



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



**Audit of Office of Justice
Programs Human Trafficking and
Office on Violence Against Women
Legal Assistance Awards to the
Asian Pacific Islander Legal
Outreach,
San Francisco, California**

**AUDIT OF OFFICE OF JUSTICE PROGRAMS
HUMAN TRAFFICKING AND OFFICE ON VIOLENCE AGAINST
WOMEN LEGAL ASSISTANCE AWARDS TO THE
ASIAN PACIFIC ISLANDER LEGAL OUTREACH,
SAN FRANCISCO, CALIFORNIA**

EXECUTIVE SUMMARY*

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit of an Office on Violence Against Women (OVW) Legal Assistance for Victims Grant Program grant (OVW Legal Assistance grant), 2012-WL-AX-0016, in the amount of \$500,000, and an Office of Justice Programs (OJP) Services for Victims of Human Trafficking Grant Program grant (OJP Human Trafficking grant), 2014-VT-BX-K013, in the amount of \$455,000 awarded to the Asian Pacific Islander Legal Outreach (APILO), located in San Francisco, California.

On August 28, 2015, APILO failed to adequately respond to the DOJ on the corrective actions APILO needs to implement to resolve deficiencies identified in a previous audit performed pursuant to Office of Management and Budget Circular A-133 (OMB A-133); therefore, APILO was designated as a high-risk grantee. In November 2015, APILO responded with its corrective actions. However, APILO has not fully addressed all the recommendations and has not addressed additional award requirements that were established as a result of the high-risk designation. Specifically, APILO has not implemented procedures to ensure adequate accounting for grant-related activity or provided proof of mandatory financial management training for its staff. As of January 19, 2016, APILO had drawn down the entire \$500,000 from the OVW Legal Assistance grant. As of December 18, 2015, APILO has not made any drawdown requests for the OJP Human Trafficking grant and it estimated that it had expended \$228,930 in grant-related expenses for which it plans to make future drawdown requests.

The objective of this audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of award management: financial management, expenditures, budget management and control, drawdowns, Federal Financial Reports, and program performance. This audit was delayed between April 2015 and August 2015 because APILO claimed that all of its victim assistance information was restricted by attorney-client privilege and as such, it could not share this information with the OIG. As a federal award recipient, APILO was required to share victim assistance information with the OIG and in August 2015, the OIG agreed to accept limited redactions to the information provided by APILO.

* Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 3, the grantee's response, and are of an individual's name.

We found that APILO was in material noncompliance with essential award requirements. Specifically, we found that APILO's financial management system commingled grant funds with all other APILO funding. APILO did not maintain separate accounting records for each grant as required by federal regulations. Because APILO's records were commingled, we concluded that APILO did not maintain adequate support for its grant expenditures, budget activities, drawdowns, and Federal Financial Reports.

In addition, APILO could not adequately support labor costs and fringe benefits charged to each of the grants. Specifically, employee timesheets did not delineate hours worked for each grant, as required by federal regulations. Instead, APILO charged payroll expenditures to the grants based on budgeted rates rather than actual hours worked on each project. APILO also was approved to award \$447,000 in grant funds to subrecipients. Given the commingling of records, we were unable to determine the total amount of subrecipient funding that was expended. However, we used spreadsheets maintained by APILO for part of the grant period to trace 13 subrecipient invoices to reimbursements received from the OVW grant and reimbursement requests that APILO was planning to submit to the OJP grant. We reviewed these subrecipient invoices and found that these expenditures included unallowable and inadequately supported items to include: (1) positions not approved in the subrecipients' budgets, (2) salary expenses missing timesheet support, (3) salaries and client services based on unsupported rates, and (4) invoices not properly approved for payment.

Further, APILO did not provide supporting documentation to us to demonstrate that it was achieving the goals and objectives of the grants. Additionally, APILO overstated the number of victims served on one Progress Report we tested by 111 victims. Specifically, APILO reported that it served 203 victims from July 1, 2014, to December 31, 2014, but it was only able to provide support that it served 92 victims during that time period. We did not test additional Progress Reports because APILO officials claimed that the support for additional reports represented privileged information that could not be shared with the OIG.

We presented our results in more detail in the Findings and Recommendations section of this report. Based on these material deficiencies in APILO's accounting and management of DOJ funds, we identified \$955,000 in dollar-related findings covering all of the grants under review. This includes \$500,000 in questioned costs for the OVW Legal Assistance grant award, and \$455,000 for the OJP Human Trafficking grant, which we recommend be put to better use.

We discussed the results of our audit with APILO, OJP, and OVW officials and have included their comments in the report, as appropriate. Our audit objective, scope, and methodology are discussed in Appendix 1. Our Schedule of Dollar-Related Findings is located in Appendix 2. In addition, we requested from APILO, OJP, and OVW written responses to the draft copy of our audit report. We received those responses and they are found in Appendices 3, 4,

and 5, respectively. Our analysis of those responses and the summary of actions necessary to close the recommendations are found in Appendix 6.

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AUDIT OF OFFICE OF JUSTICE PROGRAMS HUMAN TRAFFICKING AND OFFICE ON VIOLENCE AGAINST WOMEN LEGAL ASSISTANCE AWARDS TO THE ASIAN PACIFIC ISLANDER LEGAL OUTREACH, SAN FRANCISCO, CALIFORNIA

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit of an Office on Violence Against Women (OVW) Legal Assistance for Victims Grant Program grant (OVW Legal Assistance grant), 2012-WL-AX-0016, in the amount of \$500,000, and an Office of Justice Programs (OJP) Services for Victims of Human Trafficking Grant Program grant.¹ (OJP Human Trafficking grant), 2014-VT-BX-K013, in the amount of \$455,000 awarded to the Asian Pacific Islander Legal Outreach (APILO), located in San Francisco, California.

On August 28, 2015, APILO failed to adequately respond to the DOJ on the corrective actions APILO needs to implement to resolve deficiencies identified in a previous audit performed pursuant to Office of Management and Budget Circular A-133 (OMB A-133); therefore, APILO was designated as a high-risk grantee.² In November 2015, APILO responded with its corrective actions. However, APILO has not fully addressed all the recommendations and has not addressed additional award requirements that were established as a result of the high-risk designation. Specifically, APILO has not implemented procedures to ensure adequate accounting for grant-related activity or provided proof of mandatory financial management training. As of January 19, 2016, APILO had drawn down the entire \$500,000 of the OVW Legal Assistance grant. As of December 18, 2015, APILO has not made any drawdown requests for the OJP Human Trafficking grant. APILO estimated that it had expended \$228,930 for which it plans to make future drawdown requests.³

¹ The OJP Human Trafficking award is a cooperative agreement; however, for the purpose of this audit report, it is referred to as a grant.

² OMB A-133 implemented the Single Audit Act, which required that all non-federal entities that expend more than \$500,000 or more of federal awards in a year are required to obtain an annual audit. OMB A-133 audits are typically performed by independent accounting firms.

³ APILO's records were commingled and therefore, we were unable to determine how much has been spent on each of the awards we audited.

Table 1
DOJ Grants Awarded to
Asian Pacific Islander Legal Outreach

Granting Agency	Grant Award Number	Award Start Date	Award End Date ^a	Award Amount
OVW	2012-WL-AX-0016	10/01/12	09/30/15	\$500,000
OJP	2014-VT-BX-K013	10/01/14	02/28/17	\$455,000
Total				\$955,000

^a The Award End Date includes all time extensions that were approved by OVW and OJP.

Source: OVW and OJP

OVW’s Legal Assistance for Victims Grant Program strengthens civil and criminal legal assistance programs for adult and youth victims of domestic violence, dating violence, sexual assault, and stalking who are seeking relief in legal matters relating to or arising out of that abuse or violence. OJP’s Human Trafficking grant’s primary goal was to enhance the quality and quantity of services to victims of human trafficking, as defined by the Trafficking Victims Protection Act of 2000, as amended. Specifically, human trafficking services would be enhanced by increased interagency collaboration, a coordinated community response to victims of human trafficking, and the deliverance of high-quality services that address the individual needs of trafficking victims.

Asian Pacific Islander Legal Outreach

APILO is a 501(c)(3) not-for-profit entity located in the city and county of San Francisco, California. APILO’s staff provides culturally competent legal services in over a dozen languages including Mandarin, Vietnamese, and other languages. As a recipient of federal, state, and local funding, APILO has been able to provide a comprehensive array of legal services for victims of crime and all forms of human trafficking.

The purpose of the OVW Legal Assistance grant was to increase holistic, culturally competent direct legal services and make those services readily accessible to survivors of domestic violence, dating violence, stalking, and sexual assault. In addition, the OVW Legal Assistance grant was to expand APILO’s collaborative, holistic legal services to underserved populations. The purpose of the OJP Human Trafficking grant was to increase the capacity of communities to respond to human trafficking victims through the development of interagency partnerships, training, and public awareness activities.

OIG Audit Approach

The objective of the audit was to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants. To accomplish this objective, we assessed performance in the following areas of award management:

financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance. This audit was delayed between April 2015 and August 2015 because APILO claimed that all of its victim assistance information was restricted by attorney-client privilege and as such, it could not share this information with the OIG. As a federal award recipient, APILO was required to share victim assistance information with the OIG and in August 2015, the OIG agreed to accept limited redactions to the information provided by APILO.

We tested APILO's compliance with what we considered to be the most important conditions of the grants. Unless otherwise stated in our report, the criteria we audited against are contained within the 2012 OVW Financial Grants Management Guide, 2014 OJP Financial Guide, award documents, Code of Federal Regulations, and Office of Management and Budget Circulars. The results of our audit are discussed in detail in the Findings and Recommendations section of this report. We discussed the results of our audit with APILO, OJP, and OVW officials and have included their comments in the report, as appropriate. The audit objective, scope, and methodology are discussed in Appendix 1. Our Schedule of Dollar-Related Findings is located in Appendix 2. In addition, we requested from APILO, OJP, and OVW written responses to the draft copy of our audit report. We received those responses and they are found in Appendices 3, 4, and 5, respectively. Our analysis of those responses and the summary of actions necessary to close the recommendations are found in Appendix 6.

