



Audit of the Office of Justice Programs Specialized
Human Trafficking Training and Technical
Assistance for Service Providers Cooperative
Agreement Awarded to Freedom Network USA,
Washington, D.C.

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22-002

OCTOBER 2021



EXECUTIVE SUMMARY

Audit of the Office of Justice Programs Specialized Human Trafficking Training and Technical Assistance for Service Providers Cooperative Agreement Awarded to Freedom Network USA, Washington, D.C.

Objectives

The Office for Victims of Crime (OVC) within the Office of Justice Programs (OJP) awarded Freedom Network USA (FNUSA) agreement number 2017-VT-BX-K018 totaling \$849,980 under its Specialized Human Trafficking Training and Technical Assistance (TTA) for Service Providers Program. The objectives of this audit were to determine whether costs claimed under the award were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether FNUSA demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

As a result of our audit, we concluded that FNUSA demonstrated adequate progress towards meeting the goals and objectives of the award. In addition, during our testing, we found that the costs claimed under the award were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award. However, we identified one instance where FNUSA's accounting records did not reconcile with the award's cumulative expenditures as reported during a federal financial report (FFR) period. Additionally, we found that FNUSA needs to ensure subawardee agreements include all award special conditions to facilitate compliance with federal award guidelines.

Recommendations

Our report contains two recommendations for OJP. We requested a response to our draft audit report from FNUSA and OJP, and their responses are appended to this audit report at appendices 2 and 3, respectively. OJP and FNUSA concurred with both recommendations. Our analysis of these responses is at Appendix 4.

Audit Findings

OVC awarded FNUSA a \$849,980 cooperative agreement under its Specialized Human Trafficking TTA for Service Providers to FNUSA to enhance the victim service field's response to house victims of human trafficking. The project period for the award was from October 2017 through September 2021.

Program Monitoring

While FNUSA complied with federal requirements regarding the monitoring of its subawardees, we found that the agreement under which it hired its subawardee lacked all the terms and special conditions contained in the award. FNUSA needs to establish subaward agreements that affirmatively make subawardees aware of all terms and special conditions of the federal award.

Federal Financial Reports

We sampled four FFRs to ensure that FNUSA accurately reported expenditures to the granting agency. However, we were unable to reconcile one of the FFRs reviewed to FNUSA's accounting records. FNUSA thus needs to implement procedures to compile accurate FFRs.

Program Goals and Accomplishments

We found the FNUSA was on track to achieve the goals and objectives of the award.

Award Expenditures

We tested a judgmental sample of 64 transactions representing \$68,447 in award expenditures. We did not identify any issues regarding allowability, allocability, and support regarding the sampled award expenditures.

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Introduction

The Trafficking Victims Protection Act of 2000 seeks to combat severe forms of human trafficking by punishing traffickers, protecting victims, and mobilizing a U.S. government-wide global anti-human trafficking campaign. The Office for Victims of Crime (OVC) within the Office of Justice Programs (OJP) administers the Specialized Human Trafficking Training and Technical Assistance for Service Providers Program to support intensive training and technical assistance (TTA) to trafficking service providers in order to help them provide meaningful housing and employment practices to human trafficking victims.

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of a \$849,980 award that OVC awarded to Freedom Network USA (FNUSA) under its Specialized Human Trafficking Training and Technical Assistance for Service Providers program. The purpose of the award was to support Freedom Network USA's (FNUSA) efforts to enhance victim service field's response to house victims of human trafficking. As adjusted, the award's performance period spanned 4 years, beginning in October 2017 and ending in September 2021.

Freedom Network USA

Based in Washington, D.C. and established in 2001, FNUSA administers an anti-human trafficking network of service providers that spans across 25 states. FNUSA's coalition includes survivors, legal and social service providers, researchers, and expert consultants. Members of this network are noted advocates in the anti-trafficking movement who provide training and technical assistance opportunities and promote capacity building amongst network members and allies.

OIG Audit Approach

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

We tested compliance with what we consider to be the most important conditions of the award. The 2017 DOJ Grants Financial Guide (Financial Guide), Title 2 CFR 200 (Uniform Guidance), and the award documents contain the primary criteria we applied during the audit. The results of our analysis are discussed in detail later in this report. Appendix 1 contains additional information on this audit's objectives, scope, and methodology.

