



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



**Audit of the
Office of Justice Programs
Victim Assistance Formula Grants
Sub-Awarded by the
California Governor's
Office of Emergency Services
to the
Indian Child Welfare Consortium
Temecula, California**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS VICTIM
ASSISTANCE FORMULA GRANTS SUB-AWARDED BY THE
CALIFORNIA GOVERNOR’S OFFICE OF EMERGENCY SERVICES
TO THE INDIAN CHILD WELFARE CONSORTIUM
TEMECULA, CALIFORNIA**

EXECUTIVE SUMMARY

The U.S. Department of Justice Office of the Inspector General (OIG) has completed an audit of 4 sub-grants totaling \$553,386 that the California Governor’s Office of Emergency Services (Cal OES) awarded to the Indian Child Welfare Consortium (ICWC) in Temecula, California. The funds that the Cal OES awarded to ICWC were a portion of \$382 million that the Office of Justice Programs (OJP) awarded to the Cal OES.¹ As of March 2013, ICWC had drawn down and expended at least \$452,464 (82 percent of these 4 sub-grants).

The purpose of our audit was to determine whether costs claimed under the sub-grants to ICWC were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the sub-grants. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) sub-grant requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income was not applicable to the sub-grants.

In 7 of the 10 areas we tested, we found that ICWC was in material noncompliance with essential sub-grant requirements. We found weaknesses and deficiencies in the areas of internal control environment, expenditures, matching, budget management, monitoring of contractors, reporting, and program performance and accomplishments. As of December 2013, ICWC personnel stopped responding to our requests, inquiries, and communications; thereby, limiting our ability to complete our audit. We consider ICWC’s non-responsiveness as a scope limitation affecting our entire audit, but especially areas such as our ability to determine if ICWC met program objectives related to the grant funds it received. The scope limitation also affected our testing of expenditures, matching, and budget management. Based on ICWC’s limited responses, we were unable to

¹ U.S. Department of Justice Office of the Inspector General, Audit of the Office of Justice Programs Victim Assistance Formula Grants Awarded to the California Governor’s Office of Emergency Services, Mather, California Audit Report GR-90-16-002 (January 2016).

During this audit, we identified certain issues for further investigation. As a result, we put our audit on hold to ensure that proceeding would not adversely affect any investigation. Subsequently, we were able to complete our audit and issue this report.

obtain explanations for discrepancies that we found in our testing. It should also be noted that, during our audit, ICWC voluntarily decided to forego receiving the full amount of its 2013 funding from Cal OES.

Based on the audit work that we were able to perform, we found that ICWC's accounting records were un-auditable because it had two sets of accounting records, one set that was referred to by ICWC's accountant as the "unofficial" accounting records that were utilized for issuing checks and the remaining set was referred to as the "official" accounting records that were utilized for all other accounting functions. These two sets of accounting records were not reconciled with each other and there were significant differences between the two sets of records. We also noted other deficiencies related to ICWC's weak internal controls that failed to safeguard the grant funds that ICWC received.

ICWC failed to maintain properly authorized or adequately supported invoices to support \$19,554 in judgmentally sampled expenditures. ICWC also did not have policies or procedures for capturing match transactions and it was unable to provide sufficient supporting documentation for what it considered matching costs. As a result, we were unable to test matching transactions. Additionally, we found that the three Progress Reports we tested contained significant deviations from the supporting documentation.

Furthermore, we found that ICWC and a contractor had a less-than-arm's length relationship. Specifically, the Executive Director of ICWC and a contractor, a Licensed Clinical Psychologist, were married. In our review of this contractor's invoices, we found indications of excessive billing, and other irregularities. The Department of Justice suspended both ICWC and its contractor from receiving federal assistance until March 9, 2017, due to possible misuse or misappropriation of federal funding.

Based on the significant deficiencies disclosed in this audit, we questioned the entire amount that ICWC received through 4 sub-grants totaling \$452,464 and make 10 recommendations to OJP. Our findings are discussed in detail in the Findings and Recommendations section of this report. Additionally, we have discussed the results of our audit with OJP and Cal OES officials and have included their comments in the report, as applicable. We were unable to contact ICWC's Executive Director and through its contractors we learned that as of November 2016, ICWC was in the process of dissolving as an organization. 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 written responses from Cal OES and OJP to the draft copy of our audit report. We received those responses and they are found in Appendices 3 and 4, respectively. Our analysis of those responses and the summary of actions necessary to close the recommendations are found in Appendix 5.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS VICTIM
ASSISTANCE FORMULA GRANTS SUB-AWARDED BY THE
CALIFORNIA GOVERNOR’S OFFICE OF EMERGENCY SERVICES
TO THE INDIAN CHILD WELFARE CONSORTIUM
TEMECULA, CALIFORNIA**

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AUDIT OF THE OFFICE OF JUSTICE PROGRAMS VICTIM ASSISTANCE FORMULA GRANTS SUB-AWARDED BY THE CALIFORNIA GOVERNOR’S OFFICE OF EMERGENCY SERVICES TO THE INDIAN CHILD WELFARE CONSORTIUM TEMECULA, CALIFORNIA

INTRODUCTION

The U.S. Department of Justice Office of the Inspector General (OIG) has completed an audit of 4 sub-grants totaling \$553,386 that the California Governor’s Office of Emergency Services (Cal OES) awarded to the Indian Child Welfare Consortium (ICWC) in Temecula, California.² The funds that the Cal OES awarded to ICWC were a portion of \$382 million that the Office of Justice Programs (OJP) awarded to the Cal OES.³ As of March 2013, ICWC had drawn down and expended at least \$452,464 (82 percent of these 4 sub-grants). We were unable to contact ICWC’s Executive Director and through its contractors we learned that as of November 2016, ICWC was in the process of dissolving as an organization.

**Table 1
Cal OES Sub-grants Awarded to ICWC**

Sub-grant Number	Sub-grant Start Date	Sub-grant End Date ^a	Sub-grant Amount ^b
NA09061601	10/01/09	09/30/10	\$ 131,579
NA10071601	10/01/10	09/30/11	139,684
NA11081601	10/01/11	09/30/12	146,696
NA12091601	10/01/12	09/30/13	135,427
Award Total			\$553,386

^a The Sub-grant End Date includes all time extensions that were approved by Cal OES.

^b The Sub-grant Amount includes supplemental award amounts and any cash or in-kind match required.

Source: The Cal OES

² For the audit period that we reviewed, Cal OES awarded to ICWC sub-grants NA09061601, NA10071601, NA11081601, and NA12091601 totaling \$553,386. In addition, as part of our fieldwork, we also reviewed Cal OES sub-grants NA04011601, NA05021601, NA06031601, NA07041601, and NA08051601 totaling \$835,700 representing FYs 2005-2009 that fell outside of OJP’s and Cal OES’ records retention requirement period.

³ U.S. Department of Justice Office of the Inspector General, Audit of the Office of Justice Programs Victim Assistance Formula Grants Awarded to the California Governor’s Office of Emergency Services, Mather, California Audit Report GR-90-16-002 (January 2016).

During this audit, we identified certain issues for further investigation. As a result, we put our audit on hold to ensure that proceeding would not adversely affect any investigation. Subsequently, we were able to complete our audit and issue this report

For sub-grant NA12091601, ICWC's Board of Directors decided to stop drawing down Cal OES grant funds and forgo applying for 2013 funding. ICWC informed Cal OES of its decision to forgo drawing down sub-grant monies in December 2013. As a result, Cal OES de-obligated \$73,248 in remaining funds that were not drawn down for sub-grants NA10071601 and NA12091601. According to ICWC's Project Director, ICWC discontinued acceptance of Cal OES funding due to concerns over how the community might react to the OIG audit of ICWC and how the audit might affect some individuals' reputations.

The Indian Child and Welfare Consortium

ICWC was located in Temecula, California which is approximately 85 miles east of Los Angeles, California. ICWC was a program run by American Indians from the local community and was committed to helping American Indians by providing services to strengthen family relationships. According to ICWC, it applied a cultural approach to evidence based practices that strengthened or revitalized cultural values, beliefs, and traditions and gave families the tools they needed to protect children in today's world. The tribal consortium was established in 1978 and served all American Indian families and children residing in three counties: Riverside, San Bernardino, and San Diego. These three counties are home to 72,739 American Indians. ICWC had several partnering agencies, such as the Riverside and San Bernardino County Departments of Social Services. The purpose of this partnership was to discuss American Indian child abuse cases and to improve the services and system for American Indian children.

The California Governor's Office of Emergency Services

Cal OES is located in Mather, California which is approximately 13 miles east of Sacramento, California. The principal objective of Cal OES is to reduce vulnerability to hazards and crimes through emergency management and criminal justice and thereby ensure a safe and resilient California. Cal OES' Special Programs and Grants Management branch serves as the State Administering Agent for federal homeland security, emergency management, and criminal justice grants. The criminal justice grants administered by the Cal OES include Victims of Crime Act (VOCA) funds which are passed through to sub-recipients such as ICWC.

All of the sub-grants that we audited were awarded under the State of California's American Indian Child Abuse Treatment (AICHAT) Program. The purpose of the AICHAT Program is to fund American Indian tribes, consortium of tribes, or American Indian non-profit community-based organizations to facilitate the provision of therapeutic clinical services or culturally-centered services to American Indian child victims and support services to the non-offending family members. In order to meet AICHAT requirements, agencies must have a minimum of 2 years' experience providing child abuse treatment to American Indian child victims in California. The purpose of the sub-grants that were awarded to ICWC

was to enhance existing services for American Indian child victims through funding of established American Indian child abuse treatment agencies.

OIG Audit Approach

The purpose of our audit was to determine whether costs claimed under the sub-grants awarded to ICWC were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the sub-grants. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) sub-award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income was not applicable to the sub-grants.

We tested ICWC's compliance with what we considered to be the most important conditions of the sub-grants. Unless otherwise stated in our report, the criteria we audited against are contained in the OJP Financial Guide, award documents, Code of Federal Regulations, Office of Management and Budget Circulars, and the Cal OES Recipient Handbooks.

The results of our audit are discussed in detail in the Findings and Recommendations section of this report. Our report contains 10 recommendations to OJP. Additionally, we have discussed the results of our audit with ICWC officials and have included their comments in the report, as applicable. 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 written responses from Cal OES and OJP to the draft copy of our audit report. We received those responses and they are found in Appendices 3 and 4, respectively. Our analysis of those responses and the summary of actions necessary to close the recommendations are found in Appendix 5.

FINDINGS AND RECOMMENDATIONS

In June 2015, ICWC and its contractor were suspended until March 9, 2017, from receiving federal funds based on concerns we had related to the lack of cooperation we received during our audit and indications of misappropriation of federal funds by ICWC and its contractor. Further, ICWC's contractor was married to ICWC's Executive Director, which presented a less-than-arm's length relationship. In our review of the contractor's supporting documentation, we also found indications of excessive billing, and other irregularities. Additionally, we determined that ICWC's financial records were not auditable for a number of reasons and as a result, we were unable to perform some of our audit testing. Our ability to fully conduct our audit was further hampered by the fact that ICWC stopped responding to our requests and inquiries, resulting in a scope limitation. Moreover, ICWC provided incomplete (fiscal year) FYs 2010 and 2013 General Ledgers. We also found two sets of accounting records that both we and ICWC could not reconcile to each other. Thus, the records in our opinion were un-auditable. Based on the financial records that we received, we found that most of ICWC's expenditures lacked supervisory approval or did not have appropriate supporting documentation. Overall, we found material noncompliance with 7 of 10 essential areas we tested. As a result, we questioned a total of \$452,464 and made 10 recommendations.