FINDINGS AND RECOMMENDATIONS

APILO was in material noncompliance with essential award requirements we tested. Specifically, we found that APILO commingled grant accounting records with all of its other funding. As a result, we concluded it was not able to provide adequate support for its drawdowns, Federal Financial Reports, budget activities, and expenditures. Additionally, APILO failed to maintain sufficient oversight of its subrecipients to ensure all costs associated with the grants were allowed and adequately supported. Based on these material deficiencies, we identified \$955,000 in dollar-related findings, including \$500,000 in questioned costs and \$455,000 in funds that we recommend be put to better use.⁴

Grant Financial Management

We reviewed APILO's policies and procedures, 2011 and 2012 Single Audit Reports, and financial management system to assess its risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the grants.⁵ We also interviewed key personnel within APILO to include the Executive Director, Administrative Director, and accounting staff regarding internal controls and processes related to payroll, purchasing, and accounts payable functions.

Single Audit

According to Office of Management and Budget Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted. At the start of our fieldwork, the most recent Single Audit available for APILO was for the fiscal year ending December 31, 2012. We reviewed this Single Audit Report and found that the auditors had issued an unqualified opinion. However, there were going concerns regarding APILO's "recurring operating deficits and cash flow shortfalls during the last two fiscal years." The report went on to state, "the organization's ability to continue as a going concern depends on its being able to satisfy ongoing cash flow requirements, which include fixed and various overhead expenses. The two largest components include payroll and debt service related to note payable." This OIG report did not review APILO's ability to continue as a going concern.

The 2011 Single Audit report found significant deficiencies in APILO's internal controls. The auditors found that APILO did not require its subrecipients to provide

⁴ The Inspector General Act of 1978, as amended, contains our reporting requirements for questioned costs and funds put to better use. However, not all findings are dollar-related. See Appendix 2 for a breakdown of our dollar-related findings and the definitions of questioned costs and funds put to better use.

⁵ APILO stated that its federal expenditures did not meet the threshold to require a 2013 or 2014 Single Audit.

supporting documentations for cost reimbursements and reported activities. The auditors stated in the follow-up to the 2011 Single Audit report's findings that APILO had instituted policies and procedures to monitor and improve the operating effectiveness of internal controls over compliance of all subrecipients, to include the maintenance of subrecipient spreadsheets to track all funds connected with federal awards. Contrary to this conclusion, we found during our audit that APILO's oversight of its subrecipients was inadequate. Additionally, APILO started but did not maintain the spreadsheets on its subrecipients. See the Subrecipients and Contractors section of this report for more information on this finding.

Additionally, the auditors found that APILO did not spend award funds in accordance with the approved budget. The auditors found this was a result of APILO not budgeting for indirect costs. APILO's corrective action was to budget for indirect costs in applications for future awards. However, APILO did not respond to the DOJ adequately to address these recommendations. As a result, OJP designated APILO as high-risk.

Financial Management System

Both the 2012 OVW Financial Grants Management Guide and the 2014 OJP Financial Guide require recipients and subrecipients to establish and maintain accounting systems and financial records to accurately and separately account for grant funds. Both Guides state that all records are to be detailed and adequately provide for fund accountability for each separate project funded by a grant award. However, we found that APILO's grant funds were commingled with APILO's other funding. This meant that grant-related transactions were indistinguishable from any other transactions recorded in APILO's general ledger.

Furthermore, APILO utilized the accounting system QuickBooks. In a letter from the auditors, who performed APILO's Single Audit, to APILO's management, the auditors explained the importance of using classes in QuickBooks to record separate transactions for each funding source. The auditors explained to APILO that by using classes it could record revenue and expense transactions into its accounting system so reports could be generated based solely on pre-selected criteria, such as the funding source.

APILO officials stated that its previous Financial Coordinator passed away and they had difficulty finding an experienced person to take on this role. As of May 2015, APILO has hired a new Finance Coordinator with over 10 years of accounting and finance experience to oversee APILO's general ledger and grant-related transactions. We believe this is a good step towards correcting APILO's accounting records. However, given the commingling of records, we concluded that APILO was unable to provide adequate support in the following areas: expenditures, budget management and control, drawdowns, and Federal Financial Reports. Therefore, we question the entire \$500,000 of the OVW Legal Assistance grant and recommend that the \$455,000 of the OJP Human Trafficking grant be put to better use. We also recommend that OJP and OVW ensure that APILO adheres to the grant requirements for financial management systems by providing a separate

general ledger for each grant that is not commingled, and support for its Federal Financial Reports and drawdowns.

Grant Expenditures

Given the extent of the commingling of APILO's accounting records, we concluded that all of APILO's expenditures were not adequately supported and we were unable to quantify how much APILO expended in total for each grant. Despite the significant commingling finding, we were able to perform some limited testing of grant expenditures as discussed below.

Personnel Costs

APILO officials provided to us with a list of employees that they stated were paid with grant funds. We selected a judgmental sample of four non-consecutive pay periods from each award to determine the extent of deficiencies related to APILO's personnel costs. Our sample included salaries and fringe benefit expenditures for the pay periods between September 2012 and January 2015 for the OVW Legal Assistance grant and the pay periods between October 2014 and September 2015 for the OJP Human Trafficking grant. We reviewed supporting documentation, such as time and attendance records, to determine: (1) if the positions paid with grant funds appeared reasonable with the stated intent of each grant and were consistent with the final approved budgets, (2) whether the salaries of the employees paid with grant funds were within a reasonable range, and (3) the extent to which APILO could provide support for expenditures.

We compared the list of personnel that APILO officials stated had worked on grant-related activities to the approved positions in both the OJP and OVW approved grant budgets. We also compared the salaries that APILO paid with salaries paid in that area of the country for similar positions. We determined that the positions that we reviewed were consistent with what was approved in each of the final grant budgets. Also, the salary amounts that each of the personnel earned was within a reasonable range.

The 2014 OJP Financial Guide states, "personnel and payroll records must include the time and attendance reports for all full-time and/or part-time individuals reimbursed under the award." The 2012 OVW Grant Financial Management Guide also requires that personnel and payroll records must include the time and attendance reports for all full-time or part-time individuals reimbursed under the award. Additionally, the cost principles in 2 C.F.R. Part 230 state that the distribution of salaries and wages to awards must be supported by personnel activity reports that reflect an after-the-fact determination of the actual activity of each employee. Budget estimates determined before the services are performed do not qualify as support for charges to awards. We reviewed APILO's financial policies and noted the policies do not include a process to ensure accurate recording of actual time spent on each award.

In reviewing a sample of APILO's payroll, we found that APILO's system for payroll documentation and personnel activity did not meet grant requirements. Similar to APILO's accounting system, its payroll documentation also commingled sources of funding and did not specify how much time was worked on each DOJ grant program. While the timesheets identified that employees worked on a specific project code, each code was associated with various funding sources, including funding from the city and county of San Francisco.

We asked APILO officials how they were able to determine how much of the employees' salaries and fringe benefits were applicable to each funding source. APILO officials stated that it used estimated rates found in the OVW and OJP approved grant budgets to allocate payroll expenditures. This methodology was in violation of the cost principles in 2 C.F.R. Part 230, which states that budget estimates determined before the services are performed do not qualify as support for charges to awards. Given that the time sheets failed to accurately reflect the actual amount of time that APILO personnel spent on each grant, we could not determine the actual labor hours spent on the OVW Legal Assistance grant and the OJP Human Trafficking grant. Similarly, fringe benefits for the grants were also commingled within the general ledger. In response to our audit findings discussed in the exit conference, APILO provided various spreadsheets containing grant expenditures by each cost category. We reviewed the spreadsheets provided and noted there were no supporting documentation such as timesheets to support the hours claimed for each employee. Additionally, one of the spreadsheets contained claimed costs not approved in the budget. Therefore, we recommend that OJP and OVW ensure that APILO identifies actual payroll and associated fringe benefits expenditures charged to each grant, and adequately support those expenditures with documentation. We also recommend that OJP and OVW ensure that APILO establishes a process to accurately track the actual amount of time APILO employees spend on each grant.

Subrecipients and Contractors

APILO was approved to award \$447,000 to subrecipients in its grant budgets. Based on the records that APILO provided us, we identified invoices submitted by three distinct subrecipients. We identified two subrecipients for the OVW Legal Assistance grant (Asian Women's Shelter and Donaldina Cameron House) and two subrecipients for the OJP Human Trafficking grant (Asian Women's Shelter and Mujeres Unidas y Activas). However, because of the significant commingling previously discussed and the condition of the records that were maintained, we were unable to identify the total amount of DOJ grant funds paid to the subrecipients. As explained previously, those deficiencies led us to question all of APILO's grant funds.

The subrecipients submitted reimbursement requests to APILO through invoices. For a portion of the award period for both the OVW Legal Assistance grant and the OJP Human Trafficking grant, APILO recorded those invoices on spreadsheets. Specifically, APILO used those spreadsheets for the OVW Legal Assistance grant from October 1, 2012, to September 30, 2014, and for the

OJP Human Trafficking grant from January 1, 2015, to December 31, 2015. Based on those spreadsheets, we identified 13 subrecipient invoices. However, because of the commingling deficiency, we are not assured the invoices recorded on the spreadsheets encompass all the funds paid to the subrecipients. We tested these invoices to ensure that APILO followed its policy, which states "documentation supporting expenditures shall accompany the [subrecipient] invoices. If there are personnel costs within the invoice, a payroll register must accompany the invoice." We found that the subrecipient invoices contained billings that were: (1) not approved in the subrecipients' budgets; (2) missing timesheet support, (3) based on unsupported rates that were developed from estimates - clients projected to serve, and (4) not properly approved for payment. Our analysis of those 13 invoices is summarized in Table 2. We were able to trace 10 invoices to reimbursements made by OVW to APILO and 3 invoices that APILO intends to request reimbursement for from OJP. As shown in Table 2, we identified a total of \$191,747 in unapproved and unsupported subrecipient costs. However, the condition of the accounting records prevented us from verifying whether these encompassed all actual subrecipient costs charged to the grants.

