



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



**Audit of the Office on Violence
Against Women
Cooperative Agreements
Awarded to the
National Organization of Sisters of
Color Ending Sexual Assault
Canton, Connecticut**

**AUDIT OF THE OFFICE ON VIOLENCE AGAINST WOMEN
COOPERATIVE AGREEMENTS AWARDED TO
THE NATIONAL ORGANIZATION OF SISTERS OF COLOR
ENDING SEXUAL ASSAULT
CANTON, CONNECTICUT**

EXECUTIVE SUMMARY

The U.S. Department of Justice (DOJ) Office of the Inspector General has completed an audit of three cooperative agreements awarded by the Office on Violence Against Women (OVW), Technical Assistance Program, to the National Organization of Sisters of Color Ending Sexual Assault (SCESA) located in Canton, Connecticut. SCESA was awarded \$2,339,435, in total, under cooperative agreement numbers 2009-TA-AX-K001, 2011-TA-AX-K015, and 2013-TA-AX-K016. The cooperative agreements were intended to provide technical assistance to: (1) support the operation and build the capacity of culturally specific organizations serving victims of sexual assault, domestic violence, dating violence, and stalking; (2) ensure OVW grantees in the U.S. Territories are equipped with the necessary knowledge and tools to comprehensively address violence against women issues; and (3) create, enhance, and sustain the capacity of Communities of Color organizations to engage in culturally relevant approaches to addressing sexual assault in their communities.

The objective of this audit was to determine whether costs claimed under the cooperative agreements were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. To accomplish this objective, we assessed performance in the following areas: (1) program performance and accomplishments, (2) award financial management, (3) award expenditures, (4) budget management and control, (5) drawdowns, (6) federal financial reports, (7) contractor monitoring, and (8) compliance with award special conditions.

As a result of our audit, we concluded that SCESA failed to effectively and efficiently manage the awards that we reviewed. Specifically, SCESA did not establish and maintain an effective system of internal controls; did not maintain a recordkeeping and reporting system that produced complete, accurate and reliable information that could be independently verified; had inadequate separation of duties without any compensating controls; and did not adequately safeguard the award funding that it received. We determined that SCESA had unsupported and unallowable expenditures, did not adequately monitor its approved budget, could not adequately support its drawdowns, submitted inaccurate Federal Financial Reports, lacked adequate contractor monitoring internal controls, and did not comply with award special conditions. While we found some evidence that SCESA accomplished its stated award goals and objectives, this assessment is subject to the recordkeeping and internal control deficiencies cited in this report. Lastly, we found that SCESA lacked a completed Single Audit Report, and that the organization's Board of Directors was not active in its governance role over the

organization and did not provide any meaningful oversight of the organization or its Executive Director. Because we concluded that the SCESA financial system had significant internal control deficiencies making it unreliable, we could not rely on the records SCESA provided during our audit, and we question the full amount of all the awards, totaling \$2,339,435, as unsupported.

Our report contains six recommendations to OVW which are detailed in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in Appendix 1 and Our Schedule of Dollar-Related Findings appears in Appendix 2. We discussed the results of our audit with SCESA officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft audit report from SCESA and OVW, and their responses are appended to this final audit report.

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As shown in the following table, OVW awarded SCESA a total \$2,339,435 for the three cooperative agreements:

**Table 1
Cooperative Agreements Awarded to the
National Organization of Sisters of Color Ending Sexual Assault**

Award	Award Date	Award Start Date	Award End Date	Award Amount
2009-TA-AX-K001	9/30/2009	7/1/2009	12/31/2015	\$736,133 ¹
2011-TA-AX-K015	3/28/2011	4/1/2011	3/31/2016	\$1,275,000 ²
2013-TA-AX-K016	9/20/2013	10/1/2013	1/31/2016	\$328,302
Total:				\$2,339,435

Source: OVW Award Documents

The Office on Violence Against Women (OVW) is a component of the Department of Justice whose mission is to provide federal leadership in developing the national capacity to reduce violence against women and administer justice for and strengthen services to victims of domestic violence, dating violence, sexual

¹ The 2009-TA-AX-K001 award received two supplemental awards of \$260,000 in September 2011 and \$276,133 in September 2012.

² The 2011-TA-AX-K015 award received a supplemental award of \$675,000 in September 2012.

assault, and stalking. To accomplish its mission, OVW awards grants and cooperative agreements to nonprofits such as SCESA.³

OVW's website said the Technical Assistance Program provides direct technical assistance to existing and potential grantees and subgrantees to enhance and support their efforts to successfully implement projects supported by OVW grant funds. In addition, OVW is focused on building the capacity of criminal justice and victim services organizations to respond effectively to sexual assault, domestic violence, dating violence and stalking and fostering partnerships among organizations that have not traditionally worked together to address violence against women. OVW awarded SCESA \$2,339,435 in Technical Assistance Program funding from three separate cooperative agreements.

National Organization of Sisters of Color Ending Sexual Assault

According to its website, the National Organization of Sisters of Color Ending Sexual Assault (SCESA) was established for women of color across the country engaged in the anti-sexual assault movement. SCESA provides technical assistance and training for Communities of Color organizations to support and enhance their capacity to provide culturally specific prevention and intervention strategies addressing sexual assault. SCESA also conducts policy advocacy and community awareness and education. At the start of our audit, SCESA staff consisted of five employees, including an Executive Director who originally founded the organization and who maintains control and responsibility for its ongoing operation. SCESA relies on government grants as its principal source of funding. SCESA is a not-for-profit entity, and according to its most recent publically available IRS Form 990 nonprofit tax filing for the fiscal year ended June 30, 2015, SCESA spent \$669,528 for FY 2015.⁴ Lastly, as of October 2016, SCESA's Board of Directors consisted of four members, the Executive Director and three non-management members, including the Board Chair and Secretary. The Board position of Treasurer was vacant at the time of our audit. According to SCESA, the Board was responsible for providing overall governance and oversight of the organization, but was not involved in day-to-day operations.

OIG Audit Approach

We tested compliance with what we consider to be the most important conditions of the cooperative agreements. The criteria we audited against are contained in the OVW Financial Grants Management Guide (the Guide) that also incorporates 28 C.F.R. § 70, Uniform Administrative Requirements for Grants, C.F.R. Part 230 Cost Principles for Non-Profit Organizations, OMB Circular A-133, and the award documents. The Guide serves as a reference manual assisting award recipients in their fiduciary responsibility to safeguard award funds and

³ The distinguishing factor between a grant and cooperative agreement is the degree of federal participation or involvement during the performance of work activities.

⁴ SCESA's fiscal year runs from July 1 to June 30.

ensure funds are used appropriately and within the terms and conditions of awards.

The results of our analysis are discussed in detail in the Findings and Recommendations section of this report. The audit objective, scope, and methodology are included in this report as Appendix 1. The Schedule of Dollar Related Findings appears in Appendix 2.

Program Performance and Accomplishments

We reviewed required performance reports, award documentation, and interviewed SCESA officials to determine whether the organization demonstrated adequate progress towards achieving the program goals and objectives for each award. We also reviewed the periodic progress reports provided to OVW to determine if the required reports were accurate and timely. We found some evidence that SCESA accomplished its stated award goals and objectives. However, because of its recordkeeping and associated internal control deficiencies discussed later in this report, we could not fully assess the accuracy of the performance information against reliable and verifiable source documentation.

Program Goals and Objectives

Cooperative Agreement Number 2009-TA-AX-K001- Technical Assistance to Culturally Specific Organizations and Programs

According to the award program narrative, the objectives of the 2009-TA-AX-K001 award were to: (1) increase the capacity of culturally specific organizations and programs to address emerging issues and employ effective strategies to address sexual assault in their specific communities; (2) enhance the capacity of culturally specific organizations and programs to identify key strategies for grants management and long-term sustainability of their work; and (3) build community among and across U.S. and Territorial culturally specific organizations and programs working on violence against women that will allow for long term dialogue and the sharing of resources and information and strategies. Based on our review, we found some evidence that SCESA accomplished its stated goals and objectives of this award. However, this assessment is subject to the recordkeeping and internal control deficiencies cited in this report.

