



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



**Audit of the Office of Juvenile Justice
and Delinquency Prevention
Multi-State Mentoring Initiative Grants
Awarded to Amachi, Inc.
Philadelphia, Pennsylvania**

Audit Division GR-70-17-001

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**AUDIT OF THE
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
MULTI-STATE MENTORING INITIATIVE GRANTS
AWARDED TO AMACHI, INC.
PHILADELPHIA, PENNSYLVANIA**

EXECUTIVE SUMMARY*

The Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of the Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention Multi-State Mentoring Initiative grants 2011-MU-MU-4016 and 2014-JU-FX-0024 awarded to Amachi, Inc. (Amachi) located in Philadelphia, Pennsylvania. The Multi-State Mentoring Initiative awards totaled \$3,279,084. The purpose of these funds was to enhance mentoring programs for underserved youth at-risk of academic failure, truancy, and adjudication.

The objective of our audit was to determine whether the reimbursements claimed for award-funded costs were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the awards. We also assessed Amachi's performance in meeting program objectives and overall award-related accomplishments.

Overall we determined Amachi did not comply with all of the OJP Financial Guide requirements we tested. Specifically, we found Amachi: (1) did not implement an adequate accounting system or award administration procedures; (2) charged unreasonable, unallowable, and unsupported award expenditures; (3) engaged in a conflict of interest, thereby violating OJP's Financial Guide, by making \$283,522 in subrecipient expenditures to an organization for which Amachi's President served as chairman of the board of directors and acting Chief Executive Officer (4) did not have written subrecipient monitoring policies and procedures or adequate subrecipient monitoring practices; (5) did not meet sampled award objectives; (6) did not implement an adequate accounting system to prepare financial reports; (7) submitted inaccurate progress reports; (8) did not implement adequate cash management policies and procedures; and (9) did not comply with sampled award special conditions. As a result of these deficiencies, we questioned \$2,242,686 of the \$2,834,080 award expenditures as of October 2015.

Based on the findings, we recommended OJP remedy questioned costs and ensure Amachi implement and adhere to adequate policies and procedures to ensure compliance with applicable laws, regulations, and award terms and conditions. In September 2016, OJP, in response to the results of our audit, froze

* The Office of the Inspector General redacted names of individuals from the grantee's response to protect the privacy rights of the identified individuals. We also redacted the name of organizations from the grantee's response that did not individually have an effect on our audit approach, recommendations, and conclusions.

the funding related to all of Amachi's active DOJ awards, designated Amachi as a high-risk award recipient, and added award conditions to Amachi's current awards to prevent it from obligating, expending, or drawing down funds.

Our report contains two recommendations to OJP, which are detailed later in 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 Amachi officials and have included their comments in the report, as applicable. In addition, we requested a written response to our draft audit report from Amachi and OJP, and their responses are included in Appendices 3 and 4, respectively.

**AUDIT OF THE
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
MULTI-STATE MENTORING INITIATIVE GRANTS
AWARDED TO AMACHI, INC.
PHILADELPHIA, PENNSYLVANIA**

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The Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of the Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention (OJJDP) Multi-State Mentoring Initiative grants 2011-MU-MU-4016 and 2014-JU-FX-0024 awarded to Amachi, Inc. (Amachi) located in Philadelphia, Pennsylvania. The Multi-State Mentoring Initiative awards totaled \$3,279,084, as shown in Table 1. OJP awarded funds to Amachi to enhance mentoring programs for underserved youth at-risk of academic failure, truancy, and adjudication.

**Table 1
Amachi OJP Awards**

Award Number	Project Period Start Date	Award End Date	Award Amount
2011-MU-MU-4016 ^a	7/1/2012	9/30/2014	\$2,279,084
2014-JU-FX-0024	10/01/2014	9/30/2016	\$1,000,000
Total:			\$3,279,084

^a This grant was initially awarded to Public/Private Ventures (P/PV) as 2011-MU-MU-0016 in the amount of \$3,000,000. In May 2012, P/PV requested that its award be transferred before it ceased program operations in July to Amachi, Inc. OJP transferred the remaining \$2,279,084 to Amachi, which began grant-funded activities on July 1, 2012.

Source: Office of Justice Programs

Amachi, Inc.

Amachi, Inc. is a non-profit organization located in Philadelphia, Pennsylvania that was created by Public/Private Ventures (P/PV) in 2000 as a mentoring program for youth of incarcerated parents.¹ Amachi became a separate non-profit organization in May 2012 and is operated by three employees: a President, Vice President, and an Administrative Assistant. According to officials, Amachi does not provide mentoring services directly to youth, but instead serves as an intermediary between OJJDP and Amachi’s subrecipients.

OIG Audit Approach

The objective of this audit was to determine whether reimbursements claimed for costs under the awards were allowable, supported, and in accordance

¹ P/PV was a national non-profit organization whose mission was to improve the effectiveness of social policies, programs, and community initiatives, particularly as they affect youth and young adults.

with applicable laws, regulations, guidelines, and the terms and conditions of the awards. We also assessed Amachi's performance in meeting program objectives and overall award-related accomplishments.

Where possible, we tested compliance with what we considered to be the most important conditions of the awards. Unless otherwise stated in our report, we applied the OJP Financial Guide as our primary criteria. The OJP Financial Guide serves as a reference manual assisting recipients in their fiduciary responsibility to safeguard funds and ensure funds are used appropriately. We also tested compliance against policies found in applicable Office of Management and Budget (OMB) Circulars and Code of Federal Regulations referenced in the OJP Financial Guide. The results of our analysis are discussed in the following sections of this report. The audit objectives, scope, and methodology are included in the report as Appendix 1. The Schedule of Dollar-Related Findings appears in Appendix 2.

Financial Management System

Based on our review, we determined Amachi did not have effective controls and accountability for award funds because it did not implement an adequate accounting system. During our audit work, we found Amachi used commercial accounting software (accounting system) and separate monthly electronic spreadsheets to manage its award expenditures. However, we determined Amachi's accounting system was inadequate because the financial records had not been reconciled with the accounting system since December 2014 and the system commingled award funds, did not track expenditures by approved OJP budget category, and did not use actual dates to record revenue and some expenditure types. We also determined Amachi did not adequately implement its own policies and procedures that require monthly bank reconciliations, require its accountant to manage awards in accordance with the OJP Financial Guide requirements, or review its accountant's work to ensure the accounting system was complete and accurate.

Our audit was delayed for several weeks while Amachi separated its fiscal year (FY) 2011 and 2014 award expenditures and updated its FY 2014 award expenditures through October 2015.

In our discussions with Amachi officials, they acknowledged that award-related expenditures were not managed in accordance with the OJP Financial Guide. Amachi's President told us the organization will follow its existing accounting policies and procedures in the future, which state that Amachi will perform monthly bank reconciliations and update its accounting system on a quarterly basis. However, we determined quarterly reconciliations of its accounting system are not frequent enough to complete monthly bank reconciliations or to ensure compliance with the DOJ Grants Financial Guide as discussed in the Financial Reporting and Drawdowns section of this report.²

² The *OJP Financial Guide* was replaced by the DOJ Grants Financial Guide for awards made after December 26, 2014.

We recommend that OJP ensure Amachi revise, implement, and adhere to its written accounting policies and procedures to ensure its accounting records are maintained in accordance with the DOJ Grants Financial Guide.

Single Audit Review

The OJP Financial Guide requires recipients that expend more than \$500,000 or more in Federal funds each fiscal year to have a Single Audit performed and to complete and upload Single Audit Reports to the Federal Audit Clearinghouse within 9 months of the end of the fiscal year - September 30 of each year for Amachi. Single Audit Reports are designed to provide awarding agencies with important information about the accuracy of a recipient's financial statements and internal controls over the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Amachi's FY 2013 combined financial statement and Single Audit Report was completed in August 2015, and its FY 2014 combined report was completed in December 2015. These reports did not include any findings and were uploaded to the Federal Audit Clearinghouse on December 24, 2015. As a result, we determined Amachi's Single Audit Reports were not completed timely and its FY 2013 report was not uploaded timely to the Federal Audit Clearinghouse. Amachi's FY 2014 report was completed late, but uploaded to the Federal Audit Clearinghouse on time because OMB temporarily extended the deadline for uploading reports due between July 22, 2015, and January 31, 2016.³

We also determined Amachi's FY 2013 Single Audit Report contained inaccuracies because the Schedule of Expenditures of Federal Awards reported the wrong Catalog of Federal Domestic Assistance (CFDA) number and program title. Amachi's FY 2011 and 2014 awards were from the same OJJPD Multi-State Mentoring Initiative program, but its FY 2011 awards had a separate CFDA number and program title because the award was transferred from the initial recipient, P/PV, under a different award program.

We recommend OJP ensure Amachi implement and adhere to written policies and procedures for ensuring accurate and timely Single Audit Reports are performed.

Conflicts of Interest

During our fieldwork, we found that the President of Amachi served on the board of directors for two separate organizations that were subrecipients of Amachi's FY 2011 and 2015 Multi-State Mentoring Initiative awards and did not disclose this to OJJDP for specific guidance and advice, as directed by the OJP

³ Due to a security event that restricted access to the clearinghouse, the OMB granted an extension until February 1, 2016 for all submissions due to the Federal Audit Clearinghouse between July 22, 2015, and January 31, 2016.

Financial Guide.⁴ For the FY 2011 award, the subrecipient was the Philadelphia Leadership Foundation (PLF) and the Amachi President was the Acting Chief Executive Officer (CEO) and responsible for disbursing PLF funds by signing its checks.

The OJP Financial Guide prohibits recipients from participating in any decisions, approval, disapproval, recommendation, investigation decisions, or any other proceeding concerning an organization if a recipient is serving as an officer, director, trustee, partner, or employee. Additionally, Amachi's Conflict of Interest Policy prohibits its directors and officers from doing business with any organizations when an Amachi director or officer also holds a position of authority with those organizations. However, the policy only requires a disclosure to the Amachi board of directors when an official has financial interest in the other organization. As a result, we determined the Amachi President violated the OJP Financial Guide requirement by holding both positions and not disclosing these positions to OJJDP for specific guidance and advice as to whether a conflict existed.

Amachi's President told us he did not report the positions to OJJDP because he was not aware of the OJP Financial Guide requirements and guidance for conflicts of interest. Amachi officials agreed that the positions were a conflict of interest and should have been disclosed to OJJDP and told us Amachi would revise its policies and procedures to ensure compliance with the conflict of interest requirements in the future.

We questioned \$283,522 in subrecipient expenditures paid to the PLF as unallowable due to the Amachi President's conflict of interest. We recommend OJP remedy these questioned costs and ensure Amachi revise, implement, and adhere to its Conflict of Interest Policy to ensure Federal funds are used in the best interest of an award program and safeguarded against potential fraud, waste, and abuse.

Written Grant Administration Policies and Procedures

Amachi's written grant administration policies and procedures were limited to accounting, payroll, billing, cash control, and other miscellaneous organizational policies and procedures. Based on our review of the manual, we determined Amachi did not develop adequate written grant administration policies and procedures for each of the areas we tested. As a result, we determined Amachi's grant administration policies and procedures were not designed to ensure compliance with the OJP Financial Guide, which contributed to the findings we discuss in the following sections of the report.