Audit Results

Program Performance and Accomplishments

We reviewed required performance reports, the award solicitation, award documents, and interviewed FNUSA officials to determine whether FNUSA demonstrated adequate progress towards achieving its award goals and objectives. We also reviewed FNUSA’s semiannual Progress Reports to confirm the accuracy of the tested performance reports. Finally, we reviewed FNUSA’s compliance with the special conditions identified in the award documentation.

Program Goals and Objectives

To assess whether FNUSA achieved award goals and objectives, we interviewed FNUSA personnel and discussed program accomplishments and oversight with the responsible OVC Grant Manager. Further, we reviewed the two most recent FNUSA progress reports as well as Grant Adjustment Notices (GAN) documenting approved budget modifications and changes to award scope. We also selected and assessed whether FNUSA achieved a sample of applicable award goals and objectives. This work confirmed that FNUSA is on track to implementing the goals and objectives of the award by the approved award end date of September 30, 2021.

As stipulated in its award narrative, FNUSA worked with non-profit organizations and human trafficking subject matter experts via independent contractor agreements to enhance the service field’s response to provide housing to human trafficking victims. As illustrated in Figure 1, FNUSA identified two objectives for the overall award goal, which is to enhance the victim service field’s response to victims of human trafficking in the key area of housing.

Figure 1

Award K018 Objectives



Source: JustGrants

Through our interviews with FNUSA officials and review of approved GANs, we learned that the project underwent changes in scope and timeframe. In a GAN submitted in May 2020, FNUSA justified the update in scope to include, at OVC's request, providing victim housing TTA and other support to new awardees under OVC's FY 2020 Housing Assistance Award for Victims of Human Trafficking. While FNUSA officials stated the project experienced hiring delays at the outset, it worked with OVC to recalibrate the timeline.

Specifically, officials noted that while the project was slated to start in October 2017, hiring continued through February 2018. Thus, during the first quarter, officials stated that FNUSA team was trying to catch up and set up the project. In May 2020, FNUSA submitted a separate GAN to request a 1-year No Cost Extension. The GAN cited the hiring delay, the impact of the ongoing COVID-19 pandemic, and OVC's request to provide TTA support to new human trafficking housing awardees. OVC approved the request and extended the project timeline through September 2021.

In addition to the changes in scope and timeframe, we reviewed and documented three approved budget modification GANs, the last of which OVC approved in July 2020, and noted no exceptions.

Required Performance Reports

According to the Financial Guide, the funding recipient must ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. To verify FNUSA's semiannual performance report information, we selected a judgmental sample of performance measures from the two most recent reports submitted for the award. We then traced and confirmed each performance measure to FNUSA's supporting documentation.

Figure 2 presents a summary of the deliverables our review traced from supporting documents to performance reports.

Figure 2

FNUSA Award Performance Measures and Accomplishments



Source: JustGrants

Our progress report testing did not identify any instance where the accomplishments described in the required reports did not match or otherwise confirmed by supporting documentation.

Compliance with Special Conditions

Special conditions are the terms and conditions that OVC included with the audited award. We evaluated and selected a judgmental sample of the special conditions for the award that: (1) we deemed significant to program performance and (2) were not otherwise addressed by another section of this report.

We evaluated FNUSA's compliance with special conditions regarding: (1) training for Point of Contact (POC) and all Financial POCs, (2) requirements related to "de minimis" indirect cost rates, (3) compliance with applicable requirements regarding registration with the U.S. General Services Administration's System for Award Management, (4) federal authorization for subaward, (5) "lobbying" restrictions, (6) awardee agreement to track and report data on all TTA activities and deliverables using the guidance, format, or tool provided by OVC, and (7) web site disclosure. We noted no exceptions as FNUSA complied with all tested special conditions.

Award Financial Management

According to the Financial Guide, award recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to account for funds awarded to them. We interviewed responsible FNUSA personnel, examined FNUSA policies and procedures, and inspected available support to assess whether FNUSA's financial management adequately safeguarded award funds. Based on our review, we did not identify significant concerns related to the award financial management.

