



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

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



**Audit of the Office of Justice
Programs Cooperative Agreements
Awarded to Refugee Services of
Texas, Inc. Dallas, Texas**



Executive Summary

*Audit of the Office of Justice Programs Cooperative Agreements Awarded to
Refugee Services of Texas, Inc.
Dallas, Texas*

Objectives

The Office of Justice Programs (OJP) awarded Refugee Services of Texas, Inc. (RST) four cooperative agreements totaling \$2,730,000 under the Comprehensive Services for Victims of Human Trafficking program. 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 concluded that RST demonstrated adequate progress towards achieving the awards' stated goals and objectives and was adequately managing its award budgets and drawdowns. However, we determined that RST did not comply with essential award conditions related to progress reports, special conditions, use of award funds, matching funds, and Federal Financial Reports (FFRs). In addition, we found that RST's policies and procedures need to be strengthened. We also identified unallowable expenditures totaling \$24,969 and unsupported expenditures totaling \$275,365.

Recommendations

Our report contains 10 recommendations for OJP. We requested a response to our draft audit report from RST 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 purpose of the four OJP awards we reviewed was to enhance the quality and quantity of services available to assist victims of human trafficking. The audit period for the awards was from September 2014 through August 2019. RST drew down a cumulative amount of \$1,396,580 for all of the awards we reviewed.

Program Goals and Accomplishments – Based on our review, there were no indications that RST was not adequately achieving the stated goals and objectives of the awards.

Required Performance Reporting – We found that all progress reports we tested were inaccurate or not adequately supported.

Compliance with Special Conditions – We found that RST was not in compliance with one special condition related to paying a consultant rate in excess of \$650 per day.

Award Financial Management – We found that RST's policies and procedures did not have specific language regarding matching costs, contract award and management, subrecipient award and management, or performance measurement and outcome assessment.

Personnel Costs – We identified \$7,285 in unsupported personnel costs. We also identified \$10,702 in unallowable personnel costs related to unauthorized positions that were not included in the approved award budget.

Contractor and Consultant Costs – We identified \$10,855 in unsupported contractor and consultant costs. We also identified \$9,689 in unallowable contractor and consultant costs related to unauthorized services that were not included in the approved award budget.

Other Direct Costs – We identified \$8,252 in unsupported other direct costs. We also identified \$4,578 in unallowable questioned costs related to unauthorized shredding services, thank you cards, and travel expenses that were not included in the approved award budget.



Executive Summary

*Audit of the Office of Justice Programs Cooperative Agreements Awarded to
Refugee Services of Texas, Inc.
Dallas, Texas*

Matching Costs – We identified \$256,975 in unsupported matching costs. Subsequent to the issuance of the draft report, RST provided sufficient documentation to support \$8,002 of the initially unsupported matching costs. Therefore, our final report questions \$248,973 in unsupported matching costs. We also found that RST did not meet its matching cost requirements for the closed awards, and we identified concerns related to RST's ability to meet the required match for the ongoing awards.

Federal Financial Reports – We determined that expenditures were inaccurately reported on all of the FFRs we tested for two of the four awards included in our audit.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
COOPERATIVE AGREEMENTS AWARDED
TO REFUGEE SERVICES OF TEXAS, INC.
DALLAS, TEXAS**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
COOPERATIVE AGREEMENTS AWARDED
TO REFUGEE SERVICES OF TEXAS, INC.
DALLAS, TEXAS**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of four cooperative agreements awarded by the Office of Justice Programs (OJP) Office for Victims of Crimes (OVC) under the Comprehensive Services for Victims of Human Trafficking program, to Refugee Services of Texas, Inc. (RST) in Dallas, Texas. RST received four awards totaling \$2,730,000, as shown in Table 1.

Table 1

Cooperative Agreements Awarded to Refugee Services of Texas, Inc.

| Award Number | Program Office | Award Date | Project Period Start Date | Project Period End Date | Award Amount |
|---------------------|-----------------------|-------------------|----------------------------------|--------------------------------|---------------------|
| 2014-VT-BX-K024 | OVC | 09/16/2014 | 10/01/2014 | 09/30/2016 | \$455,000 |
| 2016-VT-BX-K062 | OVC | 09/28/2016 | 10/01/2016 | 09/30/2019 | \$750,000 |
| 2017-VT-BX-K026 | OVC | 09/28/2017 | 10/01/2017 | 09/30/2020 | \$750,000 |
| 2018-VT-BX-K034 | OVC | 09/27/2018 | 10/01/2018 | 09/30/2021 | \$775,000 |
| Total: | | | | | \$2,730,000 |

Source: OJP's Grants Management System

Funding through the Comprehensive Services for Victims of Human Trafficking program enhances the quality and quantity of services available to assist victims of human trafficking, as defined by the Trafficking Victims Protection Act of 2000, by enhancing interagency collaboration and the coordinated community response to victims of human trafficking, and through the provision of high-quality services that address the individual needs of trafficking victims. The Comprehensive Services for Victims of Human Trafficking program also provides funding to increase communities' capacity to respond to human trafficking victims through the development of interagency partnerships, professional training, and public awareness activities.

