



**OFFICE OF JUSTICE PROGRAMS
OFFICE FOR VICTIMS OF CRIME GRANTS
SUB-AWARDED BY THE
PUERTO RICO DEPARTMENT OF JUSTICE TO
CARLOS ALBIZU UNIVERSITY
SAN JUAN, PUERTO RICO**

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

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**OFFICE OF JUSTICE PROGRAMS, OFFICE FOR VICTIMS OF CRIME,
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EXECUTIVE SUMMARY

The Office of the Inspector General Audit Division has completed an audit of grants the Puerto Rico Department of Justice (PRDOJ) awarded to Carlos Albizu University (CAU). The PRDOJ made seven sub-awards to CAU from grants funds it received from the Office of Justice Programs' (OJP) Office for Victims of Crimes (OVC). Funding for these grants comes from the Crime Victims Fund (the Fund) established by the 1984 Victims of Crime Act. From 2001 through 2007, the OVC awarded \$35,400,359 to the PRDOJ. In turn, the PRDOJ made seven sub-awards totaling \$3,969,642 to CAU to provide psychological services to victims of crime. CAU is a private non-profit university that offers undergraduate degrees in behavioral sciences and advanced degrees in psychology and other related fields. CAU has campuses in San Juan, Puerto Rico, and Miami, Florida. We conducted our audit at the campus in San Juan, Puerto Rico.

We initially conducted a limited scope review of CAU's internal controls for administering Department of Justice (DOJ) grant funds. We identified issues pertaining to grant administration and financial management that required us to perform additional audit work. As a result, we conducted a full scope audit of seven sub-grants the PRDOJ awarded to CAU. Based on our audit work, we identified \$1,220,716 in questioned costs and made a referral to the U.S. Attorney's Office (USAO), District of Puerto Rico, regarding certain aspects of CAU's financial management. The USAO, District of Puerto Rico, did not initiate any action, but determined that administrative remedies should be pursued.

We tested compliance with essential grant conditions pertaining to CAU's internal controls, budget management and control, expenditures, matching program costs, property management, reporting, grant accomplishments, and program income. We also tested the accounting records to determine if costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants.

We found weaknesses in CAU's internal controls, grant expenditures, matching costs, reporting, and accomplishment of grant goals and

objectives. As a result, we question \$1,220,716 as unallowable or unsupported and make four recommendations for improvement.

We found that CAU:

- did not follow its established procedures for approving the payment of expenses;
- spent \$216,000 for rent in a building where it had no rental costs;
- implemented a flawed method of billing for hours of services provided to victims of crime and as a result, the Program paid for services that were not provided;
- charged \$207,737 in unallowable personnel costs to program funds;
- spent \$2,366 in grant funds for employee gifts at a Christmas party;
- did not provide \$656,836 in matching program costs;
- could not account for how \$137,777 in program funds were spent because its contractor, the Community Mental Health Clinic, commingled those funds with its general operating fund;
- did not accomplish program goals regarding the number of victims it planned to serve; and
- over reported the number of crime victims it served each year, which the PRDOJ then reported to the OVC.

Our audit objectives, scope, and methodology appear in Appendix 1. We discussed the results of our audit with CAU officials and have included their comments in the report as applicable.

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INTRODUCTION

The Office of the Inspector General (OIG) Audit Division, has completed an audit of grant funds sub-awarded by the Puerto Rico Department of Justice (PRDOJ) to Carlos Albizu University (CAU). CAU is a private, non-profit, university that offers bachelor's degrees in behavioral sciences and advanced degrees in psychology and other related fields. CAU has campuses located in San Juan, Puerto Rico, and Miami, Florida. We conducted our audit work at the San Juan, Puerto Rico, campus. Our work at CAU began as a limited scope review of internal controls over administration of grant funds. Because of the internal control weaknesses identified, we converted the review into a full-scope audit and requested the assistance of OIG investigators.

We tested seven grants sub-awarded by the PRDOJ to the CAU to provide psychological services to victims of crime. Each award after the initial award was for the continuation of services offered by CAU.

Program Background

The U.S. Department of Justice Office of Victims of Crime (OVC) administers the Crime Victims Fund (the Fund) established by the 1984 Victims of Crimes Act (VOCA). The Fund supports the Victim Compensation and Victim Assistance Program. Since its inception, the Fund has been supported not by tax dollars, but by fines, penalties, and bonds forfeited by convicted federal offenders. The OVC distributes VOCA funds to states, territories, and the District of Columbia to compensate and assist victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, homicide, and other crimes.

Each year, the states, territories, and the District of Columbia receive VOCA funds under the Victim Assistance Program (the Program) to support community-based organizations that serve crime victims. All VOCA fund recipients receive an annual base amount of \$500,000 plus an additional amount based on the population they serve. VOCA fund recipients award about 5,600 grants to domestic violence shelters, rape crisis centers, child abuse programs, and victim service units in law enforcement agencies, prosecutors' offices, hospitals, and social service agencies. In turn, the recipients provide crisis intervention, counseling, emergency shelter, criminal justice advocacy, and transportation services to victims of crime. The states and territories have sole discretion for determining the amount of funds organizations receive, providing that the sub-recipients meet VOCA requirements and Program guidelines. The Commonwealth of Puerto Rico

has received VOCA funds since 1986. Those funds are administered by the PRDOJ which then sub-awards funds to crime victim service providers.

As shown in Exhibit 1, from fiscal year 2001 through fiscal year 2007, the Office of Justice Programs (OJP) awarded \$35,400,359 to the PRDOJ, which sub-awarded \$3,969,642 to CAU.

**Exhibit 1: Grant Funds the PRDOJ
Sub-Awarded to CAU for Mental Health Services**

OJP Awarded to the PRDOJ		PRDOJ Sub-Awarded to CAU		
Award Number	Award Amount	Project Start Date	Project End Date	Sub-Award Amount
2001-VA-GX-0072	\$5,187,000	04/16/2002	04/15/2003	\$687,941
2002-VA-GX-0072	5,246,000	04/16/2003	09/30/2003	297,462
2003-VA-GX-0057	4,798,000	10/01/2003	09/30/2004	601,861
2004-VA-GX-0012	4,837,000	10/01/2004	09/30/2005	616,861
2005-VA-GX-0043	5,044,000	10/01/2005	09/30/2006	616,061
2006-VA-GX-0043	5,321,359	10/01/2006	09/30/2007	601,061
2007-VA-GX-0054	4,967,000	10/01/2007	09/30/2008	548,395
Totals	\$35,400,359			\$3,969,642

Source: Office of Justice Programs and Puerto Rico Department of Justice

Program Implementation and Collaboration

CAU entered into a contract with the Community Mental Health Clinic (CMHC), a non-profit organization within CAU, to provide mental health services to victims of crime. The president of CAU was also the president of the CMHC. The PRDOJ was aware of the relationship between the two entities and that CAU used the CMHC to provide mental health services. CAU and the CMHC agreed to abide by the PRDOJ's special conditions, including the requirement that both entities comply with VOCA Program Guidelines and the OJP Financial Guide.

As shown in Exhibit 2, CAU paid about 62 percent of the funds it received to the CMHC to provide mental health services.

