



Audit of the Office of Justice Programs Grants Awarded
to First Nations Community Healthsource, Inc.,
Albuquerque, New Mexico



22-110

SEPTEMBER 2022

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Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 3, the grantee's response, and are of individuals' name.

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EXECUTIVE SUMMARY

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Objectives

The Office of Justice Programs (OJP) awarded First Nations Community Healthsource, Inc. (FNCH) three cooperative agreements and one grant totaling \$2,062,500 for the Project Beacon – Increasing Services for Urban American Indian and Alaska Native Victims of Sex Trafficking; Comprehensive Services for Victims of all Forms of Human Trafficking; and Housing Assistance Grants for Victims of Human Trafficking programs. The objectives of this audit were to determine whether costs claimed under the awards were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards; and to determine whether the grantee demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

As a result of our audit, we found that FNCH demonstrated adequate progress towards achieving program goals and objectives. In addition, we did not identify significant concerns regarding FNCH's budget management and drawdowns. However, we identified concerns regarding FNCH's performance reporting, compliance with special conditions, financial management, written policies and procedures, use of award funds, and federal financial reports (FFRs). We also identified \$174,300 in questioned costs, which included \$82,023 in unsupported questioned costs and \$92,277 in unallowable questioned costs. Appendix 2 of this report provides a breakdown of these costs.

Recommendations

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

Audit Results

The purposes of the OJP awards we reviewed were to address the needs of American Indian and Alaska Native victims of sex trafficking, provide comprehensive services to victims of human trafficking, and provide transitional housing and support services for victims of human trafficking. The project period for the awards was from October 1, 2016, through April 30, 2023. As of January 2022, FNCH had drawn down a cumulative amount of \$737,675 for the awards.

Program Goals and Accomplishments

We reviewed FNCH's stated accomplishments for the award and found no indications that it had not achieved the program goals and objectives. However, we found that progress reports we tested were inaccurate or not adequately supported. Additionally, we found that FNCH did not adhere to all award special conditions.

Award Financial Management

We found that FNCH's written policies and procedures did not have specific language regarding matching costs and contract award and management. Additionally, we identified issues with FNCH's accounting for award funds, which resulted in duplicate expenditures being charged to multiple awards and expenditures charged to the wrong awards.

Award Expenditures

We identified \$8,792 in unsupported and \$66,265 in unallowable personnel costs, \$63,442 in unsupported and \$18,740 in unallowable contractor costs, and \$3,100 in unsupported and \$5,349 in unallowable other direct costs related to unbudgeted and duplicate expenditures. Additionally, we identified \$6,689 in unsupported and \$1,922 in unallowable matching costs.

Federal Financial Reports

We found that the FFRs we tested did not match FNCH's accounting records for the awards.

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Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three cooperative agreements and one grant awarded by the Office of Justice Programs (OJP) Office for Victims of Crimes (OVC), under the Project Beacon – Increasing Services for Urban American Indian and Alaska Native Victims of Sex Trafficking; Comprehensive Services for Victims of all Forms of Human Trafficking; and Housing Assistance Grants for Victims of Human Trafficking programs, to First Nations Community Healthsource, Inc. (FNCH) in Albuquerque, New Mexico. FNCH was awarded three cooperative agreements and one grant totaling \$2,062,500, as shown in Table 1.¹

Table 1

Cooperative Agreements and Grant Awarded to FNCH

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2016-VT-BX-K054	OJP	09/28/2016	10/01/2016	08/31/2020	\$337,500
2018-VT-BX-K021	OJP	09/27/2018	10/01/2018	09/30/2022	775,000
2019-VO-GX-K046	OJP	09/30/2019	10/01/2019	09/30/2022	450,000
2020-VT-BX-0021	OJP	08/04/2020	05/01/2020	04/30/2023	500,000
Total:					\$2,062,500

Source: OJP Grants Management and Justice Grants Systems

Funding through the Project Beacon - Increasing Services for Urban American Indian and Alaska Native Victims of Sex Trafficking program supports the increase of award recipients' capacity to address the needs of American Indian and Alaska Native victims of sex trafficking through a combination of staff training and education on the topic, building strategic collaborative partnerships with other community-based organizations and agencies, and public awareness activities. The Comprehensive Services for Victims of all Forms of Human Trafficking program provides funding to victim service organizations with a demonstrated history of providing comprehensive services for victims of human trafficking. Funding also supports efforts to increase the capacity of communities to respond to human trafficking victims through the development of interagency partnerships, professional training, and public awareness activities. Funding through the Housing Assistance Grants for Victims of Human Trafficking program supports programs that provide 6 to 24 months of transitional housing with support services to victims who are in need of housing as a result of human trafficking.

¹ A cooperative agreement, typically a discretionary award, is a legal instrument that permits OJP to transfer money or something of value to accomplish a public purpose of support authorized by federal statute. This type of award is used when it is anticipated that substantial involvement will be required by the Federal Government.

The Grantee

FNCH is a nonprofit urban Indian health center located in Albuquerque, New Mexico. For more than 47 years, FNCH has provided an integrated and culturally competent health delivery system that addresses the physical, social, emotional, and spiritual needs of American Indian and Alaskan Native families and other underserved populations residing in Albuquerque and the surrounding areas.²

OIG Audit Approach

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

We tested compliance with what we consider to be the most important conditions of the awards. The 2015 and 2017 DOJ Grants Financial Guides 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. The Schedule of Dollar-Related Findings appears in Appendix 2.

² Background information on FNCH has been taken from the statements made by the Chief Executive Officer and the organization's website directly (unaudited).

Audit Results

Program Performance and Accomplishments

We reviewed required performance reports, award documentation, and interviewed FNCH officials to determine whether FNCH demonstrated adequate progress towards achieving the program goals and objectives. We also reviewed the progress reports, to determine if the required reports were accurate. Finally, we reviewed FNCH's compliance with the special conditions identified in the award documentation.

Program Goals and Objectives

The goals and objectives for each award included the following:

- Project Beacon – Increasing Services for Urban Indian and Alaska Native Victims of Sex Trafficking (Award Numbers 2016-VT-BX-K054 and 2019-VO-GX-K046) Goals and Objectives: (1) enhance the quality and quantity of services available to assist American Indian and Alaska Native victims of sex trafficking through the provision of community collaborations, trainings, public media activities, and intense case management; and (2) complete a project evaluation to assess the effectiveness of the program in addressing the needs of the target population.
- Comprehensive Services for Victims of all Forms of Human Trafficking (Award Number 2018-VT-BX-K021) Goals and Objectives: (1) enhance the quality and quantity of services available to assist 200 victims of human trafficking at the end of 3 years through the provision of community collaborations, trainings, public education activities, advocacy, and intensive case management; and (2) complete a project evaluation to assess the effectiveness of the program in addressing the needs of the target population and to document the required performance measures.
- Housing Assistance Grants for Victims of Human Trafficking (Award Number 2020-VT-BX-0021) Goals and Objectives: (1) increase the capacity to reduce homelessness rates among human trafficking victims; (2) provide housing assistance to a minimum of 40 homeless human trafficking victims; and (3) conduct a project evaluation to assess the effectiveness of the program in achieving outcomes.