Grant Financial Management

The OJP Financial Guide requires that all fund recipients "establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them." It stipulates that grantees must account for each award separately and may not commingle grant funds. Further, the accounting system should provide adequate maintenance of financial data to enable planning, controlling, and measuring. The Cal OES Recipient Handbook reiterates the OJP Financial Guide requirements.

We reviewed ICWC's policies and procedures, 2011 Single Audit Report, and its financial management system to assess the risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the sub-grants. We also interviewed ICWC's staff responsible for grant management, accounting, and finance records regarding internal controls and processes related to reporting, reimbursement requests, deposits of checks, payroll, purchasing, and accounts payable functions.

Internal Controls

According to the Cal OES Recipient Handbook, "the project must establish and maintain an internal administrative control system." We determined that ICWC lacked written formal procedures necessary to safeguard sub-grant assets and did not maintain adequate segregation of duties. Specifically, the individual who processed payments, reimbursements, submitted payroll, and handled the petty cash (1) also had access to blank check stock, petty cash, and a signature stamp used in completing the secondary signature on the dual signature checks and (2) recorded these transactions in the accounting records. This is a lack of segregation of duties because these levels of access and functions should be performed by different individuals and puts sub-grant dollars at risk of misappropriation.

We also found that ICWC had either inadequate or no policy and procedures regarding financial reporting, payroll, processing and payment of payables, performance measurement, accounting for match transactions, and the monitoring of contractors. We found inaccuracies and incomplete supporting information for ICWC's financial reports, financial records, program achievements, and match transactions. We also found that ICWC had weak or insufficient oversight of its contractor. We discuss these deficiencies in greater detail in subsequent sections of the report. We recommend that OJP ensure that ICWC establish internal controls for the processing and payment of funds such that the controls are adequate to safeguard sub-grant funds and ensure compliance with sub-grant terms and conditions.

Scope Limitation

ICWC's personnel periodically responded to the OIG's requests for information between April 2013 and December 2013. ICWC's Executive Director, contractor, and accountant slowly provided their responses, and in some cases did not provide a response at all. For example, on multiple occasions between July 2013 and December 2013, ICWC's personnel did not respond to calls, voicemails, or e-mails from the OIG. In September 2013, ICWC's Accountant stated that a box of financial records was mailed to the OIG; however, we did not receive anything. Additionally, ICWC's Executive Director and accountant never responded to the OIG's final attempt to reach them on January 6, 2014. Because of our findings detailed in this report and ICWC's personnel failure to respond to our calls and inquiries, the OIG's Audit Division discontinued requests for further financial and programmatic information as of January 2014.

In addition, we found several issues with the information provided by ICWC. During our review, we requested that ICWC personnel provide financial and programmatic documentation for the sub-grants subject to the retention requirement. ICWC personnel advised that documentation preceding the 3-year retention cutoff date of October 1, 2008, was no longer available. The Cal OES Recipient Handbook requires ICWC to retain supporting documentation for 3 years

from the end of the federal award period. Further, the OJP Financial Guide, which ICWC was advised it needed to follow, required that, if any audit starts before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

Because we e-mailed our notification letter to ICWC advising it of our audit in April 2013, ICWC was required to retain documentation for grants with a documentation retention period that ended on or after April 2010, which included the grants listed below. As a result, we attempted to test transactions for these grants, but we were limited by the unavailability of documentation as described in Table 2.

Table 2
ICWC Transaction Testing Limitation

ICWC Sub-Grants	Sub-Grant End Dates	Document Retention Period Ends	No Records Available^a	Limited Records Available^b
NA09061601	09/30/10	Until Audit or Investigation Ends	X	
NA10071601	09/30/11	Until Audit or Investigation Ends		X
NA11081601	09/30/12	Until Audit or Investigation Ends		X
NA12091601	09/30/13	Until Audit or Investigation Ends		X

^a ICWC was not able to provide any records for the time period identified.

^b ICWC was only able to provide limited records for the time period identified, but was missing key documentation, which allowed for limited testing of drawdowns, transactions, and budget management, but did not allow for testing of matching or financial reporting.

Source: OIG analysis of records

As shown above in Table 2, ICWC was unable to provide supporting documentation or a complete set of auditable financial records for sub-grant NA09061601. As a result, we were unable to perform audit transaction testing for that grant. In addition, financial documentation we received for FYs 2011, 2012, and 2013 allowed only for limited testing of drawdowns, transactions, and budget management. We could not test matching or financial reporting. We discuss testing limitations in detail in subsequent sections in this report. Finally, the lack of adequate records adversely affected our ability to fully evaluate ICWC's progress in achieving the objectives and goals of the sub-grants. See the Program Performance and Accomplishments section of this report for more detail.

Financial Management System

The OJP Financial Guide requires that, “[a]ccounting systems should be able to account for award funds separately (no commingling of funds).” In our review of ICWC’s financial management system, we found that ICWC utilized QuickBooks for the years we reviewed. Based on the system records provided, we determined that ICWC accounted for Cal OES sub-grant funds separately from non-sub-grant transactions. However, the Cal OES General Ledgers were commingled and not separated by individual sub-grant funding. This commingling of sub-grant records limited our testing as we were unable to test transactions to ensure that they conformed to each sub-award’s terms, nor were we able to delineate how each sub-award was spent. As a result, we recommend that OJP ensure that ICWC establish written policy and procedures to separately account for each sub-grant.

We also learned that ICWC maintained more than one set of accounting records. One set of records consisted of a checkbook and check-stubs, which was managed by the Administrative Assistant and used for tracking expenditures and disbursements. ICWC’s accountant advised that this set of records was incomplete, unofficial, and used to pay bills and issue paychecks. ICWC’s accountant maintained a second set of accounting records, which she regarded as the complete and official record of ICWC’s transactions. According to ICWC’s accountant, the second official set of accounting records, consisting of a QuickBooks accounting system, had been maintained since the beginning. We identified significant unreconciled discrepancies between the two sets of accounting records. Further, in the official accounting records, ICWC’s accountant was able to change a transaction’s allocation, amount, and other details without any record of the change being recorded in QuickBooks’ audit trail. We asked about some of the discrepancies between the two sets of accounting records. ICWC’s accountant advised that some of the transactions had been edited directly rather than creating a Journal Entry to adjust and record the reason for the change in allocation. However, we were unable to obtain further information about additional discrepancies between the two sets of accounting records because ICWC stopped communication with the OIG. As a result, we could not confirm which set of records accurately reflected actual grant activity and concluded that ICWC’s accounting records were un-auditable. Therefore, we recommend that OJP require ICWC to reconcile the two sets of accounting records and explain the differences so that ICWC complies with financial management system requirements found in the OJP Financial Guide.

Regarding the official set of accounting records, we noted upon examination that in FY 2010 two different parties maintained those records. For the first half of FY 2010, a public accounting firm performed the accounting for ICWC. For the second half of FY 2010, a former employee for the same public accounting firm (later to become ICWC’s accountant) performed the accounting for ICWC. Thus, ICWC for FY 2010 had two different General Ledgers - one created by a public accounting firm and one by ICWC’s accountant. We reviewed both of the General Ledgers and found overlap as well as differences between financial records. In

addition, the cut-off date was unclear for when the public accounting firm stopped maintaining ICWC's accounting and when ICWC's accountant began her duties. We requested but did not receive enough information to reconcile the differences between the two General Ledgers. Further, neither of the General Ledgers included enough descriptive information to delineate which specific transactions belonged to which sub-grants. For example, a \$900 expense may have been split between multiple funding streams with only part of it being charged to one of the Cal OES sub-grant. We found that ICWC's records were commingled with other Cal OES sub-grants recorded in the same General Ledger. On multiple occasions, we requested from ICWC more complete financial records but did not receive any.

Financial records were not retained for sub-grant NA09061601; therefore, we could not determine if records reconciled to the audited financial statements. For sub-grant NA10071601, the audited financial statement reconciled to the financial records we received. For NA11081601, we did not receive an audited financial statement; therefore, we could not reconcile records. However, for sub-grant NA12091601, we received an incomplete General Ledger, which contained transactions through March 31, 2013. We requested but did not receive a complete General Ledger through September 30, 2013; therefore, we were unable to reconcile this incomplete General Ledger to the audited financial records. Therefore, our testing for NA12091601 was limited and was performed only up to March 31, 2013. We recommend that OJP require ICWC to maintain complete and accurate accounting records for FY 2013 and that it comply with the OJP Financial Guide regarding requirements on its financial management system.

Our ability to complete our audit testing was limited as a result of: (1) ICWC's personnel not responding to our inquiries, (2) its lack of supporting documentation for Cal OES sub-grants NA09061601, (3) its two sets of accounting records that do not reconcile, and (4) its incomplete financial records for Cal OES sub-grant NA12091601. Therefore, the scope of our audit, in terms of what we could test and review, was limited. Further, we questioned \$452,464 in reimbursements ICWC sought across 4 AICHA sub-grants for which it did not maintain auditable records with supporting documentation or respond to OIG inquiries leading to an audit scope limitation.⁴ During the audit, we also recommended a suspension for ICWC and its contractor. The entities were suspended on June 18, 2015.⁵

⁴ ICWC did not expend \$73,248 of the sub-awards NA10071601 and NA12091601 and informed Cal OES that it would not be spending those funds. Therefore, Cal OES deobligated the funds.

⁵ The System of Award Management reflects the suspension of the Indian Child & Family Services (ICFS). ICWC's Executive Director stated that ICWC was incorporated as a 501(C)(3) and also goes by the name ICFS.

Single Audit

According to the Office of Management and Budget (OMB) Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted.⁶ During our fieldwork in May 2013, ICWC provided us with the most recent Single Audit available for FY 2011, which covered the period from October 2010 to September 2011. We found that the independent auditors had issued an unqualified opinion with respect to the financial statements of ICWC as of September 30, 2011. The audit report indicated that ICWC failed to complete and submit its FY 2010 and FY 2011 Single Audit Reports within the required timeframes.

The single auditors, also included in the FY 2010 finding, found that ICWC accounting personnel were not adequately trained regarding the nature of costs that are not allowable to be paid with Federal funds. We requested the FY 2012 Single Audit Report. However, ICWC did not provide a more recent Single Audit, and as of May 2016 no additional reports were available from the Federal Audit Clearinghouse.⁷ Therefore, we were unable to review any Single Audit Reports subsequent to FY 2011.

Drawdowns

ICWC was a sub-recipient of the Cal OES and therefore drew down funds from Cal OES and not directly from the OJP. According to the Cal OES Recipient Handbook, recipients must expend cash before requesting a reimbursement and requests must not exceed the amounts approved by Cal OES in the award budget. The Cal OES requires that recipients submit a specific request for an advance of funds.