Exhibit 2: Funds Awarded to CAU and Paid to the CMHC

Sub-Award Number	Fiscal Year	Amount Received by CAU	Amount CAU Paid the CMHC¹	Percent of Funds
2001-VA-GX-0072	2003	\$674,639	\$375,000	56
2002-VA-GX-0072	2003 (supplement)	\$289,047	\$171,875	59
2003-VA-GX-0057	2004	\$599,336	\$345,965	58
2004-VA-GX-0012	2005	\$601,861	\$346,000	57
2005-VA-GX-0043	2006	\$601,061	\$410,000	68
2006-VA-GX-0043	2007	\$600,629	\$410,000	68
2007-VA-GX-0054	2008	\$561,462	\$384,767	69
Total		\$3,928,035	\$2,443,607	62

Source: Carlos Albizu University

Identification of Victims

Crime victims are first referred to the PRDOJ where technicians determine whether the victims need psychological services and whether there is a clinic near the victim’s residence. Technicians then contact CAU and make an appointment for the victim to receive services at a clinic on CAU’s San Juan campus or one of five other CMHC satellite clinics across Puerto Rico. Sixteen CAU doctoral student interns provide the services.

The contract between CAU and the CMHC provided that the CMHC would bill CAU \$50 for each hour of service provided to crime victims and pay each intern \$1,100 per month for 12 months. However, as discussed later in this report, the clinic’s method for billing CAU for services was flawed and resulted in CAU paying for services that CMHC clinics did not provide.

Audit Approach

Our audit concentrated on Program funds administered by CAU, the largest non-profit organization that receives funds from the PRDOJ. To accomplish the objectives of our audit, we performed site work at the PRDOJ, CAU, the CMHC, and four CMHC satellite clinics. At each site, we interviewed PRDOJ and CAU officials and reviewed accounting records and other documentation. We tested whether CAU complied with the most

¹ The CAU also paid the CMHC \$216,000 for “rent” in a building that was rent free to CAU and the CMHC.

important conditions of the grants. We audited against criteria contained in the OJP Financial Guide, award documents, Office of Management and Budget Circulars, and VOCA Program Guidelines. We also assessed whether CAU provided timely and accurate Program data for the PRDOJ to use in preparing reports for the OVC. We tested CAU's:

- **internal controls** to identify policies and procedures adopted by CAU to meet its mission, goals, and objectives;
- **grant drawdowns** to determine whether they were adequately supported and if CAU was managing grant receipts in accordance with federal requirements;
- **financial management of program funds** to determine the overall acceptability of budgeted costs by identifying any budget deviations between the amounts budgeted and the actual costs for each cost category;
- **program expenditures** to determine the accuracy and allowability of costs charged to the grants;
- **accountable property** to determine whether CAU could account for property bought with program funds and whether the property was being used for program purposes;
- **matching costs** to determine if the CAU was complying with grant matching requirements;
- **program goals and accomplishments** to determine if CAU met the grant goals; and
- **financial status and program reports** to determine if the required Financial Status Reports and Program Reports were submitted timely and accurately reflected grant activities.

We assessed Program performance in accordance with goals set forth in the CAU's grant application and our results are discussed later in this report. The CAU had no income generated from the Program funds.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

We found that CAU: (1) did not always follow internal controls for approving payments; (2) spent grant funds for rent where it had no rental costs; (3) implemented a flawed method of billing for hours of services provided to crime victims and, as a result, the Program paid for services that were not provided; (4) charged unallowable salaries and other costs to grant funds; (5) did not provide its required matching share of Program costs; (6) did not achieve Program goals for the number of victims it planned to serve; and (7) over reported to the PRDOJ, the number of victims served. Further, because a CAU contractor commingled federal funds with its general operating funds revenue account, the CAU could not account for how some federal funds were spent. As a result of these weaknesses, we question \$1,220,716 as unallowable or unsupported costs and make four recommendations for improvement.

Internal Control Environment

To assess CAU's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grants, we reviewed Single Audit Reports, reviewed policies and procedures, and interviewed CAU staff. We found that CAU complied with the Single Audit requirement as contained in Office of Management and Budget Circular A-133. Auditors completed the single audits and found no internal control weaknesses that affected federal programs and no matters involving internal controls or compliance with laws and regulations that they considered to be material weaknesses. The report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion. CAU also maintained a system of accounting controls that were adequate to identify and properly classify grant costs.

Segregation of Duties

We identified two instances where CAU deviated from established internal controls. Specifically, a CAU official approved her own request for reimbursement of travel costs. This official told us that she had signed blank payment requests and gave the signed blank requests to an administrative clerk to use when she was not present to sign payment requests for other

Program costs. The CAU official told us that the clerk mistakenly used the pre-approved forms to process the official's own travel reimbursements. Other officials in the Finance Department told us they were not aware of the pre-approved forms. Such practice increases the risk that grant funds may be misused. We discussed this finding with CAU management officials who subsequently told us that this practice had been corrected.

Commingling of Funds

The OJP Financial Guide requires grantees to establish and maintain an adequate system of accounting and internal controls that adequately identify and classify grant costs. Funding and expenditures for each award must be accounted for separately. Grantees' and sub-grantees' accounting controls must ensure that funds are used efficiently and that expenditures are in compliance with the terms and conditions of the grants. The Guide also requires that federal funds not be commingled with funds from other sources and that funds received for one project not be used to support another project.

We found that the CMHC commingled Program funds it received from CAU with CMHC general operating funds revenue account, which prevented us from determining how some Program funds were spent. We obtained CAU's and the CMHC's accounting records for the last 3 years covered by our audit and compared those records to the Program funds provided by the PRDOJ.² As shown in Exhibit 3, CAU and the CMHC could not account for how \$137,777 in Program funds were spent.

**Exhibit 3:
Program Funds CAU and the CMHC Could Not Account For**

Sub-Award	Fiscal Year	Program Funding	Expenses According to CAU and CMHC Accounting Records	Amount Unaccounted For
2005-VA-GX-0043	2006	\$597,796	\$548,272	\$49,524
2006-VA-GX-0043	2007	\$598,534	\$560,201	\$38,333
2007-VA-GX-0054	2008	\$558,542	\$508,622	\$49,920
Total Program Funds Unaccounted For				\$137,777

Source: Carlos Albizu University

² We did not include data from earlier years because the records for those years were incomplete.

We discussed this with CAU officials and we were told that the funds were spent for costs not related to the Program. CAU officials believed that CAU and the CMHC could use the funds however they saw fit. We also discussed this with PRDOJ officials and we were told that CAU and the CMHC were free to use Program funds that exceeded Program costs to expand services to victims of crime. However, CAU did not use the excess funds to expand Program services. When the PRDOJ reduced funding to CAU for FY 2008, the CAU closed one satellite clinic, which reduced available services. We question the \$137,777 as unallowable, because those funds were spent for costs not related to the Program.

Grant Drawdowns

The PRDOJ drew down grant funds from OJP based on the funding requests the PRDOJ received from CAU. The funding requests included amounts the CMHC had billed CAU plus projected future costs.

We interviewed PRDOJ officials and reviewed supporting documentation to determine whether CAU complied with the PRDOJ's sub-award conditions and whether funding requests were properly supported. PRDOJ officials believed CAU had complied with the conditions of the sub-award pertaining to funding requests. We compared CAU's funding requests to the expenditures recorded in CAU's accounting records for the same period. We found that other than the unaccounted for funds noted in the prior section of this report, Program funds generally agreed with Program expenditures according to CAU's accounting records.

