tribal Courts Assistance Program	\$1,700,000
<b>Total:</b>		<b>\$3,798,294</b>

Source: OJP's Grants Management System (GMS)

Funding through Grant Numbers 2009-D1-BX-0214 and 2010-DD-BX-0429 supports the Native Americans Into Law (NAIL) program, which assists efforts to recruit and retain Native American law students by providing scholarships, mentoring, and support programs. Cooperative Agreement Number 2010-DN-BX-K263 funds the development and delivery of forensic science training, the goal of which is to increase the number of no-cost educational opportunities for state and local practitioners in forensic science disciplines. Grant Number 2013-ZD-CX-0072 supports exploratory, mixed-methods research related to the impact, if any, of the oil industry on domestic violence, dating violence, sexual assault, and stalking in the Dakotas and Montana. Finally, Cooperative Agreement Number 2013-IC-BX-K001 provides training and technical assistance in support of tribal governments that have received grants under OJP's Tribal Assistance Solicitation.

**University of North Dakota**

UND, as a member of the North Dakota University System, serves the state, the country, and the world community through teaching, research, creative activities, and service. With nearly 40 online degree programs, UND has a diverse student body which represents all 50 states and over 60 countries, enrolling nearly 15,000 students in over 225 fields of study. The University has both accredited

graduate schools of law and medicine, and is one of the top 100 doctoral research universities in the United States. The School of Law is a member of the American Association of Law Schools and is accredited by the American Bar Association's Section of Legal Education. Also, the School of Medicine and Health Sciences, specifically the forensic pathology facility, is accredited by the National Association of Medical Examiners.

### **OIG Audit Approach**

The objective of this audit was to determine whether costs claimed under the awards 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 award 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 awards. 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 body 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.

## **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 reviewed the award solicitations and award documentation, and interviewed UND officials to determine whether the program goals and objectives were implemented. Finally, we reviewed UND's compliance with the special conditions identified in the award documentation.

### *Program Goals and Objectives*

The primary objective of Grant Number 2013-ZD-CX-0072 is to conduct a study that will identify changes in, and the distribution of, domestic violence, dating violence, sexual assault, and stalking in the Bakken region during the recent oil boom. We verified that UND participated in and presented at six conferences related to the matter. We also reviewed data collection summaries relating to 119 individual and 13 focus group interview transcripts. The draft final technical report is not due until October 2, 2016; therefore, we could not verify completion during this audit. However, in our judgment, the activity described above demonstrates that UND is making positive progress toward achieving the goals and objectives of the award.

The overall objective for Cooperative Agreement Number 2013-IC-BX-K001 is to provide training and technical assistance for the Tribal Court Assistance Program of the Coordinated Tribal Assistance Solicitation program, especially as it concerns the Indian alcohol and substance abuse program. We reviewed documentation that supports the provision of training and technical assistance in three events, communication with project partners, and efforts at outreach improvements. Again, in our judgment, the documentation provided indicates that UND is providing services that are supportive of the goals and objectives of the award.

For the three completed awards, we verified that all goals and objectives were achieved and that the intended deliverables were realized. Grant Numbers 2009-D1-BX-0214 and 2010-DD-BX-0429 were awarded primarily to support efforts for the recruitment and retention of Native American law students who are enrolled in federal or state recognized tribes. We verified that these efforts included scholarships to 28 students, mentoring and academic support, outreach, and the creation of the Indian Law Certificate Program at the UND School of Law. Through these efforts, 15 students graduated.

Finally, the overall objective for Cooperative Agreement Number 2010-DN-BX-K263 was to develop an on-line death investigation curriculum based on the standards of the National Institute of Justice, American Board of Medicolegal Death Investigators, and National Association of Medical Examiners with input from associated forensic sciences. We were provided information concerning the six learning modules including the curriculum, registrations, and evaluations. As of September 30, 2015, a total of 4,724 student participants were registered for

modules within the program. The students registered for a total of 15,044 modules, of which they completed 5,198 modules. Although the award period has ended, these students have until December 31, 2016 to finish the curriculum for credit at no additional cost to the student or to OJP.

Based on our review, there were no indications that UND was not adequately achieving the stated goals and objectives of the awards.

