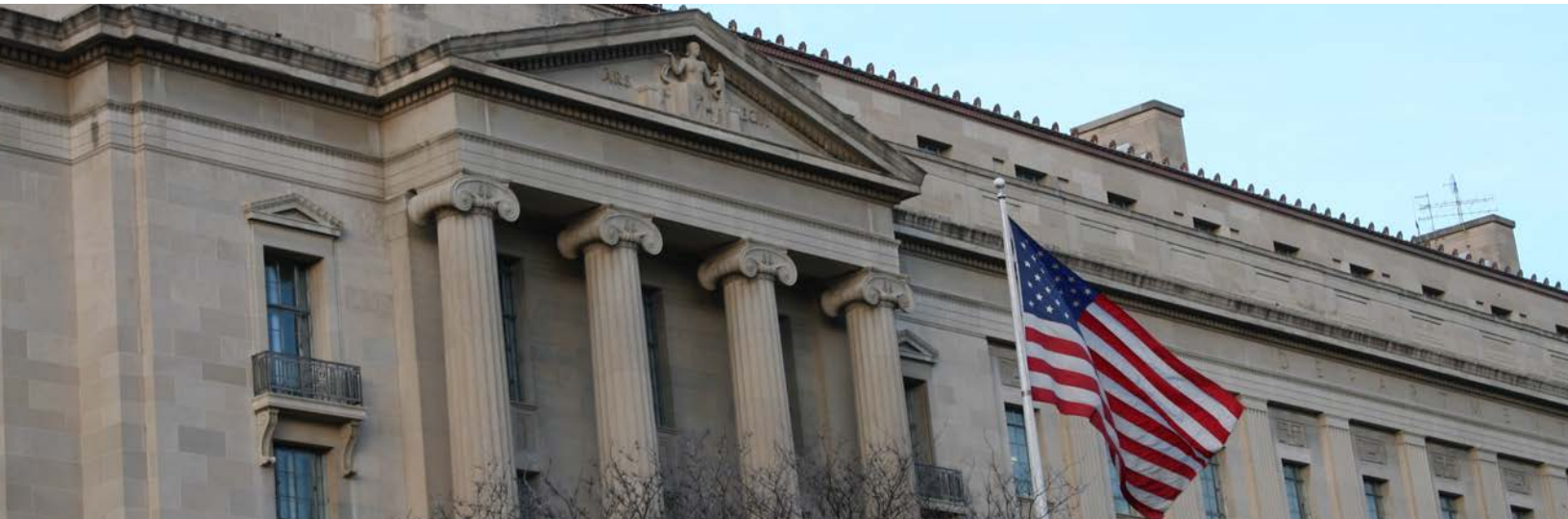




Office of the Inspector General
U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



Audit of the Office of Justice Programs
National Institute of Justice
Reentry Research Grant Awarded to MDRC,
New York, New York

REDACTED FOR PUBLIC RELEASE

Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 2, and are of individuals' names.



Executive Summary

*Audit of the Office of Justice Programs National Institute of Justice
Offender Reentry Research Grant Awarded to MDRC,
New York, New York*

Objectives

The Office of Justice Programs (OJP) awarded MDRC a National Institute of Justice grant totaling \$4,506,566 for offender reentry research. 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; and to determine whether MDRC demonstrated adequate progress towards achieving program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management; program goals and accomplishments, grant financial management, grant expenditures, budget management and control, drawdowns and federal financial reports.

Results in Brief

As a result of our audit, MDRC demonstrated adequate achievement of goals and objectives of the grant. However, we found an issue related to the methodology MDRC used to prepare its Federal Financial Reports. Specifically, MDRC used drawdown amounts as the basis for the federal share of expenditures reported on its Federal Financial Reports. According to the OJP Financial Guide, recipients must report actual funds spent, not draw down amounts.

Recommendations

Our report contains one recommendation to OJP to ensure MDRC is in compliance with grant management requirements. We requested a response to our draft audit report from MDRC and OJP, which can be found in Appendices 2 and 3, respectively. Our analysis of those responses is included in Appendix 4.