Additionally, APILO provided us with copies of signed invoices to support APILO's approval of invoices for payments. However, the invoices provided only contained one signature of approval. APILO's subrecipients monitoring policy states, "All invoices from subrecipients shall be approved before payment by the Administrative Director to ensure progress reporting is satisfactory and the Finance Coordinator to ensure proper financial reporting and invoicing." In response to our audit findings discussed in the exit conference, APILO provided payroll reports for one of the subrecipients (AWS) and a spreadsheet containing expenditures from another subrecipient (DCH) for the OVW Legal Assistance grant. The payroll reports showed salary amounts paid to certain employees and the spreadsheet showed a summary of hours and clients served; however, no timesheets were provided to substantiate the services and hours claimed in the invoices from the subrecipients. As such, we determined that APILO has not complied with its subrecipients monitoring policy. Therefore, we recommend that OJP and OVW ensure that APILO identifies actual costs paid to its subrecipients, provides adequate support for those expenditures and properly supports these invoices with supportable rates that represent costs of actual services. We also recommend that OVW and OJP ensure that APILO strengthens its policy so that it maintains adequate support for its subrecipient payments, only charges approved subrecipient costs to DOJ grants, and properly approves subrecipient invoices prior to payment.

Table 2
Issues Found from Subrecipient Invoice Testing

Subrecipients	Issues with Invoices	OVW Costs	OJP Costs	Total
Asian Women's Shelter	Positions Not Approved in Budget	\$ 1,786	\$ 0	\$ 1,786
Asian Women's Shelter and Donaldina Cameron House	Unsupported Personnel Costs	26,114	0	26,114
Asian Women's Shelter	Unsupported Rate	32,098	0	32,098
Asian Women's Shelter, Donaldina Cameron House, and Mujeres Unidas y Activas	Unapproved Invoices	58,212	73,537	131,749
Total Costs		\$118,210	\$ 73,537	\$ 191,747

Source: OIG analysis of APILO data

Both the 2012 OVW Financial Grants Management Guide and the 2014 OJP Financial Guide required award recipients to ensure that the subrecipients' accounting systems, financial reports, and programmatic reports meet all the requirements for the grants. APILO stated that it obtained the Single Audit and financial audit reports from the subrecipients, and that it reviewed these reports for any issues with financial processes. In addition, we found that APILO's subrecipient monitoring policy required monthly meetings with the subrecipients to ensure compliance with laws, regulations, and that the provisions of each grant award and the required performance goals are being achieved. APILO stated it discussed the subrecipients' financial processes and audits during these meetings. APILO's subrecipient monitoring policy also requires annual site visits "to examine financial and programmatic records and observe operations. . . Documentation of the results of each subrecipient monitoring visit . . . meeting minutes . . . shall be . . . maintained." APILO provided us with prepared meeting logs to support its compliance with its policy. We reviewed these meeting logs and noted the meeting logs showed the dates and locations of meetings, the attendees, and short summaries of meetings. However, the meetings were not held monthly and did not indicate any review of supporting documentation for financial and programmatic reporting. We concluded that APILO did not perform any site visits of its subrecipients, as required by OJP, to review supporting documentation for financial and programmatic reporting. Therefore, APILO failed to provide adequate oversight of its subrecipients in accordance with its own policy. We recommend that OJP and OVW ensure APILO adheres to OJP's, OVW's, and APILO's own policies and procedures pertaining to the monitoring of subrecipients.

Matching Costs

Although there was no matching cost requirement for the OVW Legal Assistance grant, APILO was required to provide a match of \$151,725 for the OJP Human Trafficking grant. According to the 2014 OJP Financial Guide, there are two kinds of match, a cash match (hard) includes cash spent for project-related costs or an in-kind match (soft) includes, but is not limited to, the valuation of non-cash contributions. In-kind match may be in the form of services, supplies,

real property, and equipment. Grantees are required to maintain documentation supporting the source, amount, and timing of all matching contributions.

According to its budget, APILO planned to provide an in-kind match through salary, fringe benefits, office space, training, and client services expenditures for \$91,725 of the required \$151,725 match. The remaining \$60,000 required match was to come from two of APILO's subrecipients: \$30,000 from the Mujeres Unidas y Activas and \$30,000 from the Asian Women's Shelter. The Memorandum of Understanding (MOU) between the Mujeres Unidas y Activas and APILO, states in Article 4 that:

The [subrecipient] is expected to provide a match equal to at least 25 percent of the [subgrant] funds received. The match may be met through cash or in-kind contributions, or a combination of both, as set out in the budget. [APILO] encourages the [subrecipient] to obtain donations of goods, volunteer services and professional services that will benefit its clients.

Likewise, the MOU between the Asian Women's Shelter and APILO had similar language. Due to the commingled accounting records, we could not determine the actual in-kind matching costs APILO has made to date. Additionally, APILO did not provide any supporting documentation for its match. We recommend that OJP ensure that APILO meets the match requirement and that it adequately supports that match with documentation.

Budget Management and Control

As previously discussed, APILO records were commingled. Therefore, we determined that APILO did not adhere to the budget management requirements of the grant, including tracking costs according to budget category.

Drawdowns

APILO stated its drawdown process was to draw down funds to reimburse APILO for the budgeted amount of personnel expenditures and actual subrecipient expenditures for the quarter. According to the 2012 OVW Financial Grants Management Guide and the 2014 OJP Financial Management Guide, funds should be requested based upon immediate disbursement or reimbursement need. Drawdown requests should be timed to ensure that federal cash on hand is the minimum needed for disbursements or reimbursements to be made immediately or within 10 days. Thus, APILO should have been requesting drawdowns based on actual expenditures and not based on budgeted amounts.

As of January 2016, APILO had drawn down all \$500,000 of the OVW Legal Assistance grant. However, APILO expenditures were commingled; therefore, APILO could not provide adequate support for those drawdowns. As of December 18, 2015, APILO has yet to make any drawdown requests for the

OJP Human Trafficking grant. APILO estimated that it expended \$228,930 and indicated it plans to make drawdown requests in the future.

APILO's financial management system needs to be strengthened to meet award requirements and provide adequate evidence that drawdowns are based on award expenditures as required.

Federal Financial Reports

According to the 2012 OVW Financial Grants Management Guide and 2014 OJP Financial Guide, award recipients are required to submit quarterly Federal Financial Reports (FFR) and semi-annual Progress Reports. These reports describe the status of funds, compare actual accomplishments to the objectives of the grant, and report other pertinent information.

APILO's official accounting records were commingled; therefore, APILO could not provide us with its universe of grant-related expenditures as support for its FFRs. We determined that APILO did not maintain adequate documentation for its submitted FFRs. APILO's financial management system needs to be strengthened to meet award requirements and provide adequate support for its FFRs.

Program Performance and Accomplishments

We reviewed the Progress Reports, which are completed semiannually, to determine if the required reports are accurate. We also reviewed the grant solicitations and grant documentation to determine whether the program goals and objectives were implemented. Finally, we reviewed APILO's compliance with the special conditions identified in the award documentation.

Progress Reports

APILO's process for collecting information for its Progress Report includes the use of intake forms to collect victim information. The information recorded on the intake forms was entered into a database that was designed specifically for reporting purposes and case management. APILO personnel used the statistical information in the database to complete the Progress Reports for both OVW and OJP.

APILO submitted 7 Progress Reports for the grants during the scope of our audit. However, APILO had concerns that providing us with support for those Progress Reports (the client intake forms) would violate its attorney-client privilege with its victims.⁶ Therefore, we agreed to test redacted copies and limited our testing to one statistic (the number of victims served) on one Progress Report of

⁶ We found one of the Progress Reports to have been submitted and approved per GMS records; however, no actual Progress Report was attached.

the OVW Legal Assistance grant for the period from July 1, 2014, through December 31, 2014. The 2012 OVW Financial Grants Management Guide, states:

[u]nder the Government Performance and Results Act (GPRA) and VAWA 2000, grantees are required to collect and maintain data that measure the effectiveness of their grant-funded activities. Each grant program’s progress reporting form reflects the different statutorily authorized activities that grantees perform, and collects uniform information on victims served, demographics, and common activities that occur across grant programs.

APILO reported 203 "Total Served and Partially Served" clients to OVW.⁷ APILO provided 121 intake forms in support of the selected statistic. We tested these 121 intake forms and found that 29 of the forms fell outside of the aforementioned reporting period. As shown in Table 3 below, APILO was only able to support 92 clients served and overstated the number of victims served by 111 victims. Because of the privileged information APILO claimed, we did not expand our testing to additional reports. In response to our audit findings discussed at the exit conference, APILO stated "It is common that intake sheets are dated at the initial screening, a case is further vetted by the same or another attorney, and then actually opened and worked on at a later date so intake dates and opening dates might be months apart. Further, an intake date may be outside of the test period but work hours are being logged during the test period." APILO also stated a log was attached to its response showing 203 cases as reported. We did not receive such log. Thus, APILO has yet to provide us with adequate supporting documentation to support its Progress Reports. We recommend that OVW ensure that APILO establishes a process to make sure that the statistical information it collects and reports on Progress Reports is accurate.