Award Expenditures

Amachi used funding from its two OJJDP Multi-State Mentoring Initiative awards totaling \$2,834,080 between July 2012 and October 2015 for subrecipient

⁴ The 2015 award was not included within the scope of our audit.

awards, personnel, fringe benefits, consultants, contractors, and other expenses, as shown in Table 2.

Table 2
Amachi Expenditures by OJP Approved Budget Category
through October 2015

Cost Category	2011-MU-MU-4016	2014-JU-FX-0024	TOTAL
Subrecipient Awards^a	\$1,574,791	\$373,404	\$1,948,194
Personnel	310,685	81,910	392,595
Consultants/Contractors	281,260	44,063	325,323
Other	83,287	29,617	112,904
Fringe Benefits	46,955	6,827	53,782
Travel	-	1,282	1,282
Total:	\$2,296,978^b	\$537,103	\$2,834,080

Note: Totals may not sum due to rounding.

^a Amachi's approved budget included subrecipient, consultant, and contractor expenses under the "Consultants/Contractors" budget category. We created a separate category for sub-recipients because these expenditures were the largest cost category for Amachi's awards.

^b Amachi recorded expenditures that were greater than the amount of the FY 2011 award. We attribute this to deficiencies with the accounting system, as discussed in the Financial Management System section of this report.

Source: OIG Analysis of Amachi records

Consultants and Contracts

Amachi hired consultants and contractors to support its award-related activities as described in Table 3 below. The OJP Financial Guide requires recipients to have written procurement policies and procedures and conduct all procurement transactions in an open, free, and fair competition, unless recipients can document services are only available from a single source, a true public exigency or emergency exists, or competition is deemed inadequate after unsuccessful competitive bidding.⁵ Recipients are required to maintain documentation justifying sole source contracts regardless of the amount and obtain prior approval from OJP for contracts greater than \$150,000.

⁵ The *OJP Financial Guide* refers to the DOJ *Uniform Administrative Requirements for Grants and Agreements (including Sub-Awards) with Institutions of Higher Education, Hospitals and Other for Non-Profit Organizations*, which requires recipients to have written procurement policies and procedures (28 C.F.R. §70.44).

Table 3
Amachi Consultant and Contract Expenditures
through October 2015

Contract/Consultant Type^a	2011-MU-MU-4016	2014-JU-FX-0024	TOTAL
Mentor Training Portal Contract	\$225,581	\$19,281	\$244,862
Research Firm	-	24,782	24,782
Annual Cloud Based Learning Portal Fees*	21,574	3,600	25,174
Research Study Printing*	4,762	-	4,762
Youth Survey Database Enhancement Contract	2,750		2,750
Contract Total:	254,667	47,663	302,330
Researcher 1	30,264		30,264
Researcher 2	9,603		9,603
Copyeditor 1	4,225	-	4,225
Copyeditor 2	175	-	175
Graphic Designer	3,413	-	3,413
Interview Transcriber	3,050	-	3,050
Accountant*	6,919	1,550	8,469
Auditor*	1,750	1,750	3,500
Consultant Total:	59,398	3,300	62,699
Grand Total:	\$ 314,064	\$50,963	\$365,027

Note: Totals may not sum due to rounding.

^a For purposes of our analysis, we included contracts and consultants that were budgeted as "Other" expenditures in Amachi's approved budget. These items are identified with an asterisk. As a result, the total amount of these expenditures included in Table 3 is greater than the amount of "Consultants/Contractors" included in Table 2.

Source: OIG Analysis of Amachi records

The OJP Financial Guide limits recipients to a maximum consultant rate of \$650 per day, or \$81.25 per hour, for sole source consultant services without prior written approval from the awarding agency.⁶ The guide also instructs recipients that sole source consultant rates must be reasonable and consistent with that paid for similar services in the marketplace and the maximum rate should not be paid to all consultants.

We found that Amachi did not procure its contractor and consultant services in accordance with the OJP Financial Guide, as described in the following sections.

⁶ This rate was effective June 1, 2014. The previous rate was \$450 per day or \$56.25 per hour.

Sole Source Procurements were not Justified

We found that Amachi procured its consultant and contract services through sole source procurements rather than through competitive procurement practices. While Amachi received prior written approval to use a sole source contract for its Mentor Training Portal, we determined Amachi did not meet the OJP Financial Guide requirements for all other sole source procurements. As a result, we question \$120,166 in consultant and contract expenditures as unallowable and recommend OJP remedy these questioned costs.

Maximum Consultant Rate Unreasonable

We determined Amachi used the maximum consultant rate, for three of its five consultants (Researcher 2, Graphic Designer, and Copyeditor 1) without ensuring that this rate was reasonable and consistent with that paid for similar services in the marketplace. Amachi officials told us that they were not aware it was necessary to justify rates at or below the maximum consultant rate. As a result, we question \$17,241 paid to these consultants as unreasonable because Amachi did not ensure the rates paid were reasonable and consistent with that paid for similar services in the marketplace. We recommend OJP remedy these questioned costs.

Consultant Rate Exceeded Maximum

Amachi paid its Auditor \$150 an hour to complete its financial statement and single audits, which is above the maximum allowable consultant rate of \$650 per day or \$81.25 per hour. Although Amachi identified this consultant in its budget, the budget included a flat annual rate while the Auditor invoiced Amachi using an hourly rate. Amachi did not submit a grant adjustment notice to obtain OJP approval to pay the Auditor \$150 per hour, as required by the OJP Financial Guide. The Amachi President told us he did not consider the amount paid to the Auditor based on an hourly rate. We question the \$3,500 paid to the Auditor as unallowable and recommend OJP remedy these questioned costs.

Consultant Time and Effort not Supported

Amachi paid \$18,860 in consultant invoices for consultants that include the positions of Research 1, Copyeditor 1, Copyeditor 2, Graphic Designer, Interview Transcriber, Auditor, and Accountant. We determined these expenditures were not supported by written time and effort reports to support when the consultant worked and what the consultants accomplished. We also determined Amachi approved the Accountant's invoices without requiring the firm to bill for accounting services in accordance with the terms and objectives of the engagement letter. As a result, we questioned \$18,860 in unsupported consultant expenditures and recommend OJP remedy these questioned costs.

Based on our review of contract and consultant expenditures, we determined the findings discussed in this section were caused by Amachi's inadequate award administration practices, including the lack of required written procurement policies and procedures. Therefore, we also recommend OJP ensure Amachi implement and adhere to written procurement policies and procedures to ensure services are procured in a manner consistent with the DOJ Grants Financial Guide.⁷

Personnel and Fringe Benefits

Amachi used its awards to pay personnel and fringe benefits of its three employees: the President, Vice President, and Administrative Assistant. We reviewed Amachi's payroll policies and procedures and payroll records for two non-consecutive pay periods for both awards to determine if they adhered to appropriate award requirements. We determined Amachi's payroll procedures were not adequate because the Amachi President's timesheets were not approved by a board member that had first-hand knowledge of the President's work performed, as required by the OJP Financial Guide. The President told us at the exit conference that a board member would be identified and assigned to review his timesheets. We questioned \$174,326 in personnel expenditures paid to the Amachi President as unallowable.

We recommend OJP remedy these questioned costs and ensure Amachi revise, implement, and adhere to its written payroll procedures to ensure the President's personnel and fringe benefit expenditures are approved in accordance with the DOJ Grants Financial Guide.

Other & Travel

We reviewed sampled expenditures allocated to Amachi's Other and Travel budget categories and determined these expenditures were allowable and supported, except for \$70 in bank overdraft charges and \$41 in late payment fees associated with a copier rental expenditure.⁸ We did not question the \$111 as unallowable because the amount was not significant within the scope of the audit.

Subrecipient Monitoring and Expenditures

Amachi awarded funding from both awards to the seven organizations identified in Table 4 for the purpose of recruiting and training mentors, matching youth with a mentor, and organizing program activities. These organizations were responsible for achieving Amachi's award goals and objectives.

⁷ The *OJP Financial Guide* was replaced by the DOJ Grants Financial Guide for grant awards made after December 26, 2014.

⁸ This section excludes the "Other" expenditures that we categorized as consultants and contracts in Table 3.

We sought to determine whether Amachi ensured its subrecipients used Federal funds in accordance with the OJP Financial Guide and the awards' terms and conditions. During our review, we determined Amachi did not have written subrecipient monitoring policies and procedures, its oversight was not adequate to ensure compliance, and some of its subrecipient expenditures were unallowable or not adequately supported.

Table 4
Amachi Subrecipients Payments through October 2015

Organization	State	2011-MU-MU-4016	2014-JU-FX-0024 (as of October 2015)	TOTAL
Big Brothers Big Sisters (BBBS) Lone Star	Texas	\$344,376	\$75,742	\$420,118
BBBS of Greater Rochester	New York	324,360	75,830	400,191
PIMA Prevention Partnership	Arizona	336,994	70,091	407,085
Urban Ventures	Minnesota	285,538	-	285,538
Philadelphia Leadership Foundation	Pennsylvania	283,522	-	283,522
Amachi Pittsburgh	Pennsylvania	-	75,680	75,680
Volunteers in Prevention Mentoring, Inc.	Michigan	-	76,060	76,060
Total:		\$1,574,791	\$373,404	\$1,948,194

Note: Totals may not sum due to rounding.

Source: OIG Analysis of Amachi records

Subrecipient Monitoring

The OJP Financial Guide requires recipients to have written subrecipient monitoring policies and procedures including those that ensure applicable subrecipients complete a Single Audit Report audit within 9 months of the end of the fiscal year when required. Although Amachi did not have written subrecipient monitoring policies and procedures, we assessed whether Amachi's oversight and monitoring of subrecipients was adequate to ensure compliance with the OJP Financial Guide.

Single Audit Reports

In accordance with OMB Circular A-133 and the OJP Financial Guide, Amachi was responsible for ensuring its subrecipients completed required Single Audit Reports. For any subrecipients that had audit findings, Amachi was also required to evaluate the impact of subrecipient activities on Amachi's ability to comply with applicable Federal regulations, issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and ensure that the subrecipient took timely and appropriate corrective action on all audit findings.

According to the Amachi Vice President, Amachi required its subrecipients to complete Single Audit Reports, but its oversight of subrecipient Single Audit Reports was not documented. As a result, we determined Amachi did not ensure its subrecipients completed Single Audit Reports when required, evaluate report findings, issue management decisions, or ensure subrecipients took timely and appropriate corrective action on all findings

Subrecipient Contracts and Agreements

OJP award recipients are required to have written subrecipient agreements that identify Federal Award information and applicable compliance requirements including special conditions. The OJP Financial Guide lists specific subrecipient agreement requirements including: (1) the CFDA number and program title, (2) name of the Federal awarding agency, (3) award name and number, (4) activities to be performed, (5) period of performance, and (6) applicable OMB Circular Cost Principles.