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 the 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. We confirmed that FNUSA did not expend \$750,000 or more in federal funds annually within the scope of this audit. Thus, FNUSA is exempt from the Single Audit requirement.

Award Expenditures

The approved FNUSA award budget included the following cost categories: personnel, fringe, travel, supplies, contractual, and other direct costs. To determine whether costs charged to the award were allowable, supported, properly allocated, and in compliance with award requirements, we tested a judgmental sample of 64 transactions representing \$68,447 in award expenditures. We reviewed documentation, accounting records, and performed verification testing related to award expenditures and found the tested transactions to be generally supported, allowable, and properly allocated to the award.

Personnel Costs

To test FNUSA's personnel expenditures charged to the award, we judgmentally selected charges associated with payroll and fringe benefit records for two nonconsecutive pay periods for seven FNUSA employees.

This sample design resulted in a total of 14 personnel expenditure transactions. For each transaction tested, we compared costs captured in FNUSA financial records to employee timesheets and personnel costs for each employee approved in the award budget. We found that all personnel expenditure transactions within the sample were computed correctly, properly authorized, accurately recorded, and properly allocated to the award.

Subrecipient Costs

For the award, FNUSA tracked two types of subrecipient costs: (1) subawardee labor costs and (2) subject matter expert consultants.

Consultants

Per the Financial Guide, compensation for consultant services must be: (1) reasonable and consistent with that paid for similar services in the marketplace and (2) no greater than a rate of \$650 per day or \$81.25 per hour. Additionally, the Uniform Guidance requires that salaries charged to federal award be: (1) based on records that reflect the work performed; (2) supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly recorded; and (3) distributed among other specific activities or cost objectives.

Award K018 included payments to subject matter expert consultants. We selected 23 consultant transactions to test under the award, which totaled \$23,973. Additionally, we reviewed the applicable consulting agreements, as well as supporting documents, for each expense and identified no questioned costs.

Subawardees and Contractors

The Financial Guide makes primary award recipients responsible for adequately monitoring their subrecipients to ensure that they use a subaward for authorized purposes and comply with federal program and award requirements, laws, and regulations. Subrecipients of federal awards must provide the primary recipient access to any documents or other records pertinent to their subaward. We judgmentally sampled two invoices from the subawardee evaluation expert allocated to the award. For each invoice, we traced expenses to the available support to determine whether the expense was sufficiently supported and properly monitored. FNUSA maintained support for the tested subrecipient expenditures and that demonstrated these costs were allowable. Additionally, we found that FNUSA adequately monitored the work completed by its subawardee.

The Uniform Guidance distinguishes between subawards and contracts. Unlike for a contract, whenever a primary recipient establishes a subaward with another entity for the purpose of carrying out a portion of a federal award, the primary recipient creates a federal assistance relationship with the subrecipient whereby the subrecipient, as a subawardee, must also ensure that it uses federal award funds in accordance with applicable laws, regulations, and terms. The Uniform Guidance thus states that every subaward is to be clearly identified to the subrecipient as a subaward and include critical award information such as the Federal Award Identification Number, Federal Funding Accountability and Transparency Act (FFATA) reporting requirements, and special conditions.

To hire subrecipients, FNUSA used a standard template agreement that did not distinguish between contractors and subawardees. Specifically, FNUSA's evaluation expert, who FNUSA correctly classified as a subawardee, was hired using this agreement template, and advised FNUSA on project development, helped devise evaluation plans and materials, and supported TTA follow-up. The agreement template, however, did not include all the award's applicable laws, regulations, terms, and special conditions. As mentioned previously, we did not find any instances that FNUSA (or its subawardee) failed to comply with tested special conditions. However, considering that subawardees are responsible for complying with all terms and special conditions, FNUSA needs to ensure its subawardee agreement specifies these items as a best practice. Without ensuring that its subawardees have this information, FNUSA places an increased risk that the subawardees' relationship and activities may not be in compliance with federal program requirements. Therefore, we recommend that OJP work with FNUSA to ensure it establishes subaward agreements that identify all terms and special conditions as specified in the federal award.