Audit Results

The purpose of the OJP, National Institute of Justice (NIJ) Grant, and its supplement, was to conduct the evaluation of the Multi-Site Demonstration Field Experiment: What Works in Reentry Research. In November 2014, NIJ requested that the MDRC evaluation team develop a new design for the study that would take a more formative approach to the evaluation. As a result, the evaluation design took on a phased approach with an elongated pilot period. In addition, there were significant changes to the original project and the evaluation design plan. The project period for the grants was from January 2011 through December 2018. MDRC drew down a cumulative amount of \$1,852,932 for Grant Number 2010-RY-BX-0002, including the supplement.

Program Goals and Accomplishments - We determined that MDRC generally achieved the goals and objectives of the project. MDRC evaluated the implementation of two interventions and addressed whether there were measurable differences in supervision knowledge, techniques, and practices between trained and untrained parole officers. The results of the study showed that parole officers already knew many of the concepts associated with the selected intervention; and changes to officers' supervision practices were limited. The study also showed that parole officers were open to training and coaching to help them improve their supervision practices, and that these strategies may be effective at improving officers' interactions with parolees, especially when prior experience and receipt of similar trainings is limited. In January 2016, BJA decided not to continue funding DFE sites past the implementation study, effectively ending the project, and NIJ is in the process of de-obligating the remaining unspent funds of \$2,653,634.

Progress and Financial Reports – We found that the accomplishments MDRC reported on its progress reports were adequately supported by source documentation. However, the cumulative expenditures in all five federal financial reports did not match the accounting records, and the quarterly expenditures did not match for four of the five reports we reviewed.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
NATIONAL INSTITUTE OF JUSTICE OFFENDER REENTRY
RESEARCH GRANT AWARDED TO MDRC,
NEW YORK, NEW YORK**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
NATIONAL INSTITUTE OF JUSTICE OFFENDER REENTRY
RESEARCH GRANT AWARDED TO MDRC, NEW YORK, NEW YORK**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of a grant awarded by the Office of Justice Programs, National Institute of Justice (NIJ), under the Evaluation of the Bureau of Justice Assistance Demonstration Field Experiment Sites: Test of What Works in Reentry Research, to MDRC in New York, New York.¹ MDRC was awarded a grant, including a supplement, totaling \$4,506,566, as shown in Table 1. The grant was authorized under the Second Chance Act of 2010. The goals of the Second Chance Act are to increase reentry programming and improve outcomes for offenders returning to their families and communities.

**Table 1
OJP Grant Awarded to MDRC**

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2010-RY-BX-0002	OJP	09/16/2010	01/01/2011	09/30/2014	\$3,000,000
Supplement 1	OJP	09/19/2014	01/01/2011	12/31/2018	\$1,506,566
Total:					\$4,506,566

Source: DOJ Grants Management System

The Second Chance Act directs NIJ to evaluate the effectiveness of offender reentry demonstration projects funded by the Bureau of Justice Assistance (BJA). Since fiscal year 2010, NIJ has awarded approximately \$15 million in Second Chance Act funds for reentry-related research to include the Evaluation of the Multi-Site Demonstration Field Experiment: What Works in Reentry Research (DFE). The initial goal of DFE was to obtain rigorous evidence on the effectiveness of a carefully designed model that aims to promote successful transition from prison to community.

The Grantee

MDRC was created in 1974 by the Ford Foundation and a group of federal agencies. According to its website, MDRC is a nonprofit, nonpartisan education and social policy research organization dedicated to learning what works to improve programs and policies that affect the poor. MDRC’s mission is to create and widely disseminate rigorous, nonpartisan, credible evidence on the effectiveness of policies and programs aimed at improving the lives of low-income families, children, and communities. MDRC is engaged in close to 80 projects in 5 policy areas: Families

¹ Initially founded as the Manpower Demonstration Research Corporation, in 2003, *MDRC* became the official name of the organization.

and Children; K-12 Education; Post-Secondary Education; Youth Development, Criminal Justice, & Employment; and Low-Wage Workers and Communities.

