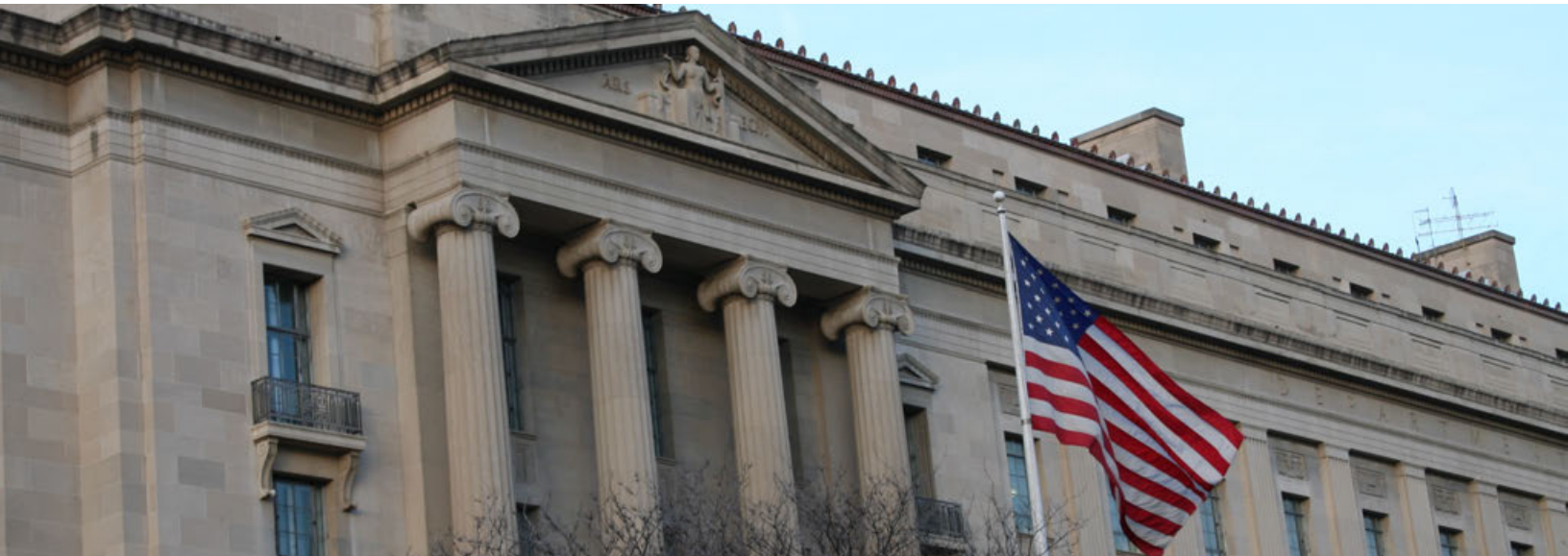




Office of the Inspector General
U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



**Audit of the Office of Justice
Programs Cooperative Agreements
Awarded to the International
Institute of Buffalo,
Buffalo, New York**



Executive Summary

Audit of the Office of Justice Programs Cooperative Agreements Awarded to International Institute of Buffalo, Buffalo, New York

Objectives

The Office of Justice Programs' (OJP) Office for Victims of Crime (OVC) awarded the International Institute of Buffalo (IIB) two cooperative agreements totaling \$1,250,000 for the Enhanced Collaborative Model to Combat Human Trafficking. The objectives of this audit were to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards; and to determine whether the IIB demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

As a result of our audit, we concluded that IIB did not maintain adequate financial management system records to separately account for all award and local match expenditures. In addition to commingling award expenditures in its organization-wide accounting system, we also found IIB lacked adequate source documentation for certain types of expenditures totaling \$71,638. Due to the commingling of expenditures in its accounting system, we were unable to determine whether: (1) financial reports IIB submitted were accurate, (2) IIB adhered to its award budgets, or (3) IIB complied with drawdown requirements. We also identified areas for improvement in IIB's subrecipient monitoring procedures and documentation, and policies requiring background checks for award-funded staff working with children. While we determined that IIB demonstrated adequate progress towards achieving the goals and objectives of the award program, and the related progress reports were not materially misstated, we identified areas for improvement related to performance data reporting. Through our testing, we identified questioned costs totaling \$864,606.

Recommendations

Our report contains 16 recommendations to OJP. We requested a response to our draft audit report from the OJP and the IIB, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is included as Appendix 5.

Audit Results

The purpose of the two OVC awards we reviewed was to support the development and enhancement of multidisciplinary human trafficking task forces that implement collaborative approaches to combat all forms of human trafficking within the United States. The project period for the awards is from October 2013 through March 2019. IIB has drawn down a cumulative amount of \$910,509 for the awards we reviewed.

Program Goals and Accomplishments - We determined that IIB demonstrated adequate progress towards achieving the goals and objectives of the award program. IIB provided case management, safety planning, emotional support, advocacy, transportation, financial assistance, and other services through the award to human trafficking victims. However, IIB's process for documenting and reporting these services could be improved.

Award Financial Management - This audit found that IIB did not separately track all award-related expenditures using a project code or subsidiary ledger within its financial management system, which prevents IIB from reliably identifying award-funded expenditures. Further, IIB processes for monitoring award budgets and preparing financial reports and drawdowns were not well designed because the process used information from unreliable sources. We also found that IIB did not adequately document its allocation of costs totaling \$49,971 associated with Office Occupancy, Supplies, and Interpreters.

Subrecipient Monitoring - We determined that IIB did not have written subrecipient monitoring policies and did not adequately document its monitoring activities. As a result, we identified \$21,667 in unsupported reimbursements made to a subrecipient. IIB should improve its subrecipient oversight practices, as well as its documentation of the reasonableness of prices and rates related to subrecipients.

Background Checks on Persons Working with Minors - IIB did not require or monitor its subrecipients to ensure background checks were conducted on employees providing DOJ award-funded services to minors.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
COOPERATIVE AGREEMENTS AWARDED TO THE
INTERNATIONAL INSTITUTE OF BUFFALO,
BUFFALO, NEW YORK**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
COOPERATIVE AGREEMENTS AWARDED TO THE
INTERNATIONAL INSTITUTE OF BUFFALO,
BUFFALO, NEW YORK**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of two cooperative agreements awarded by the Office of Justice Programs (OJP) Office for Victims of Crime (OVC) to the International Institute of Buffalo (IIB) in Buffalo, New York. IIB was awarded two cooperative agreements totaling \$1,250,000 as shown in Table 1.

Table 1

International Institute of Buffalo Cooperative Agreements

Award Number	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2013-VT-BX-K011	09/10/2013	10/1/2013	02/29/2016	500,000
2015-VT-BX-K013	09/24/2015	10/1/2015	03/01/2019	750,000
Total:				1,250,000

Source: OJP Grants Management System (GMS)

Funding through the Enhanced Collaborative Model to Combat Human Trafficking Program is designed to support the development and enhancement of multidisciplinary human trafficking task forces that implement collaborative approaches to combat all forms of human trafficking, including sex and labor trafficking, of both foreign nationals and U.S. citizens (of all genders and ages) within the United States.

The Awardee

IIB, a non-profit organization, has, according to its award application, the mission of making western New York a better place for, and because of, refugees and immigrants. IIB’s operations include: (1) offering integration, refugee resettlement, and employment programs, (2) providing services to survivors of domestic violence and human trafficking, (3) offering translation and interpretation services, (4) presenting global education programs for students, adults, and businesses, and (5) hosting international visitors. According to its website, IIB, with an operating budget of more than \$3.5 million, serves thousands each year and employs 40 individuals.

IIB participates in the Western District of New York (WDNY) Human Trafficking Task Force and Alliance (HTTFA) in collaboration with its project partners, the Erie County Sheriff’s Office (ECISO) and WDNY United States Attorney’s Office. According to the award application, HTTFA has collaboratively identified nearly 500 potential victims of human trafficking since its inception in

2006, and remains highly committed to combat human trafficking in all forms throughout the 17 counties of WDNY.¹

OIG Audit Approach

The objectives of this audit were to determine whether costs claimed under the cooperative agreements were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards; and to determine whether the awardee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of award management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

We tested compliance with what we consider to be the most important conditions of the cooperative agreements. The OJP Financial Guide, DOJ Grants Financial Guide, and the award documents contain the primary criteria we applied during the audit.