Cooperative Agreement Number 2011-TA-AX-K015- OVW Technical Assistance to U.S. Territories

According to the program narrative, the objectives of cooperative agreement number 2011-TA-AX-K015 were to: (1) enhance the capacity of Territorial Coalitions to effectively manage and sustain organizational structures and processes that can effectively carry out programmatic goals and grant management; (2) enhance the capacity of Territory STOP Violence Against Women and Sexual Assault Services Program (SASP) formula grant program Administrators to effectively support, manage and monitor the implementation of funding

streams⁵; (3) assist in ensuring that Territorial grantees funded under OVW discretionary programs, such as Transitional Housing, receive culturally relevant technical assistance; and (4) provide opportunities for resource sharing, peer-to-peer mentoring, and a network of support among and across the U.S. Territories that will foster the creation of effective strategies to address emerging issues and cultural nuances that impact domestic violence, dating violence, and sexual assault on their specific island. Based on our review, we found some evidence that SCESA accomplished its stated goals and objectives of this award. However, this assessment is subject to the recordkeeping and internal control deficiencies cited in this report.

Cooperative Agreement Number 2013-TA-AX-K016- Expanding the Network for Sexual Assault Response in Communities of Color

According to the program narrative, the overall goal of this award was to create, enhance, and sustain the capacity of Communities of Color (COC) organizations to engage in culturally relevant approaches to addressing sexual assault in their communities.⁶ According to its program narrative, the objectives of the 2013-TA-AX-K016 cooperative agreement were to: (1) identify and engage COC organizations that have the interest and commitment to address sexual assault in their respective communities; (2) provide ongoing technical assistance, information, and training to COC organizations that are potential grantees to support their efforts to craft or enhance culturally relevant programs and strategies to respond to sexual assault; and (3) enhance the capacity of COC organizations to access federal funds to support their work in addressing sexual assault. Based on our review, we found some evidence that SCESA accomplished its stated goals and objectives of this award. However, this assessment is subject to the recordkeeping and internal control deficiencies cited in this report.

Progress Reports

Progress reports are intended to provide information relevant to the performance of an award funded program and the accomplishment of objectives as set forth in the approved application. According to OVW requirements, these reports must be submitted biannually, within 30 days of the end of the semi-annual reporting period, for the life of the award.

For each of the awards, we reviewed and tested a sample of progress reports for accuracy and timeliness. Based on our review of the available documentation, we determined that the accomplishments outlined in the reports supported the

⁵ The STOP Violence Against Women Formula Grant Program is intended to enhance the capacity of local communities to develop and strengthen effective law enforcement and prosecution strategies to combat violent crimes against women and to develop and strengthen victim services in cases involving violent crimes against women. The SASP formula Grant Program directs grant dollars to states and territories to assist them in supporting rape crisis centers and other nonprofit, nongovernmental organizations or tribal programs that provide services, direct intervention, and related assistance to victims of sexual assault.

⁶ Communities of Color (COC) are broadly defined as ethnic and racial minority communities.

objectives of the awards. However, due to SCESA's poor recordkeeping and internal control deficiencies, the lack of reliable and verifiable supporting documentation did not allow us to attest to the accuracy of the information reported on these periodic reports. We did determine that the progress reports we reviewed were submitted timely.

Award Financial Management

According to the Guide, all recipients are required to establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them. We conducted interviews with the SCESA Board of Directors, as well as staff that included the Executive Director and the Senior Director of Programs. Additionally, we examined policies and procedures, and reviewed SCESA's accounting system and financial records to determine whether SCESA adequately safeguarded the funds we audited.

Prior to 2015, in accordance with OMB Circular A-133, the Guide, and award special conditions SCESA was required to have a Single Audit performed if it expended \$500,000 or more in a year, in federal award funds. Both the OMB Circular and the Guide allow for the suspension or withholding of federal awards if a required Single Audit is not completed. Additionally, in cases of continued inability or unwillingness to have an audit conducted, the awarding agency may take remedial action as allowed under the law. In accepting the award SCESA certified and gave assurances to OVW that it would complete a Single Audit if it met the required federal award expenditure threshold.

Prior to fiscal year (FY) 2015, SCESA was not subject to the Single Audit requirement because its annual federal spending was under the existing threshold. However, for its FY ending June 30, 2015, SCESA met the Single Audit threshold and in December 2015, contracted with an independent public accounting firm to perform the required audit. As of February 2017, that audit is still ongoing. SCESA's yet to be completed Single Audit is discussed in the Other Reportable Matters section of this report.

As part of our financial management review, we interviewed SCESA's contracted accounting firm that maintains the SCESA accounting system, produces financial records and reports, and consults with SCESA on all accounting and financial matters. The accounting firm allowed SCESA to use its office space for meetings and other activities as SCESA does not own or lease any office space. SCESA staff work from their residences, in what was described as a virtual office arrangement, and communicate electronically through email or by telephone with other staff, as needed.

SCESA's Executive Director used the accounting firm's commercial accounting software package to perform accounting tasks which included posting award transactions, overseeing the cash flow of award receipts and disbursements from the bank account, and producing reports that track award spending and are used for reporting purposes.

After gaining an understanding of the accounting system and processes used by SCESA, we performed testing in the areas that were relevant for the administration of the awards, as discussed throughout this report. In general, we found SCESA's accounting system separated funds received and expended for each award. However, as discussed below, we identified systematic internal control deficiencies affecting key aspects of the system and its policies and procedures, including instances where some policies and procedures were inadequate or lacking in comprehensive details.

Policies and Procedures

Written policies and procedures help awardees to ensure compliance with award conditions and that funds are safeguarded and spent appropriately. SCESA relied on its own Financial Procedures Manual to administer awards; however, we found the manual was not comprehensive and did not include detailed policies and procedures in the areas of: its basis of accounting, drawdown reconciliation, Federal Financial Report (FFR) preparation and submission, expenditure reimbursement, and cash monitoring practices.

Specifically, while the manual provided very general guidance in some areas, it did not include a clear policy statement on whether SCESA followed the cash basis or the accrual basis of accounting, did not have comprehensive written procedures for recording and reporting transactions consistently, and did not include procedures on budget monitoring, records retention, bank reconciliations, and oversight and monitoring of contractors and consultants. The manual also did not include procedures for receiving goods and services, verifying invoices, payment processing, and disbursement. Further, the manual did not have any written procurement procedures, and did not require some form of cost or price analysis be made to ensure SCESA minimized costs for goods and services it purchased and followed competitive procurement practices. In our judgment, the lack of comprehensive accounting and financial procedures was caused by SCESA staff's unfamiliarity with financial administration and internal control standards and requirements. As result of a lack of comprehensive policies and procedures in writing, we found SCESA was unable to accurately record transactions within its accounting system, ensure monitoring of the approved award budget against actual expenditures, effectively minimize conference costs, and adequately support its award funded expenditures with verifiable documentation. Additionally, when policies and procedures are inadequate and lacking in details the risk that funds will not be accurately accounted for or adequately safeguarded is increased.

Financial Management System Deficiencies

The OVW Financial Grants Management Guide establishes the financial system requirements that awardees are required to follow in order to ensure effective control and accountability over federal funds. Awardees are required to maintain internal controls that ensure accurate financial reporting, budget monitoring, and compliance with the federal cost principles, retention of financial records, and written procedures for conducting drawdowns, among others. We

determined SCESA's financial system did not comply with the overall requirements and found SCESA management staff used both the cash and accrual methods of accounting to record expenditure transactions into SCESA's financial system, and also entered incomplete and inaccurate transaction descriptions.

Additionally, SCESA management comingled credit card expenditure transactions, for different purposes, into single journal entries that were not specific to the award-funding source and could not be separated with any certainty and independently verified. As a result, SCESA could not ensure accurate, current, and complete reporting of the financial results of each federally-sponsored project, nor could it accurately demonstrate how all funds were spent, causing us to reasonably conclude that its financial system was unreliable.