We reviewed the documentation provided by ICWC and did not note submission of any requests for advance of funds. Therefore, we reviewed all requests for funds on a reimbursement basis. Financial records were not retained for sub-grant NA09061601; therefore, we could not perform testing for this sub-grant. However, we reviewed the supporting documentation related to reimbursement requests for the period of October 1, 2010, through September 30, 2012, covering Cal OES sub-grants NA10071601, NA11081601, and NA12091601. Based on our review of reimbursements for this period, we found that ICWC did not overdraw the three sub-grants we reviewed.

⁶ OMB Circular A-133 has been superseded by 2 C.F.R. 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The new guidance for Single Audit activities, which affects all audits of FYs beginning on or after December 26, 2013, raises the audit threshold to \$750,000 in federal expenditures. Because our audited period did not fall under the new guidance, our audit criteria remained OMB Circular A-133.

⁷ The Federal Audit Clearinghouse, operates on behalf of the OMB and is the electronic submission and storage mechanism for all required Single Audits.

Expenditures

The OJP Financial Guide requires that all grant fund recipients establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them. This requirement includes adequate maintenance of financial data to record and report on the receipt, obligation, and expenditure of grant funds. According to the Cal OES Recipient Handbook, "all accounting records and supporting documentation must maintain a clear audit trail." Further, "the retention requirement extends to books of original entry, source documents, supporting accounting transactions, the General Ledger, subsidiary ledgers, personnel and payroll records, canceled checks, and related documents and records."

We tested expenditures from FY 2011 to FY 2013 but were unable to test expenditures for FY 2010. As a result, we limited our testing to 3 sub-grants (NA10071601, NA11081601, and NA12091601). As of 2013, ICWC had expended a total of \$369,288 on sub-grant-related expenses across all three of these sub-grants. We selected a judgmental sample of 99 transactions totaling \$21,355 (or 5 percent of the total award amount) from the sub-grants in order to determine if costs charged to the grant were allowable, properly authorized, adequately supported, and in compliance with grant terms and conditions. The expenditures we selected included travel, supplies, consulting, and other expenditures.

According to ICWC's policy for approving check requests, the invoice or bill had a stamp for clerical accuracy and was signed and approved by the Executive Director for payment. We found 89 of the 99 reviewed transactions lacked supporting documentation or a proper approval. Table 3 contains information regarding the results of our transaction testing.

Table 3
Total ICWC Dollar Amount Tested and Dollars Questioned

Sub-grant Number	Selected	Unsupported Transaction Questioned
NA10071601	\$6,489	\$ 4,808
NA11081601	7,344	7,224
NA12091601	7,522	7,522
Total	\$21,355	\$19,554

Source: OIG analysis of ICWC's records.

Based on our testing, we determined that 89 transactions were unsupported. We attempted to contact ICWC accounting and management personnel to obtain

clarification and documentation necessary to resolve the deficiencies identified. We provided ICWC's accountant with all exceptions noted in our transaction testing and the accountant did not respond to our requests for additional information related to these transactions. We recommend that OJP ensure that ICWC remedies \$19,554 in expenditures that lacked supported invoices or were not properly authorized.

Personnel

The OJP Financial Guide requires ICWC to prepare timesheets that reflect after-the-fact periodic distribution of the actual activity of each employee and be signed by the employee and approved by a supervisory official. 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 the program and were consistent with the Cal OES-approved budget and (2) if the salary and fringe benefit expenditures were adequately supported.

We obtained a list of employees paid using sub-grant funds from ICWC's Financial Officer. We compared the list of personnel working on grant-related activity to the approved positions in the Cal OES-approved grant budget. We determined that the positions were within the intent of the program and were consistent with ICWC's payroll records and supporting timecards.

We judgmentally selected and reviewed 24 payroll transaction records and supporting time cards from the 3 sub-grants we tested. ICWC did not provide supporting documentation for all three of the selected payroll transactions for October 2010. We recommend that OJP ensure ICWC remedy \$2,629 for three ICWC payroll transactions from October 2010 that were unsupported. Out of the remaining 21 payroll transactions, we found that five time cards lacked a supervisor's signature but were signed by the Executive Director. However, we also reviewed one employee's functional timesheet for one of the selected pay periods and found it was not signed by a supervisor or the Executive Director. Therefore, ICWC failed to sign and certify one timecard as required by the OJP Financial Guide. According to the OJP Financial Guide, when employees are funded by several awards, timesheets are to be certified which attest that sub-grant hours spent were delineated and allocated appropriately to the Cal OES sub-grants. As this occurred only one time in the timesheets we sampled, we did not take exception to this issue.

Indirect Costs

We found that ICWC did not have an approved indirect cost rate. ICWC's methodology for allocating indirect costs was based on a percentage of clients it forecasted to serve with Cal OES monies. This percentage was fluid and changed annually. We requested and were not provided any additional information to support the rates used by ICWC. Therefore, we find ICWC's method for allocating indirect costs was not supportable. As a result, we recommend that OJP ensure

that ICWC remedies \$68,508 in unsupported questioned indirect costs across three sub-grants.

Accountable Property

According to the OJP Financial Guide, property acquired with grant funds should be used for the purposes stated in the grant application. Further, grant recipients must maintain records on the source of property items that were acquired using grant funds. We identified at least one transaction that included property purchases, a \$145,569 motorhome. The motorhome purchased in September 2007 was identified in the award documentation as being used by ICWC personnel to provide remote services to its AICHAT program clients. We discussed its use with an ICWC employee responsible for using the vehicle and found that their description of the vehicle's use aligned with the purpose stated in the award. We viewed the motorhome and its contents as well as the supporting documentation for purchase of the vehicle. We found that the item was documented, recorded in the accounting system, and available for inspection.

Matching

28 C.F.R. Part 70 requires that costs and contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the recipient's records. To the extent feasible, volunteer services must be supported by the same methods that the organization uses to support the allocability of regular personnel costs. Additionally, match amounts should not be counted towards other federal costs-sharing requirements or paid for by other federal grants (except as authorized by federal statute). In addition to the requirements in 28 C.F.R. Part 70, VOCA awards require that all sub-recipients provide a 20 percent match. The match required by VOCA may be reduced to 5 percent for Native American Tribes or Organizations located on a reservation, or waived for U.S. territories, U.S. possessions, and in cases where extreme need is documented. Furthermore, Cal OES requires that match contributions be reported as the expenditures occur and, if the full match is not expended before the grant expires, Cal OES will invoice the recipient for funds allocated that did not meet their match.

ICWC's budget identified an in-kind match of approximately 5 percent for each award. However, ICWC was not located on a reservation and therefore should have been required to provide a 20 percent match. We found that Cal OES personnel erroneously identified ICWC as being located on a reservation, and therefore incorrectly indicated that ICWC qualified for the reduced 5 percent match. In addition to not being on a reservation, we determined that no waiver to reduce the match amount had been submitted by ICWC to the Cal OES. Therefore, the required 20 percent match for an off-reservation entity across the 4 sub-grants totaled \$105,143 while ICWC only committed a 5 percent match totaling \$27,670. As seen in Table 4, there is a shortfall in match in the amount of \$77,473.

Table 4
Difference of Required and Applied Match

Sub-grant	Required Match Amount (20 percent)	Applied Match Amount	Difference
NA09061601	\$25,000	\$6,579	(\$18,421)
NA10071601	\$26,540	\$6,984	(\$19,556)
NA11081601	\$27,872	\$7,335	(\$20,537)
NA12091601	\$25,731	\$6,772	(\$18,959)
Total	\$105,143	\$27,670	(\$77,473)

Source: OIG analysis of the Cal OES records.

We attempted to test a sample of match transactions from FYs 2010 to 2013. However, we did not receive enough information to perform our testing. For FY 2010, we received a General Ledger; however, as discussed previously, we found that FY 2010 had an unexplained overlap in accounting between two General Ledgers for the same FY. For FY 2011, we received a General Ledger with no match transactions. We requested confirmation of whether match transactions were recorded in the FY 2011 General Ledger, however, ICWC's Accountant did not respond to our request for information. For FY 2013, we received a General Ledger for only two thirds of the FY. Due to discrepancies and incomplete financial records, we were unable to test match transactions for all the fiscal years.

Furthermore, while we received a General Ledger with match transactions for FY 2012, ICWC's accountant could not tell us how she arrived at the amount reported to Cal OES for match transactions. ICWC's accountant informed us that ICWC did not maintain a formal policy or procedure documenting the methodology used to determine how match expenditures are identified and allocated. As a result of ICWC's inability to explain how match was determined, allocated, and supported, we were unable to replicate ICWC's match reporting procedures for testing purposes in an effort to ensure that costs reimbursed were accurate and supported. We recommend OJP ensure that ICWC remedy \$105,143 in unsupported questioned costs for the portion of ICWC's matching requirement in which ICWC could not provide sufficient documents nor could it explain how match was determined, allocated, and supported.

Budget Management

According to the OJP Financial Guide, the recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. In our assessment of budget management for sub-grants NA10071601 and NA11081601 - we do not have reportable exceptions.

For sub-grant, NA09061601, we received a General Ledger that was not suitable for testing purposes and it did not contain Cal OES specific transactions. As previously mentioned in the Scope Limitation section, the information we received for this sub-grant included a General Ledger that overlapped and we were not able to reconcile this information nor did ICWC explain the overlap. We were therefore unable to test budget management and control for that sub-grant. For sub award NA12091601, we received a General Ledger for only two thirds of the year, so we were unable to test the entire year's transactions against the approved budget. As we stated earlier in the report, we recommend that OJP ensure that ICWC provide a complete and accurate General Ledger for FY 2010 and FY 2013 and show compliance with the OJP Financial Guide regarding requirements on its financial management system.

Monitoring of Sub-recipient and Contractors

According to 28 C.F.R. Part 70.47, "a system for contract administration must be maintained to ensure that contractor conformance with the terms, conditions, and specifications of the contract and to ensure adequate and timely follow up of all purchases." We requested ICWC policy and procedure but did not receive any policy regarding a contract administration system. We determined that ICWC did not have a contract administration system. ICWC had a significant amount of sub-grant funds, approximately \$301,100, budgeted for its contract services. We noticed the contract position of Licensed Clinical Psychologist represented approximately \$249,000 dollars (83 percent) of budgeted contract services. Due to the high allocation of funds to contract services, we recommend that OJP ensure that ICWC create a contract administration system to ensure compliance with sub-grant terms, conditions, and specifications as required.

Monitoring of Contractors

We reviewed ICWC oversight of its contractors, the rates charged by those contractors, and the supporting documentation provided by ICWC for the work performed and compensation received by these contractors. For one contractor, we found that it was a less-than-arms-length relationship and that the contractor's compensation was unreasonable.

Less-than-Arm's Length Relationship

We found a former ICWC employee, the Licensed Clinical Psychologist, married the Executive Director. To ensure proper oversight for her responsibilities, ICWC changed her position from an employee position to a contract position. According to sub-grant documentation, the Licensed Clinical Psychologist is supervised by ICWC's Board of Directors, which is comprised of Native American Tribal representatives from various tribes in Southern California and the San Bernardino County Indian Health, Incorporated. We reviewed the monitoring of contractors to ensure proper administration of sub-grant funds and oversight in an effort to ensure effective accountability and control. We requested documentation

pertaining to contract administration but were not provided with any policy or procedure regarding the Board of Director's supervision of the Licensed Clinical Psychologist.