Based on our review, there were no indications that FNCH had not achieved the stated goals and objectives for Award Number 2016-VT-BX-K054 and was not adequately achieving the stated goals and objectives of the remaining ongoing awards.³

³ At the time we conducted our analysis, FNCH had not made any progress towards achieving the goals and objectives for Award Number 2020-VT-BX-0021. Hiring the award-funded case manager was necessary to implement the award program; however, FNCH was unable to fill the case manager position until March 2022, due to hiring delays resulting from the COVID-19 pandemic.

Required Performance Reports

According to the 2015 and 2017 DOJ Grants Financial Guides, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. In order to verify the information in progress reports, we selected a total sample of 10 performance measures from the 2 most recent reports submitted for each award for a total of 30.⁴ We then traced the items to supporting documentation maintained by FNCH.

Based on our review, we found that the progress reports we tested were inaccurate or not adequately supported, as discussed below.

- Award Number 2016-VT-BX-K054: We found that 5 of the 10 performance measures tested were not accurate based on the documentation provided. We found that FNCH underreported the five performance measures, including the total number of clients, the specific types and settings for trafficking, and total number of referral sources for trafficking clients.
- Award Number 2018-VT-BX-K021: We found that 5 of the 10 performance measures tested were not accurate based on the documentation provided. For Progress Report 5764, we found that FNCH underreported the total units of education to trafficking clients and we could not verify the number of advocacy and awareness group, or organization personnel trained because we did not receive a sign-in sheet or other documentation confirming the number of people trained. For Progress Report 126716, we found that FNCH overreported the specific type of trafficking exploitation and underreported the total units of housing and rental assistance provided to trafficking clients. Additionally, we could not verify the number of task force personnel trained because we did not receive a sign-in sheet or other documentation confirming the number of people trained.
- Award Number 2019-VO-GX-K046: We found that 6 of the 10 performance measures tested were not accurate based on the documentation provided. For Progress Report 8689, we found that FNCH underreported the total units of client orientation to trafficking clients and the specific types and number of outreach activities conducted. We also could not verify the number of people trained for a local news station presentation because we did not receive a sign-in sheet or other documentation confirming the number of people trained. For Progress Report 127547, we found that FNCH underreported the specific type of trafficking exploitation and the specific types and number of outreach activities conducted. In addition, FNCH overreported the specific type of trafficking setting.

As a result of our testing, we found that the progress reports for the awards we tested were inaccurate or not adequately supported. Therefore, we recommend that OJP coordinate with FNCH to ensure that progress reports are accurate and fully supported.

⁴ At the time of our review, there was no activity for Award Number 2020-VT-BX-0021; therefore, we could not test performance measures for this award.

Compliance with Special Conditions

Special conditions are the terms and conditions that are included with the awards. We evaluated the special conditions for each award and selected a judgmental sample of two requirements from each award totaling eight that are significant to performance under the awards and are not addressed in another section of this report.

Based on our sample testing, we found that FNCH was in compliance with seven of the eight special conditions we tested. However, we found that FNCH was not in compliance with one special condition for Award Number 2019-VO-GX-K046, which states that the grantee agrees to submit any print or electronic promotional materials concerning any OVC-funded project that are intended for public dissemination to OVC for review 7 working days in advance of its release. This includes, but is not limited to fact sheets, newsletters, press releases, web-based materials, and electronic announcements.

We found that, FNCH published one brochure for which it could not provide any documentation to support that it complied with the requirement to submit any print or electronic promotional materials to OVC for review 7 working days in advance of its release. Therefore, we recommend OJP work with FNCH to ensure that it adheres to all special conditions of the awards.

Award Financial Management

According to the 2015 and 2017 DOJ Grants Financial Guides, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. To assess the FNCH's financial management of the award, we conducted interviews with FNCH staff, examined policies and procedures, and inspected award documents to determine whether FNCH adequately safeguards the award funds we audited. We also reviewed FNCH's Single Audit Report for the year ending September 30, 2020, along with an OVC site visit from August 2017 to identify internal control weaknesses and significant non-compliance issues related to federal awards. Finally, we also performed testing in the areas that were relevant for the management of the awards, as discussed throughout this report.

Single Audit

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

FNCH's most recent Single Audit Report identified significant deficiencies under internal controls over financial reporting. Specifically, the auditors found that the financial close and reporting process during the

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

year and at year-end was not completed timely or accurately, which could result in account balances not being reflected accurately and the organization being more susceptible of financial reporting or management decision errors.

FNCH submitted a corrective action plan to address the findings and recommendations identified in the Single Audit Report. However, we identified a similar concern during our audit regarding the accuracy of financial reporting. Specifically, we found that FNCH submitted Federal Financial Reports (FFRs) that were inaccurate. This deficiency is discussed in more detail in the Federal Financial Reports section of this report. The OVC site review did not identify any issues.

Accounting Policies and Practices

Based on our review of FNCH's written policies and procedures, we concluded that they needed to be strengthened. We noted that FNCH's policies and procedures did not have specific language regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contractor invoices. Therefore, we recommend that OJP coordinate with FNCH to ensure it develops and implements financial policies and procedures that include specific language regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contractor invoices.

We also identified weaknesses in FNCH's financial management that resulted in unsupported and unallowable questioned costs totaling \$174,300. Specifically, we found that FNCH: (1) charged unallowable and unsupported personnel, contractor, and other direct costs to the awards; (2) charged unsupported and unallowable matching costs to the awards; and (3) submitted FFRs that were inaccurate. These deficiencies are discussed in more detail in the Personnel Costs, Contractor Costs, Other Direct Costs, Matching Costs, and Federal Financial Reports sections of this report.

We also found that FNCH did not adequately account for award funds resulting in duplicate costs being charged to multiple awards and costs that were charged to the wrong award. According to the FNCH Chief Financial Officer (CFO), each award has its own funding code, which she stated helps them track multiple grants and prevents commingling of grant funds with funds from other sources. FNCH also provided us with separate general ledgers for the awards. However, during expenditure testing, we noted that FNCH used the same funding code for Award Numbers 2016-VT-BX-K054 and 2019-VO-GX-K046, increasing the risk of duplicate expenditures being charged to both awards.

We followed up with FNCH officials to get further clarification regarding the duplicate funding codes for Award Numbers 2016-VT-BX-K054 and 2019-VO-GX-K046. The CFO stated that there are slight differences in the naming conventions for the funding codes for each award. For example, she stated that one funding code for one of the awards may have a dash, while the funding code for the other award does not have a dash and the awards covered different periods. The CFO also stated that FNCH validates each transaction and ensures that only allowable expenditures are charged to the grants. Additionally, she stated that FNCH checks for errors and reviews expenses manually for each award to make sure they are allowable. Finally, she stated that each award has an approved budget that shows exactly what FNCH can charge to the awards, what's allowable, and which staff members and/or positions are funded by the grants. Although, the procedures described by the CFO should provide assurance that only allowable costs are charged to the

awards, there does not appear to be any procedures that would help ensure that duplicate costs are not charged to the awards for which FNCH uses the same funding codes.

Further, we found that based on the most recent version of the allocation documentation we received, FNCH continued allocating expenditures to the funding code for the match portion of Award Number 2016-VT-BX-K054 award after the award period ended on August 31, 2020. Despite the fact that these costs should have been allocated to the match portion of Award Number 2016-VT-BX-K054 based on the funding code, we found that these costs were charged as direct costs to Award Number 2019-VO-GX-K046. Additionally, based on the funding codes listed on the allocation documentation, we found instances for the 2016-VT-BX-K054 award where expenditures were incorrectly charged to the match costs instead of the federal costs of the award.