We found SCESA's financial system limited its reporting by fiscal year and therefore did not classify cumulative expenditures within specifically approved award budget categories, as required. SCESA management requested drawdowns without relying on written procedures and maintenance of verifiable supporting documentation. For all transactions we tested, we found that SCESA was unable to provide financial records that were consistently supported by source documentation, as required by the award. Therefore, we could not rely on the records that SCESA provided us.

In our view, SCESA's the issues we identified were caused by its unfamiliarity with the financial administration and internal control requirements imposed by the OVW Financial Grants Management Guide. When awards are administered using inadequate financial systems the risk of fraud, waste, and abuse is increased as federal funds may not be adequately safeguarded and subject to possible wasteful spending.

Inadequate Separation of Duties

Award recipient's financial management systems must provide effective control and accountability for all funds, property, and other assets. Recipients must adequately safeguard all such assets and assure they are used solely for authorized purposes. In our discussions with SCESA management staff, we were told the Executive Director was solely responsible for day-to-day operations that included recording transactions into SCESA's accounting system, approving all invoice payments, including credit card disbursements, approving payroll disbursements including her own, preparing and submitting drawdown requests for funding and Federal Financial Reports (FFR), selecting all award funded contractors and consultants, as well as developing and submitting the approved budgets for all of the awards we audited. We also determined the Executive Director approved travel reimbursements and processed payments, including her own, in violation of SCESA's Financial Procedures Manual and without any evidence of Board approval.

While the limited number of staff working for SCESA made adequate separation of duties difficult to implement in practice, we found no evidence of any mitigating controls that would lessen the risk to the organization, and no attempt to

develop policies and procedures to adequately separate financial and programmatic duties. From our discussions with the Executive Director and review of the records, we believe the cause was SCESA's lack of familiarity with prudent and sound financial internal controls as well as a lack of comprehensive written financial procedures addressing key aspects of the overall control environment. We also found no evidence of any active Board involvement in SCESA's organizational governance, or any effective oversight and monitoring of the Executive Director. In organizations with limited staff to separately perform key accounting and financial functions, without any other compensating internal controls, the likelihood of waste and abuse increases as the condition persists unchecked.

Transaction Recording and Reporting Process

SCESA was required to have internal controls to ensure it tracked how funds were spent against each award, and the specific budget categories associated with that award. Accurately recording the date, amount, and the purpose of a transaction ensures that an awardee can track how funds are spent and ensure planned budgets are managed.

We found the SCESA Executive Director recorded the dates of transactions in SCESA's accounting system using both an accrual basis when the expenditure was first incurred as well as cash basis accounting when the payment was made, without consistency and contrary to its stated accrual basis of accounting, as cited on its quarterly FFR submissions to OVW. As a result, SCESA could not rely on its financial records to submit complete and accurate FFRs of expenditures charged to the awards, nor request award reimbursements (drawdowns) that always included adequate supporting documentation for its expenditure transactions.

Because SCESA recorded incomplete and inaccurate transaction descriptions in its accounting system, it was not able to provide us with verifiable and accurate financial records that demonstrated how funds were spent. Therefore, we could not rely on any of the records that SCESA provided. This process undermined SCESA's ability to financially track its spending and budget performance and effectively administer the awards.

We concluded that a lack of adequate separation of duties contributed to the shortcomings and that, absent any level of data scrutiny and review, this internal control deficiency continued to go unchecked. Allowing this condition to persist without detection by either SCESA's Board or OVW monitoring potentially compromises programmatic success and places undue risk on award funded activities.

Conference Site Selection Process

The Guide requires awardees to compare multiple facilities in multiple locations to ensure costs are minimized when selecting a conference location and venue. The Guide also requires awardees to obtain a minimum of three estimates prior to selecting a conference site. The Guide advised special care should be taken

when considering holding a conference in a location or facility that may raise appearance issues (such as a resort location), and these should only be used when they are the most cost-effective option (such as when the majority of attendees live in that location). Additionally, some form of cost or price analysis must be made in connection with every procurement action. The Executive Director told us SCESA compared several conference locations and venues prior to selecting a conference site and relied on its Hotel Tracking Forms to determine which conference site to select.

We reviewed the Hotel Tracking Forms SCESA used to select conference sites. We found SCESA obtained at least three estimates for different locations and venues for 4 of 5 conferences we tested. However, we found SCESA did not compare the total costs of each location and venue for all of the conferences we tested. Additionally, the Hotel Tracking Forms provided insufficient justification as to why resorts were chosen as the location for 4 of 5 conferences, we reviewed. Because SCESA did not have detailed, documented, and verifiable conference cost analysis that compared total costs between possible conference sites, we were unable to determine if conference costs were reasonable and appropriate.

Based on our discussions with the SCESA Executive Director and analysis of the documentation reviewed, we found SCESA lacked an understanding of the conference selection requirements outlined in the Guide, and did not have written policies and procedures to guide conference site selection, such as cost comparison documentation and resort venue justifications, when required. Absent cost analysis that compares the total costs of each location and venue, an awardee is unable to determine if a conference location and venue adequately minimize costs and comply with OVW's requirements.

Overall, because of the pervasive and systemic award financial management shortcomings, we recommend that OVW ensure SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.⁷

Award Expenditures

For each of the awards included in our audit, SCESA's approved budgets included personnel and fringe benefits, contractual and consultants, travel, supplies, equipment, and other categories.⁸ To determine whether costs charged to the awards were allowable, supported, and properly allocated, in compliance with

⁷ Management improvement recommendations regarding reporting, budget management and control, drawdowns, contractor monitoring and compliance with award special conditions are addressed by this recommendation due to the systematic internal control deficiencies identified in this section of the report rather than having duplicate recommendations.

⁸ The OVW Financial Grants Management Guide defines equipment as an item that has an acquisition cost of \$5,000 or more per unit and a useful life of more than one year. SCESA's accounting records did not demonstrate that funds were used to buy equipment; therefore we did not test any transactions for equipment.

award requirements, we judgmentally selected a total of 73 transactions, from all three awards, totaling \$231,484. The transactions we reviewed included personnel and fringe benefits, contracts and consultant charges, supplies, and other expenditures. Separately, we judgmentally selected expenditures totaling \$371,413 associated with six conferences and related travel expenses. These transaction and associated amounts were based on financial records that SCESA provided us concurrent with our review and assessment of the SCESA financial management system.

We found exceptions with SCESA's personnel and fringe benefit expenditures, travel, consultant and other expenditures. More importantly, as we discuss throughout this report, SCESA could not ensure accurate, current, and complete reporting of the financial results of each award or accurately demonstrate how all funds were spent. Although we attempted to test transactions, we concluded that the SCESA financial system had significant internal control deficiencies making it unreliable. Consequently, we could not rely on the records SCESA provided and we question the full amount of all the awards, totaling \$2,339,435, as unsupported. Our discussion below of the results of expenditure transaction testing is meant to highlight SCESA's internal control weaknesses and its overall lack of accountability.

Personnel Expenditures

The Guide states that personnel expenditures must be supported by personnel activity reports and that award funded employees working on multiple activities, funded under separate award programs, are required to allocate their compensation based on time and/or effort reports signed by the employee and documented supervisory review. We found that the total hours worked and detailed by award activity on SCESA employee timesheets matched the total hours recorded in SCESA's financial records for personnel. However, we also found the Executive Director's timesheets were not approved by a board member that had first-hand knowledge of the Executive Director's work, as required by the Guide. As a result, based on information reported from SCESA's third-party payroll processor, we identified at least \$290,940 in personnel expenditures, paid to the Executive Director, as unallowable. When recipients lack adequate procedures for approval of personnel activity reports the risk of inaccurate, unallowable and unsupported personnel expenditures is increased.

Additionally, because of the internal control weaknesses discussed earlier in this report, we found that, overall, SCESA did not accurately charge the awards for personnel expenditures. Specifically, in performing our testing, we found that employees submitted time sheets on a monthly basis while SCESA paid its employees biweekly; however, no reconciliation was performed between the biweekly payment reported by the payroll processor and monthly timesheets. As a result, we found that for the six pay-periods that we reviewed, SCESA potentially mischarged the awards by more than \$6,000 but we could not ensure that the total was fully reliable and based on verifiable supporting documentation. We recommend that OVW ensure SCESA develops written policies and procedures to

ensure personnel expenditures are accurately charged to the awards and timesheets show evidence of supervisory approval.