We reviewed Amachi's written subrecipient agreements for its FY 2011 and 2014 awards and determined the FY 2011 agreements did not identify the award title and number, the name of the awarding agency, CFDA number and title, or applicable cost principles. Although the FY 2014 agreement included the awarding agency name and award number, these agreements did not identify the award name, CFDA number and program title, or the applicable OMB Circular Cost Principles.

We also determined Amachi's agreements did not include language requiring subrecipients to comply with the OJP Financial Guide or other applicable laws, regulations, and terms and conditions of the awards. As a result, we determined Amachi's subrecipient agreements did not comply with the OJP Financial Guide.

Best Practices – Subrecipient Monitoring

Although it did not have written subrecipient monitoring policies and procedures as required by the OJP Financial Guide, we determined Amachi provided some oversight of its subrecipients. We assessed Amachi's subrecipient monitoring by comparing it to what the OJP Financial Guide identifies as best practices, including agencies should:

- review monthly financial and performance reports;
- perform site visits to examine financial and programmatic records and to observe operations;
- review detailed financial and program data and information (e.g. timesheets, invoices, contracts, and ledgers) submitted by the subrecipient when no site visit is conducted; and
- have regular communication with subrecipients and appropriate inquiries concerning program activities.

According to its Vice President, Amachi obtained monthly invoices and performance reports routinely and communicated regularly with its subrecipients. However, we determined Amachi did not perform site visits or examine detailed financial and program data and information.

Based on our overall assessment, we determined Amachi did not implement adequate subrecipient monitoring practices to ensure all of its financial and programmatic responsibilities were fulfilled. We recommend OJP ensure Amachi implement and adhere to written subrecipient monitoring and procedures. According to its President, Amachi was not familiar with the OJP Financial Guide requirements.

Subrecipient Expenditures

As part of our assessment of Amachi's subrecipient monitoring practices, we reviewed documentation it collected to support its subrecipients' requests for award funding. We determined these documents were not sufficient to support all of its subrecipient expenditures.

Subrecipient Personnel and Fringe Benefits

The OJP Financial Guide requires recipients to support salaries, wages, and fringe benefits based on payroll records approved by a responsible official and in accordance with the generally accepted practices of the organization. Additionally, personnel and fringe benefit expenditures must be supported by periodic certifications, at least every 6 months, for employees expected to work solely on a single award or time and effort reports for employees that work on multiple projects.

Based on our review of documentation collected by Amachi, we determined the sampled personnel and fringe benefit expenditures were not adequately supported with time and effort reports approved in accordance with the generally accepted practices of the subrecipient organizations. Instead, the subrecipients were required to use Amachi Time Card Reports to support the allocation of its employees' hours to the award project.

Although some subrecipients submitted their own time and effort reports in addition to the Amachi Time Card Reports, these reports did not support the employees' total time, allocate time and effort to any cost activity, and were not always signed and dated by employees or supervisors. Only one of the FY 2014 subrecipients submitted adequate time and effort reports for the sampled expenditures.

Indirect Costs

We found that Amachi reimbursed one of its subrecipients \$15,823 for indirect costs, including \$12,744 for the FY 2011 award and \$3,080 for the FY 2014 award, but the documentation Amachi collected did not demonstrate that indirect costs were calculated accurately.⁹ Amachi officials told us they did not know how the subrecipient calculated its indirect costs.

Second-Tier Subawards

In our sample of subrecipient expenditures, we found that two of Amachi's seven subrecipients used award funding, totaling \$74,167, to make second-tier subawards to seven additional mentoring organizations. We determined these subawards were made to obtain services central to the purpose of the awards including creating mentoring relationships for youth. However, these second-tier subawards and organizations were not approved by OJP in the award application, budget, or any subsequent grant adjustment notices (GAN).¹⁰ Amachi's FY 2011 and 2014 approved award applications and budgets each included only five, first-tier subawards it planned to make to the mentoring organizations identified in Table 4.

The OJP Financial Guide requires recipients to submit a GAN for changes in scope, duration, activities, or other significant areas, regardless of whether the change is associated with a budget modification. These changes include obtaining services of a third party to perform activities which are central to the purpose of the award. We consider Amachi's second-tier awards to be significant changes to scope of the award projects that required Amachi to submit a GAN to OJJDP. We also determined the second-tier subawards were not adequately supported because Amachi disbursed funds to its subrecipients based on invoices that lacked detail or supporting documentation.

In summary, we determined that Amachi's subrecipient monitoring practices were not well designed or effective at ensuring it complied with the OJP Financial Guide and all of its financial and programmatic responsibilities were fulfilled. Our testing of subrecipient expenditures revealed unsupported personnel, fringe benefits, indirect costs, and second-tier subawards. As a result, Amachi's subrecipient expenditures may not have been reasonable, necessary, or allocable to the awards and were at risk of fraud, waste, abuse, and misuse.

⁹ The amounts do not sum due to rounding.

¹⁰ According to OMB, a "subaward" means a legal instrument to provide support for the performance of any portion of the substantive project or program for which a prime recipient (Amachi, Inc.) received an award. These instruments include prime recipient awards to an eligible subrecipient (first-tier) and awards a subrecipient of the prime recipient makes to another party (e.g. second and third-tier subawards).

Due to the lack of summary records identifying the total amount of each type of subrecipient expenditure, we have identified the entire amount of subrecipient expenditures, totaling \$1,948,194 as unsupported. We recommend OJP remedy these questioned costs and ensure Amachi implement and adhere to written grant administration policies and procedures to ensure required grant adjustment notices are submitted.

Program Performance and Accomplishments

To assess Amachi's performance at enhancing mentoring programs for underserved youth, the purpose of both awards, we sampled three award objectives for the FY 2011 award.¹¹ Specifically, we assessed whether Amachi met its goals to: (1) create 1,125 mentoring relationships for youth or "matches", (2) ensure 70 percent of new matched youth stayed engaged in the mentoring program for at least 1 year, and (3) ensure 60 percent of matched youth with a history of low school attendance show improvement after 1 year of mentoring.

Amachi relied entirely on its five subrecipients to provide mentoring services and carry out its award-related performance objectives. We determined Amachi used monthly and semi-annual progress reports and a Youth Outcome Survey (YOS) database to monitor its subrecipients' performance.¹² Amachi officials compiled data from the subrecipient monthly progress reports into a summary report and the combined total of youth matches was 1,159 between July 2012 and September 2014, which exceeded Amachi's goal of matching 1,125 new youth.

To assess whether Amachi met the other two objectives, we reviewed the YOS database for one of Amachi's subrecipients and determined the data did not demonstrate the subrecipient met the objectives. Specifically, the database demonstrated that the subrecipient significantly underperformed on ensuring (1) 70 percent of youth stayed engaged in the mentoring program for one year, and (2) 60 percent of matched youth with a history of low school attendance show improvement after 1 year of mentoring. We did not review data and results for the other subrecipients because the Amachi Vice President told us she believed all of its subrecipients failed to meet these two objectives.

Although the data Amachi provided indicates that it achieved its goal of creating mentoring relationships for youth but did not meet its other two goals we sampled, we do not make any conclusions regarding Amachi's progress towards meeting these goals. This is because Amachi's subrecipient monitoring practices

¹¹ We did not assess Amachi's performance related to award 2014-JU-FX-0024 because the sampled objectives, representing key areas of the agreement, were dependent on youth matched for at least one year. Since the award period had not ended, we determined any results or findings related to performance would not be representative of the award as a whole.

¹² Amachi required its subrecipients to track the results of a Youth Survey using the YOS database. The Youth Survey was administered before and 12 months after youth have been matched with a mentor.

were inadequate and it did not verify the validity and reliability of its subrecipient data. So that it is possible to effectively measure program performance and accomplishments, we recommend OJP ensure Amachi design, implement, and adhere to written policies and procedures for verifying the validity and reliability of program performance data, including data collected from subrecipients.

Federal Financial Reports

The OJP Financial Guide requires recipients to submit quarterly Federal Financial Reports (FFRs). The FFRs provide information on actual funds spent and the unobligated amount remaining in the award. FFRs should be submitted within 30 days of the end of the most recent quarterly reporting period and the final report no later than 90 days following the end of the award period. Funds or future awards may be withheld if reports are not submitted or are excessively late.

According to the OJP Financial Guide, a recipient's accounting system should support financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of the award. Although Amachi submitted its FFRs on time, we could not verify the accuracy of these reports because Amachi did not implement an adequate accounting system to prepare its reports, as described in the Financial Management System section. According to its President, Amachi was not familiar with the OJP Financial Guide requirements. It is important for Amachi to prepare its financial reports using its accounting system to ensure OJP and OJJDP have valid and reliable financial information.

We recommend OJP ensure Amachi implements and adheres to written policies and procedures for financial reporting in addition to revising, implementing, and adhering to its written accounting policies and procedures.

Progress Reports

OJP requires recipients to complete and submit progress reports as a means to monitor performance. Amachi was required to submit a semi-annual Categorical Assistance Progress Report (CAPR) within 30 days after the end of the reporting period, or June 30 and December 31. These reports describe award activities and accomplishments toward achieving the objectives contained in an approved award application. Amachi was also required to submit an OJJDP Data Collection Tool (DCTAT) Performance Data Report along with its CAPR. According to OJJDP, the DCTAT Performance Data reports are used to track a recipient's progress in accomplishing specific award goals, objectives, and outcomes.

We determined Amachi's two most recent progress reports for both awards were submitted on time. We sought to review the accuracy of the two most recent progress reports for both awards, but Amachi was not able to demonstrate it verified the accuracy of the subrecipient data it used to measure program performance and complete its progress reports, as discussed in the Program Performance and Accomplishments section of the report.

Based on our review of Amachi's reporting procedures, we determined Amachi completed its final CAPR report inaccurately because the data it used included 273 matches made before the FY 2011 award was transferred to Amachi. The report was also inaccurate because Amachi reported that it had accomplished its goals to ensure 70 percent of new matched youth stayed engaged in the mentoring program for at least 1 year and 60 percent of matched youth with a history of low school attendance showed improvement after 1 year of mentoring. As discussed in the Program Performance and Accomplishments section, Amachi's Vice President confirmed that its subrecipients did not meet this goal.

Without accurate data, OJP and OJJDP did not have sufficient information to assess Amachi's accomplishments towards achieving the objectives throughout the award period. We recommend OJP ensure Amachi implement and adhere to written policies and procedures for progress reporting to ensure reports are completed accurately.

Drawdowns

As of August, 9, 2016, Amachi requested funds through 49 drawdowns, or funding requests, totaling the FY 2011 award amount of \$2,279,084 and \$886,953 of the \$1 million FY 2014 award. According to the OJP Financial Guide, an adequate accounting system will require recipients to follow procedures for minimizing the time between the transfer of funds from the U.S. Department of Treasury and the disbursement of funds whenever advance payment procedures are used. The OJP Financial Guide requires recipients to develop written policies and procedures for cash management of funds to ensure that Federal cash on hand is kept at or near zero.