Financial Management of Program Funds

As discussed in the Background section, CAU contracted with the CMHC, a non-profit entity incorporated under the corporate umbrella of CAU, to provide psychological services to victims of crime. The CMHC's main clinic is located on the first floor of the CAU building at the San Juan campus. CAU's Finance Department handled CAU's and the CMHC's accounting activities and financial reports pertaining to Program funds. The accounting system had separate accounting fund numbers for CAU's and the CMHC's accounting transactions. CAU was to compensate the CMHC \$50 for each hour of direct service provided to victims. The CMHC provided services at the CAU campus in San Juan and at five satellite clinics across Puerto Rico. These satellite clinics operated in rented space paid for with Program funds.

Joint Audit and Investigative Activity

During our audit, we identified two financial management issues that we referred to the OIG's Investigations Division. One of these issues pertained to 40 monthly payments of \$5,400 the CAU made to the CMHC pursuant to a lease agreement for space in a building controlled by CAU where it had no rental costs. The other issue pertained to the methodology the CMHC used to bill CAU for hours of services provided to clients during the life of the Program. We discuss each of these issues in detail below.

From April 2002 through September 2005, CAU paid the CMHC a total of \$216,000 for rent even though CAU had free use of the building and there was no cost to the CMHC to occupy the space.³ CAU stopped making rent payments at the end of FY 2005. CAU claimed the rent paid to the CMHC as a Program expense and was reimbursed for the rent expense by the PRDOJ. CAU made the rent payments under a lease agreement between CAU and the CMHC. The agreement was executed by CAU's then-President, who signed the agreement representing the CMHC, and a Vice President of CAU, who signed the agreement representing the CAU. Because CAU had control of the building in which the CMHC operated and neither the CAU nor the CMHC incurred rental costs, the rent payments are unallowable. Exhibit 4 shows the rent payments that were made. The dates, check numbers, and amounts of the individual payments are presented in Appendix 2.

Exhibit 4: Payments CAU Made to the CMHC for Rent

Grant Number	Amount
2001-VA-GX-0072	\$59,400
2002-VA-GX-0072	\$27,000
2003-VA-GX-0057	\$59,400
2004-VA-GX-0012	\$70,200
Total	\$216,000

Source: Carlos Albizu University

We discussed these payments with the current CAU President and other CAU officials. The President told us she joined CAU in 2007 and had no knowledge of the rent payments to the CMHC. The President asked the Vice President, who authored the grant proposal and signed the lease for CAU, to explain the rent payments and answer our inquiries. The

³ The building is owned by the Commonwealth of Puerto Rico, which ceded it to CAU in 1986 for a period of 50 years. Neither CAU nor the CMHC incurs any rent expense for the use of the property.

Vice President told us he did not remember the circumstances regarding the lease, but would provide us with a response after he did some research. However, we never received a response from the Vice President.

We also discussed the rent payments with PRDOJ officials who told us they were not aware CAU had paid the CMHC to rent space in a building that was rent-free.

The second issue we referred for investigation pertained to the methodology CAU and the CMHC used to charge the grant for client services. Most of the grant funds expended by CAU were for payments to the CMHC for professional services provided to clients. CAU paid the CMHC under the terms of an agreement that, like the lease agreement, was signed for CAU by a CAU Vice President and for the CMHC by the CAU's then-President. The agreement provided that CAU would pay the CMHC \$50 for each hour of service provided to Program participants or for being available to provide services to Program participants. Exhibit 5 shows the payments CAU made to the CMHC under each grant sub-award and the hours of services that the CMHC should have provided in association with the payments.

Exhibit 5: Payments to the CMHC for Services

Sub-Award	Billing Period	Payment Amount	Hours of Services Required
2001-VA-GX-0072	04/16/02-04/15/03	\$375,000	7,500
2002-VA-GX-0072	04/16/03-09/30/03	\$171,875	3,438
2003-VA-GX-0057	10/01/03-09/30/04	\$345,965	6,919
2004-VA-GX-0012	10/01/04-09/30/05	\$346,000	6,920
2005-VA-GX-0043	10/01/05-09/30/06	\$410,000	8,200
2006-VA-GX-0043	10/01/06-09/30/07	\$410,000	8,200
2007-VA-GX-0054	10/01/07-09/30/08	\$384,767	7,695
Total		\$2,443,607	48,872

Source: Carlos Albizu University

To obtain an understanding of the process used to bill for services, we interviewed the Program Director and staff. We also reviewed the support for one month's bill for services provided to clients. We determined that from the inception of the Program through May 2008 each CMHC clinic prepared monthly reports showing the types of services provided to crime victims, and the CMHC used those reports to bill CAU for the services. The reports did not contain the hours of service provided.

CMHC clients generally received more than one type of service during a visit to a clinic, and a client could receive multiple services of different types during a 1-hour appointment. We determined that monthly reports prepared by the clinics identified the number of clients served and the types of services they received, but the reports did not identify the hours of service provided. Nonetheless, the CMHC used the monthly reports to bill CAU for service hours on the basis of 1 hour for each type of service provided to each client. CAU paid the CMHC and claimed reimbursement from the PRDOJ in accordance with the CMHC bills.

To further assess the CMHC's billing methodology, we reviewed client files for October 2007 from four of CMHC's six clinics. We reconstructed the documented number of hours for which these clinics provided services. Exhibit 6 compares the amounts actually billed for each clinic to the amounts that would have been billed based on the documented hours of services provided.

**Exhibit 6:
Services Billed Compared to Services Provided
For October 2007**

Clinic Location	Services Billed		Services Provided		Hours Overbilled	Amount Overbilled
	Hours	Amount	Hours	Amount		
San Juan	470	\$ 23,500	63	\$ 3,150	407	\$20,350
Caguas	909	\$ 45,450	122	\$ 6,100	787	\$39,350
Humacao	323	\$ 16,150	79.5	\$ 3,975	243.5	\$12,175
Mayaguez	108	\$ 5,400	75.5	\$ 3,775	32.5	\$1,625
Total	1,810	\$ 90,500	340	\$17,000	1,470	\$73,500

Source: Carlos Albizu University

We found that the CMHC billed for 1,470 more hours of service than were documented in client files, for a total overbilling of \$73,500. Because the reconstruction of documented hours of service required significant time to complete, we did not reconstruct the hours for other months.

We discussed our October 2007 billing tests with CAU and CMHC officials. Officials from both entities agreed that the methodology the CMHC used to prepare the billings was flawed. CAU officials told us this methodology was used since the inception of the Program in April 2002 and that CAU had continued using it. The officials said that neither Single Audits nor PRDOJ site visits identified concerns with the billing methodology.

We also discussed our October 2007 billing tests with PRDOJ officials. Those officials told us their staff had not identified the billing errors and were unaware of the CMHC's billing methodology and the potential amounts overbilled. PRDOJ officials also said that their monitoring activity consisted of a 1-day site visit by its Program manager and did not include procedures to test the contractor's billings. They said that the PRDOJ would include new procedures in monitoring activities to test the billing.

Beginning in October 2008, the PRDOJ changed the methodology it uses to fund the CAU Program. The revised method reimburses CAU for its actual costs of providing services rather than for hours of services billed.

OIG auditors and investigators obtained and analyzed financial data and documentation pertaining to the lease agreement and hours of services. We presented the audit and investigative results to the U.S. Attorney's Office (USAO), District of Puerto Rico. The USAO did not initiate any action, but determined that administrative remedies should be pursued. Consequently, we are referring our findings to the Office of Justice Programs to pursue administrative remedies through the audit resolution process.