Fringe Benefit Expenditures

The approved award budgets included authorization to allocate fringe benefit charges for health insurance, payroll taxes, retirement, dependent care, and other fringe benefits. The authorized fringe benefit budgets for each award were capped based on a percentage of the total approved personnel budget for each award. For all of the awards we reviewed, the fringe benefit budget total equaled 35 percent of the authorized personnel expenditure budget category, with 5 percent of that total specific to dependent care. In our testing, we found documentation that SCESA charged the awards for actual dependent care rather than the allowable 5 percent of personnel expenditures.

During our testing, we found documentation that SCESA spent \$13,069 of award funds to pay for the airfare of dependents that accompanied SCESA staff on conferences and other award funded activities. We were told by SCESA officials that transportation costs for dependents were charged to the awards because such expenditures were permitted by SCESA's Travel Policy. We reviewed SCESA's Travel Policy and found that it permitted SCESA to charge the transportation costs of SCESA dependents to the awards, as well as the costs of a caregiver's transportation, and per diem for both the caregiver and dependent. This practice was contrary to the OVW approved award budgets and was not allowed under OVW requirements.

Because we were not provided complete, detailed, and reliable financial records for all of the awards, we could not determine if the unallowable charges relating to dependents and their caregivers exceeded the \$13,069 in questioned costs.

We believe these dependent care charges were made, in part, due to the lack of understanding and familiarity of the SCESA Executive Director and the staff with the award specific requirements. In this instance, when award funds are not used for their intended purpose the likelihood of waste and abuse increases and the awardee impairs its ability to accomplish project goals and objectives as fewer funds are available to achieve the intended purpose of the award.

Conference and Travel Expenditures Unsupported

The Guide requires recipients to retain all financial records, supporting documents, statistical records, and all other records pertinent to an award. We reviewed expenses for six award-funded conferences and other non-conference related travel to determine if the costs were supported, necessary to the project, allowable, and reasonable. We requested that SCESA provide supporting documentation for the expenditures it reported on its Department of Justice (DOJ) Sponsored Conference Request and Report Forms and documentation to support its non-conference travel expenditures. We also requested that SCESA provide

verifiable accounting references for the documentation provided so that we could trace the records back to SCESA's financial system.

SCESA was unable to provide adequate and reliable documentation to verify the costs reported on its conference expenditure reports for any of the six conferences we tested. The supporting documentation that was provided, did not reconcile to the expenditures reported on SCESA's DOJ Sponsored Conference Request and Report Forms. For example, SCESA provided monthly credit card statements to support financial system journal entries. We found the Executive Director would combine multiple travel transactions into single journal entries, for recording in the financial system, therefore making it difficult to demonstrate how funds were spent for each separate award and not commingled.

Additionally, SCESA did not provide complete accounting references for any of the six conferences we reviewed. As a result, we could not trace the supporting documentation that was provided to SCESA's financial system. Further, SCESA provided no evidence that it conducted comparisons of the total costs of each conference site, therefore, we could not determine if the conference costs were reasonable. We also were unable to determine if all of the conference transactions were reasonable and allowable because neither the hotel nor common carrier invoices included sufficient detail to determine the itineraries for each traveler for the six conferences we reviewed. As a result, we were not able to determine whether all of the costs incurred were exclusively for project purposes.

In our judgment, SCESA's inability to provide adequate supporting documentation was caused by SCESA's reliance on monthly credit card statements without accompanying detailed documentation to support transactions, inaccurate recording of transactions, and a lack of comprehensive record retention policies and procedures. When records are not adequately retained and transactions are not accurately recorded it impairs the awardee from producing reliable data for managerial review, financial reporting, and audit. It also places the success of the award funded activity at risk.

Conference and Travel Expenditures Unallowable

In addition to the conference site selection requirements, discussed in the *Conference Site Selection Process* section above, according to the Guide, special care should be taken when considering holding a conference in a location or facility that may raise appearance issues (such as a resort location), and should only be used when they are the most cost-effective option (such as when the majority of attendees live in that location). The award documents we reviewed included special conditions that limited spending and placed a threshold on SCESA's conference expenditures for programmatic planning, logistical planning, and meeting space based on the number of attendees.

We found four of the six conferences reviewed were held at resorts without written justification that the resorts were the most cost-effective option. For example, based on our review of SCESA's Hotel Tracking Form, we determined

SCESA selected Miami, Florida as a conference destination, even though it was not the most cost effective option. In the documentation we reviewed, SCESA did not provide a written rationale as to its decision making process for holding the conference in Miami.

Additionally, according to a resort invoice, the 2013-TA-AX-K016 cooperative agreement was changed \$1,065 in resort fees for that conference. SCESA did not seek prior approval for the fees or report the fees, as required, on the DOJ Sponsored Conference Request and Report Form. The resort fees were not included in SCESA's approved budget for the 2013-TA-AX-K016 award and we consider this expenditure as unallowable.

SCESA's DOJ Sponsored Conference Request and Report Forms showed that it exceeded the special condition limits for meeting space, conference planning, programmatic, and logistical costs, for all three awards, by a total of \$1,714. Based on our review of the award Grant Adjustment Notices (GANs), we determined SCESA did not obtain prior approval to exceed the special condition spending limits and we consider this spending above the prescribed limit as unallowable.

OVW requirements prohibit costs that are incurred either before the start of the project period or after the expiration of the project period without advance, written approval. As another example, for the 2011-TA-AX-K015 award, SCESA funded a technical assistance consultant to travel to Micronesia before the project period started. Based on the documentation we were provided, SCESA used \$3,251 of the 2011-TA-AX-K015 award funds to pay for pre-award travel. OVW confirmed that SCESA did not have prior approval to fund pre-award travel to Micronesia, and that SCESA did not submit a technical assistance after action report for the trip. Absent OVW's prior approval we consider this spending unallowable and further evidence of systemic internal control weaknesses

In our view, SCESA was unfamiliar with the requirements included in the Guide for conference site selection, pre-award travel, as well the conference cost limitations included in the award documents. When project requirements are not thoroughly understood by the awardee and in the absence of working internal controls, the risk of unallowable costs is increased and award funding is potentially subject to wasteful spending.

Contractual and Consultants

The Guide requires that funds specifically budgeted and/or received for one project may not be used to support another. SCESA provided documentation that showed it allocated a consultant expenditure representing a conference presentation fee for cooperative agreement number 2009-TA-AX-K001 sponsored conference, to the 2011-TA-AX-K015 award. While the amount was immaterial, SCESA acknowledged that the wrong award was charged. This transaction highlights the effect of not having adequate internal controls in place to ensure incurred costs are not allocated to the wrong award. The recording of transactions in the financial system, without an appropriate level of scrutiny or review,

undermines accurate and reliable financial reporting. When transactions are not accurately recorded to their proper funding source the awardee risks incurring unallowable costs.

Other Expenditures

Our review of various transactions, specific to the 2011-TA-AX-K015 award, disclosed that SCESA charged \$5,312 in what it classified as personnel service fees. In reviewing documentation that was provided to support the expenditures, we found that the charges were regular service charges and fees paid to a financial institution. Specifically, we determined that the \$5,312, charged to the 2011-TA-AX-K015 award, was for bank service charges and overdraft fees. The Executive Director told us that the cash overdraft occurred automatically because SCESA had insufficient funds. The Executive Director also said the transaction was inaccurately recorded in the financial system. In our judgment, SCESA's inadequate internal controls allowed these fee transactions to be charged to the award, and this condition was further aggravated by a lack of any scrutiny or review. When awardees are unfamiliar with what expenditures are allowable according to the requirements, the likelihood of recording unallowable charges to an award is greatly increased.