The results of our analysis are discussed in detail later in this report. Appendix 1 contains additional information on this audit's objective, scope, and methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

¹ The 17 counties of WDNY include the following: Allegany, Cattaraugus, Chautauqua, Chemung, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Schuyler, Seneca, Steuben, Wayne, Wyoming, and Yates.

AUDIT RESULTS

Program Performance and Accomplishments

To determine whether IIB demonstrated adequate progress towards achieving its program goals and objectives, we reviewed award documentation and solicitations, interviewed IIB officials, and reviewed required performance reports. We also reviewed the progress reports to determine if the reports were accurate and timely. Finally, we reviewed IIB's compliance with a sample of special conditions selected from the award documentation.

Program Goals and Objectives

According to the award documents, the program goals and objectives of award number 2013-VT-BX-K011 included: (1) offering a comprehensive array of restorative services to meet each victim's identified needs, and (2) enhancing community capacity to identify trafficking crimes. The program goals and objectives of award number 2015-VT-BX-K013 included: (1) identifying victims of all types of human trafficking, and (2) addressing the individualized needs of victims through the provision of a comprehensive array of quality services.

We determined IIB established a subaward to provide legal services for victims including identifying clients as victims of human trafficking. In addition, IIB provided case management, safety planning, emotional support, advocacy, transportation, financial assistance, and other services through the award to human trafficking victims. IIB also provided trainings and established a subaward to provide services to victims and conduct community outreach and trainings. Based on our review, we determined IIB demonstrated adequate progress towards achieving award-funded program goals and objectives.

Required Performance Reports

According to the OJP Financial Guide and DOJ Grants Financial Guide, funding recipients should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in a program solicitation. To assist awardees with collecting, organizing, and reporting performance measure data, OVC developed the Trafficking Information Management System (TIMS) Online. Recipients of these awards were required to use TIMS to support performance measurement reporting. IIB was required to submit semiannual progress reports which were due within 30 days after the end of the reporting periods.

According to IIB's Director of Survivor Support Services, IIB progress reports consisted of eight statistical reports in TIMS with a progress narrative provided on a semiannual basis. We compared the progress report submission dates to the required due dates and determined all progress reports completed within the past 2 years were submitted timely.

We also conducted testing of a judgmental sample of client services by tracing service data recorded in TIMS to source documentation to determine whether IIB: (1) could provide underlying support for a sample of reported client services, and (2) accurately recorded service data into TIMS. We found that IIB was able to provide support for each sampled client service, however, we identified minor differences between the source documentation and the data recorded in TIMS. Although we identified minor differences, we determined the differences were not material and did not significantly affect the usefulness of the reports.

We did not expand testing because IIB's progress reporting process did not include an audit trail that facilitated an efficient review of the progress report numbers. Lacking an efficient method of verification for progress reports hinders IIB's ability to ensure the accuracy of progress reports, and submitting inaccurate progress reports can hinder OVC's ability to effectively monitor the award. As a result, we recommend OJP ensures IIB adheres to policies and procedures that result in progress reports that can be efficiently verified and performance data being entered accurately into TIMS Online.

Compliance with Special Conditions

Special conditions are the terms and conditions that are included with the awards. Given the nature of the clients served, victims of crime, we selected a judgmental sample of special conditions intended to protect IIB clients. These special conditions addressed victim confidentiality and information sharing between service partners.

IIB's Director of Survivor Support Services informed us there were no issues related to victim confidentiality, and we did not identify any evidence that victim confidentiality was compromised in relation to award activities. We also reviewed a copy of IIB's confidentiality policy and most recently completed Privacy Certificate. Based on our review, we did not identify any indications that IIB was not in compliance with the special conditions selected for review.

In addition to the special conditions we reviewed, we assessed IIB's process for ensuring background checks are conducted on award-related employees and subrecipients working directly with minors. We did not identify that services were delivered to minors directly by IIB, but found that services were delivered to minors by IIB's subrecipients.

We believe it is important to conduct background checks on employees working with minors to ensure the safety and protection of victims. However, the Director of Survivor Support Services told us that IIB did not require or monitor its subrecipients to ensure background checks were conducted on employees working with minors. As a result, IIB could not demonstrate that its subrecipients had background checks completed for its employees providing award-funded services to minors. According to the Director of Survivor Support Services, there were no known issues related to the safety of minors, and we did not become aware of any instances where clients receiving award-funded services were harmed.

We recommend that OJP ensures that IIB establishes and adheres to policies and procedures that will result in background checks being conducted on all award-related employees (including subgrantees, volunteers, and contractors) working directly with minors.

Award Financial Management

According to the DOJ Grants Financial Guide, all awards recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. To assess the IIB's financial management of the awards covered by this audit, we conducted interviews with financial staff, examined policy and procedures, and inspected award documents to determine whether IIB adequately safeguards the funds we audited. We also reviewed IIB's Single Audit Reports for Years 2016 through 2017 to identify internal control weaknesses and significant non-compliance issues related to federal awards. Finally, we performed testing in the areas that were relevant for the management of the awards, as discussed throughout this report.

Based on our review, we determined that IIB had not separately tracked all award-related expenditures using a project code or subsidiary ledger within its financial management system as required by the DOJ Grants Financial Guide. Specifically, we found that IIB commingled its accounting data by not discretely coding all of its award-related transactions, including required expenditures made with organization funding known as matching expenditures. While award-related expenditures such as subrecipients, travel, and direct client costs were identifiable in the accounting system, other costs such as personnel, office occupancy, supplies, and a portion of consultant expenditures, totaling \$426,272, were not.

The following table identifies the claimed award and match expenditures by cost category.

Table 2
Claimed Award and Match Expenditures

	Claimed Award Funded	Claimed Match Funded	Total
Expenditures Identified as Award Related in Accounting System			
Subrecipients	\$ 363,214	-	\$ 363,214
Direct Client Costs	96,285	-	96,285
Travel	33,871	-	33,871
Other	3,477	-	3,477
Consultants	1,407	-	1,407
Subtotal	\$ 498,254		\$ 498,254
Commingled Expenditures in Accounting System			
Personnel	\$ 376,301	\$ 22,320	\$ 398,621
Office Occupancy	37,564	-	37,564
Supplies	7,200	1,333	8,533
Consultants	5,207	62,457	67,664
Direct Client Costs	-	128,128	128,128
Subrecipients	-	112,576	112,576
Travel	-	550	550
Other	-	130	130
Subtotal	\$ 426,272	\$ 327,494	\$ 753,766
Total	\$ 924,526	\$ 327,494	\$ 1,252,020

Source: IIB documentation

We determined that IIB did not use project codes, or similar identifiers, within its financial management system to track all of its award-related expenditures. Instead, IIB maintained electronic spreadsheets, external to its financial management system, which attempted to track \$753,766 in claimed award-related expenditures, listed individually and batched.

From our review of these external spreadsheets, we identified significant flaws in the data within the spreadsheets that precluded their use as a reliable and accurate universe from which to complete our sample-based transaction testing.² In addition to the errors we identified, we found that expenditure amounts in the spreadsheets were not reconciled with IIB's financial management system, or any other system of controls being used, to ensure the accuracy of the data within the

² We were unable to establish the reliability of these spreadsheets as a whole and could not use them to establish an accurate universe of expenditures. However, we performed testing of individual expenditures from these spreadsheets to evaluate related controls and assess risk. We found that although the elements of the spreadsheets were accurate for some expenditures we tested, we could not overcome the reliability issues we found to use the spreadsheets as a record for the expenses overall.

spreadsheets. Officials told us that they had been using these spreadsheets as a means of supporting award drawdowns in this way for at least the last 10 years.

As a result, we identified claimed expenditures totaling \$753,766 as unsupported due to accounting system data commingling. During the audit, we described for officials from both IIB and OJP the commingling issues and concerns we had with the data contained in the spreadsheets. IIB officials told us that they understood the issues and consulted with OJP on making changes to its accounting policies and procedures. IIB's commingling of award-related accounting data had implications for IIB's financial reporting, matching, budget monitoring, and drawdown processes that we tested. Although we determined that expenditure information in the electronic spreadsheets was not reliable, we further tested expenditure data within the electronic spreadsheets to evaluate risk, related processes, and understand the relationship of the costs claimed to award-funded program accomplishments. The results of that review is presented in the following sections of this report.

We recommend that OJP remedy the \$753,766 in claimed unsupported award fund expenditures (\$426,272) and matching expenditures (\$327,494). We also recommend that OJP ensure IIB implements properly designed policies and procedures to comply with financial management requirements, particularly with regard to identifying award-funded expenditures.