Table 3
Progress Report Testing
July 1, 2014, to December 31, 2014

Description	Total
Total number of clients served and partially served, as reported by APILO to OVW	203
Number of actual clients served and partially served, based on APILO's intake forms	92
Number Overstated	111

Source: APILO

⁷ Clients served are victims or survivors who received the service(s) they requested. Clients partially served are victims or survivors who received some service(s), but not all of the services they requested.

Compliance with Special Conditions

In addition to the grant requirements that we have tested elsewhere in this report, we selected a sample and reviewed APILO's compliance with specific program requirements outlined in the grant award documents, special conditions sections. Specifically, we tested one judgmentally selected special condition from the OVW Legal Assistance grant and determined that APILO did not comply with the tested grant requirement as described below.

Special Condition 1 states that the grant recipient, APILO, agrees to comply with the financial and administrative requirements set forth in the current edition of the OVW Financial Grants Management Guide. As previously discussed, APILO records were commingled. Therefore, we determined that APILO did not comply with Special Condition 1. Since we have made a recommendation to correct the financial management system elsewhere in this report, we did not make another recommendation on this issue.

Program Goals and Objectives

According to the OVW Legal Assistance grant solicitation, the grant program was designed to strengthen civil and criminal legal assistance programs for adult and youth victims of domestic violence, dating violence, sexual assault, and stalking who are seeking relief in legal matters arising as a consequence of that abuse or violence. OVW provides funds for projects that provide comprehensive legal services either through direct representation or victim advocacy, which enhances victims' safety and strengthens their economic security. OVW has a particular interest in programs that provide holistic legal services, focused solely or primarily on providing a broad range of representation and legal advocacy to victims of sexual assault, domestic violence, dating violence and stalking.

APILO planned to collaborate with the Asian Women's Shelter, Donaldina Cameron House, and Narika to provide culturally and linguistically appropriate legal and social services to Asian and Pacific Islander immigrant victims of domestic violence, stalking, dating violence and sexual assault in Alameda, Contra Costa, San Francisco, and San Mateo counties in northern California. Specifically, APILO and its partnering agencies planned to utilize Legal Assistance funds to:

- (a) collaborate with local youth services programs to provide training to Asian and Pacific Islander youth on the legal and social services available to them;
- (b) conduct legal clinics and intake at local community and faith-based organizations;
- (c) train law students and pro bono attorneys on providing culturally appropriate representation for Asian and Pacific Islander victims; and
- (d) increase the provision of legal services to elderly victims by establishing a referral network and conducting client intake at senior centers.

According to the OJP Human Trafficking grant solicitation, the purpose of the award was to enhance the quality and quantity of services available to assist victims of human trafficking, as defined by the Trafficking Victims Protection Act of 2000, as amended. With initial Human Trafficking funding, APILO planned to

leverage various local, state, and federal resources to provide a comprehensive array of services for victims of all forms of trafficking identified within the geographic area over a 2 year project period. In addition, the program planned to increase the capacity of communities to respond to human trafficking victims through the development of interagency partnerships, training, and public awareness activities. Specifically, APILO stated it would: provide comprehensive services for victims of human trafficking in house or through project partners; work in collaboration with federal, state, and local law enforcement as well as community and faith based partners to develop comprehensive response protocols to ensure that trafficking victims are identified and referred for services; conduct training and public awareness activities; and conduct data collection and evaluation activities to determine if the program is meeting intended goals.

We requested that APILO provide us with supporting documentation on how it was accomplishing its goals and objectives for the OVW Legal Assistance and OJP Human Trafficking grants. In response to our audit findings discussed at the exit conference, APILO provided dates and topics for training sessions conducted by their staff. However, APILO did not provide sign-in sheets, attendance records, or outlines for these training sessions. Therefore, APILO was unable to adequately support work performed towards the goals and objectives of the grant. Thus, we are unable to determine whether it was meeting its goals and objectives as listed within both grant applications. We recommend that OJP and OVW ensure that APILO provides evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants.

Conclusion

We concluded that APILO was in material noncompliance with grant requirements. APILO's funding streams were commingled within its official accounting records, which violated grant requirements for financial management systems. As a result, APILO could not provide evidence that it expended grant funds in accordance with approved budget and award requirements.

However, we performed limited transaction testing and found payroll costs were not based on actual time labor efforts; instead, APILO used budgeted rates to allocate payroll expenditures. Additionally, fringe benefit expenditures were also commingled within the general ledger. APILO failed to provide adequate oversight of its subrecipients. Specifically, we reviewed 13 subrecipient invoices and found that they identified expenditures that were: (1) not approved in the subrecipient's budgets; (2) missing timesheet support, (3) based on unsupported rates, and (4) not properly approved for payment. Moreover, APILO could not provide adequate documentation that it was meeting its match requirement for the OJP grant. We also found that APILO submitted an inaccurate Progress Report and was not compliant with Special Condition 1 of the OVW Legal Assistance grant.

As a result of all the material deficiencies, we identified \$955,000 in dollar-related findings, including a total of \$500,000 in questioned costs and \$455,000 in

funds put to better use. The audit report makes 11 recommendations to OJP and OVW.

Recommendations

We recommend that OJP and OVW:

1. Ensure that APILO adheres to the grant requirements for financial management systems by providing a separate general ledger for each grant that is not commingled, and support for its Federal Financial Reports and drawdowns.
2. Ensure that APILO identifies actual payroll and associated fringe benefit expenditures charged to each grant, and adequately supports those expenditures with documentation.
3. Ensure that APILO establishes a process to accurately track the actual amount of time APILO employees spend on each grant.
4. Ensure that APILO identifies actual costs paid to its subrecipients, provides adequate support for those expenditures and properly supports these invoices with supportable rates that represent costs of actual services.
5. Ensure that APILO strengthens its policy so that it maintains adequate support for its subrecipient payments, only charges approved subrecipient costs to DOJ grants, and properly approves subrecipient invoices prior to payment.
6. Ensure that APILO adheres to OVW's, OJP's, and APILO's own policies and procedures pertaining to the monitoring of subrecipients.
7. Ensure that APILO provides evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants.

We recommend that OJP:

8. Remedy \$455,000 of the OJP Human Trafficking grant be put to better use.
9. Ensure that APILO meets the match requirement and that it adequately supports that match with documentation.

We recommend that OVW:

10. Remedy \$500,000 in questioned costs from the Legal Assistance grant.

11. Ensure that APILO establishes a process to ensure that the statistical information it collects on Progress Reports is accurate.

APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

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

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

Unless otherwise specified, our audit covered, but was not limited to, activities that occurred between the start of grant 2012-WL-AX-0016 on October 1, 2013, through the date of our fieldwork on December 21, 2015. We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against are contained in the OVW Financial Grants Management Guide, OJP Financial Guide, award documents, Code of Federal Regulations, and Office of Management and Budget Circulars.

We performed sample-based audit testing for grant expenditures, personnel costs, and grant award special conditions. In this effort, we employed judgmental sampling design to obtain broad exposure to numerous facets of the grant we reviewed, such as dollar amounts or expenditure categories. We performed limited testing of subrecipients' expenditures to APILO's documents as of July 2015. Additionally, we selected a judgmental sample of eight non-consecutive payroll periods. Our sample selection methodologies were not designed with the intent of projecting our results to the population from which the samples were selected. We concluded that APILO was unable to provide adequate support in the following areas: expenditures (non-personnel direct costs), budget management and control, drawdowns, Federal Financial Reports, and program performance.

We did not test internal controls for APILO taken as a whole or specifically for the grant program administered by APILO. An independent Certified Public Accountant conducted an audit of APILO's financial statements. The results of this audit were reported in the Single Audit Report that accompanied the Independent Auditors' Report for the year ending December 31, 2012. The Single Audit Report was prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to APILO or the federal programs it was administering, and assessed the risks of those findings on

our audit. The report had issued an unqualified opinion; however, there were “going concerns regarding APILO’s recurring operating deficits and cash flow shortfalls during the last two fiscal years.” In addition, the independent auditors reported follow-up actions be taken by APILO for prior year audit findings with regards to APILO’s monitoring of its subrecipients. The auditors also stated in follow-up to the 2011 Single Audit findings that APILO had instituted policies and procedures to monitor and improve the operating effectiveness of internal controls over compliance of all subrecipients, to include the maintenance of subrecipient spreadsheets to track all funds connected with federal awards. However, we found that APILO’s oversight of their subrecipients was unsatisfactory.

In addition, we reviewed the accuracy of one Progress Report and evaluated APILO’s attempt to accomplish grant objectives. However, we did not test the reliability of the financial management system as a whole, nor did we place reliance on computerized data or systems in determining whether the transactions we tested were allowable, supported, and in accordance with applicable laws, regulations, and guidelines.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS:</u> ⁸	<u>AMOUNT</u>	<u>PAGE</u>
<u>Unsupported Costs:</u>		
Commingled General Ledger	\$500,000	5
<u>Funds Put to Better Use:</u> ⁹	\$455,000	5
<u>TOTAL QUESTIONED COSTS:</u>	<u>\$955,000</u>	

⁸ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or 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.

⁹ **Funds Put to Better Use** are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations.

**ASIAN PACIFIC ISLANDER LEGAL OUTREACH
RESPONSE TO THE DRAFT AUDIT REPORT¹⁰**

ASIAN PACIFIC ISLANDER LEGAL OUTREACH

June 27, 2016

David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
90 7th Street, Suite 3-100
San Francisco, CA 94103

Via: U.S. Mail and Electronic Mail to David.J.Gaschke@usdoj.gov.

RE: Draft Audi Report

Dear Mr. Gaschke:

We are writing in response to the draft audit report from your office, dated June 7, 2016 to the Office of Justice Programs and the Office on Violence Against Women related to grants 2014-VT-BX-K013 and 2012-WL-AX-0016. As advised, Asian Pacific Islander Legal Outreach has responded below to each of the recommendations in the draft audit report.