We question \$216,000 in payments for rent. We believe that the appropriate remedy for these costs is a recovery of the funds by the PRDOJ. Regarding the overbilling for services, we did not use a statistical sampling methodology and did not test hours of services billed for other months. Rather than question costs for October 2007, we separately assess Program expenditures in the next section of this report and question certain of those expenditures.

Program Expenditures

The OJP Financial Guide and VOCA Program Guidelines establish factors that affect the allowability, reasonableness, and allocability of costs charged to Program funds.

According to VOCA Guidelines, the purpose of the Program is to provide services to victims of crime. Victim services include those that: (1) respond to victims' emotional and physical needs, (2) stabilize their lives after they have been victimized, (3) help victims understand and participate in the criminal justice system and (4) provide victims with a measure of safety and security. Program funds may be used for personnel expenses and other direct costs of providing these services.

Personnel Expenses

The VOCA Guidelines provide that allowable personnel costs are those that relate directly to providing services to victims of crime. Salaries and fringe benefits for administrative staff are generally unallowable.

CAU and the CMHC submitted a joint application for funding that included administrative and clerical staff personnel costs. The PRDOJ advised CAU that these costs were unallowable and to submit a revised grant budget. The CAU submitted a revised budget and assured the PRDOJ that CAU and the CMHC would adhere to grant conditions.

We judgmentally selected two non-consecutive pay periods from CAU and the CMHC for each of the 7 years covered by our audit, for a total of 14 bi-weekly pay periods, and traced the personnel costs for these periods to supporting documentation. We found that CAU and the CMHC charged \$207,737 in personnel costs for administrative staff to Program funds. We question the \$207,737 as unallowable because these administrative personnel did not provide direct services to victims of crime as required by VOCA Guidelines. Exhibit 7 shows the unallowable personnel costs for each year.

Exhibit 7: Unallowable Personnel Costs Charged to Program Funds

Sub-Grant Number	Fiscal Year	Personnel Costs
2001-VA-GX-0072	2003 ⁴	\$15,039
2002-VA-GX-0072	2003 ⁵	7,265
2003-VA-GX-0057	2004	39,040
2004-VA-GX-0012	2005	30,422
2005-VA-GX-0043	2006	37,084
2006-VA-GX-0043	2007	47,751
2007-VA-GX-0054	2008	31,136
Total		\$207,737

Source: Carlos Albizu University Finance Department

4 Sub-grant 2001-VA-GX-0072 was for the period April 2002 through March 2003.

5 Sub-grant 2002-VA-GX-0072 was for the period April 2003 through September 2003.

We discussed these unallowable personnel costs with CAU officials who told us they were under the impression that these costs were allowable. However, CAU officials also told us that they will work with the OVC and the PRDOJ to remedy these questioned costs.

Other Direct Costs

From a universe of 3,777 other direct cost transactions with a total value of \$2,777,359, we tested a sample of 172 transactions with a value of \$695,541 (25 percent).⁶ The transactions we tested were for equipment, depreciation, gifts, maintenance, supplies, training, travel, and utilities. We reviewed each sampled transaction to determine whether it was supported, allowable, and in compliance with the terms and conditions of the grants. We identified 42 transactions that were unallowable. Of these transactions, 40 correspond to the unallowable rent payments discussed in page 8. The other two transactions totaling \$2,366 were for gifts to CAU employees at a 2006 Christmas party. These costs are unallowable because the costs were not related to providing direct services to crime victims. CAU officials told us that they will work on remedying the questioned costs resulting from this finding.

In summary, total Program expenditures according to CAU's and the CMHC's accounting records were \$3,920,062. Earlier in this report, we discussed unallowable payments for rent, personnel costs, gifts, and Program funds that CAU and the CMHC could not account for. Total expenditures, questioned costs, and allowable Program costs are shown in Exhibit 8.

**Exhibit 8:
Program Costs, Questioned Costs, and
Allowable Program Costs**

Total Expenditures		\$3,920,062
Less Unallowable Costs:		
Rent payments	216,000	
Personnel costs	207,737	
Gifts at a Christmas party	2,366	
Unaccounted for funds ⁷	137,777	-563,880
Allowable Program Costs		\$3,356,182

Source: OIG analysis of CAU and CMHC records

⁶ Our sample included 86 transactions from CAU's accounting records and 86 transactions from the CMHC's accounting records.

⁷ CAU officials told us the unaccounted for funds were spent on costs not related to the program. We question those costs as unallowable.

Matching Costs

The OJP Financial Guide provides that matching funds must support a federally-funded project and must be in addition to funds that would otherwise be made available for the stated Program purpose. The purpose of matching contributions is to increase the amount of resources available to the project. Matching funds may be cash or in-kind contributions such as services, equipment, or space.

According to the grant budgets approved by the PRDOJ, CAU was required to match 20 percent of the cost of the Program by providing victim services valued at \$50 for each hour of services provided. CAU estimated that total costs of operating the Program would be \$4,962,505. Based on the 20 percent matching requirement, CAU had to provide \$992,863 as its matching share, which is equal to 19,857 hours of victim services. The CMHC was to begin providing these matching services after it had reached the maximum annual amount that it could bill CAU for services.

Exhibit 9: Matching Services Required

Sub-Award	Hours of Matching Services Required	Value of Matching Services
2001-VA-GX-0072	3,440	\$171,986
2002-VA-GX-0072	1,487	74,366
2003-VA-GX-0057	3,009	150,466
2004-VA-GX-0012	3,084	154,215
2005-VA-GX-0043	3,081	154,065
2006-VA-GX-0043	3,005	150,265
2007-VA-GX-0054	2,750	137,500
Total	19,856	\$992,863

Source: Carlos Albizu University Finance Department

We determined that CAU did not meet the matching requirement and paid the CMHC for more services than were provided. As discussed on page 10 of this report, we tested the billings for the month of October 2007 and found the CMHC billed CAU for 1,810 hours, but provided only 340 hours of psychological services. CAU could not provide documentation showing that it met any of its matching share of Program costs.

Although the matching requirement was based on budgeted costs approved by the PRDOJ, actual Program costs were less than budgeted costs and included unallowable costs. As shown in Exhibit 8, total allowable Program costs were \$3,356,182. Based on these allowable costs, CAU should have provided 13,424 hours of services valued at \$671,236 (\$3,356,182 times 20 percent) as its matching share.

After we discussed our findings with CAU officials, we received documentation showing that CAU student volunteers had provided 288 hours of victim services valued at \$14,400. We also received a market study showing that the CAU-controlled space in which the Program operated had a fair market value of \$125,255.

We accepted the \$14,400 in services provided by student volunteers as matching costs. However, regarding the CAU-controlled space, CAU already charged \$216,000 in unallowable rental costs to Program funds. Thus, \$656,836 in matching costs remains unsupported (\$671,236 minus \$14,400). We recommend OJP remedy the \$656,836 (13,137 hours of services) in unsupported matching costs.

After the \$216,000 in unallowable rent paid with Program funds has been recovered, CAU should seek OVC approval to use the \$125,255 fair market value of the space contributed as matching costs.

Accountable Property

The OJP Financial Guide states that equipment purchased with grant funds must be used to support the project whether or not the project continues to be supported by federal funds. We judgmentally selected 10 items of equipment purchased with Program funds. We physically verified each item and that the item was being used for Program purposes.