Based on our payroll, other direct cost, and matching cost testing, we identified 298 duplicate transactions totaling \$49,217 and 18 transactions totaling \$2,238 that were incorrectly charged to the wrong award. Therefore, we recommend that OJP coordinate with FNCH to ensure that: (1) it uses distinctive funding codes for each award to ensure that the same expenditures are not charged to multiple awards, and (2) it develops policies and procedures to ensure that costs are charged correctly based on the assigned funding codes. We discuss these issues in detail in the Personnel Costs, Other Direct Costs, and Matching Costs sections of this report.

Duplicate Transactions Summary

Personnel Costs Testing

- 222 transactions, totaling \$48,434

Other Direct Cost Testing

- 76 transactions, totaling \$782

Total Duplicate Transactions

298 transactions, totaling \$49,217*

*This includes costs that were also questioned as unallowable because the costs were not authorized in the approved award budget.

Award Expenditures

For Award Numbers 2016-VT-BX-K054, 2018-VT-BX-K021, 2019-VO-GX-K046, and 2020-VT-BX-0021, FNCH's approved budgets included personnel, fringe benefits, travel, equipment, supplies, contractual, and other direct costs. In addition, FNCH was required to provide a total of \$502,387 in matching funds, which represents 25 percent of total project expenditures for Award Numbers 2016-VT-BX-K054, 2018-VT-BX-K021, and 2020-VT-BX-0021.⁶ To determine whether costs charged to the award were allowable, supported, and properly allocated in compliance with award requirements, we tested a judgmental sample of 202 transactions totaling \$184,165.⁷ We reviewed documentation, accounting records, and performed verification testing related to award expenditures. As a result of our analysis, we identified \$82,023 in

⁶ At the time of our review, there were no activities or expenses for Award Number 2020-VT-BX-0021; therefore, we could not test expenditures for this award.

⁷ Throughout this report, differences in the total amounts are due to rounding. The sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

unsupported questioned costs and \$92,277 in unallowable questioned costs. The following sections describe the results of our testing.

Personnel Costs

As part of our sample, we reviewed 62 employee salary transactions and the related fringe benefits totaling \$62,240 for multiple pay periods for each of the awards, to determine if labor charges were computed correctly, accurately recorded, and properly authorized and allocated to the award. Through our testing of Award Number 2019-VO-GX-K046 personnel costs, we identified unbudgeted costs associated with an employee position that was not authorized in the approved budget and duplicate costs that had already been charged to Award Number 2016-VT-BX-K054. Therefore, we reviewed the general ledger to identify all costs associated with the unbudgeted employee position and duplicate costs. Based on our review, we identified \$75,057 in total questioned costs, including \$8,792 in unsupported personnel costs and \$66,265 in unallowable personnel questioned costs charged to Award Numbers 2016-VT-BX-K054 and 2019-VO-GX-K046.

Specifically, for Award Number 2016-VT-BX-K054, we identified three employee salary transactions totaling \$3,013 that were not supported by timesheets. We also identified three group insurance transactions totaling \$1,921 that were not supported by sufficient documentation to verify if the amounts charged to the award were accurately calculated.

For Award Number 2019-VO-GX-K046, we identified two employee salary transactions totaling \$1,936 that were unsupported because the timesheets provided did not include the hours worked for the funding code assigned to this award. We also identified three group insurance transactions totaling \$1,922 that were not supported by sufficient documentation to verify if the amounts charged to the award were accurately calculated. In addition, we identified 193 transactions totaling \$19,989 in unallowable salary and fringe benefit costs for an employee position that was not authorized in the approved budget.

As discussed in the [Accounting Policies and Practices section](#) of this report, FNCH used the same funding code for multiple awards. Based on our testing, we identified 222 unallowable transactions totaling \$48,434 in duplicate personnel costs that had already been charged to Award Number 2016-VT-BX-K054.⁸

In total, we identified \$8,792 in unsupported and \$66,265 in unallowable personnel costs charged to the awards. Therefore, we recommend that OJP remedy the \$8,792 in unsupported and \$66,265 in unallowable personnel costs.

Finally, we found that the FNCH CEO and another salaried employee's timesheets did not contain any evidence of supervisory review. According to the CEO, salaried employee timesheets are reviewed and signed by their supervisors; however, her own timesheets are not reviewed by anyone. It is important to have supervisory review of timesheets to ensure the accuracy and reliability of the labor charges allocated to the awards. Therefore, we recommend that OJP coordinate with FNCH to ensure it consistently

⁸ The total duplicate questioned costs includes four transactions totaling \$2,159 that were also questioned as unallowable because the costs were not authorized in the approved award budgets. Our total unallowable questioned personnel costs did not include this duplication.

documents supervisory review and validation of employee time, including requiring a Board of Directors member to review and validate the FNCH CEO's time.

Contractor Costs

For the awards included in our audit, only Award Number 2018-VT-BX-K021 had contractor costs. We reviewed all 15 contractor transactions totaling \$92,108 for Award Number 2018-VT-BX-K021 to determine if charges were computed correctly, properly authorized, accurately recorded, and properly allocated to the awards. In addition, we determined if rates, services, and total costs were in accordance with those allowed in the approved budgets. As a result of our testing, we identified \$82,182 in total questioned costs, including \$63,442 in unsupported contractor costs and \$18,740 in unallowable contractor costs charged to the award.

Specifically, we identified 13 contractor transactions totaling \$63,442 that did not have adequate supporting documentation. According to the contract, the number of clients assisted and the types of legal services provided must be included with the invoice. However, most invoices did not include the information required by the contract or sufficient detail necessary to determine if the amounts billed were for allowable services. We also identified invoices that included charges for non-DOJ funded legal services for victims of domestic violence and OJP-funded legal services for victims of human trafficking on the same line item. As a result, we were unable to distinguish the specific amount of time the contractor spent working on our award versus the non-DOJ award. For 2 of the 13 contractor transactions, we were unable to determine if the invoice charges were accurate because a detailed breakdown of hours was not included. Finally, for 1 of the 13 contractor expenditures, we determined that the amount recorded in the accounting records was \$750 more than the invoice amount.

For 8 of the 13 contractor transactions, we determined that the invoices included unallowable costs totaling \$18,740 for administrative and timekeeping services, commuting time, sick leave, holiday time, snow delay time, and staffing management and coordination time that were not included in the contract or award budget.

According to special condition number 11 for Award Number 2018-VT-BX-K021, specific post-award approval is required to use a noncompetitive approach in any procurement contract that would exceed \$150,000. Also, according to the 2017 DOJ Grants Financial Guide, all sole source procurements in excess of the simplified acquisition threshold set at \$150,000, must receive prior approval from the grant-making component before entering into the contract. Based on our review of the contract, we determined that the total value of the 3-year contract was \$216,451. However, FNCH did not obtain prior approval from OJP before procuring and entering into the sole source contract, with a total value that exceeded the \$150,000 threshold.