Award Expenditures

For Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, IIB's approved budget categories included labor, fringe, travel, supplies, contracts, and other. IIB was required to expend \$166,667 and \$250,000 in local funds for Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013 respectively, which represents a 25 percent local match for each award. To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions. We reviewed documentation, accounting records, and performed verification testing related to award expenditures. As described in the financial management section of this report, IIB claimed award-related expenditures totaling \$1,252,020 from awards 2013-VT-BX-K011 and 2015-VT-BX-K013. However, we determined that \$753,766, or 60 percent of these claimed expenditures were unsupported because they were commingled in IIB's accounting system with expenditures related to other IIB activities.

Claimed Expenditures Commingled in Accounting System

Although we determined that costs claimed as award-related were commingled and therefore unsupported questioned costs, as described above, we also evaluated the design of IIB's controls to gain an understanding of the procedures IIB used to ensure the appropriateness of and support for specific award expenditures.

Salary and Fringe

IIB identified in its spreadsheets maintained outside of its financial management system expenditures totaling \$376,301 for salaries and fringe expenses related to 11 staff members between March 2014 and April 2018. These staff positions included director of survivor support services, supervising case manager, and case manager. IIB was able to provide approved time sheets for these costs. However, because these costs were commingled, we were unable to confirm that the amount of salary and fringe identified was accurate.

Office Occupancy and Supplies

IIB identified in its spreadsheets maintained outside of its financial management system expenditures for office occupancy expenses (\$37,564) and supplies (\$7,200). IIB officials told us that the amounts claimed for each type of expenditure were calculated by allocating a portion of all transactions recorded in IIB's accounting system.

As noted earlier in this report, we attempted to test the claimed amounts by verifying the underlying transactions recorded in IIB's accounting system, evaluating allocation rates, and recalculating the claimed amounts. While IIB created electronic spreadsheets and other records to document aspects of the process it used to identify the amounts claimed for these expenditures, we determined that the process was not adequately documented to facilitate our testing of IIB's allocations because we could not reconcile the amounts claimed to IIB's financial management system. In performing this testing, we found that there was no routine methodology for allocating these costs. As a result, and in addition to the expenditures being unsupported due to commingling, we determined these claimed costs were not adequately supported to demonstrate the allocation method was accurate and reasonable.

We recommend that OJP remedy \$44,764 in the unsupported allocation of occupancy and supplies. We also recommend that OJP ensure IIB implements written policies and procedures to adequately document the process used to allocate the expenditures.

Consultants – Interpreters

IIB claimed to have used \$6,614 of award funding for interpreters who provided translation services for clients receiving victim services. Interpreter service expenditures consisted of various in-person independent interpreters (\$5,207) and a telephone based interpretation service (\$1,407). We found that IIB did not adequately document the process used to allocate the expenditures associated with using the in-person independent interpreters separate from non-award related expenses, and therefore we could not determine which expenditures could be legitimately charged to the award. We recommend that OJP remedy the \$5,207 unsupported allocated costs of in-person independent interpreter services. We also recommend that OJP ensure IIB develop and implement written policies and procedures to adequately document the process used to allocate these costs.

Expenditures Identified as Award Related in Accounting System

Subrecipients

IIB relied on two nonprofit organizations to support the award-funded program. Subrecipient A provided direct immigration legal services for foreign born victims, and subrecipient B provided victim advocacy services. Both subrecipients were specifically authorized by OJP in the award budgets. We determined IIB worked closely with both organizations and monitored the performance of services provided by these subrecipients, and IIB officials told us that they did not have any concerns regarding the performance of the subrecipients.

According to IIB accounting records, between March 2014 and May 2018, the two subrecipients were provided \$186,091 and \$177,123 respectively. Payments made to the subrecipients represented reimbursements for personnel and related expenditures associated with subrecipient staff working on award-related activities.

Although IIB had been providing these subrecipients with award funding since March 2014, we found that IIB could not demonstrate that it had informed the subrecipients of their responsibilities to ensure that the federal awards were used in accordance with statutes, regulations, and the terms and conditions of the awards until between May 2018 and June 2018. While IIB did provide us with checklists indicating that it had completed some evaluation of the subrecipients' financial capability, we found that these checklists were not dated and not supported by any source documentation or analysis. In addition, we found IIB did not have written policies describing the nature and extent of these evaluations. We also determined that IIB had never communicated to its subrecipients specific requirements related to substantiating award-related reimbursement requests.

In our testing, we selected \$26,988 of the \$186,091, or 14.5 percent, in expense reimbursement requests submitted by subrecipient A, and \$21,667 of the \$177,123, or 12.2 percent, in expense reimbursements requests submitted by subrecipient B. We found that while IIB had not required supporting documentation to be submitted, subrecipient A submitted documentation with its reimbursement requests that we found to adequately support the awards costs claimed. Subrecipient B, however, did not provide supporting documentation with its reimbursement requests. Because IIB had not adequately monitored subrecipient reimbursement requests to ensure expenses were appropriate, IIB did not take actions necessary to ensure subrecipients were aware of the responsibilities associated with the appropriate use of and controls for federal funds. We recommend that OJP ensures that IIB develop and implement written policies and procedures related to subrecipient monitoring to include the review of subrecipient reimbursement requests. In addition, we question the \$21,667 in unsupported reimbursement costs that we tested, recommending that OJP appropriately remedy these costs through IIB demonstrating the application of its subrecipient monitoring procedures.

Finally, we reviewed the selection process IIB used for both subrecipients, both of which were selected without competition. We reviewed IIB's internal

policies and procedures related to justification for using non-competitive subrecipient selections, and found that while the procurement policy refers to a requirement related to determining price reasonableness, the policy is silent with regard to any procedures to complete such analysis. Further, while we found that IIB provided justifications for using non-competitive methods for the two subrecipients, IIB's justifications did not include an evaluation of the reasonableness of subrecipient prices and rates. Therefore, we recommend that OJP ensure that IIB develop and implement written policies and procedures for evaluating the reasonableness of subrecipient prices and rates.

Travel Costs

IIB claimed to have used \$33,871 of award funding for travel expenditures. The travel expenditures were for conference attendance and mileage/parking related to providing clients services. Travel expenditures are allowable when conducting award-related business as long as the expenditures are reasonable and in accordance with a recipient's established travel policy.

During our audit, we tested a sample of 66 transactions totaling \$9,724 of the \$33,871 claimed for travel. We reviewed supporting documentation and interviewed IIB staff and supervisors, and found that IIB did not always adhere to its own internal policies and procedures related to travel reimbursement. Specifically, travel expenditure vouchers were not prepared for non-mileage/parking expenditures, but the costs of these expenditures within our sample was not significant enough to question. We recommend that OJP ensure IIB adhere to internal travel policies and procedures, which include preparing vouchers for award-related travel expenditures.

Direct Client Services Costs

IIB claimed to have used \$96,285 of award funding for direct client services expenditures. Direct client services expenditures included shelter, transportation, and food. We selected a sample of transactions and reviewed supporting documentation. Based on our review, we determined the claimed expenditures were allowable, supported, reasonable, necessary, and properly allocated to award programs.

Matching Costs

Matching costs are a non-federal recipient's share of the total project costs. According to the DOJ Grants Financial Guide, there are two types of matching costs. A cash match, which includes cash spent for project related costs, and in-kind match which includes, but is not limited to, the valuation of non-cash contributions. An in-kind match may be provided in the form of services, supplies, real property, or equipment. Awardees are required to maintain documentation supporting the source, amount, and timing of all matching costs claimed for an award project.

IIB was required to expend \$166,667 and \$250,000 in local funds for Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013 respectively, which represented

a 25 percent local match. According to award budgets, IIB planned to provide an in-kind match through salary, fringe benefits, subrecipients, supplies, occupancy, and direct client services.

At the time of our audit, Award No. 2013-VT-BX-K011 was complete, and the final Federal Financial Report (FFR) reported a match amount of \$164,127, while the required match for the award program was \$166,667, indicating that the required match amount was not met. Award No. 2015-VT-BX-K013 was ongoing at the time of our audit, and the most recent FFR reported \$110,606 of the \$250,000, or 44 percent, of the match being met. The award period was to end March 1, 2019.