Award requirements restricted SCESA's use of funds for anything other than approved purposes, as described in the application. SCESA's Executive Director told us it charged the awards \$2,989 in Single Audit Report fees. We found SCESA did not follow its own cost allocation plan while distributing Single Audit Report fees to the awards, and instead charged the awards based on the extent of funding that was still available under the award. The independent public accounting firm also billed SCESA an additional \$4,195 related to completion of the Single Audit Report, for a total of \$9,875 in audit fees.⁹ This amount billed exceeds the initial agreed upon quote from its engagement letter by almost 100 percent. As of February 2017, the audit had yet to be completed, contrary to the expected audit completion date of January 2016, cited in the engagement letter. As a result, we consider the Single Audit Report fees to be unreasonable.

Overall, we found that SCESA's Executive Director's timesheets lacked supervisory approval, SCESA charged unallowable dependent care travel to the awards, had unsupported and unallowable conference and travel expenditures, allocated costs to the wrong award, charged unallowable bank fees to one of the awards, and charged unallowable audit costs to the awards. While we did attempt to test transactions, we concluded that the SCESA financial system had significant internal control deficiencies, making it unreliable. As a result, we could not rely on the records SCESA provided and question the full amount of all three awards, totaling \$2,339,435, as unsupported. We further recommend that OVW ensure SCESA develops adequate policies and procedures to ensure only allowable costs

⁹ The documentation SCESA provided showed the Single Audit Report fees included charges to an award we did not audit.

are charged to awards and that award expenditures are supported by adequate and verifiable documentation.

Budget Management and Control

According to the Guide, recipients are permitted to make changes to their approved budgets to meet unanticipated program requirements. However, the movement of funds between approved budget categories in excess of 10 percent of the total award or a change in the project scope must be approved in advance by the awarding agency. In addition, all awardees are required to have a financial system that compares outlays with budgeted amounts for each award.

Prior to the start of our audit, SCESA's financial system did not compare cumulative expenditures to the approved budget amounts of the awards. Instead, SCESA's accounting system compared expenditures to approved budget categories on a fiscal year basis, but as our audit disclosed, that was not a credible measure because the expenditures reported were unreliable and could not be readily verified to supporting documentation. Consequently, SCESA could not determine if it complied with the Guide's budget criteria because its accounting system did not classify cumulative expenditures to approved budget categories. SCESA's Executive Director told us that it monitored the actual approved budget on an expenditure basis rather than by budget category. Further, we found SCESA's financial policies and procedures did not incorporate OVW budget monitoring requirements. During our audit, SCESA began classifying its cumulative expenditures to approved budget categories.

During our review, we were provided transaction data that suggested SCESA exceeded the 10-percent threshold for the 2009 award, by \$23,201, through September 2016. None of the data provided to us, for the 2011 and 2013 awards, disclosed budget deviations in excess of 10 percent. However, our assessment is not conclusive because the accuracy and validity of the financial information provided to us from the accounting system was unreliable, as a result of a poor internal control environment and a lack of adequate and verifiable supporting documentation. In our judgment, when recipients do not accurately capture, monitor, and adhere to the approved budget cost categories, effective grant management is potentially undermined and the ability to adequately safeguard grant funds is compromised. As stated in the Award Financial Management section, we recommend that OVW ensure SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.

Drawdowns

OVW requirements state that award funds should be requested based on immediate disbursement or reimbursement need. According to the Guide, drawdown funding 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. As of October 2016, SCESA had drawn down \$2,339,435 of the total grant funds awarded.

We interviewed SCESA's Executive Director and were told SCESA conducted drawdowns on a cash reimbursement basis. However, from our testing, we determined SCESA was unable to provide verifiable documentation to reconcile five of the six individual drawdowns, to financial records in its accounting system. SCESA's contract accounting consultant told us drawdowns were not conducted based on transactions recorded in SCESA's accounting system, but rather the Executive Director's estimate of expenditures incurred. We also learned that the Executive Director made drawdown requests without any outside Board scrutiny or independent review internally. Additionally, we could not assess whether drawdowns were based on immediate need because the dates of transactions in SCESA's accounting system were unreliable, and because the Executive Director relied on both cash and accrual methods of accounting when inputting transactions in the accounting system.

Directly related to its internal control deficiencies, SCESA incurred more than \$5,300 in bank fees for insufficient funds, to cover check disbursements. These fees were inaccurately charged to the awards. When reimbursement requests are not conducted using reliable and verifiable financial records the awardee risks drawing down the incorrect amount of award funds and undermining prudent and effective cash management principals.

In July 2015, SCESA developed written procedures that required drawdowns to be conducted relying exclusively on SCESA's financial records. However, due to the deficiencies with SCESA's transaction recording process and lack of available and reliable financial data, we could not assess whether SCESA was following the new procedure and if the new procedure ensured SCESA's drawdowns complied with the Guide. As stated in the Award Financial Management section, we recommend that OVW ensure SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.

Federal Financial Reports

OVW monitors the financial aspects of awards through Federal Financial Reports (FFRs) which are designed to describe the status of a program's funds. FFRs contain the cumulative expenditures and unliquidated obligations incurred for the award as well as program income and indirect costs. According to the OVW requirements, award recipients are required to report program outlays and revenue on a cash or accrual basis in accordance with their accounting system. The awardee's financial point of contact is to certify that each FFR submitted is complete and accurate to the best of their knowledge at the time the FFR is submitted, and the FFR should be reconcilable to verifiable supporting documentation without exception.

SCESA management certified that FFRs were prepared using the accrual method of accounting, but our audit testing disclosed that both the cash and accrual methods were used. We intended to test the accuracy of SCESA's four most recent FFR submissions for each of the three awards we audited but were unable to do so because the accuracy and validity of the financial information provided to us from the accounting system was unreliable.

The Executive Director said that the FFRs were prepared by relying on estimates of quarterly expenditures rather than actual financial records from SCESA's accounting system. Moreover, in discussions with current and former SCESA Board members we were told that the Board did not exercise significant oversight and relied entirely on the Executive Director to provide current, accurate, and reliable reporting. We were told both the cash and accrual methods were used to prepare FFRs, which is contrary to OVW requirements. Therefore, SCESA's certification that FFRs were submitted using the accrual method of accounting was inaccurate but more importantly the financial reporting for each of the awards could not be tested for accuracy because of unreliable financial information provided us from the accounting system. This condition greatly impairs OVW's ability to effectively monitor the financial aspects of the awards and places award funds at risk for waste and abuse.

In July 2015, SCESA developed written FFR preparation procedures that required FFRs to be prepared relying on SCESA's financial records. However, due to the deficiencies with SCESA transaction recording process and lack of available and reliable financial information we could not assess whether SCESA was following the new procedure and if the new procedure ensured accurate FFR submissions. As stated in the Award Financial Management section, we recommend that OVW ensure SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.

Monitoring of Contractors

According to OVW requirements, recipients should ensure that they monitor organizations under contract in a manner that is in compliance with their own overall financial management requirements. Additionally, recipients are required to maintain a system for contract administration, conduct assessments of contractor performance, and document contractor's compliance with the terms and conditions of the contract to ensure accountability. We found that SCESA did not have written policies and procedures for contractor selection or monitoring. SCESA was only able to provide written contracts for 7 of the 35 contractors, (or 20 percent) that were included on the list of contractors funded under the awards.

SCESA management told us that it relied on informal communication through emails to contractors, who acted as conference presenters for the awards, rather than written agreements that were executed by both parties. Because there was no formalized written agreement between SCESA and individual contractors, documenting contractual expectations, terms, and condition, SCESA could not

conduct performance assessments of the contractor's compliance with the terms of the contract, as required. In our judgment, failure to establish a system of contractor monitoring and accountability places federal funds at risk for fraud, waste, and abuse. As stated in the Award Financial Management section, we recommend that OVW ensure SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.

Compliance with Special Conditions

In addition to the award requirements, we tested for compliance with the terms and special conditions specified in the award documents. We judgmentally selected five special conditions that were unique to the awards we audited. We tested to determine if SCESA complied with special conditions that limited: (1) conference programmatic planning costs, (2) conference logistical planning costs, and (3) conference audio visual/meeting space costs. We also tested two special conditions that required SCESA to submit a Conference Events Approval Form to OVW prior to sponsoring a conference, and an OVW Conference Reporting Form that was submitted to OVW after a conference and included details as to how funds were spent after a conference was held.