As mentioned in the [Accounting Policies and Practices section](#), we noted that FNCH's policies and procedures did not have specific language regarding contract management related to awarding contracts, monitoring contract compliance, and reviewing contract invoices. Based on the results of our contractor testing, we found that FNCH's monitoring of its contractor was not sufficient and needs to be strengthened. Specifically, FNCH paid contractor invoices that did not contain sufficient detail, including the number of clients assisted, and the types of legal services provided must be included with their invoices as required by the contract. Additionally, FNCH paid several invoices that included unallowable reimbursements, such as holiday and sick time, snow delay time, commuting time, administrative and timekeeping time, and staffing management and coordination time.

Therefore, we concluded that FNCH's monitoring of its contractor costs was not sufficient and needs to be strengthened.

In total, we identified \$63,442 in unsupported and \$18,740 in unallowable contractor costs. Therefore, we recommend that OJP remedy the \$63,442 in unsupported and \$18,740 in unallowable contractor questioned costs. We previously recommended that OJP coordinate with FNCH to ensure it develops and implements financial policies and procedures that include specific language regarding contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contractor invoices. However, given the significance of the concerns we identified related to contractor costs, we also recommend that OJP coordinate with FNCH to ensure that: (1) contractors provide detailed invoices prior to payment for services rendered; (2) sole source contracts valued at more than \$150,000 are approved prior to awarding them; and (3) it adequately monitors its contractors to ensure contractor invoices include only allowable expenses.

Other Direct Costs

As part of our sample, we reviewed 83 other direct cost transactions totaling \$10,003 to determine if the costs were supported, approved, allowable, and reasonable. Similar to our testing of personnel costs, we identified unbudgeted costs that were not authorized in the approved budget and duplicate costs under Award Number 2019-VO-GX-K046 that had already been charged to Award Number 2016-VT-BX-K054. Therefore, we reviewed the general ledgers to identify all costs associated with the unbudgeted costs and duplicate costs. As a result of our testing, we identified \$3,100 in unsupported and \$5,349 in unallowable other direct costs charged to Award Numbers 2016-VT-BX-K054, 2018-VT-BX-K021, and 2019-VO-GX-K046.

For Award Number 2016-VT-BX-K054, we found six transactions that were not supported by invoices, we could not confirm the details on one of the receipts provided, and the documents provided for one transaction indicated the expenditure was for another award, resulting in \$565 in unsupported questioned costs. We also identified 57 transactions for food, victim assistance, job advertising, cell phone service, and electricity that were not budgeted, or were incorrectly charged to the award based on the supporting documentation that indicates the charges were allocated to the matching costs for Award Number 2016-VT-BX-K054, instead of the federal costs for Award Number 2016-VT-BX-K054, resulting in \$1,004 in unallowable questioned costs.⁹

For Award Number 2018-VT-BX-K021 we identified nine transactions that were not supported by invoices, had different amounts than on the supporting documentation, and the documents provided for one transaction differed in the amount recorded on the general ledger, resulting in \$479 in unsupported questioned costs. We also identified six transactions for water bottles, lip balm, note pads, t-shirt bags, business cards, janitorial services, and a mini refrigerator that were not budgeted, resulting in \$379 in unallowable questioned costs.

For Award Number 2019-VO-GX-K046 we identified five transactions that were not supported by invoices or a certificate verifying completion of training, resulting in \$2,057 in unsupported questioned costs. We also

⁹ Included in our total unallowable questioned costs for Award Numbers 2016-VT-BX-K054 and 2019-VO-GX-K046 are the costs that were incorrectly charged to the wrong award totaling \$442.

identified 245 transactions for an identification card, janitorial services, job advertising, utilities, postage, storage rental, and security that were not budgeted, or were erroneously charged to the award based on the supporting documentation that indicates the charges were allocated to the matching costs for Award Number 2016-VT-BX-K054 instead of Award Number 2019-VO-GX-K046, resulting in \$3,300 in unallowable questioned costs.¹⁰

We also found 76 unallowable transactions totaling \$782 in duplicate other direct costs that had already been charged to Award Number 2016-VT-BX-K054.

In total, we identified \$3,100 in unsupported and \$5,349 in unallowable other direct costs charged to the awards. Therefore, we recommend that OJP remedy the \$3,100 in unsupported and \$5,349 in unallowable other direct questioned costs.

Matching Costs

Matching costs are the recipient's share of the project costs. Matching costs may either be in-kind or cash. In-kind match includes the value of donated services. Cash match includes actual cash spent by the recipient and must have a cost relationship to the federal award that is being matched. According to the 2015 and 2017 DOJ Grants Financial Guides, recipients must maintain records which clearly show the source, amount, and timing for all matched contributions.

FNCH's matching requirement for Award Number 2016-VT-BX-K054 was \$77,388; \$258,333 for Award Number 2018-VT-BX-K021; and \$166,666 for Award Number 2020-VT-BX-0021.¹¹ FNCH uses cash from its general fund account to meet its matching requirements. We requested FNCH's accounting records used to track matching costs charged to the awards, as well as supporting documentation for the matching costs. We found that FNCH met its required match for Award Number 2016-VT-BX-K054 and appears to be on track to meet its matching requirement for Award Number 2018-VT-BX-K021. As part of our sample, we reviewed 42 matching payroll and other direct cost transactions totaling \$19,813 to determine if the costs were supported, approved, allowable, and reasonable. As a result of our testing, we identified \$6,689 in unsupported and \$1,922 in unallowable matching costs charged to Award Numbers 2016-VT-BX-K054 and 2018-VT-BX-K021.

For Award Number 2016-VT-BX-K054, we identified three matching payroll transactions that were not supported by timesheets or other payroll documentation for the pay periods tested, resulting in \$2,740 in unsupported questioned costs. We also identified eight matching other direct cost transactions totaling \$3,135 that were not supported by invoices or other documentation. Additionally, we identified nine matching other direct cost transactions totaling \$1,922 for identification cards, birth certificates, education

¹⁰ The total unallowable questioned costs includes nine transactions totaling \$116 that were also questioned as duplicate costs that had already been charged to Award Number 2016-VT-BX-K054. Our total unallowable questioned other direct costs did not include this duplication.

¹¹ Since FNCH did not draw down the entire dollar amount for Award Number 2016-VT-BX-K054, which ended on August 31, 2020, we determined the adjusted match requirement by calculating 25 percent of its total drawdowns of \$309,551. Additionally, there were no matching cost transactions at the time of our review for Award Number 2020-VT-BX-0021.

registration, and job advertising were not included in the approved budget, of which five of the transactions totaling \$1,796, were also incorrectly charged to the award based on the documentation provided.

For Award Number 2018-VT-BX-K021, we identified four matching payroll transactions totaling \$813 that were unsupported because the timesheet for one employee did not include hours worked for the matching portion of this award, were not supported by timesheets for the pay period tested for an employee, and we did not receive payroll records for two employees.

As mentioned in the [Accounting Policies and Practices section](#), we found that FNCH's policies and procedures did not have specific language regarding matching costs. Based on the results of our matching cost testing, we identified \$6,689 in unsupported and \$1,922 in unallowable matching payroll and other direct costs charged to Award Numbers 2016-VT-BX-K054 and 2018-VT-BX-K021. Therefore, we recommend that OJP remedy the \$6,689 in unsupported and \$1,922 in unallowable matching payroll and other direct questioned costs.

Budget Management and Control

According to the 2015 and 2017 DOJ Grants Financial Guides, the recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, the grant recipient must initiate a Grant Adjustment Notice (GAN) for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount.