Indirect Costs

Indirect costs are expenditures of an organization that are not readily assignable to a particular project but necessary to operate and perform the program. According to the Financial Guide, recipients that do not have an approved federal indirect cost rate may either negotiate an indirect cost rate with their cognizant federal agency or elect to charge a de minimis rate of 10 percent of modified total direct costs. During our review, we found that FNUSA lacked an approved indirect cost rate and thus charged the de minimis rate of 10 percent to the award. FNUSA's indirect rate structure comprised all direct costs to include personnel, fringe, travel, supplies, and contractual costs. We reconciled the indirect rate charged by FNUSA to the de minimis indirect cost rate with no reportable exception.

Travel Costs

The approved budgets for Award K018 included miscellaneous travel and lodging expenses for FNUSA employees to attend meetings or conduct required training seminars. To determine whether FNUSA's travel expenditures were computed correctly, properly authorized, accurately recorded, and properly allocated to the award, we judgmentally selected 15 travel transactions that included expenses for lodging, airfare, ground transportation, and meals and incidental expenses. We compared FNUSA financial records to the approved budget for the award. Our testing found that the FNUSA generally computed, authorized, recorded, and allocated travel costs to the award appropriately.

Miscellaneous Costs

We judgmentally selected a sample of 10 miscellaneous expenditures across the budget categories of supplies, rent, staffing training, and conferences charged to Award K018 totaling \$8,972. To determine whether FNUSA computed correctly, properly authorized, accurately recorded, and properly allocated these costs to the award, we traced expense data contained in invoices, contracts, and budget documents provided by FNUSA. We resolved all issues relating to the selected miscellaneous costs in our sample and noted no questioned costs.

Budget Management and Control

According to the Financial Guide and the Uniform Guidance, a recipient must establish and maintain an adequate accounting system, which includes the ability to compare actual expenditures or outlays with

budgeted amounts for each award. Additionally, the recipient must initiate a 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 award expenditures to the approved budgets to determine whether FNUSA 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 Financial Guide, recipients and subrecipients must maintain an adequate accounting system and records to support all receipts of federal funds. If, at the end of the award period, recipients have drawn down funds in excess of expenditures, unused funds must be returned to the awarding agency.

We found that FNUSA maintains procedures governing the drawing down of funds. The procedures state that every month its bookkeeper will send the FNUSA Training Institute Director a monthly Profit and Loss Detail Report (P&L) for the classification code FNUSA uses to track award expenses.¹ This official will review the monthly P&L to reconcile expenses for the month. Once approved, this Director then initiates a drawdown for the previous month's expenses, based on this report. Additionally, the bookkeeper will send the Director a quarterly P&L for the award classification code. This official will review the quarterly P&L to ensure that expenses reported are accurate and that the amounts match those from the monthly drawdown. Once reconciled, this official will complete the quarterly FFR based on this report.

We found that the FNUSA generally followed these drawdown request procedures, these procedures aligned with the terms and conditions of the award, and FNUSA's total drawdowns equaled its total expenses for the award.

Federal Financial Reports

According to the Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each FFR as well as cumulative expenditures.² Additionally, the Financial Guide states that each FFR must be submitted online no later than 30 days after the last day of each quarter. To determine whether FNUSA submitted complete, accurate, and timely FFRs, we compared the four most recent FFRs to FNUSA's accounting records for the award. While we found the FNUSA submitted the FFRs within required timeframes, we could not verify and reconcile the award's cumulative expenditures reported on one of the four FFRs reviewed to FNUSA's accounting records. Specifically, for the reporting period ending June 2020, we found that there was a discrepancy of \$55,459 between the reported cumulative expenditures and FNUSA accounting records. OVC requires accurate FFRs to account for award funds properly and to help ensure the award recipient is on track towards achieving award objectives. As a result,

¹ From the beginning of the project, FNUSA contracted a bookkeeper to conduct its financial services including accounting and payroll services. In July 2021, FNUSA brought the financial services in-house and hired a finance manager.