We also reviewed the Licensed Clinical Psychologist billing invoices and found that they did not contain time and attendance reports with specific time in or time out information and included little detail describing the types of services provided. We found that the Licensed Clinical Psychologist invoices either lacked approval signatures from the Board of Directors or were approved by her husband, ICWC's Executive Director. We inquired how the Licensed Clinical Psychologist performance is assessed. The Project Director advised that community feedback served to inform her of the quality and effectiveness of the Licensed Clinical Psychologist's performance. ICWC's Project Director stated there was no contractor monitoring of which she was aware. In December 2016, we learned that Cal OES was aware of the relationship between the Executive Director and the Licensed Clinical Psychologist. According to a Cal OES official, ICWC signed assurances that the ICWC's Board of Directors would alone monitor and supervise the Licensed Clinical Psychologist and sign her invoices. Specifically, Cal OES stated it would not accept for either the Executive Director or the Office Manager to monitor or supervise the Licensed Clinical Psychologist. In our review of the Licensed Clinical Psychologist's consulting agreements, ICWC's Board of Directors was supposed to provide oversight of ICWC's Licensed Clinical Psychologist. There was no evidence the Board of Directors reviewed her invoices or her performance. Therefore, we recommend that OJP ensure that ICWC's Board of Director has sufficient oversight of ICWC's contractors and that this oversight is documented in written policies and procedures.

Written Contract

According to the Cal OES Recipient Handbook "there must be a signed, written agreement between the organization and independent contractor specifying the contract period, compensation rate, duties or obligations, and any other conditions of employment." Through the course of fieldwork, we obtained three consulting agreements between the Licensed Clinical Psychologist and ICWC with effective dates in May 2005, October 2008, and October 2011. We were not provided any written contracts between the Licensed Clinical Psychologist and ICWC to cover the periods from May 2005 to October 2008 to October 2011. The Cal OES Handbook requires contracts to designate the parties to the contract, the period of performance, the maximum amount of payment, and a clear and complete statement of the work or services to be performed, rendered or provided. If ICWC continues to contract with a Licensed Clinical Psychologist, Cal OES should require an ICWC contract to include this information. Further, we believe it would be beneficial to have a contractual agreement that describes pertinent duties, responsibilities, deliverables, billing specifications and any other conditions for employment. We recommend that OJP ensure that ICWC create an adequate contract administration system to ensure ICWC require contractual agreements to

include duties, responsibilities, deliverables, billing specifications and any other conditions for employment.

Excessive Compensation to the Contractor

In June 2015, ICWC was suspended and prohibited from receiving future federal funding until March 9, 2017. The action was taken based on concerns related to: (1) indications of misappropriation of federal funds by the Licensed Clinical Psychologist; (2) above average and excessive compensation to the Licensed Clinical Psychologist; (3) a conflict of interest between the Executive Director (husband) and Licensed Clinical Psychologist (spouse); (4) inadequate financial controls; and (5) failure to produce OIG requested information and documents.

The OJP Financial Guide and Cal OES Recipient Handbook state the maximum rate for independent contractors is \$450 for an 8 hour day, which equates to an hourly rate of \$56. According to ICWC applications for the Cal OES sub-grants, the Licensed Clinical Psychologist's hourly rate was \$60. ICWC submitted a sole source request to the Cal OES and provided several reasons for accepting a contractor above the maximum rate. ICWC officials stated that the current market rate for a similar position in ICWC's service area was far above the Licensed Clinical Psychologist hourly rate of \$60. Further, ICWC justified that its Licensed Clinical Psychologist possessed unique qualifications, had been with the Cal OES AICHAT program since its inception, and had culturally adapted programs towards serving the American Indian community. We found that ICWC reported annual compensation for the Licensed Clinical Psychologist between \$76,660 and \$181,900 annually on its Form - 990s between 2002 and 2010. Total compensation from 2002 and 2010 totaled \$1,313,202. The Cal OES did not take exception to the non-competitive bid or a higher rate. Cal OES officials stated that they were unaware of the overall compensation flowing to the Licensed Clinical Psychologist.

From the evidence presented, it appeared that ICWC was applying and receiving several grants to support programs similar to its AICHAT program. There were concerns of multiple reimbursements for the same program from different federal agencies. It has been noted that the Licensed Clinical Psychologist's timesheets did not appropriately delineate time spent on multiple grants. Further, the amount of hours claimed for reimbursement often exceeded reasonable daily working hours. Based on the foregoing and the less-than-arm's-length section, we recommend to OJP that ICWC remedy \$433,758 in unallowable questioned costs for payments to a contractor who received excessive compensation, and for which ICWC management had a less-than-arm's length relationship.

ICWC's Accountant and Public Accounting Firm

We learned from ICWC's accountant that there are other contractors who performed accounting functions – ICWC's accountant and a public accounting firm. However, ICWC did not provide a contractor agreement with these contractors and

did not provide information regarding oversight of their activities, assessments of their performance, or how the rate of compensation was determined. We were unable to test the payments to or oversight of these contractors.

Reporting

As a sub-recipient of VOCA funding, ICWC was required to provide both financial and Progress Reports. We obtained and reviewed ICWC's financial and Progress Reports to determine the accuracy of the information ICWC provided to Cal OES in its reports. The sections below discuss in more detail our findings related to these required reports.

Financial Reports

Sub-recipients of VOCA funds are not required to submit Financial Status Reports (FSRs) or Federal Financial Reports (FFRs). Instead, they are required under the VOCA guidelines to comply with criteria established by the state grantee. We reviewed the Cal OES Recipient Handbook for relevant reporting requirements and found that sub-recipients are required to submit a Report of Expenditure and Request for Funds for costs incurred.

We discussed the procedure and sources of information used for submission of financial reports with ICWC's accounting personnel. We determined that the ICWC did not have a formal procedure to ensure accurate preparation of financial reports. We reviewed an example report with ICWC's accounting personnel in order to obtain an understanding of the informal process. ICWC's accountant informed us that expenditure transactions were entered into the General Ledger and the maximum allocation to Cal OES sub-grants is 13 percent. This percentage was derived from the number of clients expected to serve. This percentage is fluid and was determined annually. This methodology is not a supportable methodology. ICWC should have been filing financial reports that documented the actual expenditures incurred and not estimates or percentages.

We then compared the example financial report from January 2012 to ICWC's grant General Ledger. We found discrepancies between the expenditures recorded in the General Ledger and those reported to the Cal OES totaling \$4,188, which totaled approximately 60 percent of the General Ledger expenditures identified for that one month. We asked ICWC's accountant to identify the reason for the discrepancies. ICWC's accountant advised that in some cases the existing transaction records were edited subsequent to submitting the financial report. ICWC's accountant also confirmed that this was a direct edit to the transaction rather than using an adjusting journal entry. With direct edits and no adjusting journal entries, a clear audit trail was not maintained. Whenever direct edits are made to a prior period for a financial report, then the financial report is going to differ from the General Ledger. Based on direct edits to transactions in the general ledger without an audit trail, we could not reconcile the financial reports to the General Ledger and OIG auditors were unable to test the accuracy of

financial reports. We recommend that OJP ensure that ICWC develops policy and procedure to facilitate accurate financial reporting.

Progress Reports

According to the OJP Financial Guide, grant recipients are required to submit Progress Reports describing activities or progress in accomplishing award objectives on a semi-annual basis. According to the Cal OES Recipient Handbook, "Cal [OES] requires one Status Report and two Progress Reports for the grant period." In November 2012, Cal OES staff performed a site visit and recommended that ICWC strengthen its project's data collection process to ensure program data was accurately captured in its Progress Reports. It was noted in the site visit report that there was discrepancy in data reported in the Progress Report and supporting documentation. This observation by Cal OES staff coincides with our conclusion of the accuracy of Progress Reports.

To test the accuracy of the Progress Reports for sub-grants NA10071601, NA11081601, and NA12091601, we reviewed AICHAT program participant's case files and compared it to the data reported to the Cal OES. We reviewed these case files for the services provided to clients. Our testing sample included the second half of NA10071601 and the full NA11081601 sub-grant. Additionally, as of December 2013, ICWC decided to discontinue acceptance of AICHAT Program funding. Therefore, case file information for the second half of NA12091601 was unavailable for our review. Although NA09061601 should have been available for testing, ICWC did not maintain those records. Therefore, we were unable to test this sub-grant.

Nonetheless, we compared the case file data with the data reported in ICWC's submitted Progress Reports for the corresponding time periods. We found that there were discrepancies, both over-reporting and under-reporting, in all three progress reports we reviewed for the three sub-grants. Table 5 includes the results of our review of ICWC progress report accuracy.

Table 5
Progress Report Accuracy

Services	Progress Report Numbers	Case File Testing Totals^a	Difference (Over) or Under Reported
NA10071601			
Third and Fourth Quarters: 04/01/11 – 09/30/11^b			
Assistance in Providing Information on Crime Victim Compensation Services	14	18	4
Assistance in Understanding and Helping the Child to Prepare to Participate in the Criminal Justice System	8	12	4
Group Treatment or Support	0	11	11
Provide Psychotherapy Services and Culturally Centered Therapy	0	0	0
Provide Culturally Centered Therapy	14	21	7
Information and Referral (In Person)	14	10	(4)
Personal Advocacy	14	0	(14)
Follow Up	14	21	7
NA11081601			
Full Year: 10/01/11 – 09/30/12			
Assistance in Providing Information on Crime Victim Compensation Services	42	38	(4)
Assistance in Understanding and Helping the Child to Prepare to Participate in the Criminal Justice System	20	19	(1)
Group Treatment or Support	37	33	(4)
Provide Psychotherapy Services and Culturally Centered Therapy	42	29	(13)
Provide Culturally Centered Therapy	33	66	33
Information and Referral (In Person)	42	46	4
Personal Advocacy	42	0	(42)
Follow Up	42	67	25

NA12091601			
First and Second Quarters: 10/01/12 – 03/31/13^c			
Assistance in Providing Information on Crime Victim Compensation Services	15	1	(14)
Assistance in Understanding and Helping the Child to Prepare to Participate in the Criminal Justice System	13	1	(12)
Group Treatment or Support	7	2	(5)
Provide Psychotherapy Services and Culturally Centered Therapy	7	7	0
Provide Culturally Centered Therapy	6	7	1
Information and Referral (In Person)	15	5	(10)
Personal Advocacy	0	2	2
Follow Up	15	10	(5)

^a For purposes of our analysis, the ICWC Project Director provided auditors with information on how information recorded in the service narrative forms in the case files was translated into Progress Report information.

^b Only the second half of the project period for NA10071601 was selected for testing with the intention to expand the sample if issues were identified. However, since ICWC ceased communication with the OIG, we were unable to follow up with discrepancies for this selection and did not expand our testing due to the scope limitation.

^c After comparing the semiannual and final progress reports for NA12091601, auditors determined that the ICWC submitted no additional program performance data for April 1, 2013, to September 30, 2013.