APILO and its partner agencies have long histories of providing comprehensive services to the most underserved segments of our community including survivors of trafficking and violence against women. In fact, in the Northern California region, APILO was the first to offer such services to the Asian, Latino, and other immigrant communities. APILO used these named US DOJ grants to provide vital services to extremely vulnerable members of the community with no access to services. We have not misused grant funds.

We appreciate the recommendations as they relate to the improvement of our financial systems and give concurrence to those improvements. But, we strongly disagree with any findings suggesting that grant funds were not used for US DOJ services or that grant funds were misspent. APILO welcomes your interview of the hundreds of clients and community agencies that received services under these US DOJ grants to further assess the appropriateness of the spending of these funds.

Admittedly, APILO suffered problems with its financial systems due to the sudden death of its only financial staff person in 2013. She went home from work on Friday, was on life support two days later, and past away within two weeks. Her replacement then quit the job with one-week notice while APILO was still sorting through the finance files without passwords and other background information. Partly as a result of that trauma, APILO now employees two finance staff and has strengthened its systems.

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¹⁰ Enclosures referenced in this response were not included in this final report.

In response to the findings that you brought to our attention during the meeting on April 21, 2016, we hired an additional bookkeeper to assist in segregating our QuickBooks accounts by grant/project areas. As proposed at that meeting, APILO staff prepared spreadsheets for Income and Expenses by grant to demonstrate the OVC and OVW grant funds that we had received and expensed for each fiscal year. These funds had been segregated from APILO's other non-related income and expenses.

On May 6, 2016, APILO submitted additional documentation to [REDACTED] of your office but there is no mention of that information in the draft audit. We cite that information in the responses to the recommendations.

Recommendations

1. Ensure that APILO adheres to the grant requirements for financial management system by providing a separate general ledger for each grant that is not commingled, and support for its Federal Financial Reports and drawdowns.

Concur: Separate general ledgers will be maintained for each grant. These ledgers will support Federal Financial Reports. APILO utilizes QuickBooks Pro and has created separate ledgers. APILO has begun to utilize this accounting structure that will be fully implemented by the end of July 2016.

For the US DOJ grants in questions, staff converted data from the accounting program to segregate US DOJ Funds. Each year the agency develops a global budget as required by local public funders. This budget is used to allocate or segregate income and expenses across programs. Attached please find spreadsheets created by downloading data from our QuickBooks files as well as samples of global budgets from 2015 and 2016 as Attachment 1. This system is being replaced by one recommend by the findings.

2. Ensure that APILO identifies actual payroll and associated fringe benefits expenditures charged to each grant, and adequately supports those expenditures with documentation.

Concur: APILO's accounting structure has been setup to identify the actual payroll and associated fringe benefits expenditures which is charged to each grant, and which is supported with the expenditure documentation to each grant.

3. Ensure that APILO establishes a process to accurately track the actual amount of time APILO employees spend on each grant.

Concur: APILO has improved the programming and use of the Abacus time management system that staff has been utilizing to better track time spent on each grant. APILO has hired two additional staff to devote more resources to ongoing improvements in these areas. For the grants in question, APILO tracked employees' time using timesheets and time management software as it pertains to each grant,

which determined amounts invoiced under the salary and fringe line items. To further substantiate time spent by employees by grant, APILO has revised its timesheets to include employee certification of time spent by area of services. This system will be replaced this month by the revamped Abacus system that requires inputting more detailed case management data by client/case/grant into that case management system.

4. Ensure that APILO identifies actual costs paid to its sub recipients, provides adequate support for those expenditures and properly supports these invoices with supportable rates that represent costs of actual services.

Concur: APILO established a sub-recipient policy that requires the sub recipients to provide adequate supporting documentation for expenditures and rates that represent costs of actual services. Furthermore, the process of reimbursement requires supporting documentation with sub recipient's invoice; related expenditure documentation under preapproved service rates, and APILO's management signature prior to payment of check. Please see Attachment 4. APILO finance staff will annually train sub recipients' grant and finance staff on the Financial Grants Management requirements and special conditions, including allowable expenditures and invoicing requirements.

For the grants in question, APILO management and financial staff did verify invoices received from its sub-recipients before making payment to sub-recipients. In addition, APILO did initiate and hold meetings with sub-recipients to determine supportable rates that accurately reflected costs. With regard to supportable rates that represent costs of actual services, the rates were approved by the grant agencies, although the rates typically undervalue the work being performed. OVC grant rates were determined at the direction of OJP as a move towards a fee for services system some years ago.

5. Ensure that APILO strengthens its policy so that it maintains adequate support for its sub recipient payments, only charges approved sub recipient costs to DOJ grants, and properly approves sub recipient invoices prior to payment.

Concur: APILO has strengthened its policies so that it maintains adequate support for its sub recipient payments, only charges approved sub recipient costs to DOJ grants, and properly approves sub recipient invoices prior to payment. Such procedures are described in Attachment 4.

APILO verified invoices received from its sub-recipients before making payment to sub-recipients under the grants in question. In addition, APILO did initiate and hold meetings with sub-recipients to monitor and determine supportable rates that accurately reflect costs. To further substantiate costs APILO will requires sub-recipients to provide all time sheets and payroll records for all staff listed on sub-recipient invoices.

6. Ensure that APILO adheres to OVW's, OJP's, and APILO's own policies and procedures pertaining to the monitoring of sub recipients.

Concur: APILO has consistently had a policy to ensure that sub recipient monitoring is an ongoing process. APILO will adhere to OVW's, OJP's, and APILO's own policies and procedures. Sub recipients are trusted partners with long histories of working collaboratively. Partnerships have been formed in meeting clients' needs, not for the purpose of applying for grants. A balance must be established which meets US DOJ requirements along with maintaining the trust and close working relationships that have been developed. As part of APILO's written policies, sub recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls to respond to the requirements of invoicing and monitoring.

7. Ensure that APILO provides evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants.

Concur: APILO has provided and will provide evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants. APILO's grants management systems, staff reporting requirements, and time management systems have been strengthened to meet this need for additional, ongoing documentation.

During the course of this audit, APILO provided grant reports to OIG as it had done with OVC and OVW. It was not until our exit conference on April 21, 2016 that we learned that OIG wanted additional documents such as copies of flyers or promotional materials, and other documentation. Although, staff was somewhat surprised, APILO and its partner agencies provided such additional information including casework and clinics focused on the severely underserved. Such information was forwarded to OIG on June 6, 2016. Please see Attachment 7.

We recommend that OJP:

8. Remedy \$455,000 of the OJP Human Trafficking grant be put to better use.

Non-concurrence: APILO strongly disagrees that funds should be put to better use. APILO has provided comprehensive services to survivors of all forms of human trafficking for the past 17 years including during the OJP grant period in question and is meeting or exceeding goals. All funds have been appropriately spent on such grant services by both APILO and its partner agencies.

Despite OIG's finding that APILO funds were not adequately segregated in QuickBooks, APILO used 100% these US DOJ funds specially and appropriately under the grant's requirements on comprehensive services to trafficked persons. APILO has not yet drawn down those funds but is working with OVC staff to amend reporting to comply with OVC requirements. Again, we invite your interview of any of the hundreds of trafficking victims who have been assisted by APILO to

substantiate the use of these grant funds.

Pursuant to the findings as well as APILO's own planning, changes have been made to the financial systems, grants management systems, time management systems, as well as the procedures and policies related to sub recipient oversight and grant reporting. Such changes will fully address the findings herein.

9. Ensure that APILO meets the match requirement and that it adequately supports that match with documentation.

Concur: APILO has and will ensure that it meets the match requirement and that it adequately supports that match with documentation. Match funds under the OVC grant have come from local public sources, grants, as well as the organization's own fundraising for anti-trafficking services. Match is directly related to the project goals and objectives and has been documented by grant contracts and receipts.

We recommend that OVW:

10. Remedy \$500,000 in questioned costs from the Legal Assistance grant.

Non-concurrence: APILO strongly disagrees that funds should be questioned. APILO has provided culturally appropriate, holistic services to survivors of domestic violence, dating violence, sexual assault, and stalking since its inception including the OVW grant period in question. Under the OVW grant, all funds have been appropriately spent on such services by both APILO and its partner agencies.

Despite OIG's finding that APILO funds were not adequately segregated in QuickBooks, APILO used 100% these US DOJ funds specially and appropriately under the grant's requirements on legal services to survivors of violence against women. Due to the confidentiality requirements, over 200 files were redacted by APILO staff for review by OIG. From that review the comprehensive nature and extent of the legal services under this grant should have been clear. Although there was some confusion about the case dates corresponding to the grant period, questioned cases started with a telephone intake call before the grant started but were opened as legal cases during the grant period. This issue was explained in APILO's response of May 6, 2016 quote below. Such is often the nature of this issue area and working in the immigrant communities. Again, we invite your interview of any of the hundreds of survivors who have been assisted by APILO to further substantiate the use of these funds.

As provided in APILO's response of May 6, 2016:

3. For the testing period of the US DOJ OVW grant, 7/1/14-12/31/14, the case documents provided showed far less cases than reported and some of those were dated outside of reporting period.

Attached is a log, without client identifying information because of

confidentiality requirements, showing the 203 cases as reported for the testing period for the testing period July 1, 2014 to December 31, 2014. Our staff has invested time and provided these additional explanations regarding the gap in numbers that was noted by your team.

a. Dates outside of reporting period:

You cited about 29 cases whose dates fell outside the reporting period. These dates were taken from intake sheets. It is common that intake sheets are dated at the initial screening, a case is further vetted by the same or another attorney, and then actually opened and worked on at a later date so intake dates and opening dates might be months apart. Further, an intake date may be outside of the test period but work/hours are being logged during the test period.