Program Goals and Accomplishments

According to VOCA Program Guidelines, the purpose of the Program is to respond to victims' emotional and physical needs, stabilize their lives after they have been victimized, help them understand and participate in the criminal justice system, and regain a sense of safety and security. In the grant applications submitted to the PRDOJ, CAU planned to provide these services to 14,643 victims of crime. However, CAU did not achieve Program goals or expand the availability of victim services in Puerto Rico. Further, CAU over reported the number of victims served to the PRDOJ, which the PRDOJ then reported to OVC.

Each grant application CAU submitted to the PRDOJ included the number of victims CAU planned to serve. Program goals were based on discussions with the PRDOJ and estimates from Puerto Rico's 13 judicial districts on the number of potential victims. Actual numbers of victims served are from quarterly Program reports that CAU submitted to the PRDOJ. As shown in Exhibit 10, CAU did not meet its goals for the seven sub-awards we reviewed.

**Exhibit 10: Goal Compared to Actual
Numbers of Victims Served**

Sub-Award	Fiscal Year	Victims Served		Goal Status
		Goal	Actual	
2001-VA-GX-0072	2002	2,188	1,266	Not Met
2002-VA-GX-0072	2003	985	817	Not Met
2003-VA-GX-0057	2004	2,188	1,564	Not Met
2004-VA-GX-0012	2005	2,453	1,604	Not Met
2005-VA-GX-0043	2006	2,453	1,513	Not Met
2006-VA-GX-0043	2007	2,188	1,467	Not Met
2007-VA-GX-0054	2008	2,188	951	Not met
Total		14,643	9,182	

Source: Carlos Albizu University Grant Applications

For the most recent sub-award, CAU officials explained that it did not meet its goal because of a \$52,666 reduction in funding from the prior year, which resulted in CAU closing its clinic in Ponce, Puerto Rico.

Although CAU provided victim services, the PRDOJ referred some victims to other service providers because those victims did not live near a CAU sponsored clinic. CAU officials told us they needed more federal funds to open clinics in areas of Puerto Rico that are not served by the Program. In our judgment, had CAU and the CMHC better used Program funds, CAU could have opened new clinics and also kept the Ponce clinic open.

We obtained detailed accounting records showing CAU's and the CMHC's operating costs for Fiscal Years 2004 through 2008. As shown in Exhibit 11, during those 5 years CAU received more federal funds than it needed to operate the clinics.

Exhibit 11: Resources Available to the CAU to Open New Clinics

Fiscal Year	Federal Funds Received	Actual Operating Costs	Excess Federal Funds Received	Match 20 percent of Operating Costs	Resources Available to Open and Operate New Clinics
FY 2004	\$599,335	\$503,208	\$96,127	\$100,642	\$196,769
FY 2005	601,861	508,204	93,657	101,641	195,298
FY 2006	597,796	511,187	86,609	102,237	188,846
FY 2007	598,534	510,083	88,451	102,017	190,468
FY 2008	546,462	477,487	68,975	95,497	164,472
Total			\$935,853		

Source: Carlos Albizu University

We determined that the cost to operate a clinic and provide psychological services to victims of crime was about \$50,000 per year.

Financial Status Reports and Program Reports

Financial Status Reports

For the grants we audited, OJP monitored the financial aspects of the grants through quarterly Financial Status Reports (FSR). According to the OJP Financial Guide, grantees were required to submit FSRs within 45 days after the end of each quarter.⁸ To meet the reporting requirement, the PRDOJ required CAU to submit quarterly financial reports within 10 days after the end of each quarter to ensure the PRDOJ had the financial data needed to prepare and submit its FSR to OJP within 45 days after the end of the quarter.

To determine whether the FSRs were accurate, submitted timely, and submitted in compliance with PRDOJ requirements, we reviewed the four most recent FSRs that CAU had submitted to the PRDOJ at the time of our audit.

We found that all but one FSR were submitted timely. The report for the quarter ended June 30, 2007, was due on July 10, 2007, but was received by the PRDOJ on August 7, 2007, which is 28 days after the due

⁸ Beginning October 1, 2009, the Federal Financial Report (FFR) replaced the FSR. FFRs are due 30 days after the end of each calendar quarter.

date. According to the CAU, the report was late because there were staff changes in the finance department and the new employees were not aware of the reporting requirements.

We also tested the accuracy of the FSRs for each quarter of FY 2007 by comparing the reported amounts to the CAU's accounting records. We determined the reported amounts were supported by the accounting records. However, as discussed earlier, some grant fund expenditures were for unallowable and unsupported costs.

We also noted that the PRDOJ did not require CAU to report on how its contractor, the CMHC, spent Program funds. Not requiring recipients to report on how they spend Program funds increases the risk that those funds could be misused.

Program Reports

State governments that receive VOCA funds are required to submit an annual State Performance Report to OJP's Office of Victims of Crime (OVC). State Performance Reports provide details on the types of programs implemented, types of services provided, and numbers of victims served. CAU was required to provide these details annually to the PRDOJ. The PRDOJ used this information to prepare and submit its annual State Performance Report to the OVC.

We compared the State Performance Reports the PRDOJ submitted to the OVC for fiscal years 2003 through 2008 to the supporting documentation maintained by CAU. The results of our comparison are shown in Exhibit 12.

**Exhibit 12: Accuracy of State Performance Reports
the PRDOJ Submitted to the OVC**

Fiscal Year	Victims Served		Number of Victims Overstated
	Reported to PRDOJ and OVC	Supported by CAU Records	
2003	6,325	1,591	4,734
2004	5,993	1,564	4,429
2005	8,617	1,604	7,013
2006	7,434	1,513	5,921
2007	7,434	1,467	5,967
2008	951	951	0
Total	36,754	8,690	28,064

Source: Carlos Albizu University

We found that 5 of 6 State Performance Reports the PRDOJ submitted to the OVC were overstated by a total of 28,064 victims. These reports showed that CAU served 36,754 victims while CAU's supporting documentation showed it served 8,690 victims. According to the instructions for completing the State Performance Reports, each victim should be counted only once. However, some victims were counted multiple times. The errors occurred because staff who prepared the reports misunderstood the instructions for reporting the number of victims served. Because the PRDOJ did not verify the accuracy of the reports submitted by CAU, the data that the PRDOJ reported to OVC in the State Performance Report was also overstated.

CAU and PRDOJ officials agreed the reports were incorrect. The CAU Program Director told us the problem has been corrected. We recommend OVC and the PRDOJ implement procedures to ensure the quarterly reports and annual State Performance Reports are accurate.

Program Income

The OJP Financial Guide defines program income as income generated as a result of an agency-funded project. Program income must be used for Program purposes as soon as possible after it is earned.

We determined CAU and the CMHC provided services free of charge to victims of crime and Program funds were not used to generate Program income.

Conclusion

We found the PRDOJ did not adequately supervise CAU and did not identify weaknesses in CAU's internal controls, grant expenditures, matching share of costs, reporting, and achievement of Program objectives. Specifically the CAU:

- did not follow established procedures for paying travel costs;
- paid \$216,000 for "rent" for a building where it had no rental costs;
- implemented a flawed method of billing for victim services, which resulted in CAU paying for more services than it had received;
- charged \$207,737 in unallowable personnel costs to Program funds;
- spent \$2,366 in Program funds for gifts, which is an unallowable cost;

- did not provide, or could not show that it had provided, \$656,836 in matching costs;
- commingled Program funds with general operating revenue account, which prevented the auditors from determining how \$137,777 of Program funds were spent;
- did not achieve Program goals regarding the number of victims it planned to serve; and
- over reported the number of crime victims served for 5 of the 6 years reported, which the PRDOJ then reported to OVC.