Source: ICWC Progress Reports and case files.

As Table 5 illustrates, ICWC's Progress Reports for NA11081601 and NA12091601 were more inaccurate than for NA10071601. For sub-grant NA10071601, ICWC primarily underreported its program metrics we tested. However, for sub-grants NA11081601 and NA12091601, ICWC over-reported a majority of its program metrics we tested. For example, our review of the NA11081601 data indicated that ICWC over-reported its entire reported statistic for personal advocacy, reporting 42 instances of personal advocacy with no evidence in the case files supporting this number. We were not able to obtain explanations of these discrepancies because ICWC ceased communications with the OIG. We recommend that OJP ensure ICWC submits accurate progress reports and maintains adequate support for its progress reports.

Sub-grant Requirements

We reviewed ICWC's compliance with special conditions included in its award documentation. An ICWC official signed a certificate of assurances that it will comply with conditions as stated in the award documents. One of the assurances is compliance with the OJP Financial Guide and the Cal OES Recipient Handbook. As stated in this report, we found material non-compliance with the OJP Financial Guide and the Cal OES Recipient Handbook. Auditors tested an additional six to seven special conditions for the sub-grants reviewed and did not find any reportable instances of material non-compliance.

Program Performance and Accomplishments

The goal of ICWC is to provide culturally centered services to American Indian children living in Riverside, San Bernardino, and San Diego counties. As stated previously, the Cal OES awarded ICWC a total of \$553,386 through 4 sub-grants. The objective of these sub-grants was to provide Psychotherapy (Treatment Services) that: (1) were clinically therapeutic and culturally centered to child abuse victims; (2) offered assistance in providing information on Crime Victim Compensation Services and referrals to the local victim or witness assistance center for child abuse victims; (3) provided assistance in helping child victims in understanding and preparing for participation in the Criminal Justice System by providing referrals to local victim or witness assistance centers; and (4) trained and provided project related services through the use of volunteers.

ICWC Programs

In its program narratives, ICWC stated its intention to implement the following projects with the AICHA funding: the Indian Family Wellness Assessment, Little Stars, the SPIRIT Incredible Years Parenting Program, and the SPIRIT Program. For the Little Stars program, ICWC's website described it as a program with various activities and parent child interaction therapy with the goals being to promote school readiness and success as well as "to promote cultural pride and reading; and parent-child play to strengthen the parent-child relationship." Likewise, we believe that the description of the SPIRIT Incredible Years Parenting Program seemed to focus on skills for parents: "[p]arents learn tools to strengthen their relationship, promote their child's talents and skills, and promote cultural pride." The website further stated that this program was helpful for both new and experienced *parents*. ICWC's website listed the Indian Family Wellness Assessment as a program, but described it as a, "two session motivational interviewing tool designed to help American Indian *parents* identify ways to increase protection for their children." We found that neither the SPIRIT Incredible Years Parenting Program nor the Indian Family Wellness Assessment website descriptions mentioned helping American Indian *children* who are victims of crime as the stated objectives of the sub-grants required.

Further, one of ICWC's programs appeared to violate the VOCA Guidelines. The SPIRIT Program was described as a community-research collaboration with the purpose of supporting American Indian families in raising happy, healthy children and preventing adolescent drug and alcohol use with a mission to conduct research that promoted the health of American Indian children and families. The website further stated that the goal was to make ICWC's research findings available to families, communities, and professionals. According to the VOCA Guidelines, VOCA funding, "may not be used to pay for efforts conducted by individuals, organizations, task forces, or special commissions to study or research particular crime victim issues." While onsite, ICWC's Clinical Psychologist stated that no research was conducted through the Cal OES grant. As previously mentioned,

there was a scope limitation and we were unable to obtain sufficiently detailed financial information to discern specifically how ICWC utilized this sub-grant funding to verify this statement. Because we were unable to obtain and review complete financial information, we were also unable to make a determination on how specifically ICWC expended its Cal OES sub-grant funding through its various programs.

We spoke with ICWC personnel while onsite about the work performed through its implemented programs in furtherance of ICWC's accomplishment of the Cal OES sub-grant objectives. We found that the descriptions of their program work were consistent with the website descriptions. One case manager described the group meetings she supervised as consisting of "children making rattles and dragonfly tails" and that ICWC held day camps in the summer. Another ICWC case manager described her work related to Parent Child Interaction Therapy sessions as consisting mostly of interaction with the parents, not the children.

Additionally, as previously mentioned in this report, ICWC did not provide us with the financial information necessary to determine how much of the funding from the 4 sub-grants was provided to each of their programs. This scope limitation prevented us from completing full testing to determine the extent to which each was funded with VOCA funding through the sub-grants to ICWC. However, based on the work we performed and ICWC's inability to provide adequate documentation supporting how the sub-grant funding was expended, we believe that these ICWC programs, which were listed in its narratives for sub-grants of Cal OES VOCA funding, did not appear to adequately address the objectives of the Cal OES sub-grants by providing services to American Indian children who are victims of crime. As a result, we question the 4 Cal OES sub-grants to ICWC totaling \$452,464.

ICWC Case File Review

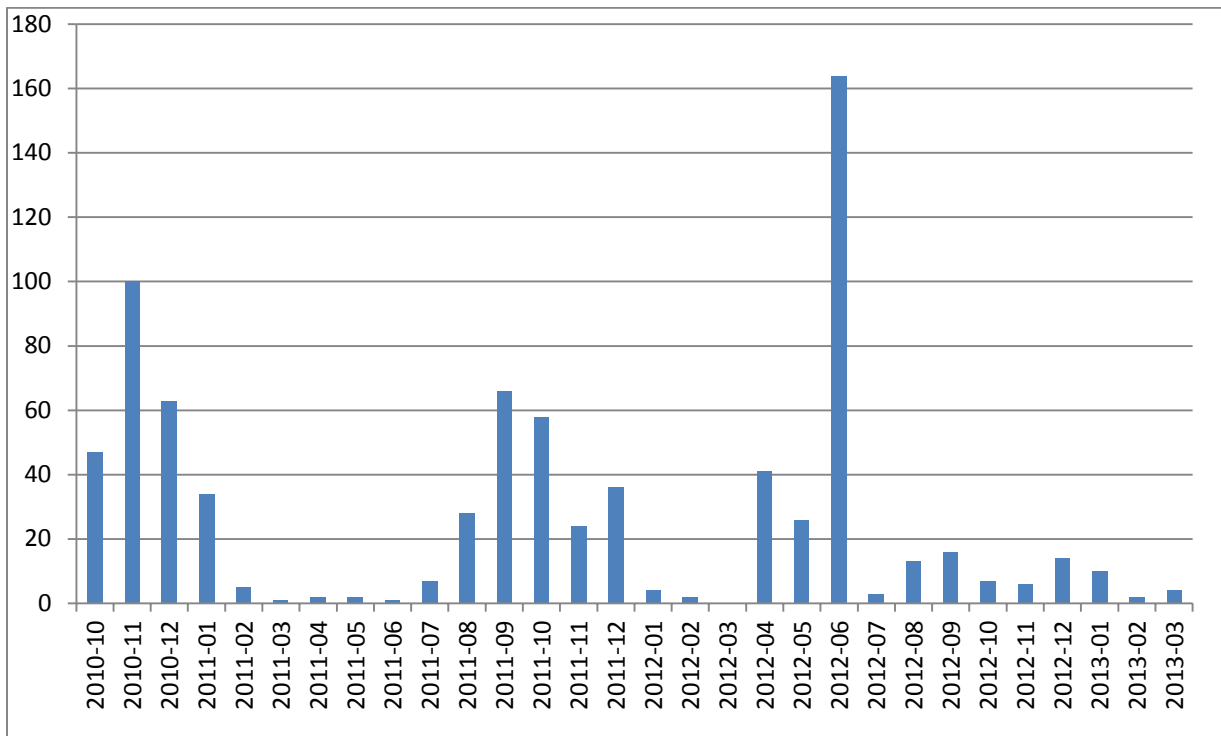
We received and reviewed documentation in 165 case files containing client information related to ICWC sub-grants that included sub-grant numbers NA10071601, NA11081601, and NA12091601.⁸ Documentation in the case files included forms describing the client's mental status, any life events that precipitate problems, parental history, a developmental history, what services were provided, who the provider was, client name, service goals, and future services recommendations. We generally identified issues with these forms which caused us to question the authenticity of ICWC client files we reviewed.

ICWC client files generally included one or more service narrative forms. Besides the date and client name, each ICWC service narrative included information

⁸ The case files did contain limited information relating to sub-grants NA08051601 and NA09061601. The service narratives dated during these sub-grant periods accounted for 26 percent of those we reviewed. However, we determined that ICWC was not required to retain documentation pertaining to NA08051601 and that overall, documentation related to NA09061601 was not retained.

on what type of session was provided to the client, whether the service was scheduled or unscheduled, the focus and goals of treatment, and handwritten notes regarding the child’s functioning in the session. This form was then signed by the ICWC employee that provided the service. We reviewed the service narrative forms in the 165 client files we were provided and noted the case file number and the year and month in which each form was dated. The results of this review, specifically for October 2010 through March 2013, are provided in Figure 1, below.

Figure 1
Total Number of Service Narratives within the Case Files Reviewed with Activity Noted by Month and Year for the Time Period of October 2010 through March 2013



Source: OIG Auditor Analysis of ICWC Client Files

As the above figure illustrates, the client files indicated an erratic provision of services to clients. In June 2012, there were over 160 services provided to clients but there were no services at all provided in March 2012. While it is expected to see some variation in the provision of services, we believe the large spans of time during which very few services were provided followed by significant increases appears anomalous. For example, the 6 month span of February 2011 through July 2011 in which less than 10 services were provided each month is followed by a period of 5 months in which there was no fewer than 24 services provided in each month.

Furthermore, the service narratives from June 2012 accounted for 42 percent of the total 387 service narratives recorded for FY 2012. We reviewed the client files with service narratives dated June 2012 more closely and determined that 95 percent (156) of these 164 service narratives dated in June 2012 were dated on just 4 days in a row within this month – June 18, 19, 20 and 21. We further found that the 164 total service narrative forms for June 2012 related to only 14 different clients. We believe that 14 clients receiving a total of 164 services in June 2012, with the majority of these in just 4 days, is not credible. Finally, the case worker who signed 52 service narratives in June 2012, or 39 percent of her total service narratives for FY 2012, completed 13 service narratives on each of the 4 days. However, this case worker reported 32 hours of VOCA-related hours on her functional timesheet but only 16 of these hours were for dates following these 52 service narratives. In comparison, this same case worker the month before, in May 2012, only completed 4 service narratives and reported 32 hours of VOCA-related hours on her functional timesheet. Based on the foregoing, we believe that ICWC's reported time worked related to this program is questionable. However, because ICWC ceased communicating with the OIG, we could not resolve questions that remain about these issues.

Additionally, during the client file review, we observed issues that call into question the authenticity of the client files reviewed. We noted that on multiple forms the signature of the Licensed Clinical Psychologist appeared to be a photocopy instead of an original signature. We also observed that some forms appeared to have been photocopied from previous clients, noting that for several client files there were narrative and intake forms that appeared to be identical to one another except for the case number. Moreover, some of these intake forms, which were identical in substance, had the case file numbers whited out and written over with a different case file number. We believe this is indicative of recycling these forms for different clients rather than completing a unique form for every client as services are provided. Therefore, we believe the documentation included in the client files is questionable.