There are 203 intakes and case based on date of intake. Per this list I can find 105 intakes, case files or other corresponding info. Of the balance of 98, it seems they were in existence prior to the test period but time was being logged on during the test period.

b. Case number overall short of reporting

Staff has gone back and reviewed by hand the case reports generated by Abacus. The transition from TimeMatters to Abacus software began in 2013 but we continued to suffer problems in data transfer from the old program to the new. Data ended up being incorrectly transferred from the old program and we are still in the process of working through older case data to make the information in the new program relevant and accurate to Abacus data categories. Case documents have been reviewed by hand to substantiate the progress reporting. A summary of those cases is attached.

11. Ensure that APILO establishes a process to ensure that the statistical information it collects on Progress Reports is accurate.

Concur: Pursuant to the findings as well as APILO's own planning, changes have been made to the financial systems, grant management systems, time management systems, as well as the procedures and policies related to sub-recipient oversight and grant reporting. Such changes will fully address the findings herein. Two new grants management staff were hired to assist in internal review, processing and control to ensure that the statistical information and progress reports are accurate.

APILO used the US DOJ OVC and OVW grants to provide often life-saving services to the most vulnerable and underserved members of the community. We continue to provide culturally competent, holistic services offered by few other agencies

in over 13 Asian language and Spanish. APILO and our partner agencies have not misused or misappropriated grant funds. We would appreciate the opportunity to provide additional information should you think it would assist APILO in this process.

Thank you for your consideration of our responses. Please contact me should you have any questions.

Sincerely,

Digitally signed by Dean Ito Taylor
DN: cn=Dean Ito Taylor, o=ca, email=dn@epilepsyoutreach.org, c=US
Date: 2016.06.28 15:20:26 -0700

Dean Ito Taylor
Executive Director

cc: Ms. Linda Taylor
Lead Auditor, Audit Coordination Branch
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OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

JUL 14 2016

MEMORANDUM TO: David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs and Office on Violence Against Women, Grants Awarded to Asian Pacific Islander Legal Outreach, San Francisco, California*

This memorandum is in reference to your correspondence, dated June 7, 2016, transmitting the above-referenced draft audit report for Asian Pacific Islander Legal Outreach (APILO). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **11** recommendations, **\$500,000** in questioned costs, and **\$455,000** in funds put to better use; of which two recommendations and \$455,000 in funds put to better use are directed to the Office of Justice Programs (OJP); two recommendations and \$500,000 in questioned costs are directed to the Office on Violence Against Women (OVW); and the remaining seven recommendations are directed to both OJP and OVW. 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 and OVW ensure that APILO adheres to the grant requirements for financial management system by providing a separate general ledger for each grant that is not commingled, and support for its Federal Financial Reports and drawdowns.**

OJP agrees with the recommendation. We will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that the U.S. Department of Justice (DOJ) grant funds are not commingled with funds from other sources; and a separate general ledger account is created for each grant, and documentation is maintained to support Federal expenditures reported on future drawdown requests.

- 2. We recommend that OJP and OVW ensure that APILO identifies actual payroll and associated fringe benefits expenditures charged to each grant, and adequately supports those expenditures with documentation.**

OJP agrees with the recommendation. We will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that actual payroll and associated fringe benefits expenditures associated with Federal awards are clearly identified in its accounting system, and are adequately supported.

- 3. We recommend that OJP and OVW ensure that APILO establishes a process to accurately track the actual amount of time APILO employees spend on each grant.**

OJP agrees with the recommendation. We will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that APILO employees maintain timesheets which reflect the actual amount of time spent on Federal awards.

- 4. We recommend that OJP and OVW ensure that APILO identifies actual costs paid to its subrecipients, provides adequate support for those expenditures and properly supports these invoices with supportable rates that represent costs of actual services.**

OJP agrees with the recommendation. We will coordinate with APILO to obtain documentation to support the actual costs paid to its subrecipients under its DOJ awards.

- 5. We recommend that OJP and OVW ensure that APILO strengthens its policy so that it maintains adequate support for its subrecipient payments, only charges approved subrecipient costs to DOJ grants, and properly approves subrecipient invoices prior to payment.**

OJP agrees with the recommendation. We will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that it maintains adequate controls over payments to subrecipients.

- 6. We recommend that OJP and OVW ensure that APILO adheres to OVW's, OJP's, and APILO's own policies and procedures pertaining to the monitoring of subrecipients.**

OJP agrees with the recommendation. We will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that APILO adheres to DOJ's and APILO's policies and procedures pertaining to the monitoring of subrecipients.

7. **We recommend that OJP and OVW ensure that APILO provides evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants.**

OJP agrees with the recommendation. We will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that it is meeting the goals and objectives of its DOJ award, and maintains adequate documentation to support its progress and achievements.

8. **We recommend that OJP remedy \$455,000 of the OJP Human Trafficking grant be put to better use.**

OJP agrees, in part, with the recommendation. While OJP agrees that APILO has yet to drawdown funds under Cooperative Agreement Number 2014-VT-BK-K013, we do not agree that these funds should be deobligated. Therefore, we will coordinate with APILO to obtain documentation that it has separately accounted for Federal expenditures under the award in its accounting system. Once APILO has submitted the final Federal Financial Report for Cooperative Agreement Number 2014-VT-BK-K013, which accurately reflects the cumulative Federal expenditures charged to the award, OJP will deobligate any remaining funds during closeout of the award.

9. **We recommend that OJP ensure that APILO meets the match requirement and that it adequately supports that match with documentation.**

OJP agrees with the recommendation. We will coordinate with APILO to obtain documentation to ensure it meets the matching requirements under its OJP awards, and maintains adequate supporting documentation for these costs.

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 IT20160610083001

**OFFICE ON VIOLENCE AGAINST WOMEN
RESPONSE TO THE DRAFT AUDIT REPORT**



U.S. Department of Justice

Office on Violence Against Women

Washington, DC 20530

June 30, 2016

MEMORANDUM

TO: David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office

FROM: Bea Hanson *BH*
Principal Deputy Director
Office on Violence Against Women

Rodney Samuels *RS*
Audit Liaison/Staff Accountant
Office on Violence Against Women

SUBJECT: Draft Audit Report - Audit of the Office of Justice Programs and
Office on Violence Against Women (OVW), Grants Awarded to
Asian Pacific Islander Legal Outreach San Francisco, California

This memorandum is in response to your correspondence dated June 7, 2016 transmitting the above draft audit report for Asian Pacific Islander Legal Outreach (APILO). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains 11 recommendations and \$955,000 in questioned costs in which 2 recommendations and \$500,000 in questioned costs are directed to OVW. Additionally, there are 7 recommendations directed to OVW and OJP jointly. OVW is committed to working with the OJP and APILO to address and bring these recommendations to a close as quickly as possible. The following is our analysis of the audit recommendations.

OIG recommends that OVW and OJP:

1. **Ensure APILO adheres to grant requirements for financial management system by providing a separate general ledger for each grant that is not commingled, and support for its Federal Financial Reports and drawdowns.**

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure they adhere to grant requirements for financial management system by providing a separate general ledger for each grant that is not commingled, and support for its Federal Financial Reports and drawdowns.

2. Ensure that APILO identifies actual payroll and associated fringe benefits expenditures charged to each grant, and adequately support those expenditures with documentation.

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they identify actual payroll and associated fringe benefits expenditures charged to each grant, and adequately support those expenditures with documentation.

3. Ensure that APILO establishes a process to accurately track the actual amount of time APILO employees spend on each grant.

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they establish a process to accurately track the actual amount of time APILO employees spend on each grant.

4. Ensure that APILO identifies actual costs paid to its subrecipients, provides adequate support for those expenditures and properly supports these invoices with supportable rates that represent costs of actual services.

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they identify actual costs paid to its subrecipients, provides adequate support for those expenditures and properly supports these invoices with supportable rates that represent costs of actual services.

5. Ensure that APILO strengthens its policy so that it maintains adequate support for its subrecipient payments, only charges approved subrecipient costs to DOJ grants, and properly approves subrecipient invoices prior to payment.

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they strengthen its policy so that it maintains adequate support for its subrecipient payments, only charges approved subrecipient costs to DOJ grants, and properly approves subrecipient invoices prior to payment.

6. Ensure that APILO adheres to OVW's, OJP's, and APILO's own policies and procedures pertaining to the monitoring of subrecipients.

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they adheres to OVW's, OJP's, and APILO's own policies and procedures pertaining to the monitoring of subrecipients.

7. Ensure that APILO provides evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants.

OVW does agree with the recommendation. We will coordinate with OJP and the grantee to ensure that they provide evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants.

OIG recommends that OVW:

10. Remedy the \$500,000 in questioned costs from the Legal Assistance grant.

Although APILO did not concur with the recommendation, they have not yet provided any support to document their position. OVW does agree with the recommendation and will coordinate with the grantee to remedy the \$500,000 in questioned costs from the Legal Assistance grant.

11. Ensure that APILO establishes a process to ensure that the statistical information it collects on Progress Reports is accurate.

OVW does agree with the recommendation. We will coordinate with the grantee to ensure that they establish a process to ensure that the statistical information it collects on Progress Reports is accurate.