Amachi did not have written policies and procedures for cash management and made its drawdowns in advance of its disbursements. We sought to assess whether Amachi's drawdown procedures were sufficient to ensure cash on hand was kept at or near zero. However, we could not determine the timeliness of Amachi's drawdowns because the accounting system was inadequate, as described in the Financial Management System section. According to its President, Amachi was not familiar with the OJP Financial Guide requirements.

We recommend OJP ensure Amachi implement and adhere to written cash management policies and procedures in addition to revising, implementing, and adhering to its written accounting policies and procedures.

Budget Management and Control

According to the OJP Financial Guide, recipients are responsible for establishing and maintaining an adequate accounting system and financial records that have the capability to compare actual expenditures or outlays with budgeted amounts separately for each award, program, and subaward. Recipients must submit a grant adjustment notice if (1) proposed cumulative changes are greater than 10 percent of the total award, (2) there is a dollar increase or decrease to a

direct cost category, (3) the budget modification changes the scope of a project (including the use of other organizations not identified in the original approved budget), or (4) an adjustment affects the cost category that was not included in the approved budget. We determined Amachi met these requirements, except for the change in scope finding detailed in Second-Tier Subawards section of this report.

Compliance with Special Conditions

We sampled three of the eight award special conditions that were not related to the other objectives of our audit. These three special conditions were determined to be the most significant within the scope of our audit:

1. certify appropriate criminal background screening procedures are in place for employees, contractors, volunteers that have direct and substantial contact with minor children;
2. report first tier sub-awards of \$25,000 or more to the Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS); and
3. include language in agreements or contracts with subrecipients and contractors that guarantees the Office of Justice Program's royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use, and authorize others to use (in whole or in part, including in connection with derivative works), for Federal purposes (a) any work subject to copyright developed under an award or subaward; and (b) any rights of copyright to which a recipient or subrecipient purchases ownership with Federal support.

We determined Amachi complied with the second and third special condition we sampled because its contracts included language that reserved Amachi's rights to materials produced from the contracts and Amachi reported its sub-awards to the FSRS system. However, Amachi did not meet the first special condition. Although some of its subrecipients requested reimbursements for costs to conduct background checks, Amachi did not implement procedures to verify that required background checks were completed. Amachi officials were not aware Amachi had to implement controls to ensure background checks were in place.

We determined it is significant because Amachi potentially placed youth at risk by not implementing adequate controls to ensure background checks were completed by its subrecipients. We recommend OJP ensure Amachi implement and adhere to written policies and procedures to ensure compliance with all award special conditions.

Conclusion

Amachi did not fully comply with the OJP Financial Guide requirements we tested. We found Amachi's accounting system was not adequate; Amachi charged unallowable, unsupported and unreasonable expenditures to the awards; did not implement adequate subrecipient monitoring procedures; did not meet the goals and objectives we sampled; did not implement an adequate accounting system to prepare its financial reports; submitted inaccurate progress reports; did not implement adequate cash management policies and procedures; and did not comply with the special conditions we sampled. As a result of these deficiencies, we questioned costs totaling \$2,242,686.

Recommendations

We recommend OJP:

1. Remedy \$2,242,686 in net questioned costs associated with:
 - a. \$283,522 in unallowable subrecipient expenditures that were made to a subrecipient for which the Amachi President had a conflict of interest.
 - b. \$120,166 in unallowable contract and consultant expenditures that were not procured competitively.
 - c. \$17,241 in unreasonable consultant expenditures.
 - d. \$3,500 in unallowable consultant expenditures that exceeded the maximum allowable consultant rate without prior approval from OJJDP.
 - e. \$18,860 in unsupported consultant expenditures.
 - f. \$174,326 in unallowable expenditures for the President's personnel expenditures that were not approved by a supervisory official.
 - g. \$1,948,194 in subrecipient expenditures that included unsupported personnel, fringe benefits, indirect costs, and second-tier subawards.
2. Ensure Amachi implement and adhere to policies that:
 - a. ensure its accounting records are maintained in accordance with the DOJ Grants Financial Guide.
 - b. ensure accurate and timely Single Audit Reports are performed.
 - c. ensure Federal funds are used in the best interest of an award program and safeguarded against potential fraud, waste, and abuse.

- d. ensure services are procured in a manner consistent with the DOJ Grants Financial Guide.
- e. ensure the President's personnel and fringe benefit expenditures are approved in accordance with the DOJ Grants Financial Guide.
- f. provide subrecipient monitoring.
- g. ensure required grant adjustment notices are submitted.
- h. verify the reliability of program performance data, including data collected from subrecipients.
- i. establish procedures for financial reporting – in addition to revising, implementing, and adhering to its written accounting policies and procedures.
- j. ensure progress reports are completed accurately.
- k. ensure cash management practices, including procedures for grant drawdowns, are appropriate.
- l. ensure compliance with award special conditions.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether reimbursements for costs under the awards we reviewed were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. To accomplish this objective, we assessed performance in the following areas: financial management, expenditures, subrecipient monitoring and expenditures, program performance, reporting, drawdowns, budget management and control, and compliance with special conditions. We determined that matching, accountable property, and program income, were not applicable to this audit. 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. Unless otherwise stated in this report, the criteria we audited against were contained in the OJP Financial Guide and the award documentation.

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 and appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit of OJJDP Multi-State Mentoring Initiative grants 2011-MU-MU-4016 and 2014-JU-FX-0024 was limited to activity occurring between July 1, 2012, the date award number 2011-MU-MU-4016 was re-obligated to Amachi, and October 31, 2015, the date of Amachi's most recent accounting records. As of August 9, 2016, Amachi requested the entire FY 2011 award amount of \$2,279,084 and \$841,093 of the \$1,000,000 FY 2014 award. Although our audit was delayed pending the receipt of updated and separate accounting records for both awards, we determined the accounting records obtained from Amachi were sufficient to conduct our audit. We also had Amachi officials review the updated records and verify the accuracy and completeness of the accounting records.

During our audit, we obtained information specific to the management of DOJ funds from OJP's Grants Management System (GMS), Amachi's accounting system, and the Amachi Youth Outcome Survey database. 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

QUESTIONED COSTS¹³	AMOUNT	PAGE
<u>Unreasonable Costs</u>		
Consultant rates not reasonable and consistent	17,241	7
Total Unreasonable Costs	17,241	
<u>Unallowable Costs</u>		
Non-competitive procurements	120,166	7
Conflict of Interest for Subrecipient expenditures	283,522	4
Consultant rate not approved above maximum	3,500	7
Total Unallowable Costs	407,188	
<u>Unsupported Costs</u>		
Consultant expenditures not supported with time and effort reports	18,860	7
Amachi President time and effort not approved	174,326	8
Subrecipient personnel, fringe benefits, indirect costs and sub-awards not adequately supported	1,948,194	13
Total Unsupported Costs	2,141,380	
<u>GROSS QUESTIONED COSTS</u>	\$2,565,809	
<i>Less Duplicative Consultants/Contracts Costs</i>	(39,601)	
<i>Less Duplicative Subrecipient Costs¹⁴</i>	(283,522)	
NET QUESTIONED COSTS	\$2,242,686	

¹³ **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.

¹⁴ Some costs were questioned for more than one reason and net questioned costs exclude the duplicate amount. The duplicative questioned costs for consultant and contract expenditures include all questioned costs except for the \$120,166 in non-competitive procurements.

AMACHI, INC. RESPONSE TO THE DRAFT AUDIT REPORT¹⁵

Amachi

"who knows but what God has brought us through this child..."

People of Faith Mentoring Children of Promise

¹⁵ Attachments referenced in this response were not included in this final report.

A FEW NOTES ON AMACHI

In September 2000 P/PV, operating as managing partner, Big Brothers Big Sisters and The University of Pennsylvania joined forces to develop a mentoring program for the 10.7 million children that on any given day in America have one or both parents in prison or under some type of federal, state, or local supervision. In partnership, these agencies organized a model program designed to be easily replicated. The model is based on a research-proven model of intervention, Big Brothers Big Sisters one-to-one community based mentoring, where one adult spends a minimum of one hour once a week for at least one year with a child of an incarcerated parent.

The program took the name Amachi, a Nigerian Ibo word that means “who knows but what God has brought us through this child.”

The essence of the approach to solving the problems of children of inmates is matching them with a loving and caring adult. Research shows that if such an adult spends at least one hour once a week or at least two hours twice a month for at least one year with a child in a mentoring relationship, that child is more likely to succeed. The Amachi model is based upon a proven model of one-to-one community-based mentoring that brings together faith-based community organizations with mentoring organizations to support children of prisoners. The goal is to reduce the number of children who follow their parents to jail through stable, positive mentoring for at least one year.

The Amachi program developed a successful way to get mentors from local congregations, organizations, and businesses. It also developed a unique way to recruit children through their incarcerated parents by building strong relationships with correctional institutions. Because of his strong interest in this work, President Bush visited Philadelphia and the program on July 4, 2001. The Amachi program in Philadelphia made its first match in March 2001. By the end of 2001, the program had served more than 500 children and the word of its success spread throughout the nation. So successful was this model that not only did numerous federal officials visit to examine it, but the President made a return visit in December 2002, this time to meet with a group of volunteers and children who had been matched for one year or more. The President spent more than an hour engaged in dialogue with these children and volunteers.

Within months of his visit, the President proposed and Congress established mentoring children of prisoners (MCP) program based largely on the Amachi Model. The first programs were funded in 2003 through the Department of Health and Human Services (HHS).

It was clear that based on the actions by the President and Congress, Amachi had to change its focus from that of running the model program to one of training and technical assistance to assist the many programs that would be funded by the federal government. This was essential if programs nationwide were going to be successful.

Seeking an orderly transition from program operator to program enabler, the Amachi Training Institute (ATI) was launched in December 2003, to train and provide technical assistance to any

agency in the country wanting to develop a program on mentoring children of prisoners. The two-day Institute provided hands on training on how to organize and run a mentoring program for children of prisoners. The Training Institute was followed by on-site technical assistance especially focusing on partnering with correctional institutions to gain access to parents who can refer their children. The technical assistance also helped operating agencies develop partnerships with local congregations, businesses, universities and social service entities to find mentors. Between 2003 and 2008, the Institute trained 3359 people representing 989 organizations from 551 cities in 47 states. These programs have served more than 200,000 children in 210 cities and 48 states.

In 2009, P/PV's Amachi program, working in partnership with Dare Mighty Things, launched the Amachi Mentoring Coalition Project, which was awarded \$17.8 million in OJJDP funding to provide financial resources, training and technical assistance to mentoring organizations in 38 states. The majority of the funds were re-granted to 38 local programs. The project assisted the agencies with creating jobs (i.e., positions to staff their mentoring effort), improving program capacity, generating new mentoring matches, forming statewide coalitions, and developing strategic partnerships for sustainability.