#### *Required Performance 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. In order to verify the information in the progress reports, we judgmentally selected a sample of quantifiable performance measures from the 2 most recent progress reports submitted for all 5 awards, for a total sample size of 37. We then traced the items to supporting documentation maintained by UND.

Based on our progress report testing, we did not identify any material instances where the accomplishments described in the progress reports did not match the supporting documentation.

#### *Compliance with Special Conditions*

Special conditions are the contractual terms and conditions that are included with the awards. We evaluated the special conditions for each award and selected a judgmental sample of the requirements that are significant to performance under the awards and that are not addressed in another section of this report. We evaluated one special condition each for both Grant Numbers 2009-D1-BX-0214 and 2010-DD-BX-0429, two special conditions each for both Cooperative Agreement Number 2010-DN-BX-K263 and Grant Number 2013-ZD-CX-0072, and seven special conditions for Cooperative Agreement Number 2013-IC-BX-K001, including its two supplements, for a total of 13 special conditions.

Based on our sample, we did not identify any instances of UND violating the special conditions of the awards.

### **Award Financial Management**

According to the OJP Financial Guide, all award recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. We reviewed the State of North Dakota's Single Audit Reports for 2009 through 2014 to identify internal control weaknesses and significant non-compliance issues related to federal awards. We also conducted interviews with financial and programmatic staff, examined policy and procedures, and reviewed award documents to determine whether UND adequately safeguards award funds.



We also reviewed UND's oversight of direct costs during transaction testing. In so doing, we found that UND charged: (1) unallowable and unsupported student travel, (2) unallowable employee travel, and (3) unallowable overtime. These issues along with associated questioned costs and recommendations are discussed in the Direct Costs section of this report.

## **Award Expenditures**

For Grant Numbers 2009-D1-BX-0214 and 2013-ZD-CX-0072, and Cooperative Agreement Number 2013-IC-BX-K001, UND's approved budgets included personnel, fringe benefits, travel, supplies, contracts, other, and indirect costs. For Grant Number 2010-DD-BX-0429 and Cooperative Agreement Number 2010-DN-BX-K263, UND's approved budgets included personnel, fringe benefits, supplies, and indirect costs. Grant Number 2010-DN-BX-0429 was also budgeted for travel and other costs.

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 142 expense transactions, a minimum of two non-consecutive payroll periods for each award, 100 percent of positions paid for each award, and 100 percent of indirect costs.<sup>1</sup> The following sections describe the results of that testing. During our analysis, we did not identify any issues related to supplies, contracts, other, or indirect costs.

### *Direct Costs*

We selected a judgmental sample of 25 transactions from each of the five awards, and we selected an additional 15 transactions for Grant Number 2013-ZD-CX-0072. During transaction testing, we expanded the sample of Grant Number 2009-D1-BX-0214 by two transactions. In so doing, we sampled a cumulative total of 142 transactions. We reviewed documentation, accounting records, and performed verification testing related to award expenditures. Personnel costs were further evaluated through payroll testing in which we judgmentally selected two nonconsecutive pay periods for each award and an additional nonconsecutive pay period for Cooperative Agreement Number 2013-IC-BX-K001. For each pay period, we reviewed the employees' time and effort, labor rates, and fringe benefits as discussed below.

For Grant Number 2009-D1-BX-0214, we identified four student travel expense worksheets with unallowable costs related to attendance at a conference in April 2013. The OJP Financial Guide states that travel expenses are allowable for

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<sup>1</sup> 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. UND has established predetermined indirect rates for facilities and administrative costs with the Department of Health and Human Services. These indirect rates are applied to all salaries and wages, fringe benefits, materials, supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract.

employees who are in travel status on official business related to the award. Similarly, UND policy states that students may be reimbursed for travel expenses incurred while on UND business. Although this conference ended the evening of April 12, 2013, these students did not return until April 15, 2013. Additionally, UND officials could not provide documentation on why the students were not scheduled to return the day after the conference on April 13, 2013. Therefore, we identified two days without official duties for which the students claimed reimbursable expenses using award funds. These expenditures included per diem, lodging, car rental, and parking for a total of \$802 in unallowable student travel.