OIG Audit Approach

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether MDRC demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant 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 grants. The OJP Financial Guide and the award documents contain the primary criteria we applied during the audit.²

The results of our analysis are discussed in detail later in this report. Appendix 1 contains additional information on this audit's objectives, scope, and methodology.

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

AUDIT RESULTS

Program Performance and Accomplishments

The purpose of the grant was to conduct the evaluation of the Multi-Site Demonstration Field Experiment: What Works in Reentry Research (DFE). To determine whether MDRC demonstrated adequate achievement of the program goals and objectives, we reviewed grant documentation and interviewed MDRC officials. We also reviewed progress reports to determine if the required reports were accurate. Finally, we reviewed MDRC's compliance with special conditions identified in the award documentation.

Program Goals and Objectives

In a collaborative effort, the Bureau of Justice Assistance, the National Institute of Corrections, and the National Institute of Justice partnered to support a multi-site desistance experiment in an effort to expand the body of evidence on improving outcomes for adult offenders re-entering the community.³ In 2010, as part of the Multi-site Demonstration Field Experiment (DFE) on prisoner reentry, MDRC received DOJ funding through the NIJ to support a randomized controlled trial.

The main objective of the DFE Evaluation was to determine "what works" in reentry programming through an evaluation of projects focused on parolee supervision techniques that included two interventions. The interventions included a curriculum provided to parole officers, as well as cognitive behavioral therapy to be delivered by service providers.

The DFE was initially designed to be a large scale randomized control trial, intended to test the impact of interventions on parolee crime desistance and recidivism. The initial evaluation plan was for MDRC to follow parolees using a combination of participant surveys and administrative data to measure both recidivism and intermediate outcomes. MDRC was responsible for two deliverables; a paper focusing on the operation of the DFE program that described how accurately the intervention was implemented in accordance to the model, and a final report which focused on the results of the impact analysis and cost-benefit and cost-effectiveness analyses.

MDRC encountered a number of issues, none for which MDRC was responsible, that resulted in significant changes to the project and the evaluation design plan. Specifically, there were delays in: NIJ's selection of the intervention design, BJA's site selection and release of Second Chance Act funds to sites, and National Institute of Corrections' delays linked to the training and technical model and curriculum. In November 2014, NIJ requested that the MDRC evaluation team

³ Desistance is a process through which individuals who have been involved in crime change their self-perceived identity and cease participating in crime — and helps parole officers to use parolee-centered conversations to identify and reinforce a parolee's strengths and to identify potential stabilizing and destabilizing influences in the individual's life.

develop a new design for the study that would take a more formative approach to the evaluation.

In 2015, MDRC redesigned the evaluation plan into two phases. Based on the results of the first phase, the federal partners intended to make a determination about whether to proceed the DFE to rigorous control testing (phase two). In January 2016, BJA decided not to continue funding the DFE past the implementation study, effectively ending the project.

The study used a range of qualitative and quantitative data, including assessments of the knowledge and skills of parole officers who were trained in the intervention strategies and a second group of officers who represented business-as-usual supervision, to assess the implementation of the intervention project. In addition, the study sought to address whether there were measurable differences in supervision knowledge, techniques, and practices between the abovementioned groups. Unlike the original intent of the evaluation, the redesigned evaluation plan did not assess whether the intervention led to changes in parolee outcomes. The results of the study showed that parole officers already knew many of the concepts associated with the selected intervention; and changes to officers' supervision practices were limited. The study also showed that parole officers were open to training and coaching to help them improve their supervision practices, and that these strategies may be effective at improving officers' interactions with parolees, especially when prior experience and receipt of similar trainings is limited.