As a result of these weaknesses, we question \$1,220,716 as unsupported or unallowable.

As previously stated in this report, we presented the audit and investigative findings to the USAO, District of Puerto Rico. The USAO did not initiate any action, but recommended that administrative tools be used to recover the identified questioned costs. The USAO agreed to monitor the administrative remedy process.

Based on the audit and investigative findings we believe the appropriate remedy for the questioned costs is a recovery of funds by the PRDOJ. Additionally, we question \$1,220,716 in unallowable and unsupported costs and make five recommendations for improvement in the oversight and management of future awards of DOJ grant funds received by the PRDOJ and the CAU.

Recommendations

We recommend the OVC and the PRDOJ:

1. Remedy \$216,000 CAU paid the CMHC for rent.
2. Remedy \$207,737 in unallowable personnel costs paid with Program funds.
3. Remedy \$2,366 in unallowable gifts bought with Program funds.
4. Remedy \$137,777 in Program funds that CAU and the CMHC could not account for.

5. Remedy \$656,836 in matching costs.
6. Require CAU to implement procedures to prevent commingling Program funds with funds from other sources.
7. Ensure CAU follows established policies for approving and paying travel costs.
8. Ensure the CAU submits accurate Program Reports regarding the number of victims served.
9. Require CAU to implement procedures to ensure it meets Program goals and objectives.
10. Require CAU officials to attend fraud awareness training provided by the OIG.

APPENDIX 1

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to: (1) determine whether reimbursement claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, terms and conditions of the grant; and (2) evaluate whether the CAU has met or is capable of meeting the grant goals set forth in its initial sub-grant application. We conducted our audit in accordance with Government Auditing Standards and included such tests as were considered necessary to accomplish our goals. Our audit concentrated on, but was not limited to, the inception of the grant in April 2002 through September 30, 2008.

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the OJP Financial Guide and VOCA Program Guidelines. We tested the CAU's grant activities in the areas of grant drawdowns, Program expenditures, accountable property, matching costs, Program goals and accomplishments, financial status and Program reports, and Program income.

We reviewed CAU's financial audit report for the fiscal year ended June 30, 2007, to determine whether auditors found internal control weaknesses or noncompliance issues that could affect CAU's management of federal programs. We found no instances of control weaknesses or noncompliance issues that cross-cut to all federal awards.

In conducting our audit we tested 7 non-consecutive pay periods from CAU and CMHC payroll records, a judgmentally selected sample of 172 disbursements from a universe of approximately 3,777 disbursements, and physically verified 15 property items purchased with grant funds. In addition, we performed limited testing of source documents to assess the accuracy of reimbursement requests and financial status reports; however, we did not test the reliability of the financial management system as a whole.

APPENDIX 2

**SCHEDULE OF UNALLOWABLE RENT PAYMENTS
MADE BY CAU TO THE CMHC**

Payment Date	Check Number	Amount
06/20/2002	103	\$10,800
07/22/2002	143	5,400
08/27/2002	4792	5,400
09/23/2002	4975	5,400
10/29/2002	5304	5,400
11/26/2002	5483	5,400
12/11/2002	5570	5,400
01/29/2003	5825	5,400
03/05/2003	6042	5,400
03/31/2003	6233	5,400
05/02/2003	6421	5,400
06/25/2003	6720	5,400
07/07/2003	6797	5,400
08/11/2003	6976	5,400
09/03/2003	7092	5,400
01/21/2004	7723	21,600
01/22/2004	7733	5,400
02/25/2004	7922	5,400
04/05/2004	8142	5,400
04/26/2004	8222	5,400
06/02/2004	8429	5,400
06/28/2004	8574	5,400
08/10/2004	8796	5,400
10/14/2004	9106	5,400
11/08/2004	9208	16,200
12/10/2004	9349	5,400
01/27/2005	9508	5,400
03/02/2005	9649	5,400
03/15/2005	9722	5,400
04/25/2005	9893	5,400
05/26/2005	10029	5,400
06/29/2005	10170	10,800
08/15/2005	10367	5,400
Total		\$216,000

Source: Carlos Albizu University Finance Department

APPENDIX 3

SCHEDULE OF DOLLAR-RELATED FINDINGS

Description	Amount	Page
Unallowable Costs:		
Unaccounted for Program funds	\$137,777	6
Rent	216,000	8
Personnel Costs	207,737	12
Gifts	2,366	13
Total Unallowable Costs	\$563,880	
Unsupported Costs:		
Matching Costs	656,836	14
Total Unsupported Costs	\$656,836	
Total Questioned Costs⁹	\$1,220,716	

⁹ Questioned Costs are expenditures that do not comply with legal, regulatory or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

**THE OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT REPORT**



U.S. Department of Justice


Office of Justice Programs

Office of Audit, Assessment, and Management

AUG 25 2010

Washington, D.C. 20531

MEMORANDUM TO: Ferris B. Polk
Regional Audit Manager
Office of the Inspector General
Atlanta Regional Audit Office

FROM:  Maureen A. Henneberg
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs,
Office for Victims of Crime Grants Sub-Awarded by the Puerto Rico
Department of Justice to Carlos Albizu University,
San Juan, Puerto Rico*

This memorandum is in response to your correspondence, dated July 26, 2010, transmitting the above draft audit report for Carlos Albizu University (CAU). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **10** recommendations and **\$1,220,716** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report. For ease of review, the draft audit report recommendations are restated in bold and are followed by OJP's response.

- 1. We recommend the Office for Victims of Crime (OVC) and the Puerto Rico Department of Justice (PRDOJ) remedy \$216,000 that CAU paid the Community Mental Health Clinic (CMHC) for rent.**

We agree with the recommendation. We will coordinate with CAU to remedy the \$216,000 in questioned costs related to rent paid by CAU to CMHC.

- 2. We recommend the OVC and the PRDOJ remedy \$207,737 in unallowable personnel costs paid with program funds.**

We agree with the recommendation. We will coordinate with CAU to remedy the \$207,737 in questioned costs related to unallowable personnel costs paid with program funds.

- 3. We recommend the OVC and the PRDOJ remedy \$2,366 in unallowable gifts bought with program funds.**

We agree with the recommendation. We will coordinate with CAU to remedy the \$2,366 in questioned costs related to unallowable gifts purchased with Federal funds.

- 4. We recommend the OVC and the PRDOJ remedy \$137,777 in program funds that CAU and the CMHC could not account for.**

We agree with the recommendation. We will coordinate with CAU to remedy the \$137,777 in questioned costs related to program funds that CAU and CMHC could not support.

- 5. We recommend the OVC and the PRDOJ remedy \$656,836 in matching costs.**

We agree with the recommendation. We will coordinate with CAU to remedy the \$656,836 in questioned matching costs.

- 6. We recommend the OVC and the PRDOJ require CAU to implement procedures to prevent commingling program funds with funds from other sources.**

We agree with the recommendation. We will coordinate with CAU to develop and implement procedures to prevent commingling of Federal grant funds.