We also reviewed ICWC's stated performance goals in its application for AICHAT Program funding against the information obtained from the review of ICWC case files mentioned in the Progress Report section, above. We compared the performance goals in ICWC's application for sub-grant NA11081601 against the case file service testing totals for the corresponding time period to determine whether ICWC achieved its performance goals for this sub-grant. We selected this specific year as it was the only sub-grant for which we had complete data. See Table 6 for the results of this comparison.

Table 6
Sub-grant NA11081601
Achievement of Performance Goals

Services	Performance Goals from Application in Clients to be Served	Case File Testing Client Totals
Assistance in Providing Information on Crime Victim Compensation Services	40	38
Assistance in Understanding and in Helping the Child to Prepare to Participate in the Criminal Justice System	20	19
Provide Culturally Centered Therapy	30	66
Provide Psychotherapy Services and Culturally Centered Therapy	10	29

Source: OIG analysis of ICWC documentation

Our analysis led us to conclude that ICWC met its performance goals as stated in its NA11081601 sub-grant application for two of the four performance metrics. Although it came close, ICWC did not meet its performance goals for the two metrics that specifically focus on crime victim services: (1) assistance in providing information on crime victim compensation services; and (2) assistance in understanding and in helping the child to prepare to participate in the criminal justice system.

As described in the preceding paragraphs of this section, we identified issues with ICWC's performance in its sub-grants. We noted that: (1) ICWC could not provide evidence that it was adequately addressing the objectives of the Cal OES sub-grants by providing services to American Indian children victims of crime; (2) reported time worked related to this program was questionable; and (3) ICWC's case files contained characteristics which caused us to question their accuracy and authenticity. Given these issues and the fact that ICWC stopped responding to our inquiries, we were unable to determine whether ICWC met the goals and objectives of the sub-grants. We believe there is a strong indication that they did not. In sum, because we are unable to make a reasonable determination as to program performance and accomplishments, we question \$452,464 in costs across 4 AICHAT sub-grants.

Post End Date Activity

According to the Cal OES Grant Recipient Handbook, the final Progress Report is due to Cal OES no later than 30 calendar days after the conclusion of the Grant Award period and the final financial report no later than 30 calendar days after the end of the 90 day liquidation period. For all three sub-grants for which financial reports were retained, the final Progress Reports were submitted timely.

Conclusion

As a result of our audit testing, we concluded that ICWC did not appropriately manage sub-grants that we reviewed and did not demonstrate adequate progress towards achieving AICHAT's stated goals and objectives. We did not find significant issues regarding accountable property and post-end date activity. However, we found that ICWC did not comply with essential award requirements in 7 of the 10 areas we tested. Additionally, ICWC stopped responding to the OIG's documentation requests and inquiries. Furthermore, some of the financial records we received were not auditable, including overlapping General Ledgers for FY 2010, incomplete General Ledger for FY 2013, and ICWC's use of two sets of accounting records. We also determined that ICWC failed to establish internal controls to allow for adequate safeguarding of sub-grant funds. ICWC's internal control environment either lacked or had insufficient policy or procedures regarding (1) processing and payment of payables; (2) requests for reimbursements; (3) payroll; (4) match transactions; (5) contract administration; and (6) financial reporting. We also noted a lack in separation of duties amongst financial functions that should remain segregated and vital security precautions in their financial management system.

Through our audit work, we found issues with ICWC's financial records and \$19,554 in transactions that lacked supported invoices or were not properly authorized. Additionally, we found a match shortfall totaling \$77,473 across 4 sub-grants.

Furthermore, ICWC has been suspended from receiving federal assistance due to potential misuse of funding by one of their primary contractors. We determined that ICWC does not have a contract administration system and identified \$433,758 in excessive compensation paid to a contractor and a less-than-arm's length relationship between ICWC's contractor and ICWC's Executive Director. Our review of Progress Reports noted inaccuracies and our review of program performance identified significant issues. Overall, we question if AICHAT program objectives were met and the authenticity of the client services narratives. As a result of these significant issues, we question \$452,464 related to ICWC's 4 AICHAT sub-grants and make 10 recommendations.

Recommendations

We recommend that OJP:

1. Remedy \$995,619 in unsupported questioned costs across 4 AICHAT sub-grants for the following issues:
 - a. Remedy \$452,464 because we were unable to make a reasonable determination as to program performance and accomplishments.
 - b. Remedy \$452,464 in reimbursements that ICWC sought across 4 AICHAT sub-grants for which it did not maintain auditable records

with supporting documentation, or respond to OIG inquiries leading to an audit scope limitation.

- c. Remedy \$19,554 in expenditures that lacked supported invoices or were not properly authorized.
 - d. Remedy \$68,508 in unsupported questioned costs across 3 sub-grants for an unsupported indirect cost methodology.
 - e. Remedy \$2,629 for 3 ICWC payroll transactions from October 2010 that were unsupported.
2. Remedy \$433,758 in unallowable questioned costs for payments to a contractor who received excessive compensation, and for which ICWC management had a less-than-arm's length relationship.
 3. Remedy \$105,143 in unsupported questioned costs for the portion of ICWC's matching requirement in which ICWC could not provide sufficient documents nor could it explain how match was determined, allocated, and supported.
 4. Ensure that ICWC establish internal controls for the processing and payment of funds such that they are adequate to safeguard sub-grant funds and ensure compliance with sub-grant terms and conditions.
 5. Ensure that ICWC establish written policy and procedures to separately account for each sub-grant.
 6. Require ICWC to reconcile the two sets of accounting records and explain the differences and provide a complete and accurate General Ledger for FYs 2010 and 2013 so that it shows compliance with the OJP Financial Guide regarding requirements on its financial management system.
 7. Ensure that ICWC create a contract administration system to ensure compliance with sub-grant terms, conditions, and specifications as required. Further, the contract administration system should be adequate to ensure that contractual agreements include duties, responsibilities, deliverables, billing specifications, and any other conditions for employment.
 8. Ensure that ICWC's Board of Directors has sufficient oversight of ICWC's contractors and that this oversight is documented in written policies and procedures.
 9. Ensure that ICWC develops policy and procedure to facilitate accurate financial reporting.
 10. Ensure that ICWC submits accurate progress reports and maintains adequate support for its progress reports.

APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether costs claimed under the sub-grants to ICWC were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the sub-grants. To accomplish this objective, we assessed performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) sub-grant requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that program income was not applicable to the sub-grants.

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 objectives.

Table 1
Cal OES Sub-grants Awarded to ICWC

Sub-grant Number	Sub-grant Start Date	Sub-grant End Date^a	Sub-grant Amount^b
NA04011601	10/01/04	09/30/05	\$ 141,133
NA05021601	10/01/05	09/30/06	131,579
NA06031601	10/01/06	09/30/07	290,551
NA07041601	10/01/07	09/30/08	131,579
NA08051601	10/01/08	09/30/09	140,858
NA09061601	10/01/09	09/30/10	131,579
NA10071601	10/01/10	09/30/11	139,684
NA11081601	10/01/11	09/30/12	146,696
NA12091601	10/01/12	09/30/13	135,427
Award Total			\$1,389,086

Source: Cal OES

Our audit covered, but was not limited to, activities that occurred between the start of sub-grant NA04011601 on October 1, 2004, through December 2013, the last date that we received records and information from ICWC before it stopped responding to our requests and inquiries. This time period covered 9 sub-grants

totaling \$1,389,086 which the Cal OES awarded to ICWC from the \$382 million that OJP's Office for Victims of Crime awarded to the Cal OES. However, our audit focused on the 4 sub-grants, (NA09061601, NA10071601, NA11081601, and NA12091601) that Cal OES awarded to ICWC, a total of \$553,386, because the remaining 5 sub-grants totaling \$835,700 (NA04011601, NA05021601, NA06031601, NA07041601, and NA08051601) were outside the record retention period. Additionally, during our audit, we learned that ICWC failed to retain financial records for NA09061601 as required and therefore, we were unable to perform detailed testing on these this sub-grant.

To accomplish our objective, we tested ICWC's compliance with what we considered to be the most important conditions of the sub-grants. Unless otherwise stated in our report, the criteria we audited against are contained in the OJP Financial Guide, award documents, Code of Federal Regulations, Office of Management and Budget Circulars, and the Cal OES Recipient Handbooks. In conducting our audit, we tested the following:

- **Internal Control Environment.** To determine whether ICWC's financial management procedures adequately safeguarded sub-grant funds and ensured compliance with grant conditions, we performed sample testing of sub-grant expenditures. ICWC personnel were unable to provide a complete set of auditable records for the NA09061601 award. Therefore, our review of financial management is largely limited to sub-grants NA10071601, NA11081601, and NA12091601. We also reviewed the FY 2011 Single Audit Report to identify control weaknesses and significant non-compliance issues related to ICWC. ICWC did not respond to our requests for Single Audit Reports for subsequent years, and we did not identify any additional Single Audit reports from other sources.

Our review of ICWC's financial management system was specific to the management of DOJ funds during the audit period. We did not test the reliability of the financial management system as a whole. We reviewed award-related procedures in place for drawdowns, Cal OES' Report of Expenditure and Request for Funds, and the recording and reporting of expenditures. The internal control deficiencies that were significant within the context of our objectives are addressed in our report and recommendations.

- **Drawdowns.** To assess whether ICWC adequately supported sub-grant drawdowns and managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. ICWC personnel were unable to provide a complete set of auditable records for the NA09061601 award. Therefore, our review of drawdowns is largely limited to sub-grants NA10071601, NA11081601, and NA12091601.

- **Expenditures.** To determine the accuracy, support, and allowability of expenditures that ICWC allocated or charged to the sub-grant with respect to the applicable laws, regulations, guidelines, and terms and conditions of the award, we reviewed source documentation for a judgmentally selected sample of 99 transactions listed in the accounting records for sub-grants NA10071601, NA11081601, and NA12091601. The accounting records included expenditures related to travel, supplies, consulting, and other expenditures. ICWC personnel were unable to provide a complete set of auditable records for the NA09061601 award. Therefore, our review of expenditures is largely limited to sub-grants NA10071601, NA11081601, and NA12091601.

To ensure ICWC was in compliance with the OJP Financial Guide, we reviewed ICWC's payroll records, supporting timecards, and periodic certifications. To assess accountable property purchased with sub-grant funds, we identified property and reviewed the supporting documentation in order to determine whether it was aligned with the purpose stated in the award.