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

Drawdowns

According to the 2015 and 2017 DOJ Grants Financial Guides, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. As of January 13, 2022, FNCH had drawn down a total of \$737,675 from the awards in our scope.

During this audit, we did not identify significant deficiencies related to the recipient's process for developing drawdown requests. However, as discussed previously, we identified deficiencies and questioned costs related to compliance of individual expenditures with award rules. We address those deficiencies in the [Award Expenditures section](#) in this report.

Federal Financial Reports

According to the 2015 and 2017 DOJ Grants Financial Guides, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative

expenditures. To determine whether FNCH submitted accurate FFRs, we compared the four most recent reports to FNCH's accounting records for each award.¹²

As shown in Table 2, we found that for 11 of the 12 FFRs tested, the quarterly expenditures reported did not match FNCH's accounting records for the awards and for all FFRs we tested, the cumulative expenditures reported did not match FNCH's accounting records for the awards.

Table 2

FFR Accuracy

Report #	Quarterly Expenditures Difference (Qtr. Exp. per GL – Qtr. Exp. per FFR)	Cumulative Expenditures Difference Per General Ledger (GL) (Cumulative Exp. per GL – Cumulative Exp. per FFR)
Award Number: 2016-VT-BX-K054		
180548	\$ 10,503	\$ 19,010
180549	25,782	44,792
180550	(27,650)	17,142
180551	(23,081)	(5,939)
Award Number: 2018-VT-BX-K021		
374704	\$ (2,907)	\$ 604
533646	7,566	8,170
909109	(7,747)	423
914016	0	423
Award Number: 2019-VO-GX-K046		
372211	\$ 31,046	\$ 120,664
531352	(42,873)	77,791
800146	(101,116)	(23,325)
928165	29,693	6,369

Source: OJP Justice Grants System and FNCH Accounting Records

When we asked FNCH for its response to the inaccurate FFRs, we were told that the figures do not match due to timing and the dates that they drew down their funding. However, FFRs should be based on actual expenditures and not the drawdown reports. Therefore, we recommend that OJP coordinate with FNCH to develop policies and procedures that ensures information reported in FFRs is accurate and supported.

¹² At the time of our review, there were no expenses for Award Number 2020-VT-BX-0021; therefore, we could not test FFRs for this award.

Conclusion and Recommendations

As a result of our audit testing, we conclude that FNCH demonstrated adequate progress towards achieving the awards' stated goals and objectives. Additionally, we did not identify significant issues regarding FNCH's management of the award budget or drawdowns. However, we found that FNCH did not comply with essential award conditions related to progress reports, use of award funds, matching costs, and financial reports. We also found that FNCH's written policies and procedures and accounting practices could be strengthened. As a result, we provide nine recommendations for OJP to address these deficiencies.

We recommend that OJP:

1. Coordinate with FNCH to ensure that progress reports are accurate and fully supported.
2. Coordinate with FNCH to ensure that FNCH adheres to all special conditions of the awards.
3. Coordinate with FNCH to ensure it develops and implements financial policies and procedures that include specific language regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contractor invoices.
4. Coordinate with FNCH to ensure it uses distinctive funding codes for each award to ensure that the same expenditures are not charged to multiple awards and ensure it develops policies and procedures to ensure that costs are charged correctly based on the assigned funding.
5. Coordinate with FNCH to ensure it consistently documents supervisory review and validation of employee time, including requiring a Board of Directors member to review and validate the FNCH CEO's time.
6. Coordinate with FNCH to remedy the \$82,023 in unsupported questioned costs related to \$8,792 in unsupported personnel costs, \$63,442 in unsupported contractor costs, \$3,100 in unsupported other direct costs, and \$6,689 in unsupported matching costs.
7. Coordinate with FNCH to remedy the \$92,277 in unallowable questioned costs related to \$66,265 in unallowable personnel costs, \$18,740 in unallowable contractor costs, \$5,349 in unallowable other direct costs, and \$1,922 in unallowable matching costs.
8. Coordinate with FNCH to ensure that contractors provide detailed invoices prior to payment for services rendered, sole source contracts valued at more than \$150,000 are approved prior to awarding them, and it adequately monitors its contractors to ensure contractor invoices include only allowable expenses.
9. Coordinate with FNCH to develop policies and procedures that ensures information reported in FFRs is accurate and supported.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

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

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) cooperative agreements and grant awarded to First Nations Community Healthsource, Inc. (FNCH) under the Project Beacon – Increasing Services for Urban American Indian and Alaska Native Victims of Sex Trafficking; Comprehensive Services for Victims of all Forms of Human Trafficking; and Housing Assistance Grants for Victims of Human Trafficking programs. Through Award Number 2016-VT-BX-K054, FNCH was awarded \$337,500; through Award Number 2018-VT-BX-K021, FNCH was awarded \$775,000; through Award Number 2019-VO-GX-K046, FNCH was awarded \$450,000; and through Award Number 2020-VT-BX-0021, FNCH was awarded \$500,000. As of January 13, 2022, FNCH had drawn down \$737,675 of the total funds awarded. Our audit concentrated on, but was not limited to September 28, 2016, the award date for Award Number 2016-VT-BX-K054, through August 4, 2022, the last day of our audit work. We noted that Award Number 2016-VT-BX-K054 had reached the end of its project period prior to the start of our review. As a result of the COVID-19 pandemic response, we performed our audit fieldwork exclusively in a remote manner.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of FNCH's activities related to the audited awards. We performed sample-based audit testing for award expenditures including payroll and fringe benefit charges, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The 2015 and 2017 DOJ Grants Financial Guides and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management and Justice Grants Systems, as well as FNCH'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.

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 FNCH to provide assurance on its internal control structure as a whole. FNCH management is responsible for the establishment and maintenance of internal controls in accordance with 2 C.F.R. § 200. Because we do not express an opinion on the FNCH's internal control structure as a whole, we offer this statement solely for the information and use of the FNCH and OJP.¹³

In planning and performing our audit, we identified internal control components and underlying internal control principles as significant to the audit objectives. Specifically, we reviewed FNCH's written policies and procedures, as well as controls over performance reporting and financial management. We also tested the implementation and operating effectiveness of specific controls over program implementation and compliance with laws and regulations for the awards in our audit scope. The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

¹³ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: Schedule of Dollar-Related Findings

Description	Award Number	Amount	Page
Questioned Costs:			
Unsupported Personnel Costs	2016-VT-BX-K054	\$4,934	8
Unsupported Personnel Costs	2019-VO-GX-K046	3,858	8
Unsupported Contractor Costs	2018-VT-BX-K021	63,442	9
Unsupported Other Direct Costs	2016-VT-BX-K054	565	10
Unsupported Other Direct Costs	2018-VT-BX-K021	479	10
Unsupported Other Direct Costs	2019-VO-GX-K046	2,057	10
Unsupported Match Personnel Costs	2016-VT-BX-K054	2,740	11
Unsupported Match Other Direct Costs	2016-VT-BX-K054	3,135	11
Unsupported Match Personnel Costs	2018-VT-BX-K021	<u>813</u>	12
Unsupported Costs		\$82,023	
Unallowable Personnel Costs	2019-VO-GX-K046	\$66,265	8
Unallowable Contractor Costs	2018-VT-BX-K021	18,740	9
Unallowable Other Direct Costs	2016-VT-BX-K054	1,004	10
Unallowable Other Direct Costs	2018-VT-BX-K021	379	10
Unallowable Other Direct Costs	2019-VO-GX-K046	3,967	10-11
Unallowable Match Other Direct Costs	2016-VT-BX-K054	<u>1,922</u>	11
Unallowable Costs		\$92,277	
Gross Questioned Costs ¹⁴			\$174,300
Less Duplicate Personnel Questioned Costs ¹⁵			<u>(9,860)</u>
Net Questioned Costs			\$164,440
TOTAL DOLLAR-RELATED FINDINGS			<u>\$164,440</u>

¹⁴ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, where appropriate.