- 7. We recommend the OVC and the PRDOJ ensure CAU follows established policies for approving and paying travel costs.**

We agree with the recommendation. We will coordinate with CAU to establish policies for approving and paying travel costs.

- 8. We recommend the OVC and the PRDOJ ensure CAU submits accurate program reports regarding the number of victims served.**

We agree with the recommendation. We will coordinate with CAU to establish procedures to ensure that program reports regarding the number of victims served are accurate.

- 9. We recommend the OVC and the PRDOJ require CAU to implement procedures to ensure it meets program goals and objectives.**

We agree with the recommendation. We will coordinate with CAU to develop and implement procedures to ensure that program goals and objectives are met.

10. **We recommend the OVC and the PRDOJ require CAU officials to attend fraud awareness training provided by the Office of the Inspector General (OIG).**

We agree with the recommendation. We will coordinate with CAU to provide documentation that CAU officials have attended fraud awareness training provided by the OIG.

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

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

Joye E. Frost
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Barbara Walker
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Justice Management Division

OJP Executive Secretariat
Control Number 20101586

PUERTO RICO DEPARTMENT OF JUSTICE AND
CARLOS ALBIZU UNIVERISTY
RESPONSE TO THE DRAFT REPORT



COMMONWEALTH OF PUERTO RICO

DEPARTMENT OF JUSTICE

GUILLERMO A. SOMOZA-COLOMBANI
ATTORNEY GENERAL

P. O. BOX 9020192
SAN JUAN, PR 00902-0192

August 30, 2010

Mr. Ferris B. Folk
Regional Audit Manager
Office of the Inspector General
Atlanta Regional Audit Office
75 Spring Street, Suite 1130
Atlanta, Georgia 30303

RE: Comments to Draft Audit Report related to grants the Puerto Rico Department of Justice (PRDOJ) awarded to Carlos Albizu University (CAU) Grant Numbers: 2001-VA-GX0072, 2002- VA-GX0072, 2003-VA-GX-0057, 2004-VA-GX0012, 2005-VA-GX0043, 2006-VA-GX0043, and 2007-VA-GX0054.

Dear Mr. Folk:

As requested, the PRDOJ and the CAU are including a single joint response to the draft audit report recommendations of the above referenced document, dated July 26, 2010.

We are including recommendations indicating concurrence or non-concurrence, and the corrective action taken together, with the corresponding labeled supporting documentation.

Recommendations

1. Remedy \$216,000 CAU paid the CMHC for rent.

Agreement – Concurrence

Corrective Action – The CAU agrees to reimburse the \$216,000 no later than September 30, 2010.

2. Remedy \$207,737 in unallowable personnel costs paid with Program funds.

Agreement – Concurrence

Corrective Action – The CAU agrees to reimburse the \$207,737 in equal installments during a period of five (5) years. (For more details, refer to the payment plan note)

3. Remedy \$2,366 in unallowable gifts bought with Program funds.

Agreement – Concurrence

Corrective Action – The CAU agrees to reimburse the \$2,366, no later than September 30, 2010.

4. Remedy \$137,777 in Program funds that CAU and the CMHC could not account for.

Agreement – Concurrence

Corrective Action – The CAU agrees to reimburse the \$137,777 in equal installments during a period of five (5) years. (For more details, refer to the payment plan note).

5. Remedy \$656,836 in matching costs.

Agreement – Concurrence

Corrective Action – As mentioned in page 15 of the Draft Audit report “CAU should seek OVC approval to use the \$125, 255 fair market value of the space contributed as matching cost” and another contributions The remedy in matching cost is as follows:

	Total Remedy
	\$656,836
a) Matching Cost related of the FMV of the Space used for the Clinic at the University.	(125, 255)
b) Matching Cost related to storage rental of VOCA records, furniture, and equipment.	(13,723)
c) Matching cost of 11 interns working in the VOCA project, during the months of October and November 2009.	(38,408)
Remaining Balance	\$479,450

The remaining balance of the matching cost will be remedied by CAU, by providing services to VOCA victims referred by PRDOJ during a period of three years.

6. Require CAU to implement procedures to prevent commingling Program funds with funds from other sources.

Agreement – Concurrence

Actions Taken- The CAU provided copy of the last version for the Cash Management policies and procedures, which established that “Funds received from grant awards (state or federal funds), must be deposited in a separate bank account opened for each grant award. Grant funds cannot be deposited in operational accounts.” (Refer to Exhibit # 1- Cash Management policies and procedures).

The PRDOJ Internal Audit Office, confirmed the existence of one bank account used to manage all the VOCA Funds.

7. Ensure CAU follows established policies for approving and paying travel costs.

Agreement – Concurrence

Corrective Action – The CAU issued a memo (Refer to Exhibit # 2) regarding purchase order procedures. This memo stated that Department Directors are not allowed to sign blank purchase orders (pre approved). Purchase Orders over \$600 needs a second approval from any of the following members: the president, rector or any other authorized official from the CAU.

8. Ensure the CAU submits accurate Program Reports regarding the number of victims served.

Agreement – Concurrence

Corrective Action – In October 2008, CAU amended the Report of Victims Treated. The reports are prepared by the staff members that provide the direct services and are also verified by the Program Director. (Corrections were made, changes include the use of the number of victims instead of including the services provided to the victims). During the month of September 2010 the PRDOJ Internal Audit Office, will verify the accuracy of the victims served during September 2009 at the San Juan Clinic.

9. Require CAU to implement procedures to ensure it meets Program goals and objectives.

Agreement – Concurrence

Corrective Action- The PRDOJ Auxiliary Deputy of Management and

Administration, through a memo dated August 26, 2010 (Refer to Exhibit #3), reinforces the projects monitors that all the closings grants of each subrecipient needs to ensure the accomplishments of goals and objectives established in the original proposal.

In addition it establishes the review from the Director of the Office of Federal Affairs for the programatic area from the internal audit office for the fiscal area in the major Programs of each grant .

10. Require CAU officials to attend fraud awareness training provided by the OIG.

Agreement – Concurrence

Corrective Action- CAU Officials , during the next months, subject to availability will attend a fraud awareness training provided by the OIG or other governmental regulatory agency or any other recognized professional association (Puerto Rico C.P.A. Association).

Payment Plan Note - CAU will reimburse the following amounts no later than September 30, 2010:

Rent	\$216,000
Unallowable expenses	2,266
Advance Payment under the Installment plan (refer a)	70,000
Total payment no later than September 30, 2010	\$ 288,266

(a) CAU will reimburse the following amounts under an installment period of five (5) years. Advance payment of \$70,000 will be paid.

Unallowable Personnel Cost	207,737
Program Funds unaccounted	137,777
Less Advance payment	(70,000)
	\$275,514

Remaining Balance of \$ 275,514 payable in equal installments during a five (5) years period. Annual payment of \$ 55, 102.80 will begin in September 30, 2011 and ends in September 30, 2015.

We would like to bring to your attention, that the PRDOJ did not award funds during 2009. We were waiting for the outcome of the full scope audit performed by the Office of the Inspector General related to the seven sub-grants that the PRDOJ awarded to CAU from 2001 through 2007.

Furthermore, we will abide with the Inspector General findings. Consequently, we welcome the Inspector General Recommendations and we look forward to make the

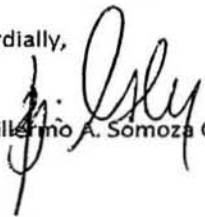
*Comments to Draft
August 30, 2010*

appropriate corrections. The U. S. Department of Justice Office of Victims of Crime (OVC) will have our full collaboration and commitment, as to establish the procedures and /or controls within the federal laws and the regulations issued there under.