It was through this grant that Amachi helped organizations create statewide coalitions and strategic partnerships in 38 states – among them New York and Arizona. All of the subgrantees and second tier subgrantees were a part of either the Amachi Training Institute or part of the statewide coalitions, or the strategic partnerships. In 2012, PPV ceased operations and the Amachi Program became an independent non-profit with 501(c)(3) status. The best performing agencies that we worked with under the umbrella of PPV were those that we invited to join us in FY 2014 and FY 2015 grants – we know them by their work. Since 2000, Amachi has received \$21 million in private foundation funding and \$20.8 million in federal funding. We estimate that the \$41.8 million received, Amachi has touched the lives of more than 280,000 children.

AMACHI, INC.'S RESPONSES TO
DRAFT AUDITOR REPORT
DATED SEPTEMBER 30, 2016

Amachi, Inc. Response to Draft Audit Report Dated September 30, 2016

RECOMMENDATIONS:

1. Remedy \$2,278,686 in net questioned costs associated with:
 - a. \$282,522 in unallowable subrecipient expenditures that were made to a subrecipient for which the Amachi President had a conflict of interest.

Amachi does not concur with this finding. The President of Amachi, Inc. at the time of the grant 10/01/2011 was Program Director of Amachi, a program financially and legally under the control of Public /Private Ventures. At the time of the award on 10/01/2011, [REDACTED] was President of Public /Private Ventures. The President of Amachi disclosed to [REDACTED] his role with the Philadelphia Leadership Foundation (PLF) [See Attachment A]. When the President of Amachi met with the DOJ auditors, the dates were not clear and he probably misspoke. The President of Amachi has been the Chairman and CEO of the Philadelphia Leadership Foundation for the past 25 years. Usually, [REDACTED], President of PLF, signed the PLF checks. The President of Amachi only signed checks as an emergency. The Philadelphia Leadership Foundation was not a subrecipient in either the 2014 or 2015 grants that Amachi received.

At the time of the 2011 Award, [REDACTED] was not an officer or board member of Public /Private Ventures. At that time, Amachi was not an existing 501(c)(3). The proper notification was made to the President of Public /Private Ventures. Perhaps in the interest of total transparency, a disclosure to the Amachi Board and OJJDP would have been appropriate. Should there be a similar occurrence in the future a disclosure notification will be given.

[REDACTED] has never been an officer or director of Amachi, Inc. He is on the staff that reports to the board of directors. In regard to the Philadelphia Leadership Foundation, he is the Chair of the Board and has no staff functions. It is the policy going forward, not even to have the appearance of conflict and there will be a clause added to the Conflict of Interest Policy that indicates such. Amachi will revise its Conflict of Interest policy no later than October 21, 2016 and will implement and adhere to it.

- b. \$120,166 in unallowable contract and consultant expenditures that were not procured competitively.

Amachi does not concur that it improperly used sole source for the 2011 grant. Amachi, Inc. was incorporated on July 10, 2010 and received its 501(c)(3) on May 23, 2012. Amachi was a program under the financial and legal control of Public /Private Ventures for 12 years when Public /Private Ventures expressed its intent to cease operations in the midst of a three year grant (2011-2014). The President of Public /Private Ventures requested on May 1, 2012 the transfer of the work to Amachi, Inc., stated in that letter were these words "Amachi would continue to partner with [REDACTED] and would have available to it the current P/PV research staff working on the grant. The current staff has agreed to remain with the grant until completion" [Attachment B]. On September 19, 2012 Amachi, Inc. was given an Award Letter that covered the period 10/01/2011 to 9/30/2014 [Attachment C]. The Annual Cloud Based Learning Portal Fees were a part of the [REDACTED]

contract which had been approved for sole source when Amachi received the 2011 continuation. Researcher 2 was a former P/PV employee who worked on the 2011 grant when P/PV was originally awarded and prior to its transfer to Amachi. Thus Researcher 2 had already worked extensively on the design of the project. Competitive solicitation procedures for a new lead researcher would have been impractical. Amachi believes a competitive solicitation would have been impractical for the other consultants as well. The copy writer was a former P/PV employee who was intimately familiar with Amachi and had edited previous Amachi publication. In addition the designer had designed Amachi's previous publications and Amachi wanted to maintain consistency with the design of the new publication. Researcher 2, was chosen for her experience in the mentoring field, understanding of the subject matter, and work with former P/PV researchers. Amachi needed a quick turnaround on the interviews being transcribed for the research project and felt it was impractical to cause a time delay to use a competitive solicitation for such a small assignment for which Amachi paid a competitive rate. Prior to Amachi receiving the continuation grant, it was already working with its accountant on the set up of its 501(c)3 so Amachi continued to use its same accountant who was familiar with its business.

Not only were there consultants and contractors carried over from P/PV that had been a part of the Amachi Team since 2003, these were people we had experience with and we knew the quality of work. Amachi felt in submitting the Grant that we were doing so as a team. It was this Team that had helped develop the Amachi Model, and Amachi felt they were a part of our grant proposal. In the 2014 Grant because of the related work, Amachi used some of the same team members. For the 2014 grant Amachi listed [REDACTED] and [REDACTED] as contractors; however, they functioned as partners on the grant. They helped design the research project and applied for the grant as partners.

It is recognized that this may be inconsistent with the current OJP Financial Guide and we will therefore develop a procurement policy consistent with the OJP Financial Guide. Further, it is understood that we may be able to use the members of the Amachi Team in the future who are contractors and consultants but we must get prior approval from OJP. We did not do that in this instance for reasons stated above, but will strictly follow the OJP Financial Guidelines in the future and Amachi's Procurement Policies. The sole source policies and procedures will be revised no later than October 21, 2016.

c. \$17,241 in unreasonable consultant expenditures

Amachi does not concur that the maximum consultant rate of \$650 per day or \$81.25 per hour, for three of its five consultants (Researcher 2, Graphic Designer, and Copyeditor 1) was unreasonable. These three consultants are extremely experienced in their respective fields and had previously worked on numerous P/PV – Amachi research reports. Given their intimate knowledge of Amachi and its previous publications, contracting with them allowed for the project to be streamlined and completed efficiently. Their usual consultant rates were higher than \$650 per day, which is standard in the industry, but they agreed to the maximum consultant rate of \$650 since the project was federally funded.

d. \$3,500 in unallowable consultant expenditures

Amachi concurs that it did not submit a GAN to pay the \$150 per hour auditor fee. However, despite the fact that the auditor's invoice charged \$150 per hour, the auditor spent many more than 10 hours working on each audit, including having to redo work for the single audit. In the future Amachi will have a clear contract with its auditor that stays within the allowable consultant rates.

Amachi is in the process of selecting a new auditor from a list of 3 who submitted proposals. There is expectation that a selection will be made by October 21, 2016 with the understanding that the rate will be within the federal guidelines.

e. \$18,860 in unsupported consultant expenditures

Amachi does not concur that consultant expenditures for Researcher 1, Copyeditor 1, Copyeditor 2, Graphic Designer, and Interview Transcriber were unsupported. The effort of these consultants was evident in the work that they produced and gave to Amachi for review. Amachi had regular communication with the consultants regarding the work they were doing, including reviewing materials during the design phase and ensuring the research project was progressing efficiently. In the future, Amachi will ensure that its consultants submit more detailed written time and effort reports.

Amachi concurs that it approved its Accountant's invoices without requiring the firm to bill for accounting services in accordance with the terms and objectives of the engagement letter. Effective immediately Amachi will require this. In addition, Amachi is in the process of revising its policies and procedures to include procurement policies and procedures to ensure services are procured in a manner consistent with the DOJ Grants Financial Guide. These revisions will be completed by October 21, 2016.

f. \$174,326 in unallowable

Amachi concurs that the President's timesheet was not reviewed and signed by a board member who had first-hand knowledge of the President's work performed. Amachi was not aware of this requirement. Amachi will revise its written payroll policies and procedures by no later than October 21, 2016 to include this requirement. Amachi intends to implement and adhere to this revised policy. As stated at the exit conference, Amachi has identified the board Chair, [REDACTED] who is assigned to review and sign his timesheets.

g. \$1,984,194 in subrecipient expenditures that included unsupported personnel, fringe benefits, indirect costs, and second-tier subawards.

Amachi does not concur that the use of second tier Sub Awards by two of its subrecipients was a change in the scope, duration, activities, or other significant areas of the project. In its program narrative, Amachi gave descriptions of all subawardees and as part of the description the subrecipients stated that they partner with other mentoring organizations. Working with those second tier subawardees was a normal part of their business. The second tier subawardees are all Big

Brothers Big Sisters affiliates who follow Big Brothers Big Sisters of America National Standards and Best Practices.

Amachi requires its subgrantees to submit timecards which show the amount of time spent on Amachi funded activities as well as time spent on non-Amachi projects. In addition, subgrantees are required to submit the payroll reports that coincide with the time sheets. Amachi requires the employee and supervisor to sign these timecards. During review of the invoices, Amachi staff usually catches if a timecard is not signed. Staff will be even more diligent during reviews. Amachi believes the timecard it requires of subgrantees and payroll documentation reflect "the total activity for which the employee is compensated by the organization and cover both federally funded and all other activities," as defined in the DOJ Grants Financial Guide. It is Amachi's understanding that this was an acceptable subrecipient oversight process. Amachi is willing to require subrecipients to submit additional timecards if OJJDP deems it necessary.

The subrecipient that Amachi reimburses for indirect costs has a federally approved indirect cost rate. Amachi has worked with the subrecipient on multiple grants since 2003. When the subgrantee partnership was first developed, the subrecipient explained to Amachi how their indirect costs are calculated. Amachi had not reviewed this process with the subrecipient on subsequent grants. The subrecipients cost methodology [Attachment D], is now documented in its 2011 and 2014 subrecipient files. Amachi is willing to require the subrecipient to submit additional indirect cost documentation if OJJDP deems it necessary.

Amachi concurs that it did not provide required oversight for subrecipient Single Audit Reports. Although Amachi requires all applicable subrecipients to complete a single audit and give Amachi a copy of the report, Amachi did not have written policies and procedures that included evaluating the report findings, issuing management decisions, or ensuring subrecipients took timely and appropriate corrective action on all findings. Amachi will update its oversight and monitoring of subrecipients policies and procedures by October 21, 2016 to ensure compliance with the OJP Financial Guide.

Amachi concurs that it did not have all the required information in its MOUs with its subrecipients. We mistakenly used the MOU Template prepared by the law firm for Public /Private Ventures, believing it contained all requirements. Amachi will ensure all future MOUs include the missing information: award name, CFDA number and program title, and the applicable OMB Circular Cost Principles. In addition Amachi will include language requiring subrecipients to comply with the OJP Financial Guide or other applicable laws, regulations, and terms and conditions of the awards.

Amachi concurs that it needs to add to its policies and procedures specific instructions for grant administration subrecipient monitoring. Amachi does not have the funding to conduct site visits but it will request additional financial and program data from its subrecipients. Amachi will make these updates to its policies and procedures by October 21, 2016.