¹⁵ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which includes \$2,448 in personnel costs, \$6,926 in contractor costs, \$388 in other direct costs, and \$98 in matching costs that were both unallowable and unsupported.

APPENDIX 3: The First Nations Community Healthsource, Inc. Response to the Draft Report



5608 Zuni Road, SE • Albuquerque, New Mexico 87108 • Tel: 505-262-2481 • Fax: 505-265-7045

September 1, 2022

Kimberly L. Rice
Regional Audit Manager
Department of Justice
Inspector General's Office
550 12th Street, S.W.
Washington, D.C. 20202

Dear Ms. Rice,

This letter is in response to the audits completed by [REDACTED] and [REDACTED] from the Department of the Inspector General (OIG) on First Nations Community HealthSource's (FNCH) grant awards Project Beacon-Increasing Services for Urban American Indian and Alaskan Native (2016-VT-BX-K054 and 2019-VO-GX-K046), Victims of Sex Trafficking, Comprehensive Services for Victims of All Forms of Human Trafficking (2018-VT0BX-K021) and Housing Assistance Grant for Victims of Human Trafficking Program (2020-VT-BX-0021). The responses to the recommendations are outlined below:

Recommendation 1: Coordinate with FNCH to ensure that progress reports are accurate and fully supported.

Response: FNCH agrees with this recommendation and plans to work with the OJP to ensure the progress reports are accurate and fully supported. FNCH understands these changes may include modifications to the progress report, obtaining backup documentation such as sign-in sheets to confirm the number of people trained, and changing how the agency reports on the specific type of trafficking setting, type of trafficking, and outreach activities conducted. FNCH will implement the recommendations made by OJP within 30 days of when the recommendation was made.

Recommendation 2: Coordinate with FNCH to ensure that FNCH adheres to all special conditions of the awards.

Response: FNCH agrees with this recommendation and plans to work with the OJP to ensure compliance with the special conditions. FNCH understands that this may include ensuring prior approvals for print or electronic promotional materials concerning OVC-funded projects that are intended for public dissemination have been approved at least seven days in advance of the release. FNCH will implement the recommendations made by OJP within 30 days of when the recommendation was made.

Recommendation 3: Coordinate with FNCH to ensure it develops and implements financial policies and procedures that include specific language regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contract invoices.

Response: FNCH agrees with this recommendation and plans to work with the OJP and its auditors to ensure compliance with the inclusion of specific language in its financial policies and procedures regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contract invoices. FNCH will implement the recommendations made by OJP within 30 days of when the recommendation was made.

Recommendation 4: Coordinate with FNCH to ensure it uses distinctive funding codes for each award to ensure that the same expenditures are not charged to multiple awards and ensure it develops policies and procedures to ensure that costs are charged correctly based on the assigned funding.

Response: FNCH agrees with this recommendation and plans to work with the OJP and its auditors to ensure compliance with using distinctive funding codes for each award to ensure that the same expenditures are not charged to multiple awards and will develop policies and procedures to ensure that cost is charged correctly based on the assigned funding. FNCH will implement the recommendations made by OJP within 30 days of when the recommendation was made. (FNCH's recent accounting system migration from bookkeeping to grants may also mitigate this condition from occurring.)

Recommendation 5: Coordinate with FNCH to ensure its consistently documents supervisor review and validation of employee time, including requiring a Board of Directors member to review and validate the FNCH's CEO's time.

Response: FNCH agrees with this recommendation and plans to have a Board of Directors member review and validate the CEO's time. This action will occur within 30 days of this response.

Recommendation 6: Coordinate with FNCH to remedy the \$82,023 in unsupported questioned costs related to \$8792 in unsupported personnel costs, \$63,442 in supported contractor costs, \$3100 in unsupported other direct costs, and \$6689 in unsupported matching costs.

Response: FNCH agrees with this recommendation and plans to seek recommendations by OJP for procedures to prevent incurring unsupported or questioned costs (e.g., \$82,023 in unsupported questioned costs related to \$8792 in unsupported personnel costs, \$63,442 in supported contractor costs, \$3100 in unsupported other direct costs, and \$6689 in unsupported matching costs). The CFO will also review the unsupported costs in question and locate the backup supports and adjust as needed for unsupported grant-related costs. FNCH's recent accounting system migration from bookkeeping to grants may also mitigate this condition from occurring. Adjustments will be made within 60 days of the meeting with OJP.

Recommendation 7: Coordinate with FNCH to remedy the \$92,243 in unallowable questioned costs related to \$66,231 in unallowable personnel costs, \$18,740 in unallowable contractor costs, \$5349 in unallowable other direct costs, and \$1922 in unallowable matching costs.

Response: FNCH agrees with this recommendation and plans to remedy the \$92,243 in unallowable questioned costs related to \$66,231 in unallowable personnel costs, \$18,740 in unallowable contractor costs, \$5349 in unallowable other direct costs, and \$1922 in unallowable matching costs and will meet with OJP to clarify the unallowable questioned costs to determine their allowance. The CFO will also review the unallowable costs in question and adjust as needed (per discussions with OJP) to reflect allowable grant-related costs only. FNCH's recent accounting system migration from bookkeeping to grants may also mitigate this condition from occurring. Adjustments will be made within 60 days of meeting with OJP.

Recommendation 8: Coordinate with FNCH to ensure that contractors provide detailed invoices prior to payment for services rendered, sole-source contracts valued at more than \$150,000 are approved prior to awarding them, and it adequately monitors its contractors to ensure contractor invoices include only allowable expenses.

Response: FNCH agrees with this recommendation and plans to ensure that contractors provide detailed invoices prior to payment for services rendered, sole-source contracts valued at more than \$150,000 are approved prior to awarding them, and contractors are monitored to ensure invoices include only allowable expenses. FNCH plans to implement OJP's recommendations within 30 days of the meeting.

Recommendation 9: Coordinate with FNCH to develop policies and procedures that ensure information reported on the FFR is accurate and supported.

Response: FNCH agrees with this recommendation and plans to adjust its policies and procedures to ensure it includes information about FFRs being accurate and supported. FNCH will consult with OJP and its auditors for recommendations and will make the changes and implement the recommendations within 30 days of when the recommendations have been made.

We appreciated the opportunity to work with [REDACTED] and [REDACTED] on the audits. Please let me know if you have questions regarding our responses or need more information.

Sincerely,



Linda Stone
CEO

APPENDIX 4: 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

Washington, D.C. 20531

September 13, 2022

MEMORANDUM TO: Kimberly L. Rice
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General

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

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Grants Awarded to First Nations Community Healthsource, Inc., Albuquerque, New Mexico*

This memorandum is in reference to your correspondence, dated August 24, 2022, transmitting the above-referenced draft audit report for the First Nations Community Healthsource, Inc. (FNCH). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains nine recommendations and \$164,406¹ in net questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by OJP's response.