As described in the financial management system section of this report, we determined IIB did not use its financial management system to adequately track matching expenditures. Instead, IIB used electronic spreadsheets to track matching expenditures. We compared the most recently reported FFR amounts with the electronic spreadsheets and, while those records indicated that IIB met the matching requirement for Award No. 2013-VT-BX-K011, because we determined that the process for tracking matching expenditures was not well designed, we were unable to determine the accuracy of the reported match amounts. We found that the process, including the electronic spreadsheets, was not well designed because it was not reconcilable to the accounting system and did not provide a verifiable audit trail. During our audit, IIB provided us with additional schedules for testing purposes, however, we were unable to reconcile these schedules with the electronic spreadsheets or the FFR amounts.

We recommend OJP remedy the amounts of unsupported matching expenditures, as claimed in the FFRs, and ensure IIB establishes and implements policies and procedures to ensure compliance with the associated match requirements and criteria.

Budget Management and Control

According to the DOJ Grants Financial Guide, award recipients are responsible for establishing and maintaining adequate accounting systems, which include the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, award recipients must initiate a Grant Adjustment Notice (GAN) for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount or a new budget category is used.

IIB maintained electronic spreadsheets to compare actual expenditures grouped according to award budget categories with the related budgeted amounts. However, as described in the financial management section, we determined that IIB commingled its accounting of actual expenditures and, as a result, was unable to demonstrate the reliability and accuracy of the actual amounts used in its budget monitoring spreadsheets. Due to the lack of reliable actual expenditure accounting data, we were unable to determine if IIB exceeded spending in any cost category by 10 percent of the total award budget. Additionally, we determined that the budgeted amounts included in the electronic spreadsheets were not revised when

budget modification GANs were approved by OJP.

We recommend that OJP ensure that IIB revise its budget monitoring process to: (1) use reliable and accurate budget and actual spending amounts, and (2) review budget compliance of both awards with reliable actual expenditure amounts when the financial management system finding is resolved.

Drawdowns

According to the DOJ Grants Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. Additionally, drawdown requests should be timed to ensure that federal cash on hand is the minimum needed for reimbursements to be made immediately or within 10 days.

IIB drew down \$492,380 of the \$500,000 total award amount for Award No. 2013-VT-BX-K011, which is completed. The difference, \$7,620, represented the amount of the award that was never drawn down because, according to IIB officials, a use for the remaining funds could not be found. The difference was de-obligated during the award's close out process. As of May 7, 2018, for Award No. 2015-VT-BX-K013, IIB requested \$418,129 of the total award amount of \$750,000, and the period of performance for the award ends March 1, 2019. To assess whether IIB managed receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. We determined IIB's accounting system correctly reflected 49 drawdowns totaling \$910,509 between the two award programs.

IIB uses an electronic spreadsheet to track actual award-related expenditures and to prepare drawdown requests. However, as described in the financial management section, actual expenditure amounts in the electronic spreadsheet were not based on the financial management system. Due to the lack of reliable expenditure data, we were unable to determine the accuracy of the drawdown amounts requested by IIB. Additionally, we were unable to review the timing of the drawdowns in relation to the underlying expenditures because the electronic spreadsheet IIB used to prepare drawdowns was not reconcilable to the financial management system.

We recommend that OJP ensure that IIB develop procedures for drawing down award funds based on actual expenditure data in its financial management system. Any future process for drawing down funds should demonstrate IIB's compliance with cash management criteria, reimbursements made within 10 days.

Federal Financial Reports

According to the DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. To determine whether

IIB submitted accurate FFRs, we compared the FFRs to IIB's accounting records.

We found that the FFRs did not match IIB's accounting records for Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013. Due to the findings identified in the Financial Management section, we were unable to verify the quarterly amounts reported on the FFRs.

We recommend that OJP review the accuracy and revise as necessary the current or most recent FFR for each award in conjunction with resolving the financial management and expenditure findings. Additionally, OJP should ensure that IIB establish policies and procedures that ensure FFRs are prepared timely and accurately to report award-funded expenditures and match expenditures. Any future process should include memorializing the dynamic spreadsheet at the time the reports are completed. Furthermore, based on the issues identified with the financial management system, any future process should include reconciling the expenditure (both award funded and in-kind) amounts reported to the revised financial management system.

CONCLUSION AND RECOMMENDATIONS

As a result of our audit testing, we conclude that IIB did not adhere to all of the requirements we tested, but demonstrated adequate progress towards achieving the awards' stated goals and objectives, except for several discrepancies or instances of noncompliance. However, we found that IIB did not comply with essential award conditions related to award financial management, specifically, it commingled award related expenditures in its accounting system. In addition, we found that IIB did not maintain adequate source documentation to support claimed costs totaling \$71,638. Due to the commingling of expenditures in its accounting system, we were unable to determine whether: (1) the financial reports submitted by IIB were accurate, (2) IIB adhered to its award budgets, and (3) complied with drawdown requirements. We also identified deficiencies in IIB's subrecipient monitoring procedures and documentation and policies requiring background checks for award-funded staff working with children. We provide 16 recommendations to IIB to address these deficiencies.

We recommend that OJP:

1. Ensure IIB adheres to policies and procedures that results in progress reports that can be efficiently verified and performance data being entered accurately into TIMS Online.
2. Ensure that IIB establishes and adheres to policies and procedures that will result in background checks being conducted on all award-related employees (including subgrantees, volunteers, and contractors) working directly with minors.
3. Remedy the \$753,766 in unsupported questioned costs, including claimed award-funded expenditures (\$426,272) and matching expenditures (\$327,494).
4. Ensure that IIB implements properly designed policies and procedures to comply with financial management requirements.
5. Remedy the \$37,564 unsupported allocation of office occupancy costs.
6. Remedy the \$7,200 unsupported allocation of supplies costs.
7. Remedy the \$5,207 unsupported allocated costs of in-person independent interpreter services.
8. Ensure IIB develop and implement written policies and procedures to adequately document the process used to allocate all types of costs.
9. Ensure IIB develops and implements written policies and adequately documents its subrecipient monitoring procedures to include reviewing subrecipient invoices.

10. Remedy \$21,667 of unsupported subrecipient expenditures, through IIB demonstrating the application of its subrecipient monitoring procedures.
11. Ensure that IIB develop and implement written policies and procedures for evaluating the reasonableness of subrecipient prices and rates.
12. Ensure IIB adhere to internal travel policies and procedures, which include preparing vouchers, for award-related travel expenditures.
13. Remedy the reported amount of match expenditures totaling, \$416,667, and ensure that IIB establishes and implements policies and procedures that will adequately document the source, amount and timing of match expenditures.
14. Ensure that IIB revise its budget monitoring process to: (1) use reliable and accurate budget and actual spending amounts, and (2) review budget compliance of both awards with reliable actual expenditure amounts when the financial management system finding is resolved.
15. Ensure that IIB develop procedures for drawing down funds based on actual expenditure data in its financial management system. Any future process for drawing down funds should demonstrate IIB's compliance with cash management criteria.
16. Review the accuracy and revise as necessary the current or most recent FFR for each award in conjunction with resolving the financial management and expenditure findings. Additionally, OJP should ensure that IIB establish policies and procedures that ensure FFRs are prepared timely and accurately to report award-funded expenditures and match expenditures. Furthermore, based on the issues identified with the financial management system, any future process should include reconciling the expenditure (both award funded and in-kind) amounts reported to the revised financial management system.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this audit were to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether the awardee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of award management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

Scope and Methodology

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.

This was an audit of Office for Victims of Crime awards awarded to the International Institute of Buffalo under the Enhanced Collaborative Model to Combat Human Trafficking Program 2013-VT-BX-K011 and 2015-VT-BX-K013 for \$500,000 and \$750,000 respectively. As of May 7, 2018, IIB had drawn down \$910,509 of the total award funds awarded. Our audit concentrated on, but was not limited to September 10, 2013, the award date for Award Number 2013-VT-BX-K011, through January 2019, the last day of our audit work. Award Number 2013-VT-BX-K011 ended on February 29, 2016 and Award Number 2015-VT-BX-K013 is still ongoing.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of IIB's activities related to the audited awards. We performed sample-based audit testing for award expenditures including payroll and fringe benefit charges, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The DOJ Grants Financial Guide and the award documents contain the primary criteria we applied during the audit.