² JustGrants requires awardees to report only cumulative expenditures on FFRs. Under OJP's legacy Grants Management System, award recipients were required to report both quarterly and cumulative expenditures, as stated in the Financial Guide. FNUSA demonstrated satisfactory knowledge and implementation of this change.

we recommend that OJP work with FNUSA to develop procedures to ensure that it reports accurate cumulative expenditures on FFRs.

Conclusion and Recommendations

We found that FNUSA adhered to tested award special conditions, monitoring activities, and drawdowns. FNUSA is on track to achieve the stated goals and objectives of the award. Further, we found that all tested expenditures were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the award. In our review of FNUSA's FFRs, we were unable to verify and reconcile the award's cumulative expenditures reported on one of the four FFRs reviewed to FNUSA's accounting records. Additionally, we found that FNUSA's subawardee agreement did not include all award terms and special conditions. Therefore, we provide two recommendations to OJP to address these deficiencies and improve FNUSA stewardship of the DOJ award.

We recommend that OJP:

1. Work with FNUSA to ensure it establishes subaward agreements that identify all terms and special conditions as specified in the federal award.
2. Work with FNUSA to develop procedures to ensure that it reports accurate cumulative expenditures on FFRs.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

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

Scope and Methodology

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

This was an audit of Office of Justice Programs (OJP), Office for Victims of Crime (OVC) Specialized Human Trafficking Training and Technical Assistance for Service Providers award number 2017-VT-BX-2018 awarded to Freedom Network USA (FNUSA) in Washington, D.C. FNUSA received one award totaling \$849,980. As of May 6, 2021, the entire award of \$849,980 had been expended. Our audit concentrated on, but was not limited to September 28, 2017, the award date, through August 30, 2021, the last day of our audit work. Additionally, as a result of the COVID-19 pandemic response, we performed our audit fieldwork exclusively in a remote manner. The scheduled project end date of the award is September 30, 2021.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of FNUSA's activities related to the audited award. We performed sample-based audit testing for award expenditures including direct costs, travel costs, payroll and fringe benefit charges, contractor costs, subawardee costs, indirect costs, federal financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the award reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The 2017 DOJ Grants Financial Guide (Financial Guide), Title 2 C.F.R. 200 (Uniform Guidance), and the award documents contain the primary criteria we applied during the audit.

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

We discussed our audit results with FNUSA officials throughout the audit and at a formal exit conference. We requested a response to our draft audit report from OJP and FNUSA, and their responses are appended to this audit report in appendices 2 and 3.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of FNUSA to provide assurance on its internal control structure as a whole. FNUSA's management is responsible for the establishment and maintenance of internal controls in accordance with the Financial Guide and Uniform Guidance. Since we do not express an opinion on FNUSA's internal control structure as a whole, we offer this statement solely for the information and use of FNUSA and OJP for external audits.³

The scope of our internal control testing included a review of internal control principles related to FNUSA's control environment, control activities, monitoring activities, and information sharing efforts across personnel. Any internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to those internal control components and underlying principles that we found significant to the objectives of this audit, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

³ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: Freedom Network USA's Response to the Draft Audit Report



Freedom Network USA

October 6, 2021

Mr. John J. Manning
U.S Department of Justice
Via email WRAO.mail@usdoj.gov

Dear Mr. Manning:

This letter is in response to the draft audit report, received September 21, 2021, issued by the Department of Justice (DOJ), Office of the Inspector General (OIG), Washington Regional Audit Office, through the Office of Justice Programs (OJP) in relation to the Office for Victims of Crimes (OVC) Grant Award 2017-VT-BK-K018 awarded to Freedom Network USA (FNUSA).

Our response to the recommendations that were provided for FNUSA are as follows:

Recommendation 1: Work with FNUSA to ensure it establishes subaward agreements that identify all terms and special conditions as specified in the federal award.

Response: FNUSA concurs with this recommendation. FNUSA has updated its subaward contract template to include a statement that the special conditions under the prime contract apply to the subawardee. The prime contract and special conditions will continue to be shared with the subawardee as an exhibit or appendix to the subawardee contract.