In addition, the OJP Financial Guide states that all conference attendees must ensure that any provided meal is deducted from their claimed meals and incidental expenses (per diem). However, the four students claimed full days of per diem on days when conference meals were provided, which were included in the registration fees that were paid for with grant funds. Consequently, the four students were reimbursed twice for these conference meals. Additionally, we identified another student attending a February 2013 conference who claimed full days of per diem on days when conference meals were provided. Therefore, we question \$365 in unallowable student travel related to conference meals.

In all, we question \$1,167 in unallowable questioned costs related to days without official duties and duplicative reimbursement for conference meals. As a result of our audit, UND officials corrected \$1,114 in unallowable questioned costs when the errors were brought to their attention by repaying the funds to OJP. Because UND officials have corrected these errors, we did not incorporate the amounts in our total questioned cost, leaving a remainder of \$53 in unallowable questioned cost related to student travel.

For Cooperative Agreement Number 2010-DN-BX-K263, we identified \$1,555 in overtime within our judgmental sample. The OJP Financial Guide states that any overtime pay must be authorized in advance through written approval from the awarding agency. However, we did not identify such an approval in the Grant Adjustment Notices, and the award's budget narrative indicated that overtime was unallowable on this project. Moreover, UND officials and the OJP Grant Manager could not provide documentation for the approval of overtime charged to the award. We reviewed all award expenditures and identified \$2,138 in unallowable overtime throughout the life of the award. Therefore, we question \$2,138 in unallowable costs related to overtime for Cooperative Agreement Number 2010-DN-BX-K263.

For Cooperative Agreement Number 2013-IC-BX-K001, we identified \$1,139 in travel reimbursement expenses that were erroneously allocated to the award, which we question as unallowable. UND officials stated that this occurred due to a clerical error, as the incorrect UND project code was listed on the expense reimbursement. Therefore, we question \$1,139 in unallowable costs related to employee travel reimbursements for Cooperative Agreement Number 2013-IC-BX-K001. As a result of our audit, UND officials corrected this error when it was brought to their attention by moving the questioned costs in the accounting

system to another UND funding source. Therefore, we did not incorporate the amount in our total questioned cost.

Of the 142 transactions tested, we identified \$1,167 in unallowable student travel, \$2,138 in unallowable overtime, and \$1,139 in unallowable employee travel for a total of \$4,444 in unallowable questioned costs related to transaction testing. Therefore, we recommend that OJP remedy the remaining \$2,191 in unallowable questioned costs.<sup>2</sup>

We reviewed payroll for two judgmentally selected, non-consecutive pay periods for each of the five grants, and we selected an additional pay period for Cooperative Agreement Number 2013-IC-BX-K001. We examined payroll records, comparing budgeted and actual wages, time and effort, and fringe benefits. We found that payroll records were generally accurate, and fringe benefits were computed correctly, except for the unallowable overtime mentioned under Cooperative Agreement Number 2010-DN-BX-K263, above. However, we identified a graduate research assistant who certified his own Personnel Activity Confirmation (PAC) report under Grant Number 2013-ZD-CX-0072.<sup>3</sup> UND policy states that graduate students are not allowed to sign the PAC report, as it must be signed by a responsible official who has suitable means to affirm that the work was performed, such as the Principal Investigator. Although we identified this as an exception, it occurred in only 2 of the 47 transactions we reviewed. Therefore, we determined that it does not indicate a material deficiency in UND's controls. As a result of this audit, UND provided recertified PAC reports for all periods that this graduate research assistant worked on the grant.

## **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 award 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 award expenditures to the approved budgets to determine whether UND transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent.

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<sup>2</sup> Because UND officials have corrected the errors in relation to \$1,114 in unallowable student travel and \$1,139 in unallowable employee travel; we did not incorporate these amounts in our total questioned costs.

<sup>3</sup> UND requires employees to certify that the percentage of time (effort) charged or cost shared to sponsored projects is reasonable and consistent with the portion of total professional activity committed. This is achieved through after-the-fact certification of effort recorded on Personnel Activity Confirmation (PAC) reports or timesheets.

## 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 award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. UND officials stated that they request drawdowns on a reimbursement basis, and determine the amount due by capturing expense information as recorded in the accounting system for the drawdown period. As of January 12, 2016, UND had drawn down a total of \$2,369,862 from the five audited awards, as shown below.