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

methods for tracking all expenditures was insufficient and we have issued recommendations to address these issues.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
Questioned Costs:		
Commingled Unsupported Award Expenditures	\$426,272	7
Commingled Unsupported Match Expenditures	327,494	7
Unsupported Allocation of Office Occupancy	37,564	8
Unsupported Subrecipient Expenditures	21,667	9
Unsupported Allocation of Supplies	7,200	8
Unsupported Allocation of In-Person Independent Interpreter Services	5,207	8
Unsupported Match Expenditures	<u>416,667</u>	11
<i>Gross Unsupported Questioned Costs³</i>	<i>\$1,242,071</i>	
Less Duplicate Questioned Costs ⁴	<u>(377,465)</u>	
Net Unsupported Questioned Costs	\$864,606	

³ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, where appropriate.

⁴ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which includes \$37,564 Unsupported Allocation of Office Occupancy; \$7,200 Unsupported Allocation of Supplies; \$5,207 Unsupported Allocation of Interpreters; \$327,494 Unsupported Match Expenditures.

**INTERNATIONAL INSTITUTE OF BUFFALO RESPONSE TO THE
DRAFT AUDIT REPORT⁵**



864 Delaware Ave.
Buffalo, NY 14209
iibuffalo.org
716 883 1900

April 5, 2019

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

Re: International Institute of Buffalo Official Response to OIG Draft Audit Report Dated March 15, 2019

Dear Mr. Puerzer,

As requested, this letter constitutes the official response of the International Institute of Buffalo to the 16 recommendations in the OIG draft audit report dated March 15, 2019.

We are grateful for the time and effort OIG spent in reviewing the Institute's grants. Once the audit report has been finalized, we look forward and are committed to working with OJP to resolve all audit findings.

As requested, our responses below are specific to each of the 16 recommendations made by the OIG to OJP.

1. Ensure IIB adheres to policies and procedures that results in progress reports that can be efficiently verified and performance data being entered accurately into TIMS online.

IIB understands and concurs with the objective of the recommendation, but does not agree with the specifics of the proposed remedy as we understood it from OIG. Our concern is with the practicality of the additional means of verification being considered, as well as the confidentiality of client information.

We commit to working with OJP and OVC to satisfy the OIG's concerns in a manner that is practical and confidential.



⁵ Attachments to this response are not included in this final report.

- 2. Ensure that IIB establishes and adheres to policies and procedures that will result in background checks being conducted on all award-related employees (including subgrantees, volunteers, and contractors) working directly with minors.**

IIB agrees with this recommendation.

We have formally adopted and implemented the background check policy attached as **Exhibit A** (also previously submitted to OIG). We believe this policy addresses the recommendation.

- 3. Remedy the \$753,766 in unsupported questioned costs, including claimed award-funded expenditures (\$426,272) and matching expenditures (\$327,494).**

IIB agrees with the need to remedy this finding. As such, we have engaged Bonadio & Co LLP, a Certified Public Accounting firm with extensive experience with the Uniform Guidance, to assist us in reviewing and organizing documentation to support these costs. IIB and Bonadio will work with OJP to address the finding.

- 4. Ensure that IIB implements properly designed policies and procedures to comply with financial management requirements.**

IIB agrees with this recommendation.

The FPOC and Executive Director have completed the DOJ financial management training course; the Program Director and Grants Compliance Coordinator will also complete the course.

IIB has developed, and our Board has now approved, a revised Federal Grant Award and Accounting and Finance Policies and Procedure Manual, attached as **Exhibit D**. The Manual was also reviewed and accepted by OJP. IIB is in the process of implementing these Policies and Procedures.

- 5. Remedy the \$37,564 unsupported allocation of office occupancy costs.**

IIB agrees with the need to remedy this finding. Although the supporting documentation is difficult to understand, we believe our allocation of costs is reasonable, consistent and documented. We will work with OJP and Bonadio to thoroughly document the methodology for computing and allocating office occupancy costs to the grant, which we believe will remedy this finding.

6. Remedy \$7,200 unsupported allocation of supplies costs.

IIB agrees with the need to remedy this finding. Although we believe our allocation methodology is supported, we believe further work is needed to properly document our allocation methodology. We will work with OJP to outline the methodology for computing and allocating office supplies costs to the grant.

7. Remedy the \$5,207 unsupported allocated costs of in-person independent interpreter services.

IIB agrees with the need to remedy this finding. Once we know the specific expense items contained in the \$5,207 amount, we believe we can provide documentation for the costs that will be satisfactory to OJP.

8. Ensure IIB develops and implements written policies and procedures to adequately document the process used to allocate all types of costs.

IIB agrees with this recommendation.

IIB has developed, and our Board has now approved, a revised Federal Grant Award and Accounting and Finance Policies and Procedure Manual, attached as **Exhibit D**. The Manual was also reviewed and accepted by OJP. IIB is in the process of implementing these Policies and Procedures. Page 7 of the Manual references cost allocation.

9. Ensure IIB develops and implements written policies and adequately documents its subrecipient monitoring procedures to include reviewing subrecipient invoices.

IIB agrees with this recommendation.

IIB has developed, and our Board has now approved, a revised Federal Grant Award and Accounting and Finance Policies and Procedure Manual, attached as **Exhibit D**. The Manual was also reviewed and accepted by OJP. IIB is in the process of implementing these Policies and Procedures. Page 16 of the Manual addresses subrecipient monitoring policies.

10. Remedy \$21,667 of unsupported subrecipient expenditures, through IIB demonstrating the application of its subrecipient monitoring procedures.

IIB does not agree with the finding regarding subrecipient expenditures, as we believe we have addressed it.

Attached as **Exhibit B** is documentation for **\$33,730** of subrecipient expenditures; this was the number initially reported to us by OIG as unsupported.

We previously sent this documentation to OIG (see email in exhibit). We are hopeful that this documentation addresses the \$21,667 in expenditures referred to in the recommendation.

Without more information from OIG as to the difference between the two figures we cannot be sure we have completely addressed it, but we are of course willing to work with OJP to do so.

As noted in #9 above, the Policies and Procedure Manual that was just approved by the IIB Board of Directors contains subrecipient monitoring procedures that we are in the process of implementing.

11. Ensure that IIB develop and implement written policies and procedures for evaluating the reasonableness of subrecipient prices and rates.

IIB agrees with this recommendation.

IIB has developed, and our Board has now approved, a revised Federal Grant Award and Accounting and Finance Policies and Procedure Manual, attached as **Exhibit D**. The Manual was also reviewed and accepted by OJP. IIB is in the process of implementing these Policies and Procedures.

Page 3 item 10 of the Manual details the policy for evaluating the reasonableness of subrecipient prices and rates.

12. Ensure IIB adhere to internal travel policies and procedures, which include preparing vouchers, for award related travel expenditures.

IIB concurs with this recommendation and believes we have addressed it.

We have attached as **Exhibit C** an amended travel policy (also previously submitted to OIG) that we have implemented. In addition, Section 8.1 of the Policies and Procedures Manual sets forth our travel policy.

13. Remedy the reported amount of match expenditures totaling \$416,667, and ensure that IIB establishes and implements policies and procedures that will adequately document the source, amount and timing of match expenditures.

IIB concurs with the need to remedy this finding.

IIB has engaged Bonadio & Co LLP, a Certified Public Accounting firm with extensive experience with the Uniform Guidance, as an outside resource to assist us in reviewing and organizing documentation for match expenditures, as well as documentation for their assignment to each of the grants, which we believe will remedy this finding.

In addition, IIB has developed, and our Board has now approved, a revised Federal Grant Award and Accounting and Finance Policies and Procedure Manual, attached as **Exhibit D**. The Manual was also reviewed and accepted by OJP. IIB is in the process of implementing these Policies and Procedures. Page 9 of the Manual addresses matching expenditures.

14. Ensure that IIB revise its budget monitoring process to: (1) use reliable and accurate budget and actual spending amounts, and (2) review budget compliance of both awards with reliable actual expenditure amounts when the financial management system finding is resolved.

IIB concurs with this recommendation.

IIB has developed, and our Board has now approved, a revised Federal Grant Award and Accounting and Finance Policies and Procedure Manual, attached as **Exhibit D**. The Manual was also reviewed and accepted by OJP. IIB is in the process of implementing these Policies and Procedures. Page 16 and Section 5.7 of the Manual addresses the budget monitoring process.

We commit to resolving the financial management system finding. OJP has indicated that the new cost centers we have created for the 2018 awards are satisfactory.

15. Ensure that IIB develop procedures for drawing down funds based on actual expenditure data in its financial management system. Any future process for drawing down funds should demonstrate IIB's compliance with cash management criteria.

IIB concurs with this recommendation.