- 1. We recommend that OJP coordinate with FNCH to ensure that progress reports are accurate and fully supported.**

OJP agrees with the recommendation. In its response, dated September 1, 2022, FNCH stated that it plans to work with OJP to ensure that progress reports are accurate and fully supported. FNCH indicated that this may include: making modifications to previously submitted progress reports; obtaining backup documentation, such as sign-in sheets, to confirm the number of people trained; and changing how FNCH reports on the specific type of trafficking setting, type of trafficking, and outreach activities conducted.

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

Accordingly, we will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that the information reported in its progress reports is accurate, and the supporting documentation is maintained for future auditing purposes.

2. We recommend that OJP coordinate with FNCH to ensure that FNCH adheres to all special conditions of the awards.

OJP agrees with the recommendation. In its response, dated September 1, 2022, FNCH stated that it plans to work with OJP to ensure compliance with the special conditions of the awards, which may include ensuring prior approvals for print or electronic promotional materials concerning OJP's Office for Victims of Crime (OVC)-funded projects, that are intended for public dissemination.

Accordingly, we will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that it adheres to all award special conditions.

3. We recommend that OJP coordinate with FNCH to ensure it develops and implements financial policies and procedures that include specific language regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contractor invoices.

OJP agrees with the recommendation. In its response, dated September 1, 2022, FNCH stated that it plans to work with OJP to ensure compliance, with the inclusion of specific language in its financial policies and procedures regarding matching costs and contract management, related to awarding contracts, monitoring compliance with contract requirements, and reviewing contract invoices.

Accordingly, we will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that its financial policies and procedures include specific language regarding matching costs and contract management, related to awarding contracts, monitoring compliance with contract requirements, and reviewing contractor invoices.

4. We recommend that OJP coordinate with FNCH to ensure it uses distinctive funding codes for each award to ensure that the same expenditures are not charged to multiple awards and ensure it develops policies and procedures to ensure that costs are charged correctly based on the assigned funding.

OJP agrees with the recommendation. In its response, dated September 1, 2022, FNCH stated that it plans to work with OJP to ensure compliance with using distinctive funding codes for each award, to ensure that the same expenditures are not charged to multiple awards, and costs are charged correctly, based on the assigned funding. In addition, FNCH stated that its recent accounting system migration from bookkeeping to grants may also mitigate this condition from occurring in the future.

Accordingly, we will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that: distinctive funding codes are used for each award; the same expenditures are not charged to multiple awards; and costs are charged correctly, based on the assigned funding.

- 5. We recommend that OJP coordinate with FNCH to ensure it consistently documents supervisory review and validation of employee time, including requiring a Board of Directors member to review and validate the FNCH CEO's time.**

OJP agrees with the recommendation. In its response, dated September 1, 2022, FNCH stated that it plans to have a Board of Directors member review and validate the Chief Executive Officer's (CEO) time. However, FNCH did not state that it would incorporate this process into its written policies and procedures, related to payroll.

Accordingly, we will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that time and attendance records for all employees are properly reviewed and validated; and that a Board of Directors member review and validate the CEO's time.

- 6. We recommend that OJP coordinate with FNCH to remedy the \$82,023 in unsupported questioned costs related to \$8,792 in unsupported personnel costs, \$63,442 in unsupported contractor costs, \$3,100 in unsupported other direct costs, and \$6,689 in unsupported matching costs.**

OJP agrees with the recommendation. In its response, dated September 1, 2022, FNCH stated that it plans to get guidance from OJP on procedures to prevent incurring unsupported questioned costs; and that its Chief Financial Officer (CFO) will review the unsupported costs in question and locate the backup supporting documents, and adjust for the unsupported grant-related costs, as needed.

Accordingly, we will review the \$82,023 in unsupported questioned costs, related to \$8,792 in personnel costs, \$63,442 in contractor costs, \$3,100 in other direct costs, and \$6,689 in matching costs charged to Award Numbers 2016-VT-BX-K054, 2018-VT-BX-K021, and 2019-VO-GX-K046, and will work with FNCH to remedy, as appropriate.

- 7. We recommend that OJP coordinate with FNCH to remedy the \$92,243 in unallowable questioned costs related to \$66,231 in unallowable personnel costs, \$18,740 in unallowable contractor costs, \$5,349 in unallowable other direct costs, and \$1,922 in unallowable matching costs.**

OJP agrees with the recommendation. In its response, dated September 1, 2022, FNCH stated that it plans to remedy the \$92,243 in unallowable questioned costs, related to \$66,231 in personnel costs, \$18,740 in contractor costs, \$5,349 in other direct costs, and \$1,922 in matching costs; and will meet with OJP to clarify the unallowable questioned costs to determine their allowance.

Accordingly, we will review the \$92,243 in unallowable questioned costs, related to \$66,231 in personnel costs, \$18,740 in contractor costs, \$5,349 in other direct costs, and \$1,922 in matching costs charged to Award Numbers 2016-VT-BX-K054, 2018-VT-BX-K021, and 2019-VO-GX-K046, and will work with FNCH to remedy, as appropriate.

- 8. We recommend that OJP coordinate with FNCH to ensure that contractors provide detailed invoices prior to payment for services rendered, sole source contracts valued at more than \$150,000 are approved prior to awarding them, and it adequately monitors its contractors to ensure contractor invoices include only allowable expenses.**

OJP agrees with the recommendation. In its response, dated September 1, 2022, FNCH stated that it plans to ensure that: contractors provide detailed invoices prior to payment for services rendered, sole-source contracts valued at more than \$150,000 are approved prior to awarding them, and contractors are monitored to ensure invoices include only allowable expenses.

Accordingly, we will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that: contractors provide detailed invoices prior to payment for services rendered, sole source contracts valued at more than \$150,000 are approved prior to award, and contracts are adequately monitored to ensure that contractor invoices include only allowable expenses.

- 9. We recommend that OJP coordinate with FNCH to develop policies and procedures that ensures information reported in FFRs is accurate and supported.**

OJP agrees with the recommendation. In its response, dated September 1, 2022, FNCH stated that it plans to adjust its policies and procedures to ensure that information in Federal Financial Reports (FFR) is accurate and supported.

Accordingly, we will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that future FFRs are accurately prepared, 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.

cc: Maureen A. Henneberg
Deputy Assistant Attorney General

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

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

Katrina Rose
Director
Office for Victims of Crime

Katherine Darke Schmitt
Principal Deputy Director
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cc: Aida Brumme
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Director, Office of Operations – Audit Division
Office of the Inspector General

OJP Executive Secretariat
Control Number IT20220825080614

APPENDIX 5: 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 First Nations Community Healthsource, Inc. (FNCH) and the Office of Justice Programs (OJP) for review and official comment. FNCH's response is incorporated in Appendix 3, and OJP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP agreed with our recommendations and, as a result, the status of the audit report is resolved. FNCH agreed with the recommendations. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendations for OJP:

1. Coordinate with FNCH to ensure that progress reports are accurate and fully supported.

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that the information reported in its progress reports is accurate, and the supporting documentation is maintained for future auditing purposes.