We appreciate the opportunity to review and comment on the draft report. If you have any questions or require additional information, please contact Rodney Samuels of my staff at (202) 514-9820.

cc Donna Simmons
Associate Director, Grants Financial Management Division
Office on Violence Against Women (OVW)

Louise M. Duhamel, Ph.D.
Acting Assistant Director
Audit Liaison Group
Justice Management Division

Darla Sims
Program Manager
Office on Violence Against Women (OVW)

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

The OIG provided a draft of this audit report to APILO, OJP, and OVW for their review and comment. The responses from APILO, OJP, and OVW are incorporated in Appendices 3, 4, and 5, respectively, of this final report. In response to our draft audit report, OJP and OVW concurred with our stated recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

OIG Analysis of APILO's Response

In response to our draft report, OJP and OVW concurred with the recommendations we had made. In APILO's response, it stated "we strongly disagree with any findings suggesting that grant funds were not used for U.S. DOJ services or that grant funds were misspent." Contrary to APILO's statement, we did not state in this report that APILO misspent grant funds. We found that APILO was in material non-compliance with the federal requirements to manage grant funds. Specifically, APILO's accounting records were commingled with all other funding (donations, local, state, and federal), it could not fully support most of the transactions we judgmentally selected, and most internal controls were not functioning as designed. Thus, we were unable to determine whether APILO misused grant funds. Therefore, in two of our recommendations, we question the total award amounts.

Furthermore, APILO's response states "APILO welcomes your interview of the hundreds of clients and community agencies that received services under these U.S. DOJ grants to further assess the appropriateness of the spending of these funds." However, such interviews would not be relevant to the issues identified in our report. Moreover, for approximately 4 months, our audit work was delayed because APILO denied the team access to its clients' case files. APILO stated to us that sharing its clients' names and other information contained in the case files would be a violation of attorney-client privilege. To address APILO's concerns, we allowed APILO several months to review and redact basic case information so that we could perform audit testing involving its case files. Because of these limitations, we limited our Progress Report testing to one statistic on one Progress Report, which we found was inaccurate. As concluded in our audit, APILO failed to maintain and provide to us sufficient, reliable, and valid evidence that it used all DOJ grant funds for allowable grant-related activities.

Finally, APILO's response stated that APILO provided documentation during a meeting in April 2016 and sent the audit team additional information in May 2016 indicating that APILO corrected its records to show separate accounting for

grant funds. We reviewed this additional information and it was insufficient to close or change any of our findings. Specifically, the information provided was inadequately supported and it did not reflect actual expenditures.

Recommendation:

- 1. Ensure that APILO adheres to the grant requirements for financial management systems by providing a separate general ledger for each grant that is not commingled, and support for its Federal Financial Reports and drawdowns.**

Resolved. OJP and OVW agreed with our recommendation. OJP stated that it will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that DOJ grant funds are not commingled with funds from other sources, a separate general ledger account is created for each grant, and documentation is maintained to support federal expenditures reported on future drawdown requests. OVW stated that it will coordinate with OJP and the grantee to ensure APILO adheres to grant requirements for financial management systems by providing a separate general ledger for each grant that is not commingled and support for its Federal Financial Reports and drawdowns.

APILO stated that it has begun maintaining separate general ledgers for each grant and that these ledgers will support its Federal Financial Reports. APILO anticipates utilizing and fully implementing this accounting structure by the end of July 2016. For the DOJ grants in question, staff converted data from its accounting program to the new segregated DOJ funds.

We reviewed the material provided with APILO's response and determined that this was the same material previously provided to us and that we considered in drafting our report. As we state in our report, we reviewed the spreadsheets that APILO provided and noted there were no supporting documentation such as timesheets to support the hours claimed for each employee. Additionally, one of the spreadsheets contained claimed costs not approved in the budget.

This recommendation can be closed when we receive and review documentary evidence that APILO has fully implemented its new accounting structure, separately accounting for each grant and fully supporting its Federal Financial Reports and drawdowns.

- 2. Ensure that APILO identifies actual payroll and associated fringe benefits expenditures charged to each grant, and adequately supports those expenditures with documentation.**

Resolved. OJP and OVW stated that they agreed with our recommendation. OJP stated it will coordinate with APILO to obtain a copy of written policies and procedures developed and implemented, to ensure that actual payroll

and associated fringe benefit expenditures associated with federal awards are clearly identified in its accounting system and are adequately supported. OVW stated it will coordinate with OJP and the grantee to ensure that APILO identifies actual payroll and associated fringe benefits expenditures charged to each grant, and adequately supports those expenditures with documentation. APILO stated in its response that it has set up its accounting structure to identify the actual payroll and associated fringe benefits expenditures that should be charged to each grant and supported with documentation.

While the actions that OVW states it will take address the recommendation, both OJP and APILO's described actions do not directly address this recommendation to ensure that APILO identifies personnel expenditures charged to the grants that were audited. OJP should work with APILO to identify the payroll and associated fringe benefits charged to each grant, and APILO should provide adequate documentation to support these payroll transactions. The actions that OJP and OVW describe will help address recommendation 3 to improve administration of future personnel expenditures with DOJ award funds. While recommendation number 2 is resolved based on the fact that OVW and OJP stated their agreement with it, the OIG may change the status to unresolved at a later date if it is appropriate.

This recommendation can be closed when we receive and review documentary evidence that APILO has identified actual payroll and associated fringe benefits expenditures charged to each grant under audit and maintained adequate support of those expenditures with timesheets.

3. Ensure that APILO establishes a process to accurately track the actual amount of time APILO employees spend on each grant.

Resolved. OJP and OVW agreed with our recommendation. OJP stated that it will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that APILO employees maintain timesheets which reflect the actual amount of time spent on federal awards. OVW stated that it will coordinate with OJP and the grantee to ensure that APILO establishes a process to accurately track the actual amount of time its employees spend on each grant.

APILO stated it has improved the programming and use of the time management system that its staff has been utilizing to better track time spent on each grant. APILO hired two additional staff to devote more resources to ongoing improvements in these areas. For the grants in question, APILO tracked employees' time using timesheets and time management software as it pertains to each grant, which determined amounts invoiced under the salary and fringe line items. To further substantiate time spent by employees on each grant, APILO revised its timesheets to include employee certification of time spent by service area.

This system was scheduled to be replaced in June 2016 with a system that requires more detailed case management data on each client, case, and grant.

As stated in the report, we found that APILO's payroll records were based on estimated effort and not based on actual work performed, which is contrary to federal regulations. Additionally, the payroll and fringe benefits for the grants we audited were commingled with all of APILO's other funding.

This recommendation can be closed when we receive and review documentary evidence that APILO has established a process to accurately track the actual amount of time APILO employees spend on each grant and ensured that this process is being properly followed.

4. Ensure that APILO identifies actual costs paid to its subrecipients, provides adequate support for those expenditures and properly supports these invoices with supportable rates that represent costs of actual services.

Resolved. OJP and OVW agreed with our recommendation. OJP stated it will coordinate with APILO to obtain documentation to support the actual costs paid to its subrecipients under its DOJ awards. OVW stated it will coordinate with OJP and the grantee to ensure that APILO identifies actual costs paid to its subrecipients, provides adequate support for those expenditures, and properly supports invoices with supportable rates that represent actual services.

APILO stated it established a subrecipient policy that requires the subrecipients to provide adequate supporting documentation for expenditures and rates that represent the actual cost of services provided. Furthermore, APILO's reimbursement process requires subrecipients to provide supporting documentation with their invoices, including expenditure documentation for preapproved service rates, and APILO management's signature prior to payment of check. APILO's finance staff will annually train subrecipients' grant and finance staff on the Financial Grants Management requirements and special conditions, including allowable expenditures and invoicing requirements. For the grants in question, APILO stated that its staff verified invoices that it received from its subrecipients before making payment to the subrecipients. In addition, APILO stated it initiated and held meetings with subrecipients to determine supportable rates that accurately reflected costs. With regard to supportable rates that represent actual services provided, APILO stated that the rates were approved by the granting agencies, and were determined based on OJP's direction as a move towards a fee for services system some years ago.

We reviewed the material that APILO provided with its response and determined that the grant management procedures requirements would adequately address this issue if followed properly. Prior APILO policy

requiring subrecipient supporting documentation had not been followed. Additionally, we have not received any actual documentation that support the rates billed by subrecipients. The subrecipient rates approved by the granting agencies were budgeted rates and not actual rates incurred by the subrecipients. According to 2 C.F.R. Part 230, budget estimates determined before the services are performed do not qualify as support for charges to awards.

This recommendation can be closed when we receive and review documentary evidence that APILO has identified the actual amount that it has paid to its subrecipients, provided adequate support for those expenditures, and properly supported these invoices with supportable rates that represent actual services.

5. Ensure that APILO strengthens its policy so that it maintains adequate support for its subrecipient payments, only charges approved subrecipient costs to DOJ grants, and properly approves subrecipient invoices prior to payment.

Resolved. OJP and OVW agreed with our recommendation. OJP stated that it will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that it maintains adequate controls over payments to subrecipients. OVW stated that it will coordinate with OJP and the grantee to ensure that APILO strengthens its policy so that it maintains adequate support for its subrecipient payments, only charges approved subrecipient costs to DOJ grants, and properly approves subrecipient invoices prior to payment.

APILO stated that it has strengthened its policies to ensure that it maintains adequate support for its subrecipient payments, only charges approved subrecipient costs to DOJ grants, and properly approves subrecipient invoices prior to payment. APILO stated it has also verified invoices that it received from its subrecipients before making payment to subrecipients under the grants in question. In addition, APILO initiated and held meetings with subrecipients to monitor and determine the accuracy of supportable rates. To further substantiate costs, APILO will require subrecipients to provide all timesheets and payroll records for all staff listed on subrecipient invoices.

APILO has not provided us with documentation to support that it properly approved subrecipients' invoices in accordance with its own policies. We reviewed the material provided with APILO's response and determined that APILO's new procedures would adequately address this finding if the procedures were properly followed. As stated in our report, invoices that we reviewed were only approved by one APILO official and not two, as required per APILO's own procedures.

This recommendation can be closed when we receive and review documentary evidence that subrecipient payments are adequately supported with invoices, timesheets, and payroll records.

6. Ensure that APILO adheres to OVW's, OJP's, and APILO's own policies and procedures pertaining to the monitoring of subrecipients.