We believe the new cost centers we have created for the 2018 awards are satisfactory to OJP. We commit to using these cost centers in compliance with DOJ cash management criteria and to requesting drawdowns based on actual expenditure data. In addition, the revised Manual addresses the finding, as discussed in recommendation 14 above.

16. Review the accuracy and revise as necessary the current or most recent FFR for each award in conjunction with resolving the financial management and expenditure findings. Additionally, OJP should ensure that IIB establish policies and procedures that ensure FFRs are prepared timely and accurately to report award-funded expenditures and match expenditures. Furthermore, based on the issues identified with the financial management system, any future process should include reconciling the expenditure (both award-funded and in-kind) amounts reported to the revised financial management system.

IIB concurs with this recommendation.

We will work with OJP and our outside accounting resource to review and revise as needed the most recent FFR for the grants to ensure they are consistent with OJP's final resolution of the audit findings.

In addition, IIB has developed, and our Board has now approved, a revised Federal Grant Award and Accounting and Finance Policies and Procedure Manual, attached as **Exhibit D**. The Manual was also reviewed and accepted by OJP. IIB is in the process of implementing these Policies and Procedures. Page 16 of the Manual addresses policies with respect to FFR preparation and accuracy.

We commit to working with OJP on reconciliation of expenditures as needed.

We believe the International Institute of Buffalo's DOJ funded programs are of the highest quality and meet the needs of human trafficking survivors in Western New York. As noted above, we are working diligently to implement new policies and procedures that ensure compliance with DOJ regulations and guidelines.

Thank you for your consideration of IIB's responses to the recommendations in the draft report. If you have any questions or concerns, please do not hesitate to contact me directly at your convenience at (716) 883 1900 x311.

Sincerely,



Eva Hassett,
Executive Director

Attachments

Cc: Terrence Phillips, Partner, Bonadio & Co LLP
Larry Christ, Board Chair, International Institute of Buffalo
Eskinder Tefera, Board Treasurer, International Institute of Buffalo
Amy Fleischauer, Director, Survivor Support Services, International Institute of Buffalo

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

APR 15 2019

MEMORANDUM TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General

FROM:  Ralph E. Martin 
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Cooperative Agreements Awarded to the International Institute of Buffalo, Buffalo, New York*

This memorandum is in reference to your correspondence, dated March 15, 2019, transmitting the above-referenced draft audit report for the International Institute of Buffalo (IIB). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains 16 recommendations and \$864,606¹ 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 are restated in bold and are followed by our response.

- 1. We recommend that OJP ensure IIB adheres to policies and procedures that results in progress reports that can be efficiently verified and performance data being entered accurately into TIMS Online.**

OJP agrees with this recommendation. We will coordinate with IIB to obtain a copy of written policies and procedures, developed and implemented, to ensure that progress reports are efficiently verified, and that performance data is accurately entered into OJP's Office for Victims of Crime, Trafficking Information Management System (TIMS) Online.

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

2. **We recommend that OJP ensure that IIB establishes and adheres to policies and procedures that will result in background checks being conducted on all award-related employees (including subgrantees, volunteers, and contractors) working directly with minors.**

OJP agrees with this recommendation. In its response to the draft audit report, dated April 5, 2019, IIB provided a copy of proposed to its employee manual to ensure that background checks are being conducted on all award-related employees (including subgrantees, volunteers, and contractors) working directly with minors. However, these procedures appear to be part of IIB's Employee Manual, which IIB did not provide with its response. Accordingly, OJP will coordinate with IIB to obtain a copy of revised written policies and procedures to address this recommendation.

3. **We recommend that OJP remedy the \$753,766 in unsupported questioned costs, including claimed award-funded expenditures (\$426,272) and matching expenditures (\$327,494).**

OJP agrees with this recommendation. We will review the \$753,766 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, related to unsupported questioned costs, including claimed award-funded expenditures (\$426,272) and matching expenditures (\$327,494), and will work with IIB to remedy, as appropriate.

4. **We recommend that OJP ensure that IIB implements properly designed policies and procedures to comply with financial management requirements.**

OJP agrees with this recommendation. In its response to the draft audit report, dated April 5, 2019, IIB provided a copy of its revised Federal Award Policy and Accounting Manual (Manual), which includes procedures to ensure compliance with the grants financial management requirements (see Attachments 1 and 2). In addition, IIB provided evidence of its Board of Directors' approval of the revisions to its Manual (see Attachment 3). We believe these procedures adequately address this recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this recommendation.

5. **We recommend that OJP remedy the \$37,564 in unsupported allocation of office occupancy costs.**

OJP agrees with this recommendation. We will review the \$37,564 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, related to unsupported allocation of office occupancy costs, and will work with IIB to remedy, as appropriate.

6. **We recommend that OJP remedy the \$7,200 in unsupported allocation of supplies costs.**

OJP agrees with this recommendation. We will review the \$7,200 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, related to unsupported allocation of supplies costs, and will work with IIB to remedy, as appropriate.

7. **We recommend that OJP remedy the \$5,207 in unsupported allocated costs of in-person independent interpreter services.**

OJP agrees with this recommendation. We will review the \$5,207 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, related to unsupported allocated costs of in-person independent interpreter services, and will work with IIB to remedy, as appropriate.

8. **We recommend that OJP ensure IIB develop and implement written policies and procedures to adequately document the process used to allocate all types of costs.**

OJP agrees with this recommendation. In its response to the draft audit report, dated April 5, 2019, IIB provided a copy of its revised Federal Award Policy and Accounting Manual, which includes procedures to ensure that it adequately documents the process used to allocate various costs (see Attachment 1 and 2). In addition, IIB provided evidence of its Board of Directors' approval of the revisions to its Manual (see Attachment 3). We believe these procedures adequately address this recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this recommendation.

9. **We recommend that OJP ensure IIB develops and implements written policies and adequately documents its subrecipient monitoring procedures to include reviewing subrecipient invoices.**

OJP agrees with this recommendation. In its response to the draft audit report, dated April 5, 2019, IIB provided a copy of its revised Federal Award Policy and Accounting Manual, which includes procedures to ensure that its subrecipient monitoring includes reviewing subrecipient invoices. However, these procedures do not specifically address the activities that IIB staff performs during its subrecipient monitoring reviews. Accordingly, OJP will coordinate with IIB to obtain a copy of revised written policies and procedures to address this recommendation.

10. **We recommend that OJP remedy \$21,667 of unsupported subrecipient expenditures, through IIB demonstrating the application of its subrecipient monitoring procedures.**

OJP agrees with this recommendation. We will review the \$21,667 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, related to unsupported subrecipient expenditures, and will work with IIB to remedy, as appropriate.

11. **We recommend that OJP ensure that IIB develop and implement written policies and procedures for evaluating the reasonableness of subrecipient prices and rates.**

OJP agrees with this recommendation. In its response to the draft audit report, dated April 5, 2019, IIB provided a copy of its revised Federal Award Policy and Accounting Manual, which includes procedures for evaluating the reasonableness of subrecipient prices and rates (see Attachment 1 and 2). In addition, IIB provided evidence of its Board of Directors' approval of the revisions to its Manual (see Attachment 3). We believe these procedures adequately address this recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this recommendation.

12. **We recommend that OJP ensure IIB adhere to internal travel policies and procedures, which include preparing vouchers, for award-related travel expenditures.**

OJP agrees with this recommendation. In its response to the draft audit report, dated April 5, 2019, IIB provided a copy of its amended travel policy and Federal Award Policy and Accounting Manual, which include procedures on preparing vouchers for award-related travel expenditures. However, IIB did not provide evidence that staff was informed of the changes to its travel policy, although the OIG found that IIB staff did not always adhere to its own internal policies and procedures related to travel reimbursement. Accordingly, OJP will coordinate with IIB to obtain a copy of revised written policies and procedures to address this recommendation.

13. **We recommend that OJP remedy the reported amount of match expenditures, totaling \$416,667, and ensure that IIB establishes and implements policies and procedures that will adequately document the source, amount and timing of match expenditures.**

OJP agrees with this recommendation. With regards to the \$416,667 in questioned matching costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, related to expenditures that were commingled in IIB's accounting system with expenditures related to other IIB activities, we will review these expenditures, and will work with IIB to remedy, as appropriate.

With regards to IIB's establishing and implementing policies and procedures to document the source, amount, and timing of match expenditures, in its response to the draft audit report, dated April 5, 2019, IIB provided a copy of its Federal Award Policy and Accounting Manual, which includes procedures to ensure that it adequately documents the source, amount, and timing of match expenditures (see Attachment 1 and 2). In addition, IIB provided evidence of its Board of Directors' approval of the revisions to its Manual (see Attachment 3). We believe these procedures adequately address this portion of the recommendation. Accordingly, the Office of Justice Programs respectfully requests closure of this portion of the recommendation.