To determine whether MDRC met the goals and objectives of the grant, our assessment focused on different areas of the redesign evaluation plan for phase one of the DFE, which consisted of four main tasks: 1) design and measurement development; 2) fidelity data collection; 3) follow-up data collection; and 4) analysis and reports.⁴ We reviewed different areas within these tasks, such as: advisory board meetings, study instruments and fidelity monitoring checklists, observation sheets, and a pilot assessment report. We found MDRC held regular meetings with site coordinators and coaches, as well as with federal partners. We also reviewed and found that MDRC developed well-designed performance measures, collected accurate and reliable data, and issued an assessment report describing the findings of the evaluation. Overall, we determined that MDRC met the goal and objectives of the grant.

Required Performance Reports

According to the OJP Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. In order to verify the information in the semi-annual progress reports, we selected a total of 18 accomplishments from MDRC's 3 most recent semi-annual reports. We traced these accomplishments to supporting documentation maintained by MDRC.

⁴ Fidelity is defined as the extent to which delivery of an intervention, modality, or treatment adheres to program design.

Based on our progress report testing, we did not identify any instances where the accomplishments described in the required reports did not match the supporting documentation.

Compliance with Special Conditions

Special conditions are the terms and conditions that are included with the awards. We evaluated the special conditions for the grant and selected a judgmental sample of the requirements that are significant to performance under the grant and are not addressed in another section of this report. We evaluated three special conditions for the award. Based on our sample, we did not identify any instances of MDRC violating the additional special conditions we reviewed.

Grant Financial Management

According to the OJP Financial Guide, all grant 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 MDRC's financial management of the grants covered by this audit, we conducted interviews with financial staff, examined policies and procedures, and inspected grant documents to determine whether MDRC adequately safeguarded the grant funds we audited. We also reviewed MDRC's Single Audit Reports for 2014 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 this grant, as discussed throughout this report.

Based on our review, we found that MDRC generally exercised appropriate controls over grants funds. However, we determined that MDRC did not comply with an award condition related to federal financial reports.

Single Audit

Non-federal entities that receive federal financial assistance are required to comply with the *Single Audit Act of 1984*, as amended. The Single Audit Act provides for recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal expenditures. Under 2 C.F.R. 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), such entities that expend \$750,000 or more in federal funds within the entity's fiscal year must have a "single audit" performed annually covering all federal funds expended that year.⁵

We reviewed MDRC's three most recent Single Audit Reports (2015 through 2017) to identify any internal control weaknesses or significant non-compliance issues related to federal awards. Based on our review, we found that a significant deficiency was identified in the 2017 report concerning super-user access to the

⁵ On December 26, 2014, the Uniform Guidance superseded OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization. Under OMB Circular A-133, which affected all audits of fiscal years beginning before December 26, 2014, the audit threshold was \$500,000.

general ledger by a third-party consultant. MDRC has since created an action plan to address the issue. Therefore, we did not take any exception in this area.

Grant Expenditures

For Grant Number 2010-RY-BX-0002, MDRC's approved budgets included personnel and fringe benefits, travel, equipment, supplies, contractual, other costs, and indirect costs. 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, totaling \$268,688, or approximately 15 percent of the \$1,852,792 MDRC charged the grant. We reviewed documentation, accounting records, and performed verification testing related to grant expenditures. Based on this testing, we determined that MDRC's expenditures related to the award were allowable and supported. The following sections describe the results of that testing.

Personnel and Fringe Benefit Costs

Between January 2011 and June 2018, MDRC charged a total of \$871,065 in personnel and fringe benefit costs to the grant. We reviewed a sample of 30 payroll records, totaling \$36,378, and determined that the expenditures were allowable and supported. Additionally, we reviewed a total \$21,688 in fringe benefit transactions charged for two non-consecutive months, and determined that the charges were allowable and supported.

Contract Costs

MDRC charged a total of \$420,854 in contractual costs to the grant, including designing the evaluation plan, developing fidelity measures, and overseeing other services. We reviewed a sample of two transactions totaling \$157,986, or approximately 38 percent of the total contract expenditures and determined that the costs were allowable and supported.