2. *Ensure Amachi implement and adhere to policies that:*
 - a. *Ensure its accounting records are maintained in accordance with DOJ Grants Financial Guide*

Amachi concurs that the accounting system was not adequate in the beginning. Amachi agrees that improvement in the systems were needed. Amachi disagrees that there was any risk of spending mismanagement because of monthly review of spending by the President, Vice President, and Executive Assistant every month on every voucher and on every receipt submitted was reviewed by these three people. This is not a defense for the lack of the proper ledger and reconciliation, and the absence of a coherent system, but Amachi had a very short time to put the separate organization together and get it up and running in order to meet the goals. It is true that in the first three years of operation as a new agency that Amachi was very focused on the programmatic aspects of the grant to serve and protect the children. Perhaps in doing so we did not spend sufficient time on the financial segment. But, we are definitely focused now and will continue to fine tune our fiscal operations until all the requirements are met. Amachi has worked with the accountant to make sure federal funds are not co-mingled and reconciliation of its accounting system takes place monthly to ensure compliance with the DOJ Grants Financial Guide. Amachi has already begun adhering and implementing these changes but is in the process of revising its written accounting policies and procedures. The policies and procedures manual will be updated by October 21, 2016. Amachi will maintain its accounting in accordance with the OJP Grants Financial Guide. The President, Vice President, Executive Assistant, and Accounting Firm will have a copy on hand of the OJP Grants Financial Guide and will be directed to follow the guidelines when applying for any future grants and for the remaining time on current grant.

b. Ensure accurate and timely Single Audit Reports are performed

Amachi concurs with this finding. Amachi will work with a new auditor to ensure accurate and timely submission of its Single Audit reports where required (current regulation calls for a \$750,000 annual spending threshold). Amachi is in the process of selecting a new auditor from a list of 3 who submitted proposals. There is expectation that a selection will be made by October 21, 2016 with the understanding that the rate will be within the federal guidelines.

c. Ensure Federal funds are used in the best interest of an award program and safeguarded against potential fraud, waste, and abuse.

As stated in 1a, Amachi does not concur that it had a conflict of interest in regards to the Amachi President serving as the Chairman and CEO of the Philadelphia Leadership Foundation. However, Amachi recognizes that in the interest of total transparency, a disclosure to the Amachi Board and OJJDP would have been appropriate. In addition, the President of Amachi did not hold any positions of authority on the boards of any of the subrecipients in the 2014 grant. Amachi will revise its Conflict of Interest policy no later than October 21, 2016 and will be sure to implement and adhere to it to ensure federal funds are used in the best interest of the award program and safeguarded against potential fraud, waste, and abuse.

d. Ensure services are procured in a manner consistent with the DOJ Grants Financial Guide.

As stated above in detail above in 1b, Amachi does not concur that it improperly used sole source for the 2011 and 2014 grants. Going forward Amachi will develop procurement policies and procedures

to ensure services are procured in a manner consistent with the DOJ Grants Financial Guide. These policies will be revised no later than October 21, 2016.

e. Ensure the President's personnel and fringe benefit expenditures are approved in accordance with the DOJ Grants Financial Guide.

As stated above in 1f, Amachi concurs that the President's timesheets were not reviewed and signed by a board member. In more than fifty years of experience and various top positions in organizations where the board approved the budget and annual salary, the President has never known the chief executive officer to be required to have a board member review and sign the timesheet. However, Amachi did not comply with this requirement. Amachi will revise its written payroll policies and procedures no later than October 21, 2016 to include this requirement. Amachi intends to implement and adhere to this revised policy. As stated at the exit conference, Amachi has identified the board chair, [REDACTED], to review and sign the timesheets and he is aware of the President's work and has started signing the timesheets and will sign all future time sheets in compliance with the federal regulations.

f. Provide subrecipient monitoring.

Amachi concurs that it needs to implement increased subrecipient monitoring. Amachi will update its policies and procedures to include grant administration and subrecipient monitoring policies that are in accordance with the DOJ Grants Financial Guide. The policies and procedures will include specific requirements for subrecipient Single Audit Reports and Amachi's responsibilities for any audit findings. Amachi will have these updates completed by October 21, 2016.

g. Ensure required grant adjustment notices are submitted.

As stated above in 1g, Amachi does not concur that the use of second tier Sub Awards by two of its subrecipients was a change in the scope, duration, activities, or other significant areas of the project and would therefore require a GAN. In its program narrative, Amachi gave descriptions of all subawardees and as part of the description the subrecipients stated that they partner with other mentoring organizations. Working with those second tier subawardees was a normal part of their business. The second tier subawardees are all Big Brothers Big Sisters affiliates who follow Big Brothers Big Sisters of America National Standards and Best Practices.

h. Verify the reliability of program performance data, including data collected from subrecipients.

Amachi concurs with this finding. Subrecipients are asked to submit progress reports in addition to a Youth Survey Database. Amachi will provide more careful monitoring of the data inputted into the Youth Survey Database as well as verification of the internal formulas used in the database to calculate performance percentages. In addition, Amachi will require its BBBS affiliated subrecipients to submit a quarterly Agency Information Management (AIM) report verifying the matches they have

made. Non-BBBS agencies will be required to submit a report from the information management system that their agency uses.

- i. Establish procedures for financial reporting – in addition to revising, implementing, and adhering to its written accounting policies and procedures.*

Amachi concurs that it did not have an adequate accounting system that could verify the accuracy of the FFRs that were submitted. Amachi will establish procedures for financial reporting in its policies and procedures that include preparing its financial reports using an adequate accounting system to ensure OJP and OJJDP have valid and reliable financial information. These policies will be in addition to written accounting policies and procedures. These updates will be made by October 21, 2016.

- j. Ensure progress reports are completed accurately.*

Amachi does not concur with the finding that it inaccurately included 273 matches made before the FY 2011 award was transferred to Amachi. In its continuation grant Amachi included the matches that had already been made. Amachi kept the total match goal the same as the original grant that P/PV received. If the 273 were not included, Amachi would have reduced its total match goal. In addition, in all the reports required by OJJDP they listed the award period as October 1, 2011 – September 30, 2014. Amachi concurs that it needs to provide more careful monitoring of program performance data to ensure reports are completed accurately, as outlined in 2h. Amachi will provide more careful monitoring of the data inputted into the Youth Survey Database as well as verification of the internal formulas used in the database to calculate performance percentages. .

- k. Ensure cash management practices, including procedures for grant drawdowns, are appropriate.*

Amachi concurs that it did not have written policies and procedures for cash management. Although Amachi conducted its drawdown procedures to ensure cash on hand was kept at or near zero, Amachi recognizes that OIG could not verify the timeliness of the drawdowns because Amachi's accounting system was inadequate. Every month Amachi completes a drawdown for the previous month's expenses. The funds are deposited into Amachi's account around the 13th of each month and then the funds are distributed via Amachi payroll and subrecipient reimbursements on the 14th and 15th of each month. When Amachi receives the drawdown for the previous month's expenses, it immediately pays its outstanding expenses ensuring cash is kept at or near zero. Amachi will revise its policies and procedures by October 21, 2016 to include these cash management policies in writing. Also included in these revisions will be policies and procedures for monitoring subrecipients to assure that they conform substantially to the same standards of timing and amount as apply to advances to Amachi, which is to keep cash on hand at or near zero.

- l. Ensure compliance with special conditions.*

Amachi does not concur that it did not comply with the special condition to certify appropriate background screening procedures are in place for employees, contractors, volunteers that have direct and substantial contact with minor children. Amachi understands that the most fundamental principle

of mentoring is the safety of the children. Every agency Amachi contracts with has state of the art child abuse clearance and background check protocols. Amachi's President has personally trained and visited all of the subrecipients and second tier agencies in the past. He is aware of the processes of each of these in keeping children safe. It is possible that because of the personal knowledge of these subrecipients that Amachi did not implement additional oversight provisions. Going forward, starting immediately, Amachi will require that each agency with contracts submit to us a listing of mentors and their clearance forms. The contract with each individual agency will be amended with this change no later than October 21, 2016.

SOME FINAL THOUGHTS

The OIG audit process was a helpful tool for Amachi, Inc. at this point in its growth of just a little over four years. The thoroughness of the Audit provided us with a great roadmap for future managerial excellence in administering these and other federal programs.

Even though we differ on some recommendations, we viewed the process as a tremendous learning tool for the entire Amachi, Inc. staff and board members.

We have carefully studied each recommendation and the appropriate citation. We are committed to full compliance and implementation of each. We have responded with honesty and transparency to the best of our abilities. We responded candidly to the areas of concurrence and non-concurrence. As President, I want to focus on three areas of non-concurrence and state our reasons:

1. We do not concur with the Conflict of Interest regarding the Philadelphia Leadership Foundation in the 2011 Grant, since the Grant was initially awarded to Public Private Ventures who was legally and financially responsible for the Amachi Program. [REDACTED] was neither an officer or board member of Public Private Ventures (PPV), and even if there was no internal notification to Public Private Ventures, and the notification was done twice, [REDACTED] directed a program for PPV. It should be noted however, though not legally required, Amachi believes there should have been a notification to OJJDP in September 2012 – which is when the Grant was transferred to Amachi, Inc. from Public Private Ventures. Our policy is “complete transparency” and it was not demonstrated in this instant. We are committed to making sure it never happens again.
2. The second major issue of Non-Concurrence is with consultants and contractors. We honestly, from the time of the transfer, believed that our mandate was to successfully complete the Grant issued to PPV on 10/1/2011 to 9/30/2014. Everything we did was based on that premise. We believe the Federal documents support that premise. It would have been impractical and counter-productive to have done anything differently. As suggested in earlier notes, it was important to have their expertise and consistency. And, because we saw the 2011 Grant as a transfer and continuation grant, the same staff and consultants/contractors were essential to the successful completion. We respect the Audit Team’s view on this matter, but believe that after reviewing all of the factors, our approach is the most logical and practical.
Finally, this was a unique occurrence. The parent organization, Public Private Ventures, deciding within a matter of months to cease operations and, the Amachi Program within PPV stepping in to complete the work started without interruption and preserving the investment of federal dollars already allocated by OJJDP was indeed a unique situation. Further, we believe that the PPV/Amachi process presents a very successful model for future references.
3. The second tier subawardees presents another challenging area – both the New York and Arizona programs have traditionally been collaborative programs. When the President visited

the programs and each site, it was obvious that this was the natural way the programs operated. When the subawardees and second tier subawardees attended the Amachi Training Institute, they came as a team. It was Amachi's belief that it was the desire of OJJDP that these various agencies collaborate on reaching as many children in each state as possible. In any event, we believe this was and is the most practical way to serve these children and to guarantee maximum impact across the states. We will nonetheless in the future insure complete adherence to OJP financial policies.

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

OCT 31 2016

Washington, D.C. 20531

MEMORANDUM TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia 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 Juvenile Justice and Delinquency Prevention Multi-State Mentoring Initiative Grants Awarded to Amachi, Inc., Philadelphia, Pennsylvania*

This memorandum is in reference to your correspondence, dated September 30, 2016, transmitting the above-referenced draft audit report for Amachi, Inc. (Amachi). We consider the subject report resolved and request written acceptance of this action from your office.

The Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention's (OJJDP) Multi-State Mentoring Grant Program supports those mentoring organizations that have active chapters or subawardees in at least five states, but fewer than 45 states. OJJDP expects grant funds to be sub-awarded to these active chapters and subawardees to build capacity to serve targeted youth. Over the past three years, OJJDP has invested more than \$62 million in the Multi-State Mentoring Grant Program, and has made 42 grant awards. The funded mentoring organizations have served over 200,000 youth during this timeframe with 84 percent successfully completing the program.

As part of our continuous evaluation and improvement of monitoring activities, OJP has been working to strengthen its guidance and training on subrecipient awards and monitoring, as well as approval procedures related to sole source (non-competitive) procurements. These efforts include: 1) updating the DOJ Grants Financial Guide, and related grants financial management training, to include information on the requirements for subrecipient agreements, monitoring, and audits; 2) requiring grant managers to review the full subrecipient process to ensure the prime recipient verifies the applicant's status on the Excluded Parties List, subrecipient agreements, and monitoring and oversight policies and procedures to include the prime recipient's risk assessment process; and 3) placing a special condition on all awards clarifying that all subawards require Federal authorization, which may be provided through legislative authorization or sufficiently detailed information contained in the award application or a formal post award request.

Upon being informed of the preliminary audit issues by the OIG, OJP took concrete steps to mitigate the corresponding risks associated with Amachi's grant funds, including: freezing funds on all of Amachi's active awards with the Department of Justice (DOJ), on September 6, 2016; and designating Amachi as a DOJ high-risk grantee on September 29, 2016. Award conditions were added to Amachi's open grants to restrict them from obligating, expending, or drawing down funds. Additionally, as part of the high-risk designation, Amachi officials involved in accounting for and administering DOJ grant funds are required to complete the DOJ-sponsored on-line grants financial management training.

The draft report contains **two** recommendations, **\$2,278,686¹** in net questioned costs. The following is OJP's analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP remedy \$2,278,686 in net questioned costs associated with:**
 - a. **\$283,522 in unallowable subrecipient expenditures that were made to a subrecipient for which the Amachi President had a conflict of interest.**
 - b. **\$120,166 in unallowable contract and consultant expenditures that were not procured competitively.**
 - d. **\$3,500 in unallowable consultant expenditures that exceeded the maximum allowable consultant rate without prior approval from OJJDP.**
 - f. **\$174,326 in unallowable expenditures for the President's personnel expenditures that were not approved by a supervisory official.**

OJP agrees with subparts a, b, d, and f of this recommendation, and will coordinate with Amachi to remedy the questioned costs noted above. At a minimum, Amachi will be required to submit a written request to OJP for a final determination regarding the allowability, and retroactive approval, of the costs identified in these subparts noted above. This may require a revised budget for each award, along with appropriate justification and support for the costs in question. If the request is denied, and the costs are determined to be unallowable, Amachi will be required to return the funds to DOJ.

- c. **\$17,241 in unreasonable consultant expenditures.**

OJP agrees with subpart c of this recommendation, and will coordinate with Amachi to remedy the questioned costs noted above. At a minimum, Amachi will be required to submit documentation to support the reasons they believe these costs were reasonable, necessary, and allowable under the various OJP grants. If adequate documentation cannot be provided, or OJP determines that these costs were not reasonable, necessary, and allowable, Amachi will be required to return the funds to DOJ.

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

- e. **\$18,860 in unsupported consultant expenditures.**
- g. **\$1,984,194 in subrecipient expenditures that included unsupported personnel, fringe benefits, indirect costs, and second-tier subawards.**

With respect to subparts e and g of this recommendation, OJP agrees with each of the subparts, and will coordinate with Amachi to remedy the questioned costs noted above. At a minimum, Amachi will be required to provide documentation to support the costs questioned in each of these subparts. As some of these costs were also questioned as unallowable, if adequate documentation cannot be provided, or OJP determines that the costs are unallowable, Amachi will be required to return the funds to DOJ.

2. We recommend that OJP ensure Amachi implements and adheres to policies that:

- a. **ensure its accounting records are maintained in accordance with the DOJ Financial Guide.**

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure that its accounting records are maintained in accordance with the DOJ Grants Financial Guide.

- b. **ensure accurate and timely single audit reports are performed.**

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure that future single audit reports are accurate and timely performed.

- c. **ensure Federal funds are used in the best interest of an award program and safeguarded against potential fraud, waste, and abuse.**

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure that Federal funds are used in the best interest of an award program and are safeguarded against potential fraud, waste, and abuse.

- d. **ensure services are procured in a manner consistent with the DOJ Grants Financial Guide.**

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure that services are procured in a manner consistent with the DOJ Grants Financial Guide.

- e. ensure the President’s personnel and fringe benefit expenditures are approved in accordance with the DOJ Grants Financial Guide.**

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure that personnel and fringe benefit expenditures for its President are approved in accordance with the DOJ Grants Financial Guide.

- f. provide subrecipient monitoring.**

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure that Federal grant funds awarded to subrecipients are properly accounted for, controlled, and monitored.

- g. ensure required grant adjustment notices are submitted.**

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure that required grant adjustment notices are timely submitted.

- h. verify the reliability of program performance data, including data collected from subrecipients.**

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure that program performance data, including data collected from subrecipients, are reliable and verified.

- i. establish procedures for financial reporting – in addition to revising, implementing, and adhering to its written accounting policies and procedures.**

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure compliance with financial reporting according to the DOJ Grants Financial Guide; and adherence to its internal accounting policies.

j. ensure progress reports are completed accurately.

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure that future semi-annual progress reports are accurately prepared, and appropriately reviewed and approved by management, independent of the preparation process; and the supporting documentation is maintained for future auditing purposes.

k. ensure cash management practices, including procedures for grant drawdowns, are appropriate.

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, ensure that drawdowns of Federal grant funds are based on actual expenditures incurred, or are the minimum amounts needed for disbursements to be made immediately or within 10 days of draw down; and the amounts requested for reimbursement are reconciled to adequate supporting documentation.

l. ensure compliance with award special conditions.

OJP agrees with this subpart of the recommendation. We will coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure compliance with all award special conditions.

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 IT20161017170410

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 Amachi, Inc. and the Office of Justice Programs (OJP). Amachi'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, as a result, the status of the audit report is resolved. In September 2016, OJP, in response to the results of our audit, froze the funding related to all of Amachi's active DOJ awards, designated Amachi as a high-risk award recipient, and added award conditions to Amachi's current awards to prevent it from obligating, expending, or drawing down funds. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Analysis of Amachi's Response

In its response, Amachi included *A Few Notes on Amachi*. This document included claims of Amachi program accomplishments that we did not verify as they did not directly address our audit objectives or directly respond to our audit findings. Amachi also included *Amachi, Inc. Responses to Draft Audit Report Dated September 30, 2016*, which provided the response to our audit recommendations. Although Amachi did not concur with portions of 5 of the 7 monetary related sub-recommendations, representing over 90 percent of the total questioned costs, and did not concur with 5 of the 12 management improvement related sub-recommendations, we determined Amachi's response did not include information or documentation to support its disagreement with any of the report findings or otherwise demonstrate its compliance with the related grant award requirements. Amachi also included, *Some Final Thoughts* and attachments that we incorporated in our analysis of Amachi's response. We address Amachi's response to each of the recommendations in the remainder of this appendix.

Recommendations for OJP:

- 1. Remedy \$2,242,686 in net questioned costs associated with:**
 - a. \$283,522 in unallowable subrecipient expenditures that were made to a subrecipient for which the Amachi President had a conflict of interest.**
 - b. \$120,166 in unallowable contract and consultant expenditures that were not procured competitively.**
 - c. \$17,241 in unreasonable consultant expenditures.**

- d. \$3,500 in unallowable consultant expenditures that exceeded the maximum allowable consultant rate without prior approval from OJJDP.**
- e. \$18,860 in unsupported consultant expenditures.**
- f. \$174,326 in unallowable expenditures for the President's personnel expenditures that were not approved by a supervisory official.**
- g. \$1,948,194 in subrecipient expenditures that included unsupported personnel, fringe benefits, indirect costs, and second-tier subawards.¹⁶**

Resolved. OJP concurred with our recommendation and agreed to require Amachi to submit a written request to OJP for a final determination, and retroactive approval, regarding the allowability of subparts a, b, d, and f. OJP agreed to require Amachi to submit documentation to support the reasons it believes the consultant expenditures from subpart c were reasonable, necessary, and allowable under the various OJP grants. OJP agreed to require Amachi to provide documentation to support the questioned costs in recommendation subparts e and g. If the request is denied or documentation cannot be provided by Amachi, OJP will require it to return the funds to DOJ. The recommendation can be closed when we receive documentation that OJP has remedied the \$2,242,686 in net questioned costs associated with recommendation subparts a-g.

Amachi concurred with portions of three of the seven recommendation subparts, as described below.

- a) Amachi did not concur with recommendation 1.a, which identified \$283,522 in unallowable subrecipient expenditure. Our audit report concluded that Amachi did not comply with the OJP Financial Guide and the Amachi, Inc. Conflicts of Interest Policy because the President was also the chairman of the board of directors and acting Chief Executive Officer (CEO) of the Philadelphia Leadership Foundation (PLF), an Amachi subrecipient, for the entire 2011-MU-MU-4016 grant award period that began in July 2012. During the grant award period, Amachi paid \$283,522 to the PLF.

We determined Amachi's response did not include information or documentation to support its disagreement with the recommendation. Instead, the response confirmed that the Amachi

¹⁶ We corrected in this final report a minor misprint in our draft audit report regarding this questioned amount.

President was the chairman of the board of directors and acting CEO of an Amachi fiscal year (FY) 2011 award subrecipient and wrote checks on behalf of this organization, even if only in emergency situations.

- b) Amachi did not concur with recommendation 1.b. Our report concluded that Amachi did not competitively procure \$120,166 in contract and consultant expenditures, as required by the OJP Financial Guide. Although the Annual Cloud Based Learning Portal Fees may have been related to the Mentor Training Portal contract, as described in Amachi's response, we determined Amachi's sole source justification for the Mentor Training Portal contract did not identify the contractor or an Annual Cloud Based Learning Portal Fees contract. We also determined Amachi procured these services directly from the contractor, which would have required Amachi to procure the services competitively or obtain approval from OJP for sole source procurement to have been in compliance with the OJP Financial Guide.

We also identified the expenditures related to Amachi's consultants as questioned costs because Amachi did not procure these services competitively. Amachi stated in its response that the consultants had experience working on the FY 2011 award project. However, experience and knowledge of the grant recipient's program is not one of the criteria the OJP Financial Guide lists for using sole source procurements. Additionally, as Amachi stated in its response, the Public/Private Ventures (P/PV) employees planned to remain with the program until the grant was completed. We determined Amachi hired these former employees as consultants and was required to procure the consultant services competitively. Although Amachi responded that it would have been impractical to use competitive procurements, it did not provide documentation to support its determination that competition was impractical, and did not have written procurement policies to support this decision. Furthermore, the OJP Financial Guide requires recipients to solicit competitive bids before determining competition is inadequate.