14. **We recommend that OJP ensure that IIB revise its budget monitoring process to: (1) use reliable and accurate budget and actual spending amounts, and (2) review budget compliance of both awards with reliable actual expenditure amounts when the financial management system finding is resolved.**

OJP agrees with this recommendation. In its response to the draft audit report, dated April 5, 2019, IIB provided a copy of its revised Federal Award Policy and Accounting Manual, which includes budget monitoring procedures to ensure: (1) the use of reliable and accurate budget and actual spending amounts, and (2) budget compliance of both awards with reliable actual expenditure amounts when the financial management system finding is resolved (see Attachment 1 and 2). In addition, IIB provided evidence of its Board of Directors' approval of the revisions to its Manual (see Attachment 3). We believe these procedures adequately address this recommendation. Accordingly, the Office of Justice Programs requests closure of this recommendation.

15. **We recommend that OJP ensure that IIB develop procedures for drawing down funds based on actual expenditure data in its financial management system. Any future process for drawing down funds should demonstrate IIB's compliance with cash management criteria.**

OJP agrees with this recommendation. In its response to the draft audit report, dated April 5, 2019, IIB provided a copy of its revised Federal Award Policy and Accounting Manual, which includes procedures for drawing down funds based on actual expenditure data in its financial management system (see Attachment 1 and 2). In addition, IIB provided evidence of its Board of Directors' approval of the revisions to its Manual (see Attachment 3). We believe these procedures adequately address this portion of the recommendation. Accordingly, the Office of Justice Programs requests closure of this portion of the recommendation.

With regards to IIB demonstrating compliance with cash management criteria for drawing down funds in the future, we will coordinate with IIB to obtain documentation to support a drawdown request.

16. **We recommend that OJP review the accuracy and revise as necessary the current or most recent FFR for each award in conjunction with resolving the financial management and expenditure findings. Additionally, OJP should ensure that IIB establish policies and procedures that ensure FFRs are prepared timely and accurately to report award-funded expenditures and match expenditures. Furthermore, based on the issues identified with the financial management system, any future process should include reconciling the expenditure (both award funded and in-kind) amounts reported to the revised financial management system.**

OJP agrees with this recommendation. In its response to the draft audit report, dated April 5, 2019, IIB provided a copy of its revised Federal Award Policy and Accounting Manual, which includes procedures to ensure that Federal Financial Reports are prepared timely and accurately, to report award-funded expenditures and match expenditures. In addition, IIB provided evidence of its Board of Directors' approval of the revisions to its Manual (see Attachment 3). We believe these procedures adequately address this portion of the recommendation. Accordingly, the Office of Justice Programs requests closure of this portion of the recommendation.

With regards to other portions of this recommendation, related to reviewing the accuracy of the most recent FFR for each award and reconciling the expenditure (both award funded and in-kind) amounts reported to the revised financial management system, we will coordinate with IIB to obtain documentation to address this portion of the recommendation.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

Attachments

cc: Matt M. Dummermuth
Principal Deputy Assistant Attorney General

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

LeToya A. Johnson
Senior Advisor
Office of the Assistant Attorney General

Jeffery A. Haley
Deputy Director, Audit and Review Division
Office of Audit, Assessment, and Management

cc: Darlene L. Hutchinson
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Aida Brumme
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Richard P. Theis
Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20190319114649

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

The Department of Justice (Department) Office of the Inspector General (OIG) provided a draft of this audit report to the International Institute of Buffalo (IIB) and the Office of Justice Programs (OJP). IIB's response is incorporated in Appendix 3 and OJP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP agreed with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for OJP:

- 1. We recommend that OJP ensure IIB adheres to policies and procedures that results in progress reports that can be efficiently verified and performance data being entered accurately into TIMS Online.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with IIB to obtain written policies and procedures to ensure that progress reports are efficiently verified, and that performance data is accurately entered into OJP's Office for Victims of Crime, Trafficking Information Management System (TIMS) Online.

In its response, IIB stated that it understood and concurred with the objective of the recommendation, but it did not agree with the specifics of the proposed remedy as IIB had concerns with the practicality of additional means of verification, as well as the confidentiality of client information. However, IIB also stated that it would work with OJP to address our concerns to remedy the recommendation.

We disagree with IIB's interpretation that the OIG proposed a specific remedy that could pose concerns regarding confidentiality or would be impractical for IIB to accomplish. As an OJP awardee, IIB is responsible for establishing efficient and effective internal controls that are acceptable to OJP. Our recommendation here is to ensure that performance data be accurately collected, maintained, and reported, and also in a manner that can be efficiently verified. This can be accomplished in ways that maintain the confidentiality of client information.

This recommendation is resolved based on OJP's agreement. This recommendation can be closed when we receive documentation demonstrating that IIB is adhering to policies and procedures that result in progress reports that can be efficiently verified and performance data being entered accurately into TIMS Online.

- 2. We recommend that OJP ensure that IIB establishes and adheres to policies and procedures that will result in background checks being conducted on all award-related employees (including subgrantees, volunteers, and contractors) working directly with minors.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that IIB provided a copy of proposed changes to its employee manual to ensure that background checks are being conducted on all award-related employees (including subgrantees, volunteers, and contractors) working directly with minors. However, IIB did not provide OJP with its employee manual. OJP stated it will coordinate with IIB to obtain a copy of the revised written policies and procedures to address this recommendation.

IIB agreed with our recommendation and stated in its response that policies and procedures have been formally adopted and implemented.

This recommendation can be closed when we receive evidence that IIB has established and is adhering to policies and procedures that result in background checks being conducted on all award-related employees working directly with minors.

- 3. We recommend that OJP remedy the \$753,766 in unsupported questioned costs, including claimed award-funded expenditures (\$426,272) and matching expenditures (\$327,494).**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$753,766 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013 and will work with IIB to remedy, as appropriate.

IIB agreed with our recommendation and stated in its response that it has engaged with a CPA firm to assist in reviewing and organizing documentation to support the questioned costs.

This recommendation can be closed when we receive evidence that claimed award-funded and matching expenditures are adequately supported and identified in IIB's financial management system.

- 4. We recommend that OJP ensure that IIB implements properly designed policies and procedures to comply with financial management requirements.**

Closed. OJP agreed with our recommendation. OJP stated in its response that IIB provided its revised Federal Award Policy and Accounting Manual, which includes procedures to ensure compliance with the grants financial management requirements. Additionally, IIB provided OJP with evidence of its Board of Directors' approval of the revisions. OJP stated in its response that it believed the revised policy adequately addressed this recommendation.

IIB agreed with our recommendation and provided a revised Federal Grant Award and Accounting and Finance Policies and Procedures Manual in its response.

Based on OJP's response to the draft audit report and our review of IIB's revised policy, this recommendation is closed.

5. We recommend that OJP remedy the \$37,564 in unsupported allocation of office occupancy costs.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$37,564 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013 related to the unsupported allocation of office occupancy costs, and it will work with IIB to remedy, as appropriate.

IIB agreed with our recommendation and stated in its response that it will work with OJP to thoroughly document the methodology for computing and allocating office occupancy costs to the grants.

This recommendation can be closed when we receive evidence that IIB's methodology for allocating office occupancy costs is adequately and coherently documented.

6. We recommend that OJP remedy the \$7,200 in unsupported allocation of supplies costs.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$7,200 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, related to unsupported allocation of supplies costs, and will work with IIB to remedy, as appropriate.

IIB agreed with our recommendation and stated in its response that it will work with OJP to properly document the methodology for computing and allocating supplies costs to the grant.

This recommendation can be closed when we receive evidence that IIB's methodology for allocating supplies costs is adequately and coherently documented.

7. We recommend that OJP remedy the \$5,207 in unsupported allocated costs of in-person independent interpreter services.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$5,207 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, related to unsupported allocated costs of in-person independent interpreter services, and will work with IIB to remedy, as appropriate.

IIB agreed with our recommendation and stated in its response that it can provide supporting documentation once it knows the specific expense items contained in the \$5,207. During the audit, we requested support for charges

totaling this amount. However, IIB provided documentation that we were unable to reconcile with specific expense items.

This recommendation can be closed when we receive evidence that costs for in-person independent interpreter services are adequately supported and identified in the financial management system.