Travel, Equipment, Supplies, and Other Costs

MDRC charged a total of \$268,332 to the grant for travel, equipment, supplies and other costs, including communication and rental occupancy expenses. We reviewed a sample of four transactions totaling \$27,713. We determined that the expenditures were allowable, supported, and properly allocated to the award.

Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. According to the OJP Financial Guides, non-Federal entities can use an indirect cost rate approved by a Federal awarding agency for all Federal awards provided the rate is current and based on an acceptable allocation method. MDRC had an approved indirect cost rate applicable to Grant Number 2010-RY-BX-0002. As of June 2018, MDRC charged a total of \$292,541 in indirect costs to the grant.

MDRC updated its accounting system in 2017. The previous accounting system did not reflect the grant-related indirect costs that were charged to the grant. According to MDRC officials, this occurred because indirect costs charged to the grant were maintained separately from the accounting system. For indirect costs charged to the grant between 2011 and 2016, we reviewed documents provided by MDRC, separate from the accounting system that demonstrated how it computed the indirect costs charged to the grant each month, and determined the charges were adequately supported. Additionally, we reviewed \$24,924 in indirect costs charged by MDRC in 2017 and 2018, and determined that MDRC used the proper approved rate, used a correct indirect cost base, and calculated the indirect cost allocation accurately. We also found that indirect costs charged to the grant were accurately reflected in MDRC's accounting system.

Budget Management and Control

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. Additionally, the grant recipient 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.

We compared grant expenditures to the approved budgets to determine whether MDRC transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent.

Drawdowns

According to the OJP 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 grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency.

According to MDRC officials, drawdowns were generally requested as reimbursements with no specific periodic timeline. As of July 2018, MDRC had drawn down a total of \$1,852,932. To assess whether MDRC managed grant receipts in accordance with federal requirements, we tested a judgmental sample of seven drawdowns. We compared the total amount reimbursed to the total expenditures in the accounting records and did not identify any significant deficiencies related to the recipient's process for developing drawdown requests.

Federal Financial Reports

According to the OJP 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 MDRC submitted accurate Federal Financial Reports (FFRs), we tested a judgmental

sample of five reports, covering the period from October 2016 through December 2017, and compared them to MDRC’s accounting records.

We found that the FFRs did not match MDRC’s accounting records. The cumulative expenditures in all five reports did not match the accounting records, and the quarterly expenditures did not match in four out of five reports, with differences as much as \$17,471. According to MDRC officials, the primary cause of the discrepancy was that expenditures were reported based on the amount of money that MDRC drew down and not based on actual funds spent. Inaccurate FFRs hinder OJP’s ability to properly monitor the financial activities related to the grant. We recommend that OJP ensure that MDRC implements policies and procedures to ensure its quarterly Federal Financial Reports are accurate.

Table 2
Sample Test Results of MDRC’s FFR Reports

Report Period Ending Date	FFRs- Quarterly Total	Accounting Records- Quarterly Total	Quarterly Difference	FFR- Cumulative Total	Accounting Records- Cumulative Total	Cumulative Difference
12/31/16	\$52,589	\$53,354	\$765	\$1,740,976	\$1,731,751	(\$9,225)
3/31/17	\$37,170	\$51,596	\$14,426	\$1,778,147	\$1,783,347	\$5,200
6/30/17	\$37,024	\$19,552	(\$17,472)	\$1,815,171	\$1,802,900	(\$12,271)
9/30/17	\$13,124	\$13,124	\$0	\$1,828,295	\$1,816,024	(\$12,271)
12/31/17	\$0	\$11,595	\$11,595	\$1,828,295	\$1,827,619	(\$676)

Source: OJP and MDRC

CONCLUSION AND RECOMMENDATION

As a result of our audit testing, we concluded that MDRC demonstrated adequate achievement of the grant's stated goals and objectives. We did not identify significant issues regarding MDRC's drawdowns, grant expenditures, and budget management and control. However, we found that MDRC did not comply with an essential award condition related to federal financial reports. We provide one recommendation to MDRC to address this deficiency.