FNCH agreed with our recommendation and stated in its response that it plans to work with OJP to ensure the progress reports are accurate and fully supported. FNCH also stated that it understands the changes to address the recommendation may include modifications to the progress report, obtaining backup documentation such as sign-in sheets to confirm the number of people trained, and changing how the agency reports on the specific type of trafficking and outreach activities.

This recommendation can be closed when we receive documentation showing that FNCH has developed and implemented policies and procedures to ensure that progress reports are accurate and fully supported.

2. Coordinate with FNCH to ensure that FNCH adheres to all special conditions of the awards.

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that FNCH adheres to all special conditions of the awards.

FNCH agreed with our recommendation and stated in its response that it plans to work with OJP to ensure compliance with the special conditions. FNCH also stated that changes to address the recommendation may include ensuring prior approvals for print or electronic promotional materials concerning OVC-funded projects that are intended for public dissemination have been approved at least seven days in advance of the release.

This recommendation can be closed when we receive documentation showing that FNCH has developed and implemented policies and procedures to ensure that FNCH adheres to all special conditions of the awards.

- 3. Coordinate with FNCH to ensure it develops and implements financial policies and procedures that include specific language regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contractor invoices.**

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that its financial policies and procedures include specific language regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contractor invoices.

FNCH agreed with our recommendation and stated in its response that it plans to work with OJP and its auditors to ensure that it includes specific language in its financial policies and procedures regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contract invoices.

This recommendation can be closed when we receive documentation showing that FNCH has developed and implemented financial policies and procedures that include specific language regarding matching costs and contract management related to awarding contracts, monitoring compliance with contract requirements, and reviewing contractor invoices.

- 4. Coordinate with FNCH to ensure it uses distinctive funding codes for each award to ensure that the same expenditures are not charged to multiple awards and ensure it develops policies and procedures to ensure that costs are charged correctly based on the assigned funding.**

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that distinctive funding codes are used for each award; the same expenditures are not charged to multiple awards; and costs are charged correctly, based on the assigned funding.

FNCH agreed with our recommendation and stated in its response that it plans to work with OJP and its auditors to ensure it uses distinctive funding codes for each award to ensure that the same expenditures are not charged to multiple awards, and it will develop policies and procedures to ensure that cost is charged correctly based on the assigned funding.

This recommendation can be closed when we receive documentation showing that FNCH has written policies and procedures to ensure that it uses distinctive funding codes for each award to ensure that the same expenditures are not charged to multiple awards and ensure that costs are charged correctly based on the assigned funding.

- 5. Coordinate with FNCH to ensure it consistently documents supervisory review and validation of employee time, including requiring a Board of Directors member to review and validate the FNCH CEO's time.**

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that time and attendance records for all employees are properly reviewed and validated; and that a Board of Directors member review and validate the CEO's time.

FNCH agreed with our recommendation and stated in its response that it plans to have a Board of Directors member review and validate the CEO's time.

This recommendation can be closed when we receive documentation showing that FNCH has written policies and procedures to ensure that it consistently documents supervisory review and validation of employee time, including requiring a Board of Directors member to review and validate the FNCH CEO's time.

6. Coordinate with FNCH to remedy the \$82,023 in unsupported questioned costs related to \$8,792 in unsupported personnel costs, \$63,442 in unsupported contractor costs, \$3,100 in unsupported other direct costs, and \$6,689 in unsupported matching costs.

Resolved. OJP agreed with our recommendation and stated in its response that it will review the \$82,023 in unsupported questioned costs, related to \$8,792 in personnel costs, \$63,442 in contractor costs, \$3,100 in other direct costs, and \$6,689 in matching costs charged to the awards, and will work with FNCH to remedy, as appropriate.

FNCH agreed with our recommendation and stated in its response that it plans to ask OJP to recommend procedures to prevent incurring unsupported or questioned costs. In addition, FNCH stated that the CFO will review the unsupported costs in question to locate backup support and make adjustments as needed for unsupported grant-related costs. FNCH also stated that its recent accounting system migration may also mitigate this condition from occurring.

This recommendation can be closed when we receive documentation that OJP has remedied the \$82,023 in unsupported questioned costs related to \$8,792 in unsupported personnel costs, \$63,442 in unsupported contractor costs, \$3,100 in unsupported other direct costs, and \$6,689 in unsupported matching costs.

7. Coordinate with FNCH to remedy the \$92,277 in unallowable questioned costs related to \$66,265 in unallowable personnel costs, \$18,740 in unallowable contractor costs, \$5,349 in unallowable other direct costs, and \$1,922 in unallowable matching costs.¹⁶

Resolved. OJP agreed with our recommendation and stated in its response that it will review the \$92,277 in unallowable questioned costs, related to \$66,265 in personnel costs, \$18,740 in contractor costs, \$5,349 in other direct costs, and \$1,922 in matching costs charged to the awards, and will work with FNCH to remedy, as appropriate.

FNCH agreed with our recommendation and stated in its response that it plans to remedy the \$92,277 in unallowable questioned costs and will meet with OJP to get clarification on the unallowable questioned costs. FNCH also stated that the CFO will also review the unallowable costs in question and make adjustments as needed to reflect allowable grant-related costs only. In addition, FNCH stated that its recent accounting system migration may also mitigate this condition from occurring.

¹⁶ Numbers in this recommendation have been updated from our draft report; Appendices 3 and 4 reference the original figures.

This recommendation can be closed when we receive documentation that OJP has remedied the \$92,277 in unallowable questioned costs related to \$66,265 in unallowable personnel costs, \$18,740 in unallowable contractor costs, \$5,349 in unallowable other direct costs, and \$1,922 in unallowable matching costs.

- 8. Coordinate with FNCH to ensure that contractors provide detailed invoices prior to payment for services rendered, sole source contracts valued at more than \$150,000 are approved prior to awarding them, and it adequately monitors its contractors to ensure contractor invoices include only allowable expenses.**

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that contractors provide detailed invoices prior to payment for services rendered, sole source contracts valued at more than \$150,000 are approved prior to award, and contracts are adequately monitored to ensure that contractor invoices include only allowable expenses.

FNCH agreed with our recommendation and stated in its response that it plans to ensure that contractors provide detailed invoices prior to payment for services rendered, sole-source contracts valued at more than \$150,000 are approved prior to awarding them, and contractors are monitored to ensure invoices include only allowable expenses.

This recommendation can be closed when we receive documentation showing that FNCH has written policies and procedures to ensure that contractors provide detailed invoices prior to payment for services rendered, sole source contracts valued at more than \$150,000 are approved prior to awarding them, and it adequately monitors its contractors to ensure contractor invoices include only allowable expenses.

- 9. Coordinate with FNCH to develop policies and procedures that ensures information reported in FFRs is accurate and supported.**

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with FNCH to obtain a copy of written policies and procedures, developed and implemented, to ensure that future Federal Financial Reports (FFRs) are accurately prepared, and the supporting documentation is maintained for future auditing purposes.

FNCH agreed with our recommendation and stated in its response that it plans to adjust its policies and procedures to ensure it includes information about FFRs being accurate and supported. Additionally, FNCH stated that it will consult with OJP and its auditors for recommendations for ensuring FFRs are accurate and will make the changes and implement the recommendations.

This recommendation can be closed when we receive documentation showing that FNCH has developed policies and procedures that ensures the information reported in FFRs is accurate and supported.