**Table 2**  
**Total Drawdowns**

<b>AWARD NUMBER</b>	<b>TOTAL DRAWDOWNS</b>
2009-D1-BX-0214	\$ 286,636
2010-DD-BX-0429	279,586
2010-DN-BX-K263	999,876
2013-IC-BX-K001	532,112
2013-ZD-CX-0072	271,652
<b>Total:</b>	<b>\$ 2,369,862</b>

Source: OJP

To assess whether UND managed award receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. During this audit, we did not identify any significant deficiencies related to the recipient's process for developing drawdown requests.

## 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 FFRs submitted by UND were accurate, we compared the four most recent reports to UND's accounting records for each award. Additionally, we sampled a fifth FFR for both of the ongoing awards, Grant Number 2013-ZD-CX-0072 and Cooperative Agreement Number 2013-IC-BX-K001, for a total sample of 22 FFRs.

Based on the reports we reviewed, we determined that the quarterly and cumulative federal share of expenditures substantially reconciled to the accounting records. Additionally, the FFRs did not identify any program income under the awards. However we found that, for 12 of the 22 FFRs we reviewed, UND erroneously reported the Modified Total Direct Cost (MTDC) base<sup>4</sup> and indirect cost cumulatively although the OJP Guidance requires grantees to report expenditures for the reporting period. We recommend that OJP coordinate with UND to update

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<sup>4</sup> Modified Total Direct Cost, or MTDC, includes all direct costs incurred by the organization with the exception of distorting items such as equipment, capital expenditures, pass-through funds, and each major subcontract or subaward over \$25,000.

its FFR policies and procedures to report the MTDC base and indirect cost for the reporting period only.

## **Conclusion**

The objective of this audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. We examined UND's accounting records, budget documents, financial and progress reports, and financial management procedures. We found that UND: (1) charged unallowable travel and overtime to the awards, and (2) did not consistently report quarterly indirect cost information in the FFRs. We made two recommendations to improve UND's management of awards.

## **Recommendations**

We recommend that OJP:

1. Remedy the \$2,191 in unallowable costs associated with the following issues:<sup>5</sup>
  - a. \$53 in reimbursements related to student travel on Grant Number 2009-D1-BX-0214.<sup>6</sup>
  - b. \$2,138 in costs related to overtime on Cooperative Agreement Number 2010-DN-BX-K263.
2. Coordinate with UND to update its FFR policies and procedures to report the MTDC base and indirect cost for the reporting period only.

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<sup>5</sup> Because UND officials have corrected the errors in relation to \$1,114 in unallowable student travel and \$1,139 in unallowable employee travel; we did not incorporate these amounts in our total questioned costs.

<sup>6</sup> Note that \$53 is outstanding on Grant Number 2009-D1-BX-0214 as a total of \$1,167 was questioned as unallowable and only \$1,114 has been corrected.

### Objective, Scope, and Methodology

The objective of this audit was to determine whether costs claimed under the awards 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 award 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 Office of Justice Programs' (OJP) National Institute of Justice (NIJ) and Bureau of Justice Assistance (BJA) awards to the University of North Dakota (UND) under various programs, including:

- BJA Congressionally Selected for FY 2009 and FY 2010
- NIJ FY 2010 Forensic Science, Training, Development, and Delivery Program
- NIJ FY 2013 Exploratory Research on the Impact of the Growing Oil Industry in the Dakotas and Montana on Domestic Violence, Dating Violence, Sexual Assault, and Stalking
- BJA Tribal Courts Assistance Program

Our audit concentrated on, but was not limited to September 24, 2009, the award date for Grant Number 2009-D1-BX-0214, through January 29, 2016, the last day of our fieldwork. Grant Numbers 2009-D1-BX-0214 and 2010-DD-BX-0429 and Cooperative Agreement Number 2010-DN-BX-K263 have ended; and Grant Number 2013-ZD-CX-0072 and Cooperative Agreement Number 2013-IC-BX-K001 are ongoing as of January 29, 2016. As of January 12, 2016, UND had drawn down \$2,369,862 of the \$3,798,294 total funds awarded.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of UND's activities related to the audited awards. We performed sample-based audit testing for award expenditures, payroll and fringe benefits, indirect costs, financial reports, progress reports, and special conditions. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards 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 audit against are contained in the OJP Financial Guide and the award documents. In addition, we evaluated UND's (1) award financial management, including award-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 UND'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.