Resolved. OJP and OVW agreed with our recommendation. OJP stated that it will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that APILO adheres to DOJ's and APILO's policies and procedures pertaining to the monitoring of subrecipients. OVW stated that it will coordinate with OJP and the grantee to ensure that APILO adheres to OVW's, OJP's, and its own policies and procedures pertaining to the monitoring of subrecipients.

APILO stated that it has consistently had a policy to ensure that subrecipient monitoring is an ongoing process. APILO will adhere to OVW's, OJP's, and its own policies and procedures. As part of APILO's written policies, subrecipients are responsible for establishing and maintaining an adequate system of accounting and internal controls to respond to the requirements of invoicing and monitoring.

We believe APILO's policies and procedures pertaining to the monitoring of subrecipients will adequately address the recommendation if properly followed. Although the subrecipients are responsible for establishing and maintaining an adequate system of accounting and internal controls to respond to the requirements of invoicing, it is APILO's responsibility to monitor the subrecipients' invoices for compliance with OJP, OVW, and its own policies and procedures.

This recommendation can be closed when we receive and review documentary evidence that APILO is adhering to its own policies and procedures, as well as federal regulations pertaining to the monitoring of subrecipients.

7. Ensure that APILO provides evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants.

Resolved. OJP and OVW agreed with our recommendation. OJP stated that it will coordinate with APILO to obtain a copy of written policies and procedures, developed and implemented, to ensure that it is meeting the goals and objectives of its DOJ award, and maintains adequate documentation to support its progress and achievements. OVW stated that it will coordinate with OJP and the grantee to ensure that APILO provides evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants.

APILO stated it has provided and will provide evidence in the form of documentation to OJP and OVW to demonstrate that it is meeting the goals and objectives of the grants. APILO stated that its grant management systems, staff reporting requirements, and time management systems have been strengthened to meet the need for additional, ongoing documentation. It further stated that during the course of the audit, APILO provided grant reports to the OIG as it had done with OJP and OVW. It stated that it was not until the exit conference on April 21, 2016, that it learned that the OIG wanted additional documents such as copies of flyers, promotional material, and other documentation. APILO stated that together with its partner agencies, APILO compiled additional information on casework and clinics that focused on the severely underserved, and provided this information to the OIG on June 6, 2016.

Throughout our audit, we discussed with APILO officials our need for source documentation for grant achievements, and yet APILO still has not provided us with the necessary information. For example, on October 13, 2015, we met with APILO officials and we requested that it provide to us source documentation for its grant achievements, which could include such things as flyers, promotional material, or literature that was paid for with grant funds. On February 4, 2016, we again requested that APILO provide us with documentation to support how it was meeting the grants' goals and objectives. On March 1, 2016, APILO responded to us by referring us to its Progress Reports that it submitted to OJP and OVW via OJP's Grants Management System (GMS). These Progress Reports indicated that the goals and objectives of the grants had been and are being accomplished, but they did not contain the underlying source documentation to support those conclusions. On March 2, 2016, we again responded to APILO stating that the Progress Reports did not include source documentation by which we could verify the data and conclusions being reported in the Progress Reports. In our response, we requested that APILO provide us by March 4, 2016, with source documentation that would support its assertions in its Progress Reports and allow us to confirm that it was making progress in achieving its grant goals and objectives. On March 15, 2016, APILO stated that it "cannot provide confidential case data logs." To date, we have not received adequate support for APILO's grant achievements.

APILO also stated in its response that the OIG reviewed case data onsite. However, the OIG was only provided redacted intake forms to review, which contained basic descriptive information without dates of service, service provider information, type of service provided, or any other information that would be needed to evaluate APILO's performance on the grant. The reason APILO only provided redacted intake forms was because it claimed attorney-client privilege over that information from the time we began our audit. On June 6, 2016, APILO provided dates and topics for training sessions conducted by its staff in response to our audit findings discussed at the exit conference. This information was reviewed and included in our report. However, APILO did not provide adequate support for the work performed

towards the goals and objectives of the grants, such as sign-in sheets, attendance records, or outlines for these training sessions. The material accompanying APILO's response contained dates and locations of activity that APILO claimed was performed for the OVW grant, but APILO did not provide any other records to substantiate that these activities were in fact carried out.

This recommendation can be closed when we receive and review supporting documentation substantiating the activities performed by APILO and its subrecipients to accomplish the goals and objectives of the grants.

8. Remedy \$455,000 of the OJP Human Trafficking grant be put to better use.

Resolved. OJP agreed, in part, with our recommendation. It stated that while it agreed that APILO has yet to drawdown funds under Cooperative Agreement Number 2014-VT-BK-K013, OJP does not agree that these funds should be deobligated. However, the OIG did not recommend that the funds be deobligated, but rather that the funds be remedied. OJP also stated that it will coordinate with APILO to obtain documentation that APILO has separately accounted for federal expenditures under the award in its accounting system. Once APILO has submitted the final Federal Financial Report for Cooperative Agreement Number 2014-VT-BK-K013, which accurately reflects the cumulative federal expenditures charged to the award, OJP stated it will deobligate any remaining funds during closeout of the award. Because these planned actions, if appropriately implemented, would address the recommendation, this recommendation is resolved.

APILO disagreed with our recommendation. APILO stated it has provided comprehensive services to survivors of all forms of human trafficking for the past 17 years including during the OJP grant period in question and is meeting or exceeding goals. All funds have been appropriately spent on such grant services by both APILO and its partner agencies. Despite the OIG's finding that APILO funds were not adequately segregated in its accounting system, APILO stated that it appropriately used 100 percent of DOJ's funds in providing comprehensive services to trafficked persons. APILO has not yet drawn down those funds but is working with OJP staff to amend its reporting to comply with OJP requirements. APILO, in its response, stated that it invited the OIG to interview any of the hundreds of trafficking victims who have been assisted by APILO to substantiate the use of these grant funds. Pursuant to the OIG findings as well as APILO's own planning, APILO stated that it made changes to its financial systems, grants management systems, time management systems, as well as policies and procedures related to subrecipient oversight and grant reporting.

We agree with OJP that APILO should provide documentation to remedy this finding and in particular that it has separately accounted for federal expenditures in its accounting system as required. Adequate evidence that

the accounting records are supported by source documentation and that OJP grant funds were utilized for appropriate purposes would be sufficient to remedy the funds identified in this recommendation.

This recommendation can be closed when we receive and review documentary evidence that APILO has a separate general ledger within its accounting system to track the revenue and expenditures of the OJP grant, as required by OJP criteria.

9. Ensure that APILO meets the match requirement and that it adequately supports that match with documentation.

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with APILO to obtain documentation to ensure it meets the matching requirements under its OJP awards, and maintains adequate supporting documentation for these costs.

APILO stated it has and will ensure that it meets the match requirement and that it adequately supports that match with documentation. Match funds for the OJP grant have come from local public sources, other grants, as well as the organization's own fundraising activity for anti-trafficking services. Match is directly related to the project goals and objectives and has been documented by grant contracts and receipts.

Despite APILO statement that its match has been documented by grant contracts and receipts, we have not received documentation supporting APILO's match.

This recommendation can be closed when we receive and review documentary evidence that APILO adequately fulfilled the grant's match requirement.

10. Remedy the \$500,000 in questioned costs from the Legal Assistance grant.

Resolved. OVW agreed with our recommendation and stated it will coordinate with the grantee to remedy the \$500,000 in questioned costs from the Legal Assistance grant.

APILO disagreed with our recommendation and stated it has provided culturally appropriate, holistic services to survivors of domestic violence, dating violence, sexual assault, and stalking since its inception including the OVW grant period in question. APILO stated that under the OVW grant, all funds have been appropriately spent on such services by both APILO and its partner agencies. Despite the OIG's finding that APILO funds were not adequately segregated in its accounting system, APILO stated that it appropriately used 100 percent of DOJ funds on legal services to survivors of violence against women. APILO further stated that due to the confidentiality

requirements, over 200 files were redacted by APILO staff for review by OIG. From that review, the comprehensive nature and extent of the legal services under this grant should have been clear. Although there was some confusion about the case dates corresponding to the grant period, questioned cases started with a telephone intake call before the grant started but were opened as legal cases during the grant period.

We did not question the costs based on whether services were provided to victims. We questioned the costs because of an inappropriate accounting of grant funds and the lack of supporting documentation to evidence that APILO complied with federal grant regulations.

This recommendation can be closed when we receive and review a separated general ledger that complies with federal grant regulations.

11. Ensure that APILO establishes a process to ensure that the statistical information it collects on Progress Reports is accurate.

Resolved. OVW agreed with our recommendation. OVW stated that it will coordinate with the grantee to ensure that APILO establishes a process to ensure that the statistical information it collects on Progress Reports is accurate.

APILO stated that pursuant to the OIG's findings as well as APILO's own planning, changes have been made to its financial system, grant management systems, time management systems, as well as policies and procedures related to subrecipient oversight and grant reporting. According to APILO, such changes will fully address the OIG's findings. Two new grant management staff members were hired to assist in the internal review, processing, and control to ensure that the statistical information and Progress Reports are accurate. According to APILO, it used OVW's grant funds to provide often life-saving services to the most vulnerable and underserved members of the community. APILO stated that it provides culturally competent, holistic services in multiple languages. APILO stated that it and its partner agencies have not misused or misappropriated grant funds.

On March 2, 2016, we requested that APILO provide to us the source documents that it used to compile the data reported in its Progress Reports. APILO failed to provide us the requested documents. We discussed this issue at the exit conference and APILO did not provide adequate documentation for its progress reports at that time, or to the date of this final report.

We believe that if successfully implemented and properly followed, the changes to APILO's grant management systems will address this issue. This recommendation can be closed when we receive and review documentary evidence that APILO established a process to ensure that the statistical

information it collects and includes in Progress Reports is accurate and adequately supports the data within its Progress Reports.

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