Recommendation 2: Work with FNUSA to develop procedures to ensure that it reports accurate cumulative expenditures on FFRs.

Response: FNUSA concurs with this recommendation. In order to ensure that the FFR reflect accurate cumulative expenditures, FNUSA will continue to implement internal audits and identify any corrections. Corrections will be recorded in FNUSA's accounting system on the date that the adjustment is made, so that they are identified and reported on the next FFR.

Thank you for this opportunity to review and improve our policies and procedures to ensure that FNUSA is able to most effectively support and address the needs of human trafficking survivors in the US.

Many thanks



Jean Bruggeman
Executive Director
Freedom Network USA

www.freedomnetworkusa.org

APPENDIX 3: The Office of Justice Program's 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

October 15, 2021

MEMORANDUM TO: John J. Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin *Ralph E. Martin*
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Specialized Human Trafficking Training and Technical Assistance for Service Providers Grant Awarded to Freedom Network USA, Washington, D.C.*

This memorandum is in reference to your correspondence, dated September 21, 2021, transmitting the above-referenced draft audit report for the Freedom Network USA (FNUSA). We consider the subject report resolved and request written acceptance of this action from your office.

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

1. **We recommend that OJP work with FNUSA to ensure it establishes subaward agreements that identify all terms and special conditions as specified in the federal award.**

OJP agrees with this recommendation. The FNUSA stated, in its response, dated October 6, 2021, that it had updated its subaward contract to include a statement that the special conditions under the prime contract apply to the sub-awardee. However, the FNUSA did not provide an example of the updated subaward agreement template with these changes. Accordingly, we will coordinate with the FNUSA to obtain a copy of the updated subaward agreement, and associated procedures, to ensure that it identifies all terms and special conditions, as specified in the Federal award.

2. We recommend that OJP work with FNUSA to develop procedures to ensure that it reports accurate cumulative expenditures on FFRs.

OJP agrees with this recommendation. The FNUSA stated, in its response, dated October 6, 2021, that it will continue to implement internal audits and identify corrections to ensure that the Federal Financial Reports (FFRs) reflect accurate cumulative expenditures. The FNUSA further stated that corrections will be recorded in the FNUSA's accounting system on the date that the adjustment is made, so that corrections are identified and reported on the next FFR. Accordingly, we will coordinate with the FNUSA to obtain a copy of written policies and procedures, developed and implemented, to ensure that future FFRs are accurately prepared, reviewed and approved by management prior to submission, and the supporting documentation is maintained for future auditing purposes.

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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Control Number IT20210921144743

APPENDIX 4: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report

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

Recommendations for OJP:

- 1. We recommend that OJP work with FNUSA to ensure it establishes subaward agreements that identify all terms and special conditions as specified in the federal award.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with FNUSA to obtain a copy of the updated subaward agreement, and associated procedures, to ensure that it identifies all terms and special conditions, as specified in the Federal award. As a result, this recommendation is resolved.

FNUSA concurred with our recommendation and stated in its response that it has updated its subaward contract template to include a statement that the special conditions under the prime contract apply to the subawardee. Additionally, FNUSA stated that the prime contract and special conditions will continue to be shared with the subawardee as an exhibit or appendix to the subawardee contract.

This recommendation can be closed when we receive evidence of the updated subaward contract template and the statement of special conditions applying to the subawardee.

- 2. We recommend that OJP work with FNUSA to develop procedures that ensure it reports accurate cumulative expenditures on FFRs.**

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will coordinate with FNUSA to obtain a copy of written policies and procedures, developed and implemented, to ensure that future FFRs are accurately prepared, reviewed, and approved by management prior to submission, and the supporting documentation is maintained for future auditing purposes.

FNUSA concurred with this recommendation and stated in its response that it will continue to implement internal audits and identify any corrections. Additionally, corrections will be recorded in FNUSA's accounting system on the date that the adjustment is made, so that corrections will be identified and reported on the next FFR.

This recommendation can be closed when we receive (1) evidence of updated FFR policies and procedures that will ensure all expenditures reported on award FFRs reconcile with FNUSA accounting records and (2) documentation that any identified errors within the FFRs submitted for the award are remedied.