**Schedule of Dollar-Related Findings**

	<u>Description</u>	<u>Amount</u>	<u>Page</u>
<b>Questioned Costs:</b>			
Unallowable Student Travel <sup>7</sup>	\$53	6	
Unallowable Overtime	<u>\$2,138</u>	6	
Unallowable Costs <sup>8</sup>	\$2,191		
<b>TOTAL DOLLAR-RELATED FINDINGS</b>		<b><u>\$2,191</u></b>	

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<sup>7</sup> Note that \$53 is outstanding on Grant Number 2009-D1-BX-0214 as a total of \$1,167 was questioned as unallowable and only \$1,114 has been corrected.

<sup>8</sup> Because UND officials have corrected the errors in relation to \$1,114 in unallowable student travel and \$1,139 in unallowable employee travel; we did not incorporate these amounts in our total questioned costs.



## University of North Dakota Response to the Draft Audit Report



DIVISION OF RESEARCH & ECONOMIC DEVELOPMENT

[UND.edu](http://UND.edu)

**Grants & Contracts Administration**

Twamley Hall, Room 100  
264 Centennial Dr Stop 7306  
Grand Forks, ND 58202-7306  
Phone: 701.777.4151  
[UND.grantcontracts@research.UND.edu](mailto:UND.grantcontracts@research.UND.edu)  
Website: [UND.edu/research](http://UND.edu/research)

June 29, 2016

David Sheeren  
Regional Audit Manager  
Denver Regional Audit Office  
Office of the Inspector General  
U.S. Department of Justice  
1120 Lincoln Street, Suite 1500  
Denver, CO 80203

Attached please find the University of North Dakota's response to the draft audit report recommendations found on page 9 of the report.

Please contact me at 701-777-4822 or at [marsha.tonder@research.und.edu](mailto:marsha.tonder@research.und.edu) if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Marsha Tonder'.

Marsha Tonder  
Senior Grants Officer

Cc: U.S. Department of Justice  
Office of Justice Programs  
Office of Audit, Assessment, and Management  
Audit and Review Division  
Attention: **Linda Taylor**  
810 Seventh Street, NW  
Washington, DC 20531

## Recommendations

1. Remedy the \$2,191 in unallowable costs associated with the following issues:

- a. \$53 in reimbursements related to student travel on Grant Number 2009-D1-BX-0214.

**University of North Dakota (UND) Response/Corrective Action Plan:** UND agrees with the recommendation, \$71.91 (\$52.80 of travel and \$19.11 of indirect costs) was returned via check # 359884, on 6/29/2016 to the U.S. Department of Justice, Office of Justice Programs, Office of the Chief Financial Officer, along with a revised final SF 425.

- b. \$2,138 in costs related to overtime on Cooperative Agreement Number 2010-DN-BX-K263.

**University of North Dakota (UND) Response/Corrective Action Plan:** UND agrees with the recommendation, \$3,339.60 (\$2,137.93 of overtime, \$314.05 of fringe benefits, and \$887.62 of indirect costs) was returned via check # 359883, on 6/29/2016, to the U.S. Department of Justice, Office of Justice Programs, Office of the Chief Financial Officer, along with a revised final SF 425.

2. Coordinate with UND to update its FFR policies and procedures to report the MTDC base and indirect cost for the reporting period only.

**University of North Dakota Response/Corrective Action Plan:** UND will report on future Department of Justice FFR's, MTDC base and indirect cost for the reporting period only.

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

JUL 21 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 Awards to the University of North Dakota, Grand Forks, North Dakota*

This memorandum is in reference to your correspondence, dated June 22, 2016, transmitting the above-referenced draft audit report for University of North Dakota (UND). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains two recommendations and \$2,191 in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations directed to OJP are restated in bold and are followed by our response.