We determined Amachi's response did not include information or documentation to demonstrate its compliance with the grant award requirements.

- c) Amachi did not concur with recommendation 1.c, which identified \$17,241 in unreasonable consultant expenditures. Our report concluded that Amachi paid the maximum consultant rate to three consultants without ensuring the rates were reasonable and consistent with that paid for similar services in the marketplace.

During the audit, officials told us they were not aware that they had to justify rates at or below the maximum consultant rate.

In its response, Amachi stated that it did not agree that its use of the maximum consultant was unreasonable because the three consultants were extremely experienced in their respective fields, had previously worked on numerous "P/PV-Amachi" program reports, and the consultants' usual rates were higher than the maximum allowable rate from the OJP Financial Guide. However, Amachi did not provide documentation that demonstrated the rates paid to its consultants were reasonable and consistent with those paid for similar services in the marketplace.

- d) Amachi concurred with recommendation 1.d, which identified \$3,500 in unallowable consultant expenditures. Amachi stated that it did not request approval from Office of Juvenile Justice and Delinquency Prevention (OJJDP) to pay the \$150 per hour auditor fee. Amachi stated that in the future it will have a clear contract with its auditor that stays within the allowable consultant rates.
- e) Amachi partially concurred with recommendation 1.e, which identified \$18,860 in unsupported consultant expenditures. Our report identified consultant expenditures as unsupported because the consultants did not complete required time and effort reports and Amachi did not require its accounting firm to bill in accordance with the terms and objectives of its engagement letter. Amachi concurred that it did not ensure its accounting firm billed in accordance with its engagement letter and stated that it would start requiring this immediately. Amachi did not concur that the other consultant expenditures were unsupported. Amachi stated in its response that the efforts of Research 1, Copyeditor 1, Copyeditor 2, Graphic Designer, and Interview Transcriber were evident in the work that they produced and Amachi remained in communication with the consultants regarding the work they were doing. However, Amachi did not provide documentation that demonstrated the amounts paid to its consultants were representative of the work performed on the grant. Without adequate support for these costs, we could not close the recommendation.
- f) Amachi concurred with recommendation 1.f, which identified \$174,326 in unallowable expenditures for the President's personnel expenditures. Amachi's response stated that it had selected an Amachi board member to review and approve the Amachi President's timecards and it planned to revise, implement, and adhere to its written payroll policies and procedures by October 21, 2016.

- g) Amachi did not agree with recommendation 1.g to remedy \$1,948,194 in subrecipient expenditures that included unsupported personnel, fringe benefits, indirect costs, and second-tier subawards. Our report concluded that Amachi did not ensure subrecipients (1) submitted time cards prepared in accordance with the generally accepted practices of the subrecipient organization, (2) calculated indirect cost rates accurately, and (3) adequately supported second-tier subawards.

Amachi responded that it believed its documentation requirements for subrecipient personnel and fringe benefit expenditures were acceptable subrecipient oversight and supported its "...Federally funded and other activities, as defined by the OJP Financial Guide." Despite the fact Amachi disagreed with our recommendation, it agreed to require its subrecipients to submit additional timecards if OJJDP deems it necessary. However, our report found the time cards Amachi required its subrecipients to submit did not meet the OJP requirements, and the subrecipients' actual time cards are the only records that will support subrecipient personnel and fringe benefits expenditures.

Amachi responded that its subrecipient had explained how its indirect costs were calculated when "...the partnership was first developed...", but it "...had not reviewed this process with the subrecipient on subsequent grants." Amachi also provided a copy of the subrecipient's cost methodology that it has added to the subrecipient's FY 2011 and 2014 file. However, Amachi did not provide documentation with its response to support the calculation used by the subrecipient. Without adequate support for these costs, we could not close the recommendation.

Amachi responded that it did not concur that the use of second-tier subawards was a change in scope, duration, activities, or other significant areas of the project. Amachi's response to 1.g also addressed aspects of recommendations 2.f and 2.g, which we address in our analysis of the respective recommendations.

2. Ensure Amachi implement and adhere to policies that:

- a. ensure its accounting records are maintained in accordance with the DOJ Grants Financial Guide.**
- b. ensure accurate and timely Single Audit Reports are performed.**

- c. ensure Federal funds are used in the best interest of an award program and safeguarded against potential fraud, waste, and abuse.**
- d. ensure services are procured in a manner consistent with the DOJ Grants Financial Guide.**
- e. ensure the President's personnel and fringe benefit expenditures are approved in accordance with the DOJ Grants Financial Guide.**
- f. provide subrecipient monitoring.**
- g. ensure required grant adjustment notices are submitted.**
- h. verify the reliability of program performance data, including data collected from subrecipients.**
- i. establish procedures for financial reporting – in addition to revising, implementing, and adhering to its written accounting policies and procedures.**
- j. ensure progress reports are completed accurately.**
- k. ensure cash management practices, including procedures for grant drawdowns, are appropriate.**
- l. ensure compliance with award special conditions.**

Resolved. OJP concurred with our recommendations and agreed to coordinate with Amachi to obtain a copy of written policies and procedures, developed and implemented, to ensure compliance with each of the recommendation subparts. The recommendation can be closed when we receive documentation that OJP has ensured Amachi implements and adheres to policies associated with recommendation subparts a-l.

Amachi concurred with seven of the twelve recommendation subparts, as described below.

- a) Amachi concurred with recommendation 2.a. Our report concluded that Amachi's accounting system was inadequate because it did not meet OJP Financial Guide requirements.

Amachi stated it is continuing to fine tune its fiscal operations until all requirements are met. Additionally, Amachi responded that it will complete revisions of its written policies and procedures by October 21, 2016. Amachi also stated Amachi employees and its

Accountant will have a copy on hand of the DOJ Grants Financial Guide, which replaced the OJP Financial Guide, and is working with its Accountant to ensure its accounting system is reconciled monthly and Federal funds are not commingled.

- b) Amachi concurred with recommendation 2.b to ensure accurate and timely Single Audit Reports are performed and stated in its response that it was currently looking for a new Auditor.
- c) Amachi did not concur with recommendation 2.c to ensure Federal funds are used in the best interest of an award program and safeguarded against potential fraud, waste, and abuse.

We determined Amachi's response to recommendation 1.a and 2.c, as well as the *Some Final Thoughts* section of its response, did not include information or documentation to demonstrate its compliance with the grant award requirements. Instead, Amachi's response confirmed the fact that the President was also the chairman of the board of directors and acting CEO of PLF, an Amachi FY 2011 award subrecipient. Although Amachi did not concur with the recommendation, Amachi stated that it will revise its Conflict of Interest Policy in the interest of total transparency.

- d) Amachi did not concur with recommendation 2.d to ensure services are procured in a manner consistent with the DOJ Grants Financial Guide.

Amachi referred to its response to finding 1.b, and stated that it did not improperly use sole source procurements for the FY 2011 and 2014 awards. However, Amachi agreed that it would develop the require written procurement policies and procedures.

- e) Amachi concurred with recommendation 2.e to ensure the President's personnel and fringe benefit expenditures are approved in accordance with the DOJ Grants Financial Guide. It stated that it had selected an Amachi board member to review and approve the Amachi President's time and effort reports.
- f) Amachi concurred with recommendation 2.f to provide subrecipient monitoring. Amachi stated it will implement the required written subrecipient monitoring policies and procedures. Additionally, Amachi agreed in its response to recommendation 1.g that it did not provide adequate oversight to ensure Single Audits were completed by subrecipients, include all required elements in its subrecipient agreements, or develop required subrecipient monitoring policies and procedures.

- g) Amachi did not concur with recommendation 2.g to ensure required grant adjustment notices (GAN) are submitted.

Our report concluded that Amachi did not submit required GANs before obtaining services from second-tier subrecipients for services central to the purpose of the awards including creating mentoring relationships for youth. Amachi disagreed that its second-tier subawards were a project scope change that required a grant adjustment notice.

In its response to both recommendation 1.g and 2.g, Amachi stated that its grant application (program narrative) identified each of its first-tier subrecipients and an explanation that these subrecipients partner with other organizations. Specifically, Amachi stated that working with the second-tier subawardees was "...a normal part of their business." However, Amachi did not identify the second-tier subrecipient organizations or state that these organizations would receive award funds for services that we determined were central to the purpose of the award.

We determined Amachi's response did not include information or documentation to demonstrate its compliance with the grant award requirements.

- h) Amachi concurred with recommendation 2.h to verify the reliability of program performance data, including data collected from subrecipients. Amachi stated it will provide more careful monitoring of the data and verify internal formulas used in the database to calculate performance percentages. Amachi stated it will also require subrecipients to submit quarterly reports verifying the matches they have made.
- i) Amachi concurred with recommendation 2.i to establish procedures for financial reporting – in addition to revising, implementing, and adhering to its written policies and procedures. Amachi stated it will establish procedures by October 21, 2016, for preparing financial reports using an adequate accounting system to ensure OJP and OJJDP have valid and reliable financial information. These policies were to be updated by October 21, 2016.
- j) Amachi did not concur with recommendation 2.j to ensure progress reports are completed accurately.

Our report found that Amachi's final Categorical Assistance Progress Report (CAPR) was inaccurate because Amachi included 273 matches made by P/PV. Our report also found Amachi's

reports were inaccurate because it reported that it had accomplished its award objective to ensure 70 percent of new matched youth stayed engaged in the mentoring program for at least 1 year and 60 percent of matched youth with a history of low school attendance showed improvement after 1 year of mentoring.

Amachi responded that it accurately included the 273 matches in its progress reports because the report identified the reporting period as October 2011 to September 2014, or the original award date. Although Amachi award documentation had the same award date as P/PV, Amachi was not responsible for the 273 matches made by P/PV and Amachi was awarded Federal funds to make 1,125 matches instead of the 1,500 required under P/PVs award. Therefore, the reporting period and cumulative matches should have been limited to those matches made by Amachi, Inc. regardless of the official award date.

We determined Amachi's response did not include information or documentation to demonstrate its compliance with the grant award requirements.

- k) Amachi concurred with recommendation 2.k to ensure cash management practices, including procedures for grant drawdowns, are appropriate. Amachi stated that it will revise its policies and procedures to include its cash management policies and procedures in writing by October 21, 2016.
- l) Amachi did not concur with recommendation 2.l to ensure compliance with award special conditions.

Our report concluded that Amachi did not implement procedures to verify that required background checks were completed by its subrecipients. Amachi stated in its response that it understands the most fundamental principle of mentoring is the safety of the children, and its subrecipients had state-of-the-art child abuse clearance and background check protocols. Amachi also stated that the President has personally trained and visited all of the subrecipients and second-tier subrecipients in the past and it is possible that Amachi did not implement additional oversight provisions. Although it disagreed with our recommendation, Amachi stated that it would require each agency to submit a listing of mentors and their clearance forms. We determined the existence of state-of-the-art systems and personal knowledge of its subrecipients is not sufficient to ensure background checks are performed.

We determined Amachi's response did not include information or documentation to demonstrate its compliance with the grant award requirements.

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