- **Matching.** To ensure ICWC was in compliance with the OJP Financial Guide matching requirements, we assessed matching expenditures applied to the audited awards and determined the accuracy, support, and allowability of accountable property or equipment purchased with sub-grant funds. ICWC could not provide sufficient documents nor could it explain how match was determined, allocated, and supported. Therefore, we were unable to perform testing for ICWC match transactions.
- **Budget Management.** To ensure ICWC was in compliance with the OJP Financial Guide requirements, we reviewed ICWC's General Ledgers for sub-grants. ICWC personnel were unable to provide a complete set of auditable records for the NA09061601 sub-grant. Therefore, our review of budget management is largely limited to sub-grants NA10071601, NA11081601, and NA12091601.
- **Monitoring of Sub-recipients and Contractors.** To ensure ICWC was monitoring its sub-recipients and contractors, we reviewed ICWC's budgeted funds to contract services. Furthermore, we reviewed contractual agreements in accordance to Cal OES Recipient Handbook.
- **Reporting.** Sub-recipients of VOCA funds are not required to submit SF-269A Financial Status Report (FSRs) and/or Federal Financial Reports (FFR-425). To determine whether ICWC accurately reflected its activity for the sub-grants, we reviewed its Report of Expenditure and Request for Funds (Cal OES Form 2-201) forms, a Cal OES reporting requirement, for progress reports, timeliness, and accuracy. ICWC could not explain how financial reporting was determined, allocated, and supported. Therefore, we were unable to perform testing for reporting.

- **Sub-grant Requirements.** To ensure ICWC was in compliance with additional special conditions included in its award documentation, we reviewed and tested additional special conditions for sub-grants NA09061601, NA10071601, NA11081601, and NA12091601.
- **Program Performance and Accomplishments.** To determine if ICWC met the sub-grant's objectives and whether ICWC's collected the data and developed the performance measures necessary to assess the accomplishment of its objectives for sub-grants, we interviewed ICWC personnel about the work performed through its implemented programs. ICWC personnel were unable to provide a complete set of auditable records for the NA09061601 sub-grant. We reviewed case files to determine whether services were allowable and accurately provided in sub-grants NA10071601, NA11081601, and NA12091601.
- **Post End Date Activity.** To ensure ICWC was submitting its final Progress Report timely, we reviewed the final Report of Expenditures and Request for Funds (Form 2-201).

In conducting our audit, we performed sample-based audit testing for operational expenditures, payroll charges, Progress Reports, Report of Expenditure and Request for Funds, and program performance. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant reviewed, such as unique payroll adjustments throughout the year. This non-statistical sample design did not allow a projection of the test results to the universe from which the samples were selected.

During our audit, we obtained information from OJP's Grant Management System as well as from the Cal OES and ICWC's accounting systems. We did not test the reliability of those systems as a whole; therefore, any findings identified involving information from those systems was verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:	<u>AMOUNT</u>	<u>PAGE</u>
Unsupported Direct Costs:		
Unsupported Grant Goals and Objectives	\$452,464	25
Un-auditable Records	452,464	8
Unsupported Invoices	19,554	11
Inadequately Supported Payroll	2,629	11
Unsupported Indirect Costs	<u>68,508</u>	11
Unsupported Direct Costs	\$995,619	
Unsupported Match:		
Applied Match with Unsupported Documentation	<u>\$105,143</u>	13
Unsupported Match	\$105,143	
Unallowable Costs: Less Than Arm's Length Relationship and Excessive Compensation	\$433,758	16
GROSS QUESTIONED COSTS:⁹	\$1,534,520	
<i>Less Duplicative Costs¹⁰</i>	(\$1,082,056)	
NET QUESTIONED COSTS:	\$452,464¹¹	

⁹ 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.

¹⁰ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicated amount, which includes unallowable costs (\$433,758), un-auditable records (\$452,464), unsupported invoices (\$19,554), inadequately supported payroll (\$2,629), unsupported indirect cost (\$68,508), and applied match with unsupported documentation (\$105,143).

¹¹ The remaining sub-award amount of \$73,248 was deobligated by Cal OES.

**CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES
RESPONSE TO THE DRAFT AUDIT REPORT**

EDMUND G. BROWN JR.
GOVERNOR

MARK S. GHILARDUCCI
DIRECTOR



January 19, 2017

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, California 94103

Dear Mr. Gaschke:

The California Governor's Office of Emergency Services (Cal OES) has received your letter dated December 22, 2016, regarding the draft audit report on the Audit of the Office of Justice Programs (OJP) Victim Assistance Formula Grants. The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG) conducted an audit of 4 subgrants that Cal OES awarded to the Indian Child Welfare Consortium (ICWC), Temecula, California. The audit included 10 recommendations requiring corrective actions. We appreciate the opportunity to provide our corrective action plan for those recommendations and do so as follows:

DOJ Recommendation #1-3

1. Remedy \$995,619 in unsupported questioned costs across 4 subgrants.
2. Remedy \$433,758 in unallowable questioned costs for payments to a contractor who received excessive compensation, and for which ICWC management had a less-than-arm's length relationship.
3. Remedy \$105,143 in unsupported questioned costs for the portion of ICWC's matching requirement in which ICWC could not provide sufficient documents nor could it explain how match was determined, allocated, and supported.

Cal OES Response to #1-3

We concur with the recommendations #1-3. We will work with our subrecipient, ICWC, to resolve the findings related to questioned costs. It is our understanding that all the remedy amounts in recommendations #1-3 are the duplicative costs and the gross amount of questioned costs is equal to \$452,464.

DOJ Recommendation #4-10

4. Ensure that ICWC establish internal controls for the processing and payment of funds such that they are adequate to safeguard sub-grant funds and ensure compliance with subgrant terms and conditions.

3650 SCHRIEVER AVENUE, MATHER, CA 95655
(916) 845-8506 TELEPHONE (916) 845-8511 FAX

Mr. David J. Gaschke, Regional Audit Manager
January 19, 2017
Page 2

5. Ensure that ICWC establish written policy and procedures to separately account for each subgrant.
6. Require ICWC to reconcile the two sets of books and explain the differences and provide a complete and accurate General Ledger for FY 10 and FY 13 so that it shows compliance with the OJP Financial Guide regarding requirements on its financial management system.
7. Ensure that ICWC create a contract administration system to ensure compliance with sub-grant terms, conditions, and specifications as required. Further, the contract administration system should be adequate to ensure that contractual agreements include duties, responsibilities, deliverables, billing specifications, and any other conditions for employment.
8. Ensure that ICWC's Board of Directors has sufficient oversight of ICWC's contractors and that this oversight is documented in written policies and procedures.
9. Ensure that ICWC develops policy and procedure to facilitate accurate financial reporting.
10. Ensure that ICWC submits accurate progress reports and maintains adequate support for its progress reports.

Cal OES Response to #4-10

We concur with the recommendations #4-10. ICWC does not currently receive funding from Cal OES. According to the California Secretary of State's Office, ICWC is still active and has not filed its "Certification of Dissolution of Non-Profit" paperwork as of January 5, 2017. Therefore, should ICWC apply for funding from Cal OES in the future, based on our Past Performance Policy, it is Cal OES's intent to not score and/or award funding to this entity again.

On behalf of Cal OES, we appreciate the assistance and guidance offered during your review. If you have additional questions or concerns, please contact my Associate Management Auditor, Agnieszka Mozdzen at (916) 845-8421.

Sincerely,



MARK S. GHILARDUCCI
Director

cc: Susan Woodward, Office of Audit, Assessment, and Management
Office of Justice Programs, U.S. DOJ

**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

JAN 23 2017

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 Victim Assistance Formula Grants Sub-awarded by the California Governor's Office of Emergency Services to the Indian Child Welfare Consortium, Temecula, California*

This memorandum is in reference to your correspondence, dated December 22, 2016, transmitting the above-referenced draft audit report for OJP Victim Assistance Formula Grants sub-awarded by the California Governor's Office of Emergency Services (Cal OES) to the Indian Child Welfare Consortium (ICWC). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **10** recommendations and **\$452,464¹** in net questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations directed to OJP are restated in bold and are followed by our response.

1. **We recommend that OJP remedy \$995,619 in unsupported questioned costs across four American Indian Child Abuse Treatment (AICHAT) sub-grants for the following issues:**
 - a. **Remedy \$452,464 in questioned costs because the OIG was unable to make a reasonable determination as to program performance and accomplishments.**

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

- b. **Remedy \$452,464 in questioned costs, related to reimbursements that ICWC sought across four AICHAT sub-grants for which it did not maintain auditable records with supporting documentation, or respond to OIG inquiries leading to an audit scope limitation.**
- c. **Remedy \$19,554 in questioned expenditures that lacked supported invoices or were not properly authorized.**
- d. **Remedy \$68,508 in unsupported questioned costs across three sub-grants for an unsupported indirect cost methodology.**
- e. **Remedy \$2,629 in questioned costs, related to three ICWC payroll transactions from October 2010 that were unsupported.**

OJP agrees with all sub-parts of this recommendation. We will coordinate with Cal OES to remedy the \$995,619 in questioned costs, related to Victim Assistance Formula Grant funds that were sub-awarded by Cal OES to ICWC.

- 2. **We recommend that OJP remedy \$433,758 in unallowable questioned costs for payments to a contractor who received excessive compensation, and for which ICWC management had a less-than-arm's length relationship.**

OJP agrees with the recommendation. We will coordinate with Cal OES to remedy the \$433,758 in questioned costs, related to Victim Assistance Formula Grant funds that were sub-awarded by Cal OES to ICWC.

- 3. **We recommend that OJP remedy \$105,143 in unsupported questioned costs for the portion of ICWC's matching requirement in which ICWC could not provide sufficient documents nor could it explain how match was determined, allocated, and supported.**

OJP agrees with the recommendation. We will coordinate with Cal OES to remedy the \$105,143 in questioned costs, related to matching funds on Victim Assistance Formula Grants that were sub-awarded by Cal OES to ICWC.

- 4. **We recommend that OJP ensure that ICWC establish internal controls for the processing and payment of funds such that they are adequate to safeguard sub-grant funds and ensure compliance with sub-grant terms and conditions.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures from ICWC, developed and implemented, to ensure that an effective internal control system is established by the ICWC to safeguard Federal sub-award funds.

5. **We recommend that OJP ensure that ICWC establish written policy and procedures to separately account for each sub-grant.**

OJP agrees with the recommendation. We will coordinate with Cal OES to obtain a copy of written policies and procedures from ICWC, developed and implemented, to ensure that an accounting system is established to separately account for each sub-grant.

6. **We recommend that OJP require ICWC to reconcile the two sets of books and explain the differences and provide a complete and accurate General Ledger for FY10 and FY13 so that it shows compliance with the DOJ-Grants Financial Guide regarding requirements on its financial management system.**

OJP agrees with the recommendation. We will request that Cal OES provide a complete and accurate copy of ICWC's fiscal years 2010 and 2013 general ledger reports, which adhere to the standards for financial management systems described in the DOJ-Grants Financial Guide.

7. **We recommend that OJP ensure that ICWC create a contract administration system to ensure compliance with sub-grant terms, conditions, and specifications as required. Further, the contract administration system should be adequate to ensure that contractual agreements include duties, responsibilities, deliverables, billing specifications, and any other conditions for employment.**

OJP agrees with the recommendation. We will coordinate with the Cal OES to obtain a copy of written policies and procedures from ICWC, developed and implemented, to ensure that an adequate contract administration system is created to ensure compliance with sub-grant terms, conditions, and specifications, as required.