From our review, we determined that SCESA did not comply with three of five special conditions we tested specific to limiting costs related to programmatic planning, logistical planning, and audio visual/meeting space, covering all three awards. We found SCESA exceeded the per person limits for the three special conditions by a total of \$1,714, for all of the awards. We determined that SCESA submitted six OVW Conference Events Approval and Conference Reporting Forms, but for all of the Forms we tested, SCESA inaccurately reported the amount of expenditures. This condition occurred because SCESA staff did not have a sound understanding of all the award special conditions and did not ask for or seek any assistance or guidance from OVW. Failure to periodically conduct compliance reviews of special conditions included in the awards increases the risk that the awardee will not detect non-compliance and the project will not successfully accomplish its goals and objectives. As stated in the Award Financial Management section, we recommend that OVW ensure SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.

Other Reportable Matters

Single Audit Report

As discussed earlier in this report, SCESA was subject to the Single Audit requirement because it expended more the \$500,000 in federal funding for its fiscal year (FY) ending June 30, 2015. This was the first FY that SCESA federal spending

exceeded the threshold in place at the time.¹⁰ According to the Single Audit requirements included in OMB Circular A-133, recipients have 9 months, after the fiscal year ends, to submit their Single Audit Report (SAR). Under this reporting timeframe the SCESA Single Audit Report was due March 31, 2016. We determined that it took SCESA nearly 6 months after the end of its fiscal year, to select an independent public accounting firm to perform the Single Audit. The Executive Director said that the selection was not done competitively but was made based on recommendations from its contracted accounting firm. We were also told the selection was also based on cost and timing.

As of February 2017, the Single Audit Report has yet to be completed. Additionally, we determined the audit fee billed to date significantly exceeded the engagement letter quote, and a portion of that fee was improperly allocated to each award as discussed earlier in this report under the Award Expenditure Section. We questioned the Executive Director on the status of the Single Audit Report and the overall fee and were told the independent public accounting firm had not yet fully responded to SCESA on these same questions.

Since the beginning of FY 2015, when SCESA was subject to the Single Audit requirement, through October 2016 when all of the awards were fully spent, SCESA received award funds totaling \$1,208,853, but it does not yet have a completed SAR and is nearly one year late in meeting the required SAR filing deadline.

The completion of a Single Audit Report is critical to the financial management and administration of award funds. The failure to complete a Single Audit Report prevents a review and evaluation of SCESA's financial statements for federal programs in accordance with generally accepted government auditing standards. This condition potentially compromises OVW monitoring and oversight in gaining an understanding of the entity's internal controls and reaching an assessment as to whether those controls are operating effectively. A Single Audit Report would have also allowed for a determination of whether SCESA complied with laws, regulations, and grant award provisions that could have a direct and material effect on the federal awards. When strong internal controls are present, Single Audit Reports can be completed in a timely manner. We recommend that OVW ensure SCESA develops policies and procedures that ensure it completes its Single Audit Report as required and issues it in a timely manner so that award funds totaling \$1,208,853 are not unduly placed at risk.

Board of Directors Oversight

The SCESA Board of Director's is responsible for providing overall governance and oversight but we were told is not involved in the day-to-day operations. According to SCESA bylaws, Board meetings are required quarterly throughout the year and we were told the meetings are done exclusively by conference call. The Board met in December 2015 and held its first 2016 meeting in October, when a

¹⁰ The Single Audit Act threshold was increased to \$750,000 for fiscal years starting after December 26, 2014.

new Board member was added. The October meeting was followed by Board meetings in November and December 2016.

The SCESA Board currently includes the Executive Director and three non-management members. We interviewed the two long-standing, non-management Board members that included the Board Chair and Secretary. In discussing their roles and responsibilities we were told that because the Board is not involved in the day-to-day operations, it relies entirely on the Executive Director to keep them apprised as to all operational, programmatic, and financial matters affecting the organization.

We also interviewed the former Board Chair who stepped down from the Board in December 2014. From our discussions we determined that the current and former Board members had no sense of what SCESA was doing, in any detail, relative to the federal award funding that sustained the organization as a going concern. Moreover, none of the Board members were completely familiar with the organization's bylaws, policies and procedures, or any accounting and financial matters, including the funding status of any ongoing awards or the status of the current Single Audit Report. The Board was not involved in the preparation, review, or submission of grant applications, nor familiar with any grant imposed requirements or the OVW Financial Management Grants Guide. We also learned that the Executive Director's compensation was generally unknown to the Board; the Executive Director had no performance expectations, and was not accorded a periodic performance review or held accountable for any results.

The Board members told us they were not involved in any fundraising activities, did not have access to or review any bank statements, and did not receive any documentation such as financial status updates or accounting reports. Board members told us they neither approved nor reviewed the progress reports SCESA submitted to OVW in conjunction with the awards. Additionally, the Board members we spoke to said to the best of their knowledge the organization relied almost exclusively on federal awards to sustain its efforts, and also acknowledged that the Executive Director operated with complete autonomy and in our judgment without any meaningful oversight on their part.

The absence of any meaningful Board involvement and oversight represents a significant internal control weakness and calls into question whether the Board is fulfilling its fiduciary duty and responsibilities to the organization. In light of this fact, we recommend that OVW ensure the SCESA Board take a more active role in monitoring and oversight of the organization's overall financial status, programmatic performance, and ongoing awards, holding the Executive Director accountable for results, and developing and implementing appropriate policies and procedures to guide the operation and administration of the organization.

Conclusion

As a result of our audit, we concluded that SCESA did not effectively and efficiently manage the awards that we reviewed. Specifically, SCESA did not

establish and maintain an effective system of internal controls, did not maintain a recordkeeping and reporting system that produced complete, accurate and reliable information that could be independently verified, had inadequate separation of duties without any compensating controls, and did not adequately safeguard the award funding that it received. We determined that SCESA had unsupported and unallowable expenditures, did not adequately monitor its approved budget, could not adequately support its drawdowns, had inaccurate FFRs, lacked adequate contractor monitoring internal controls, did not comply with award special conditions, did not complete and submit its Single Audit Report in a timely manner, and operated without any meaningful Board monitoring and oversight. We also concluded that the SCESA financial system had significant internal control deficiencies making it unreliable. As a result, we could not rely on the records SCESA provided and we question the full amount of all awards, totaling \$2,339,435, as unsupported. We provide six recommendations to OVW to address these deficiencies.

Recommendations

We recommend that OVW:

1. Ensure SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.
2. Ensure SCESA remedies \$2,339,435 in unsupported costs representing the full amount of the awards we audited.
3. Ensure SCESA develops written policies and procedures to ensure personnel and fringe benefit expenditures are accurately charged to the awards and include timesheets that show evidence of supervisory approval.
4. Ensure SCESA develops adequate policies and procedures to ensure only allowable costs are charged to awards and that award expenditures are supported by adequate and verifiable documentation.
5. Ensure SCESA develops policies and procedures that ensure it completes its Single Audit Report as required, and in a timely manner, so that award funds totaling \$1,208,853 are not unduly placed at risk.
6. Ensure the SCESA Board takes a more active oversight role in monitoring and oversight of the organization's overall financial status, programmatic performance, and ongoing awards, holding the Executive Director accountable for results, and developing and implementing appropriate policies and procedures to guide the operation and administration of the organization.

APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether costs claimed under the cooperative agreements were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. To accomplish this objective, we assessed performance in the following areas: (1) program performance and accomplishments, (2) award financial management, (3) award expenditures, (4) budget management and control, (5) drawdowns, (6) federal financial reports, (7) contractor monitoring, and (8) compliance with award special conditions.