8. We recommend that OJP ensure IIB develop and implement written policies and procedures to adequately document the process used to allocate all types of costs.

Closed. OJP agreed with our recommendation. OJP stated in its response that IIB's revised Federal Award Policy and Accounting Manual, which includes procedures to ensure that it adequately documents the process used to allocate various costs, adequately addressed this recommendation. Additionally, IIB provided OJP with evidence of its Board of Directors' approval of the revisions.

IIB agreed with our recommendation and provided a revised Federal Grant Award and Accounting and Finance Policies and Procedures Manual in its response.

Based on OJP's response to the draft audit report and our review of IIB's updated policy, this recommendation is closed.

9. We recommend that OJP ensure IIB develops and implements written policies and adequately documents its subrecipient monitoring procedures to include reviewing subrecipient invoices.

Resolved. OJP agreed with our recommendation. OJP stated in its response that IIB provided its revised Federal Award Policy and Accounting Manual, which includes procedures to ensure that its subrecipient monitoring includes reviewing subrecipient invoices. However, OJP determined that the procedures do not specifically address the activities that IIB staff performs during its subrecipient monitoring reviews. OJP will coordinate with IIB to obtain revised written policies and procedures to address this recommendation.

IIB agreed with our recommendation and stated in its response that it has revised its Federal Grant Award and Accounting and Finance Policies and Procedures Manual. Additionally, IIB stated that it is in the process of implementing the revised policies and procedures related to subrecipient monitoring.

This recommendation can be closed when we receive evidence that IIB's revised subrecipient monitoring policy specifically addresses the activities that IIB staff performs during subrecipient monitoring reviews.

10. We recommend that OJP remedy \$21,667 of unsupported subrecipient expenditures, through IIB demonstrating the application of its subrecipient monitoring procedures.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the \$21,667 in questioned costs charged to Award Numbers 2013-VT-BX-K011 and 2015-VT-BX-K013, related to unsupported subrecipient expenditures, and will work with IIB to remedy, as appropriate.

IIB did not agree with our recommendation. IIB stated in its response that documentation supporting the expenditures was previously provided to the OIG.

We do not believe that adequate supporting documentation was provided for these expenditures. Both during our audit fieldwork and in response to the audit's exit conference where IIB was provided details of our findings, IIB provided the same set of documents regarding the \$21,667 in unsupported subrecipient expenditures. However, these summary invoices were based on budgeted amounts and did not include sufficiently detailed information to support the actual expenditures.

As a result of OJP's agreement with this recommendation, this recommendation is resolved. This recommendation can be closed when OJP reviews adequate supporting documentation, including underlying supporting documentation related to subrecipient invoices.

11. We recommend that OJP ensure that IIB develop and implement written policies and procedures for evaluating the reasonableness of subrecipient prices and rates.

Closed. OJP agreed with our recommendation and requested closure based on its determination that IIB's revised policy adequately addressed this recommendation.

IIB agreed with our recommendation. IIB stated in its response that it developed and received Board approval of a revised Federal Award Policy and Accounting Manual. IIB is now in the process of implementing the revised policies and procedures.

Based on OJP's response to the draft audit report and our review of IIB's revised policy, this recommendation is closed.

12. We recommend that OJP ensure IIB adhere to internal travel policies and procedures, which include preparing vouchers, for award-related travel expenditures.

Resolved. OJP agreed with our recommendation. OJP stated in its response that IIB provided an amended travel policy and Federal Award Policy and Accounting Manual, which includes procedures on preparing vouchers for award-related travel. However, IIB did not provide evidence that staff was informed of the changes.

IIB concurred with our recommendation. IIB stated in its response that the travel policy has been amended and changes have been implemented.

This recommendation can be closed when we receive evidence that IIB staff are informed and adhering to the revised policies and procedures related to award-related travel reimbursement.

- 13. We recommend that OJP remedy the reported amount of match expenditures, totaling \$416,667, and ensure that IIB establishes and implements policies and procedures that will adequately document the source, amount and timing of match expenditures.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will review the related expenditures and work with IIB to remedy, as appropriate. Additionally, in its response OJP stated that IIB revised its Federal Award Policy and Accounting Manual, which includes procedures to ensure that it adequately documents the source, amount, and timing of match expenditures. OJP requested closure for this portion of the recommendation.

IIB concurred with our recommendation. IIB stated in its response that it has engaged a CPA firm to assist in reviewing and organizing documentation related to match expenditures. Additionally, IIB stated that it has revised its Federal Grant Award and Accounting and Finance Policies and Procedures Manual to address matching expenditures.

Based on our review of documentation from IIB, we agree with OJP's request to close the portion of the recommendation regarding IIB establishing and implementing policies and procedures to document the source, amount, and timing of match expenditures. The remaining portion of this recommendation can be closed when we receive evidence that the reported amount of matching expenditures adequately document the source, amount, and timing of match expenditures; or the expenditures are otherwise remedied.

- 14. We recommend that OJP ensure that IIB revise its budget monitoring process to: (1) use reliable and accurate budget and actual spending amounts, and (2) review budget compliance of both awards with reliable actual expenditure amounts when the financial management system finding is resolved.**

Closed. OJP agreed with our recommendation and requested closure based on its review of IIB's revised policy to address this recommendation. OJP stated in its response that IIB revised its Federal Award Policy and Accounting Manual, which includes budget monitoring procedures to ensure: (1) the use of reliable and accurate budget and actual spending amounts, and (2) budget compliance of both awards with reliable actual expenditure amounts when the financial management system finding is resolved. Additionally, IIB provided evidence of the Board of Directors approval of the revisions.

IIB concurred with our recommendation. IIB stated in its response that it has developed and received Board approval of a revised Federal Grant Award

and Accounting and Finance Policies and Procedures Manual. Additionally, it is in the process of implementing the revised policies and procedures.

Based on OJP's response to the draft audit report and our review of IIB's policy, this recommendation is closed.

- 15. We recommend that OJP ensure that IIB develop procedures for drawing down funds based on actual expenditure data in its financial management system. Any future process for drawing down funds should demonstrate IIB's compliance with cash management criteria.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that IIB revised its Federal Award Policy and Accounting Manual, which includes procedures for drawing down funds based on actual expenditure data in its financial management system. OJP requested closure of this portion of the recommendation. In regards to IIB demonstrating compliance with cash management criteria for drawing down funds in the future, OJP stated it will coordinate with IIB to obtain documentation to support drawdown requests.

IIB concurred with our recommendation. IIB stated in its response that it believes the new cost centers created for the 2018 awards are satisfactory to OJP. IIB commits to using these cost centers in compliance with DOJ cash management criteria, and to request drawdowns based on actual expenditure data.

Based on our review of documentation from IIB we agree with OJP's request to close the portion of the recommendation regarding IIB developing procedures for drawing down funds based on actual expenditure data in its financial management system.

This recommendation can be closed when we receive evidence that IIB is in compliance with cash management criteria for drawing down award funds.

- 16. We recommend that OJP review the accuracy and revise as necessary the current or most recent FFR for each award in conjunction with resolving the financial management and expenditure findings. Additionally, OJP should ensure that IIB establish policies and procedures that ensure FFRs are prepared timely and accurately to report award-funded expenditures and match expenditures. Furthermore, based on the issues identified with the financial management system, any future process should include reconciling the expenditure (both award funded and in-kind) amounts reported to the revised financial management system.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that IIB provided revised Federal Award Policy and Accounting Manual, which includes procedures to ensure that Federal Financial Reports are prepared timely and accurately, to report award-funded expenditures and match expenditures. OJP requests closure of this portion of the recommendation.

Additionally, OJP stated that it will coordinate with IIB to obtain documentation related to reviewing the accuracy of the most recent FFR for each award and reconciling the expenditures (both award funded and in-kind) amounts reported to the revised financial management system.

IIB concurred with our recommendation. IIB stated in its response that it will work with OJP to review and revise, as needed, the most recent FFR for the grant to ensure it is consistent with OJP's final resolution of the audit findings. Additionally, it has developed and received Board approval of its revised Federal Grant Award and Accounting and Finance Policies and Procedures Manual.

Based on our review of documentation from IIB we agree with OJP's request to close the portion of the recommendation in regards to establishing policies and procedures that ensure FFRs are prepared timely and accurately to report award-funded expenditures and match expenditures.

This recommendation can be closed when we receive evidence that the expenditures from the most recent FFR for each award program reconciles with the revised financial management system.



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