8. **We recommend that OJP ensure that ICWC's Board of Directors has sufficient oversight of ICWC's contractors and that this oversight is documented in written policies and procedures.**

OJP agrees with the recommendation. We will coordinate with the Cal OES to obtain a copy of written policies and procedures from ICWC, developed and implemented, to ensure that ICWC's Board of Directors maintains sufficient monitoring and oversight of its contractors.

9. **We recommend that OJP ensure that ICWC develops policies and procedures to facilitate accurate financial reporting.**

OJP agrees with the recommendation. We will coordinate with the Cal OES to obtain a copy of written policies and procedures from ICWC, developed and implemented, to ensure accurate financial reporting.

10. We recommend that OJP ensure that ICWC submits accurate progress reports and maintains adequate support for its progress reports.

OJP agrees with the recommendation. We will coordinate with the Cal OES to obtain a copy of written policies and procedures from ICWC, developed and implemented, to ensure that its progress reports are accurate, and properly supported.

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.

cc: Maureen A. Henneberg
Deputy Assistant Attorney General
for Operations and Management

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Senior Advisor
Office of the Assistant Attorney General

Jeffery A. Haley
Deputy Director, Audit and Review Division
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cc: DeLano Foster
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OJP Executive Secretariat
Control Number IT20170109150748

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

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

In November 2016, the OIG learned through ICWC's contractor that it was in the process of dissolving as an organization. As a result, we neither held an exit conference nor were able to provide ICWC a copy of the draft report for written responses. Our draft report was provided to the Cal OES and OJP. In Cal OES' response to our draft report, it stated that as of January 5, 2017, ICWC had not filed its "Certificate of Dissolution of Non-Profit" paperwork with the State of California. As a result, ICWC is still officially an active organization.

Recommendations to OJP:

- 1. Remedy \$995,619 in unsupported questioned costs across 4 AICHAT sub-grants for the following issues:**
 - a. Remedy \$452,464 because we were unable to make a reasonable determination as to program performance and accomplishments.**

Resolved. OJP agreed with our sub-recommendation. OJP stated in its response it will coordinate with the Cal OES to remedy this questioned cost.

The Cal OES concurred with our recommendation and stated in its response that it will work with ICWC to resolve findings related to questioned costs.

This recommendation can be closed when we receive documentation that OJP has remedied \$452,464 in questioned costs across 4 sub-grants for unverifiable program performance and accomplishments.

b. Remedy \$452,464 in reimbursements that ICWC sought across 4 AICHAT sub-grants for which it did not maintain auditable records with supporting documentation, or respond to OIG inquiries leading to an audit scope limitation.

Resolved. OJP concurred with our sub-recommendation. OJP stated in its response that it will coordinate with the Cal OES to remedy this questioned cost.

The Cal OES concurred with our recommendation and stated in its response that it will work with ICWC to resolve findings related to questioned costs.

This recommendation can be closed when we receive documentation that OJP has remedied \$452,464 in questioned costs across 4 sub-grants for un-auditable records.

c. Remedy \$19,554 in expenditures that lacked supported invoices or were not properly authorized.

Resolved. OJP concurred with our sub-recommendation. OJP stated in its response that it will coordinate with the Cal OES to remedy this questioned cost.

The Cal OES concurred with our recommendation and stated in its response that it will work with ICWC to resolve findings related to questioned costs.

This recommendation can be closed when we receive documentation that OJP has remedied \$19,554 in questioned costs for unsupported sub-grant expenditures.

d. Remedy \$68,508 in unsupported questioned costs across 3 sub-grants for an unsupported indirect cost methodology.

Resolved. OJP concurred with our sub-recommendation. OJP stated in its response that it will coordinate with the Cal OES to remedy this questioned cost.

The Cal OES concurred with our recommendation and stated in its response that it will work with ICWC to resolve findings related to questioned costs.

This recommendation can be closed when we receive documentation that OJP has remedied \$68,508 in questioned costs across 3 sub-grants for its unsupported indirect cost methodology.

e. Remedy \$2,629 for 3 ICWC payroll transactions from October 2010 that were unsupported.

Resolved. OJP concurred with our sub-recommendation. OJP stated in its response that it will coordinate with the Cal OES to remedy this questioned cost.

The Cal OES concurred with our recommendation and stated in its response that it will work with ICWC to resolve findings related to questioned costs.

This recommendation can be closed when we receive documentation that OJP has remedied \$2,629 in questioned costs for 3 unsupported ICWC payroll transactions.

2. Remedy \$433,758 in unallowable questioned costs for payments to a contractor who received excessive compensation, and for which ICWC management had a less-than-arm's length relationship.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Cal OES to remedy this questioned cost.

The Cal OES concurred with our recommendation and stated in its response that it will work with ICWC to resolve findings related to questioned costs.

This recommendation can be closed when we receive documentation that OJP has remedied \$433,758 in questioned costs relating to unallowable payments made to an ICWC contractor.

3. Remedy \$105,143 in unsupported questioned costs for the portion of ICWC's matching requirement in which ICWC could not provide sufficient documents nor could it explain how match was determined, allocated, and supported.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Cal OES to remedy this questioned cost.

The Cal OES concurred with our recommendation and stated in its response that it will work with ICWC to resolve findings related to questioned costs.

This recommendation can be closed when we receive documentation that OJP has remedied \$105,143 in questioned costs relating to unsupported match requirements.

4. Ensure that ICWC establish internal controls for the processing and payment of funds such that they are adequate to safeguard sub-grant funds and ensure compliance with sub-grant terms and conditions.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Cal OES to obtain ICWC's written policy and procedures for an effective internal control administration system that adequately safeguards sub-awards.

The Cal OES concurred with our recommendation and stated in its response that ICWC does not currently receive funding. In November 2016, the OIG learned that ICWC was in process of dissolving as a not-for-profit organization. According to Cal OES, as of January 5, 2017, ICWC had not submitted necessary documentation to dissolve as a not-for-profit organization in the State of California.

This recommendation can be closed when we receive documentation evidencing that ICWC has either: (1) established internal controls for the processing and payment of funds such that they are adequate to safeguard sub-grant funds and ensure compliance with sub-grant terms and conditions, or (2) dissolved in accordance with the State of California regulations.

5. Ensure that ICWC establish written policy and procedures to separately account for each sub-grant.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Cal OES to obtain ICWC's written policy and procedures to ensure an accounting system is established to separately account for each sub-grant.

The Cal OES concurred with our recommendation and stated in its response that ICWC does not currently receive funding from the Cal OES and should ICWC apply for future funding the Cal OES will not award it funds. In November 2016, the OIG learned that ICWC was in process of dissolving as a not-for-profit organization. According to Cal OES, as of January 5, 2017, ICWC had not submitted necessary documentation to dissolve as a not-for-profit organization in the State of California.

This recommendation can be closed when we receive documentation evidencing that ICWC has either: (1) established written policy and procedures to separately account for each sub-grant, or (2) dissolved in accordance with the State of California regulations.

6. Require ICWC to reconcile the two sets of accounting records and explain the differences and provide a complete and accurate General Ledger for FY 2010 and FY 2013 so that it shows compliance with the OJP Financial Guide regarding requirements on its financial management system.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will request the Cal OES to provide ICWC's complete and accurate general ledger for FYs 2010 and 2013. The general ledger provided will adhere to the standards of the financial management system as required by the OJP Financial Guide.

The Cal OES concurred with our recommendation and stated in its response that ICWC does not currently receive funding from the Cal OES and should ICWC apply for future funding the Cal OES will not award it funds. In November 2016, the OIG learned that ICWC was in process of dissolving as a not-for-profit organization. According to Cal OES, as of January 5, 2017, ICWC had not submitted necessary documentation to dissolve as a not-for-profit organization in the State of California.

This recommendation can be closed when we receive documentation evidencing that ICWC has either: (1) reconciled the two sets of accounting records and explained the differences and provided a complete and accurate General Ledger for FYs 2010 and 2013, or (2) dissolved in accordance with the State of California regulations.

7. Ensure that ICWC create a contract administration system to ensure compliance with sub-grant terms, conditions, and specifications as required. Further, the contract administration system should be adequate to ensure that contractual agreements include duties, responsibilities, deliverables, billing specifications, and any other conditions for employment.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Cal OES to obtain ICWC's written policy and procedure to ensure that an adequate contract administration is created that will ensure compliance with sub-grant terms, conditions, and any other conditions for employment.

The Cal OES concurred with our recommendation and stated in its response that ICWC does not currently receive funding from the Cal OES and should ICWC apply for future funding the Cal OES will not award it funds. In November 2016, the OIG learned that ICWC was in process of dissolving as a not-for-profit organization. According to Cal OES, as of January 5, 2017, ICWC had not submitted necessary documentation to dissolve as a not-for-profit organization in the State of California.

This recommendation can be closed when we receive documentation evidencing that ICWC has either: (1) created a contract administration system that addresses OIG's concerns as described in this audit report, or (2) dissolved in accordance with the State of California regulations.

8. Ensure that ICWC's Board of Directors has sufficient oversight of ICWC's contractors and that this oversight is documented in written policies and procedures.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Cal OES to obtain ICWC's copy of written policy and procedure to ensure its Board of Directors maintain sufficient monitoring and oversight of its contractors.

The Cal OES concurred with our recommendation and stated in its response that ICWC does not currently receive funding from the Cal OES and should ICWC apply for future funding the Cal OES will not award it funds. In November 2016, the OIG learned that ICWC was in process of dissolving as a not-for-profit organization. According to Cal OES, as of January 5, 2017, ICWC had not submitted necessary documentation to dissolve as a not-for-profit organization in the State of California.

This recommendation can be closed when we receive documentation evidencing that ICWC has either: (1) provide documentation demonstrating that its Board of Directors has proper oversight of its contractors, or (2) dissolved in accordance with the State of California regulations.

9. Ensure that ICWC develops policy and procedure to facilitate accurate financial reporting.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Cal OES to obtain ICWC's written policy and procedure to ensure accurate financial reporting.

The Cal OES concurred with our recommendation and stated in its response that ICWC does not currently receive funding from the Cal OES and should ICWC apply for future funding the Cal OES will not award it funds. In November 2016, the OIG learned that ICWC was in process of dissolving as a not-for-profit organization. According to Cal OES, as of January 5, 2017, ICWC has not submitted necessary documentation to dissolve as a not-for-profit in the State of California.

This recommendation can be closed when we receive documentation evidencing that ICWC has either: (1) developed policy and procedure to facilitate accurate financial reporting, or (2) dissolved in accordance with the State of California regulations.

10. Ensure that ICWC submits accurate progress reports and maintains adequate support for its progress reports.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the Cal OES to obtain ICWC's written policy and procedures to ensure progress reports are accurate and properly supported.

The Cal OES concurred with our recommendation and stated in its response that ICWC does not currently receive funding from the Cal OES and should ICWC apply for future funding the Cal OES will not award it funds. In November 2016, the OIG learned that ICWC was in process of dissolving as a not-for-profit organization. According to Cal OES, as of January 5, 2017, ICWC has not submitted necessary documentation to dissolve as a not-for-profit in the State of California.

This recommendation can be closed when we receive documentation evidencing that ICWC has either: (1) submitted accurate progress reports and maintained adequate support for its progress reports, or (2) dissolved in accordance with the State of California regulations.

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