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

This was an audit of OVW cooperative agreements 2009-TA-AX-K001, 2011-TA-AX-K015 and 2013-TA-AX-K016, awarded to SCESA under the Technical Assistance Program, in the amount of \$2,339,435. As of October 2016, SCESA had drawn down 100 percent of the funds awarded. Our audit concentrated on, but was not limited to September 2009, the date of the 2009-TA-AX-K001 award, through October 2016.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of SCESA's activities related to the audited cooperative agreements. We performed sample-based audit testing for expenditures including personnel and fringe benefits and travel charges; general transactions, financial reports; progress reports; and Department of Justice Sponsored Conference Request and Report Forms. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the cooperative agreements reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The OVW Financial Grants Management Guide, 28 C.F.R, 2 C.F.R Part 230, and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System (GMS), as well as SCESA's financial system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems was verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS</u> ¹¹	AMOUNT	PAGE
Unsupported Expenditures	\$2,339,435	10
Total Unsupported Costs	\$2,339,435	
TOTAL QUESTIONED COSTS	\$2,339,435	

¹¹ Questioned Costs are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

**NATIONAL ORGANIZATION OF SISTERS OF COLOR
ENDING SEXUAL ASSAULT
RESPONSE TO THE DRAFT AUDIT REPORT**



P.O. Box 625 • Canton, CT 06019 • (860) 693-2031 • www.sisterslead.org

March 20, 2017

Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
701 Market Street Suite 2300
Philadelphia, PA 19106

RE: Draft Audit Report Office of the Inspector General's (OIG) audit of the Office on Violence Against Women (OVW) Cooperative Agreement numbers 2009-TA-AX-K001, 2011-TA-AX-K015, and 2013-TA-AX-K016

Dear Mr. Thomas O. Puerzer:

The National Organization of Sisters of Color Ending Sexual Assault has received the draft report submitted by the Office of Inspector General. SCESA's Board of Directors and Executive Director have reviewed the complete report. As an organization, we value the importance of grant funds to support the work of our overall mission to end sexual assault. We understand our role to ensure proper management and accountability of grant funds received. Therefore, we take seriously the recommendations outlined in the report and have the following response:

Recommendation 1: Ensure SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.

SCESA, in recognition of deficiencies with its financial system has developed and implemented an updated system that currently produces consistent, accurate, reliable, and verifiable reporting.

Recommendation 2: Ensure SCESA remedies \$ 2,339,435 in unsupported costs representing the full amount of the awards we audited.

SCESA disagrees that it has expended \$ 2,339,435 in unsupported costs. The organization has documentation that supports grant funds expenditures. Additionally, the agency's documentation verifies that funds used were consistent with the implementation of grant goals and objectives.

Recommendation 3: Ensure SCESA develops written policies and procedures to ensure personnel and fringe benefit expenditures are accurately charged to the awards and include timesheets that show evidence of supervisory approval.

SCESA disagrees with the findings associated with this recommendation. SCESA's written organizational policies and procedures ensure that personnel and fringe benefit expenditures are accurately charged to their awards. The organization maintains timesheets that are consistent with the DOJ financial guide and show evidence of supervisory approval. The Executive Director's timesheet is signed by the Board Chair; however, we have now implemented a process that ensures monthly review and approval.

Recommendation 4: Ensure SCESA develops adequate policies and procedures to ensure only allowable costs are charged to awards and that award expenditures are supported by adequate and verifiable documentation.

SCESA only charges allowable cost to the awards. However, in assessing our financial recordkeeping process, we have reviewed and strengthened our drawdown process to reflect updated accounting practices. Drawdown amounts are now determined by the financial system and the total award is monitored including expenses and drawdowns.

Recommendation 5: Ensure SCESA develops policies and procedures that ensure it completes its Single Audit Report as required and in a timely manner so that award funds totaling \$1,208,853 are not unduly placed at risk.

SCESA has been working with an audit firm on completing the Single Audit. SCESA received the draft Single Audit Report on March 17, 2017 and is in the process of reviewing. In the future, SCESA will ensure that the Single Audit Report is completed annually when grant funds meet the required threshold.

Recommendation 6: Ensure the SCESA Board takes a more active oversight role in monitoring and oversight of the organizations overall financial status, programmatic performance, and ongoing awards, holding the Executive Director accountable for results, and developing and implementing appropriate policies and procedures to guide the operation and administration of the organization.

SCESA disagrees with the findings associated with this recommendation. The board's current composition holds cumulatively over 65 years of programmatic, grant management, and organization administration experience in working with communities of color and in the movement against violence. Board meeting frequency is determined by the agency's by-laws and remains in accordance with organizational best practices. Meetings include administrative, financial, and programmatic updates. Additionally, board members are regularly consulted to provide input, guidance, and feedback on SCESA's work, including grants, projects, policy updates, financial status, and agency compliance issues. The Executive Director meets with the Board Chair on a regular basis to discuss work progress, programmatic, administrative and organizational issues or concerns. Based on the OIG report, SCESA's board has begun an examination of its current policies and procedures to assess for possible areas of improvement to ensure more active and standardized oversight. SCESA's Board of Directors remains committed to serving its mission and purpose and to ensuring the financial and programmatic wellness of the organization.

Additionally, SCESA is committed to working with the Office on Violence Against Women to successfully resolve and close all findings and recommendations addressed in this draft report. Please do not hesitate to contact me if you any questions.

Sincerely,

Condencia Brade
Executive Director

cc: Sara Benitez,
Board Chair, National Organization of Sisters of Color Ending Sexual Assault

Board Members
National Organization of Sisters of Color Ending Sexual Assault

Donna Simmons
Associate Director, Grants Financial Management Division
Office on Violence Against Women

Rodney Samuels
Audit Liaison
Office on Violence Against Women

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



U.S. Department of Justice

Office on Violence Against Women

Washington, DC 20530

March 23, 2017

MEMORANDUM

TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office

FROM: Nadine M. Neufville *NMN*
Acting 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 on Violence Against Women Grant Cooperative Agreements Awarded to the National Organization of Sisters of Color Ending Sexual Assault Canton, Connecticut

This memorandum is in response to your correspondence dated November 10, 2016 transmitting the above draft audit report for the National Organization of Sisters of Color Ending Sexual Assault (SCESA). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains 6 recommendations which include \$2,339,435 in total questioned costs. OVW is committed to working with the grantee to address and bring these recommendations to a close as quickly as possible. The following is our analysis of the audit recommendations.

1. Ensure SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.

OVW does agree with the recommendation. We will coordinate with the grantee to ensure that they implement a financial system that corrects significant internal control

deficiencies and produces consistent, accurate, reliable, and verifiable reporting.

- 2. Ensure SCESA remedies \$2,339,435 in unsupported costs representing the full amount of the awards we audited.**

SCESA did disagree with the report in regards to this finding; however, OVW does concur with this finding based on the detail of the report. We will coordinate with the grantee to ensure that they remedy \$2,339,435 in unsupported costs representing the full amount of the awards audited.

- 3. Ensure SCESA develops written policies and procedures to ensure personnel and fringe benefit expenditures are accurately charged to awards and include timesheets that show evidence of supervisory approval.**

SCESA did disagree with the report in regards to this finding but OVW does concur based on the detail of the report. OVW will coordinate with SCESA to ensure that they develop written policies and procedures to ensure personnel and fringe benefit expenditures are accurately charged to the awards and includes timesheets that show evidence of supervisory approval.

- 4. Ensure SCESA develops adequate policies and procedures to ensure only allowable costs are charged to awards and that award expenditures are supported by adequate and verifiable documentation.**

OVW does agree with the recommendation. We will coordinate with the grantee to ensure that they develop adequate policies and procedures to ensure only allowable costs are charged to awards and that award expenditures are supported by adequate and verifiable documentation

- 5. Ensure SCESA develops policies and procedures that ensure it completes its Single Audit Report as required and in a timely manner so that award funds totaling \$1,208,853 are not unduly placed at risk.**

OVW does agree with the recommendation. We will coordinate with the grantee to ensure that they develop policies and procedures that ensure it completes its Single Audit Report as required and in a timely manner so that award funds totaling \$1,208,853 are not unduly placed at risk.