- 1. We recommend that OJP remedy \$2,191 in unallowable costs associated with reimbursements related to student travel (\$53) 2009-D1-BX-0214, and costs related to overtime (\$2,138) 2010-DN-BX-K263.**

OJP agrees with this recommendation. To remedy the \$2,191 in questioned costs, associated with student travel charged to grant number 2009-D1-BX-0214 (\$53) and with overtime charged to cooperative agreement number 2010-DN-BX-K263 (\$2,138), UND returned the funds to the U.S. Department of Justice (DOJ), adjusted its accounting records to remove the costs, and submitted revised final Federal Financial Reports (FFRs) for each award (see Attachment). The Office of Justice Programs requests closure of the recommendation and \$2,191 in questioned costs.

**2. We recommend that OJP coordinate with UND to update its FFR policies and procedures to report the MTDC base and indirect cost for the reporting period only.**

OJP agrees with this recommendation. It is our understanding that UND uses the [whitehouse.gov](http://whitehouse.gov) FFR instructions for reporting indirect costs on the quarterly FFR. In May 2016, we discovered that OJP's instructions differ slightly from the Office of Management and Budget (OMB) instructions. The DOJ Financial Guide states that recipients should report indirect costs quarterly, while OMB instructions state that recipients should report indirect costs cumulatively. Therefore, UND reported indirect costs in OJP's Grant Management System quarterly, in accordance with OJP's instructions, rather than cumulatively. To correct this discrepancy, in the next update to the DOJ Financial Guide, OJP will revise the requirement for reporting indirect costs to be consistent with OMB guidelines. Accordingly, the Office of Justice Programs requests closure of the recommendation.

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.

Attachment

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**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 Office of Justice Programs (OJP) and the University of North Dakota (UND). UND's response is incorporated in Appendix 3, and OJP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP concurred with our recommendations and provided documentation indicating that corrective actions were completed. As a result, the status of the audit report is closed. The following provides the OIG analysis of the response.

**Recommendations:**

- 1. Remedy the \$2,191 in unallowable costs associated with the following issues:**
  - a. \$53 in reimbursements related to student travel on Grant Number 2009-D1-BX-0214.**
  - b. \$2,138 in costs related to overtime on Cooperative Agreement Number 2010-DN-BX-K263.**

Closed. This recommendation is closed. OJP concurred with our recommendation and provided documentation demonstrating that UND returned the \$2,191 in funds to the U.S. Department of Justice (DOJ), adjusted its accounting records to remove the questioned costs, and submitted revised final Federal Financial Reports (FFRs) for each award.

UND also concurred with our recommendation and provided documentation demonstrating that UND returned the \$2,191 in unallowable costs to the DOJ, made adjusting entries to its accounting records to remove the unallowable costs, and revised final FFRs to reflect the accurate amount expended.

We reviewed the documentation and determined that it adequately addresses our recommendation.

- 2. Coordinate with UND to update its FFR policies and procedures to report the Modified Total Direct Cost (MTDC) base and indirect cost for the reporting period only.**

Closed. This recommendation is closed. OJP concurred with our recommendation, but identified a discrepancy between its guidance and the guidance issued by the Office of Management and Budget (OMB).

Specifically, current OJP guidance requires recipients to report indirect costs and MTDC base on a quarterly basis, while current OMB guidance requires recipients to report these costs cumulatively. Of the 22 FFRs we reviewed, only 12 were reported on a cumulative basis. The remaining 10 were reported on a quarterly basis, as currently required by OJP. During our audit, we identified the reporting discrepancy and asked UND officials why indirect costs and MTDC base were, in some cases, reported on a cumulative basis. Those officials stated that the cumulative reports were the result of "human error."

However, we agree with OJP in that a discrepancy exists between its guidance and the OMB guidance. To correct this discrepancy, OJP will revise the requirement for reporting indirect costs to be consistent with OMB guidelines in the next update to the DOJ Financial Guide. In its response to the draft report, UND did not agree or disagree with our recommendation, but did state that it would ensure future MTDC base and indirect cost would be reported quarterly, as currently required by OJP guidance. In consideration of OJP's response to the draft report and its stated intention to revise current policy, we believe UND has taken necessary action to attain compliance with current policy until OJP updates its financial guide in order to comply with OMB guidance.

We reviewed OJP's documentation concerning its FFR policies and procedures and determined that these actions adequately address our recommendation.



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