We look forward to working with the U. S. Department of Justice Office of Victims of Crime (OVC) and the Carlos Albizu University in solving this matter in the most efficient and convenient matter.

If you need any additional information, please contact us.

Cordially,


Guillermo A. Somoza Colombani



Dra. Ileana Rodríguez García
President
Carlos Abizu Unuversity

c Anthony Murray, Esq.
Sub-secretary

Rafael Rivera Cruz, CPA
Director Office of Audit

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), the Puerto Rico Department of Justice (PRDOJ), and Carlos Albizu University (CAU). OJP's response is presented in Appendix 4. The PRDOJ and CAU provided a joint response, which is presented in Appendix 5. Materials provided along with the joint response have not been included in Appendix 5 because of the length of the documents. We separately discussed the PRDOJ and CAU joint response with the U.S. Attorney's Office, District of Puerto Rico. A representative of the U.S. Attorney's Office endorsed, in general, the proposed remedies of our questioned costs as discussed below. The following provides the OIG's analysis of the responses and summary of actions necessary to close the report. Subsequent to the issuance of the draft report, we made minor edits to the report to describe better the involvement of the U.S. Attorney's Office in assessing our results. These edits have no material effect on the presentation of our results.

Analysis of OJP's Response

In its response to the draft report, OJP stated that it agreed with our recommendations. OJP also stated that it would coordinate with CAU to remedy the questioned costs and implement CAU's planned corrective actions. Our analysis of OJP's response is discussed below under the Summary of Actions Necessary to Close the Report.

Analysis of the PRDOJ's and CAU's Response

In their joint response to the draft report, the PRDOJ and CAU stated that they concurred with our recommendations. Along with the response, PRDOJ and CAU provided an update on the status of corrective actions planned or taken on each of the recommendations for remedying \$1,043,230 in questioned costs identified in Recommendations 1 through 5 of the report. The CAU also stated that they had already provided \$177,386 of these matching costs. For recommendation 10, the joint response notes that PRDOJ did not award funds to CAU during 2009 pending our audit results.

The CAU remediation plan is shown in the next page, followed by our analysis of the PRDOJ's and CAU's response.

CAU's Proposed Plan for Remedying the Questioned Costs

Rec. No.	Description	Amount Questioned
1	Unallowable payments for rent	\$216,000
3	Unallowable payments for Christmas gifts	2,266
Subtotal – Note 1		\$218,266
2	Unallowable payments for personnel costs	\$207,737
4	Program funds that were unaccounted for	137,777
Subtotal – Note 2		\$345,514
5	Unsupported Match Contribution	479,450
Subtotal – Note 3		\$479,450
Total Recovery		\$1,043,230

Source: The PRDOJ's and CAU's response to the draft report (see Appendix 5)

Notes:

1. CAU agreed to repay the \$218,266 by September 30, 2010.
2. CAU agreed to repay \$70,000 by September 30, 2010, and the remaining \$275,514 in five annual installments of \$55,103 beginning September 30, 2011.
3. To remedy matching costs questioned in Recommendation 5, CAU proposed to provide 3 years of additional program services valued at \$479,450.

Our analysis of the PRDOJ's and CAU's response is discussed in the following section.

Summary of Actions Necessary to Close the Report

1. **Resolved.** OJP agreed with our recommendation and stated that it would coordinate with CAU to remedy the \$216,000 in unallowable payments for rent. In its response to the draft report, CAU agreed to reimburse the \$216,000 by September 30, 2010. This recommendation can be closed when the \$216,000 has been remedied.
2. **Resolved.** OJP agreed with our recommendation and stated that it would coordinate with CAU to remedy the \$207,737 in unallowable personnel costs paid with program funds. In its response to the draft report, CAU agreed to reimburse the \$207,737 according to a proposed repayment plan. This recommendation can be closed when the \$207,737 has been remedied.
3. **Resolved.** OJP agreed with our recommendation and stated that it would coordinate with CAU to remedy the \$2,366 in unallowable gifts

bought with program funds. In its response to the draft report, CAU agreed to reimburse the \$2,366 by September 30, 2010. However, CAU's proposed repayment plan was to repay \$2,266, which is \$100 less than the questioned costs. This recommendation can be closed when the \$2,366 has been remedied.

4. **Resolved.** OJP agreed with our recommendation and stated that it would coordinate with CAU to remedy the \$137,777 in program funds that were unaccounted for. In its response to the draft report, CAU stated it plans to reimburse the \$137,777 according to a proposed repayment plan. This recommendation can be closed when the \$137,777 has been remedied.
5. **Resolved.** OJP agreed with our recommendation and stated that it would coordinate with CAU to remedy \$656,836 in matching costs. In its response to the draft report, CAU stated that had already provided \$177,386 of these matching costs – \$125,255 for the fair market value of CAU space in which the program operated; \$13,723 for costs incurred by the CAU to store program records, furniture, and equipment; and \$38,408 in program services provided free to victims of crime during October and November 2009, which was after the PRDOJ stopped providing funding to CAU. For the remaining \$479,450 we questioned, CAU stated that it would remedy those costs by providing services to crime victims referred by the PRDOJ over a 3-year period. This recommendation can be closed when the questioned costs have been remedied.
6. **Closed.** OJP agreed with our recommendation and stated that it would coordinate with CAU to implement policies to prevent commingling federal funds with funds from other sources. Along with its response to the draft report, CAU provided a copy of those policies. This recommendation is closed based on our review of the policies.
7. **Closed.** OJP agreed with our recommendation and stated that it would coordinate with CAU to establish policies for approving and paying travel costs. Along with its response to the draft report, CAU provided a copy of those policies. This recommendation is closed based on our review of the policies.
8. **Resolved.** OJP agreed with our recommendation and stated that it would coordinate with CAU to establish procedures to ensure CAU accurately reports the number of crime victims served by the program. In its response to the draft report, CAU stated that it amended its October 2008 report on the number of crime victims served by the

program and will base future reports on the number of victims served instead of the number of services provided to those victims. CAU's response also stated that in September 2010, the PRDOJ will verify the accuracy of the reported number of victims served in September 2009, which is the last month the PRDOJ provided funds to CAU. This recommendation can be closed when we receive documentation showing: (1) CAU amended its October 2008 report on the number of victims served, and (2) the PRDOJ verified that the CAU accurately reported the number of victims served during September 2009.

9. **Closed.** OJP agreed with our recommendation and stated that it would coordinate with CAU to develop and implement procedures to ensure that program goals and objectives are met. Along with its response to the draft report CAU provided a copy of its procedures to ensure it meets program goals and objectives. This recommendation is closed based on our review of the policies.

10. **Resolved.** OJP agreed with our recommendation and stated that it would coordinate with CAU to provide documentation showing CAU officials attended fraud awareness training provided by the OIG. In its response to the draft report, CAU stated that CAU officials will attend fraud awareness training provided by the OIG, other governmental regulatory agency, or a recognized professional association. We note here that the U.S. Attorney's Office, District of Puerto Rico has notified us that it is available to assist both the PRDOJ and CAU in this training. Under separate cover, we will provide the contact information for the U.S. Attorney's Office. This recommendation can be closed when we receive documentation showing CAU officials attended fraud awareness training and the content of the training.