- 6. Ensure the SCESA Board takes a more active oversight role in monitoring and oversight of the organizations overall financial status, programmatic performance, and ongoing awards, holding the Executive Director accountable for results, and developing and implementing appropriate policies and procedures to guide the operation and administration of the organization.**

SCESA did disagree with the report in regards to this finding, but OVW does concur based on the detail of the report. OVW will coordinate with the grantee to ensure the SCESA Board takes a more active oversight role in monitoring and oversight of the organization's overall

financial status, programmatic performance, and ongoing awards, holding the Executive Director accountable for results, and developing and implementing appropriate policies and procedures to guide the operation and administration of the organization.

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
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**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 OVW and the National Organization of Sisters of Color Ending Sexual Assault (SCESA) for review and official comment. SCESA's response is incorporated as Appendix 3 and OVW's response is incorporated in Appendix 4 of this final report. Because OVW agreed with all of our recommendations and discussed the actions it plans to complete in order to address the recommendations, we consider the report resolved. SCESA disagreed with three of the six recommendations in our report and neither concurred nor disagreed with the remaining three recommendations. We address SCESA's position in our analysis of each recommendation. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations to OVW:

- 1. Ensure that SCESA implements a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.**

Resolved. OVW agreed with our recommendation that SCESA implement a financial system that corrects significant internal control deficiencies and produce consistent, accurate, reliable, and verifiable reporting.

In its response, SCESA did not directly agree or disagree with the recommendation. SCESA maintained that it had developed and implemented an updated financial system that currently produces consistent, accurate, reliable, and verifiable reporting. However, SCESA did not provide us with revised financial procedures as well as financial system and related accounting documentation to support that it corrected the significant internal control deficiencies cited in the report. As a result, we were unable to close the recommendation.

This recommendation can be closed when we receive documentation demonstrating SCESA has implemented a financial system that corrects significant internal control deficiencies and produces consistent, accurate, reliable, and verifiable reporting.

2. Ensure SCESA remedies \$2,339,435 in unsupported costs representing the full amount of the awards we audited.

Resolved. OVW agreed with our recommendation and stated it will coordinate with SCESA to ensure it remedies \$2,339,435 in unsupported costs.

In its response, SCESA disagreed with the recommendation. SCESA maintained that it retained documentation to support grant-funded expenditures and that the documentation it retained verifies that funds were used consistently with the implementation of award goals and objectives. However, in its response, SCESA did not provide any documentation that established its award-funded expenditures were adequately supported or consistent with programmatic goals and objectives. Further, while we requested adequate documentation from SCESA multiple times during our audit, SCESA did not provide the documentation. Moreover, we questioned these costs because they did not adhere to the financial system and record retention requirements specified within the OVW Grants Management Financial Guide, not because of their programmatic implications. Without adequate documentation that abides by the grant financial requirements, we were unable to close the recommendation.

This recommendation can be closed when we receive documentation demonstrating OVW has remedied \$2,339,435 in unsupported costs.

3. Ensure SCESA develops written policies and procedures to ensure personnel and fringe benefit expenditures are accurately charged to the awards and include timesheets that show evidence of supervisory approval.

Resolved. OVW agreed with our recommendation and stated it will coordinate with SCESA to ensure the development of written policies and procedures that ensure personnel and fringe benefit expenditures are accurately charged to the awards and include timesheets that show evidence of supervisory approval.

In its response, SCESA disagreed with our recommendation. SCESA maintained that its written procedures ensure that personnel and fringe benefit expenditures were accurately charged to the awards. Further, SCESA commented that its timesheets are consistent with the DOJ Financial Guide and show evidence of supervisory approval. Finally, SCESA's response mentioned the Executive Director's timesheets are signed by the Board Chair and that SCESA had implemented this process to ensure monthly review and approval of the Executive Director's timesheets. However, in its response, SCESA did not provide financial records to support that it accurately charged the awards personnel and fringe benefit expenditures. Moreover, SCESA did not provide documentation demonstrating that it had implemented a process that ensures supervisory review of Executive Director timesheets with

documentation of authorization by both the Executive Director and a Board member. Without such documentation, we have no basis on which to close the recommendation.

This recommendation can be closed when we receive documentation demonstrating that SCESA has developed written policies and procedures to ensure personnel and fringe benefit expenditures are accurately charged to the awards and include timesheets that show evidence of supervisory approval.

4. Ensure SCESA develops adequate policies and procedures to ensure only allowable costs are charged to awards, and that award expenditures are supported by adequate and verifiable documentation.

Resolved. OVW agreed with our recommendation and stated it will coordinate with SCESA to ensure it develops adequate policies and procedures to ensure only allowable costs are charged to awards, and that award expenditures are supported by adequate and verifiable documentation.

In its response, SCESA did not directly agree or disagree with the recommendation. SCESA maintained that it only charges allowable costs to awards and that it had revised its drawdown process. However, the report's award expenditure section identified several expenditures that appeared to be unallowable and were not supported by adequate and verifiable documentation. In our judgment, SCESA's response was beyond the scope of the recommendation because amending drawdown procedures is not the equivalent to developing specific policies and procedures that ensure only allowable costs are charged to awards and that award expenditures are supported by adequate and verifiable documentation. Moreover, SCESA failed to provide any evidence of revised financial policies and procedures specific to the recommendation. As a result, we could not close the recommendation.

This recommendation can be closed when we receive documentation demonstrating SCESA has developed adequate policies and procedures to ensure only allowable costs are charged to awards and that award expenditures are supported by adequate and verifiable documentation.

5. Ensure SCESA develops policies and procedures that ensure it completes its Single Audit Report as required, and in a timely manner, so that award funds totaling \$1,208,853 are not unduly placed at risk.

Resolved. OVW agreed with our recommendation and stated it will coordinate with SCESA to develop policies and procedures ensuring that a Single Audit Report is completed as required, and in a timely manner, so that award funds totaling \$1,208,853 are not unduly placed at risk.

In its response, SCESA did not directly agree or disagree with the recommendation. SCESA maintained that it had been working with an accounting firm conducting the Single Audit Report (SAR). SCESA's response said that it received a draft version of the Single Audit Report on March 17, 2017. Additionally, SCESA commented that it will ensure that the Single Audit Report is completed annually when grant funds meet the required threshold. However, SCESA did not provide evidence of updated policies and procedures that ensure the completion of a Single Audit Report as required in a timely manner, and did not say when it expects the final Single Audit Report to be issued. As a result, we could not close the recommendation.

This recommendation can be closed when we receive documentation demonstrating SCESA has developed policies and procedures ensuring the completion of a Single Audit Report as required, and in a timely manner, so that award funds totaling \$1,208,853 are not unduly placed at risk.

6. Ensure the Board takes a more active oversight role in monitoring and oversight of the organization's overall financial status, programmatic performance, and ongoing awards, holding the Executive Director accountable for results, and developing and implementing appropriate policies and procedures to guide the operation and administration of the organization.

Resolved. OVW agreed with our recommendation and stated it will coordinate with SCESA to ensure the Board takes a more active oversight role in monitoring and oversight of the organization's overall financial status, programmatic performance, and ongoing awards, holding the Executive Director accountable for results, and developing and implementing appropriate policies and procedures to guide the operation and administration of the organization.

In its response, SCESA disagreed with the recommendation. SCESA asserted that the Board of Directors has over 65 years of relevant experience, that the Board of Directors meeting frequency was determined by SCESA's bylaws, and that the Board of Directors is regularly consulted about SCESA financial and programmatic operations. Despite its disagreement with the findings associated with this recommendation, SCESA's response commented that, in response to this audit report, its Board of Directors had begun an examination of its current policies and procedures to identify possible areas of improvement in order to ensure more active and standardized oversight. SCESA did not provide any documentation to establish its Board of Directors had taken a more active oversight role in the monitoring and oversight of the organization's overall financial status, programmatic performance, or held the Executive Director accountable for results. Moreover, SCESA did not provide any evidence that it had developed and implemented appropriate policies and procedures to guide the operation and administration of the organization. As a result, we could not close the recommendation.

This recommendation can be closed when we receive documentation demonstrating SCESA has implemented policies and procedures that ensure the Board takes a more active oversight role in monitoring and oversight of the organization's overall financial status, programmatic performance, and ongoing awards, holding the Executive Director accountable for results, and developing and implementing appropriate policies and procedures to guide the operation and administration of the organization.

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