We recommend that OJP:

1. Ensure that MDRC implements policies and procedures to ensure its quarterly Federal Financial Reports are accurate.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether MDRC demonstrated adequate progress towards achieving program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant 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 an Office of Justice Programs (OJP) grant awarded to MDRC under the Second Chance Act of 2007 (SCA), award number 2010-RY-BX-0002, including a supplement, in the amount of \$4,506,566. As of July 2018, MDRC had drawn down \$1,852,932 of the total grant funds awarded. Our audit concentrated on, but was not limited to September 16, 2010, the award date through March 2019, the end of our audit work. In January 2016, BJA decided not to continue funding the sites past the implementation study. As a result, the impact study which included the randomized control trial did not take place. At the time of this report, NIJ was in the process of closing out the award, including the de-obligation of \$2,653,634 in remaining award funds.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of MDRC's activities related to the audited grant. We performed sample-based audit testing for grant 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 grant reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The OJP 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 and records 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.

APPENDIX 2

MDRC RESPONSE TO THE DRAFT AUDIT REPORT



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June 25, 2019

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

Dear Mr. Puerzer:

MDRC acknowledges receipt of the limited distribution draft audit report titled: Audit of the Office of Justice Programs National Institute of Justice Offender Reentry Research Grant Awarded to MDRC, New York, New York.

We appreciate the work of the audit team and its conclusion and concur with the recommendation on page 9 of the report: "Ensure that MDRC implements policies and procedures to ensure its quarterly Federal Financial Reports are accurate."

In terms of remediation, an internal meeting was held to review the correct way of filing out Federal Financial Reports. The instructions will be attached as an appendix to a new internal Accounting and Financial Procedures Manual that is currently being drafted and will be distributed to all appropriate parties within MDRC.

On behalf of MDRC, we would like to thank the Office of the Inspector General's Field Audit Team for its thoroughness, professionalism, and the way they engaged with MDRC staff.

Sincerely,

Jesús M. Amadeo
Senior Vice President

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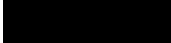
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OFFICE OF JUSTICE PROGRAMS RESPONSE TO THE
DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

JUL - 8 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, National Institute of Justice, Offender Reentry Research Grant Awarded to MDRC, New York, New York*

This memorandum is in reference to your correspondence, dated May 30, 2019, transmitting the above-referenced draft audit report for MDRC. We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **one** recommendation and **no** questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendation. For ease of review, the recommendation is restated in bold and is followed by OJP's response.

We recommend that OJP ensure that MDRC implements policies and procedures to ensure its quarterly Federal Financial Reports are accurate.

OJP agrees with this recommendation. We will coordinate with MDRC to obtain a copy of its written policies and procedures, developed and implemented, to ensure its quarterly Federal Financial Reports (FFRs) are completed accurately, and reconcile with the actual expenditures recorded in MDRC's grant accounting records

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

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OJP Executive Secretariat
Control Number IT20190605154954

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

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and MDRC. MDRC's response is incorporated in Appendix 2 and OJP's response is incorporated in Appendix 3 of this final report. In response to our draft audit report, OJP agreed with our recommendation, and as a result, the status of the audit report is resolved. MDRC concurred with our recommendation. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation for OJP:

- 1. Ensure that MDRC implements policies and procedures to ensure its quarterly Federal Financial Reports are accurate.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with MDRC to obtain written policies and procedures, developed and implemented to ensure its quarterly Federal Financial Reports (FFRs) are completed accurately and reconcile with the actual expenditures in MDRC's grant accounting records.

MDRC concurred with our recommendation and stated in its response that an internal meeting was held to review the correct way of filing out FFRs. MDRC also stated that the instructions will be attached as an appendix to a new internal Accounting and Financial Procedures Manual that is currently being drafted and will be distributed to all appropriate parties within MDRC.

This recommendation can be closed when we receive evidence that MDRC has developed and implemented policies and procedures to ensure its quarterly FFRs are completed accurately and reconcile with the actual expenditures in MDRC's grant accounting records.



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