The Grantee

Founded in 1978, RST is a social service agency dedicated to providing assistance to refugees and other displaced persons fleeing persecution based on race, religion, nationality, political opinion, or membership in a particular social group, as well as to the communities that welcome them. RST provides services to hundreds of refugees, asylum seekers, survivors of human trafficking, and related vulnerable populations from over 30 different countries of origin each year. Originating in Dallas, RST now has service centers in Amarillo, Austin, Dallas, Fort Worth, Houston, and Rio Grande Valley, Texas, offering programs uniquely designed to assist refugees, asylum seekers, survivors of human trafficking, and

other vulnerable populations, helping them to become self-sufficient as quickly as possible.¹

OIG Audit Approach

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the 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 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 2014 OJP Financial Guide, 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.

¹ Background information on RST has been taken from the organization's website directly (unaudited).

AUDIT RESULTS

Program Performance and Accomplishments

We reviewed required performance reports, award documentation, and interviewed recipient officials to determine whether RST 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 RST'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.

- Award Number 2014-VT-BX-K024 – Enhance the quality and quantity of services available to all victims of human trafficking in Central Texas.
- Award Number 2016-VT-BX-K062 – Enhance the quality and quantity of services available to human trafficking victims of Travis, Williamson, Hays, McLennan, and Bell Counties, Texas.
- Award Number 2017-VT-BX-K026 – Enhance the quality and quantity of services available to all human trafficking victims of the Texas Panhandle and South Plains Region.
- Award Number 2018-VT-BX-K034 – Enhance the quality and quantity of services available for all human trafficking victims of the Texas Rio Grande Valley Region.

Based on our review, there were no indications that RST was not adequately achieving the stated goals and objectives of the awards.

Required Performance Reports

According to the OJP Financial Guide and the DOJ Grants Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. In order to verify the information in the progress reports, we selected a sample of 16 performance measures for Award Numbers 2014-VT-BX-K024, 2016-VT-BX-K062, and 2017-VT-BX-K026 from the 2 most recent reports submitted for each award for a total sample size of 48.² We then traced the items to supporting documentation maintained by RST.

Based on our review, we found that the progress reports we tested were generally inaccurate or not supported. RST uses the Trafficking Information Management System (TIMS) to track progress report data related to the number of

² At the time of our review, no activity was reported on the progress report for Award Number 2018-VT-BX-K034.

client services and referrals for assistance provided; technical assistance and training activities; and community outreach and public awareness activities.³ For the performance measures we tested related to these activities, RST provided a TIMS report; however, RST could not provide documentation supporting the TIMS data. As a result, we could not verify the accuracy of the numbers reported. Our analysis of the accuracy of the progress report performance measures we tested for each award is summarized below.

- Award Number 2014-VT-BX-K024: For Report Number 4, we determined that only one of the eight performance measures tested was adequately supported. For six performance measures, we determined that RST overstated the numbers reported. We were also unable to verify the accuracy of the TIMS data related to the number of community outreach and public awareness activities reported. For Report Number 5, we found that none of the performance measures tested were adequately supported. We could not assess the accuracy of the number of client referrals because the TIMS report only included data on Foreign National trafficking victims and did not include data for U.S. Citizen trafficking victims. We were also unable to verify the accuracy of the TIMS data related to the number technical assistance and training activities reported.
- Award Number 2016-VT-BX-K062: For Report Number 4, we determined that only two of the eight performance measures tested were adequately supported. For five performance measures, we determined that RST overstated the numbers reported. We were also unable to verify the accuracy of the TIMS data related to the type and number of requesting organizations for technical assistance activities reported. For Report Number 5, we determined that only three of the eight performance measures tested were adequately supported. We were unable to verify the accuracy of the TIMS data related to the number of training, technical assistance, and community outreach and public awareness activities reported. In addition to the TIMS data, RST provided a summary document to support the number of training and community outreach activities reported. However, RST could not provide documentation supporting the summary report data; as a result, we could not verify the accuracy of the numbers reported.
- Award Number 2017-VT-BX-K026: For Report Number 2, we determined that only one of the eight performance measures tested was adequately supported. For six performance measures, we determined that RST overstated the numbers reported. For the number of hours of technical assistance provided by partner organizations reported, the supporting documentation provided by RST only included information about the

³ TIMS is designed to assist the OJP Office for Victims of Crime (OVC) Human Trafficking Grantees in gathering, recording, analyzing, and reporting required performance measures. This tool serves as a central repository of information related to all activities under the OVC human trafficking grant initiative and enables OVC grantees to organize, standardize, and centralize data collection efforts on a wide variety of core performance measures.

partner organization. RST could not provide documentation supporting the total number of hours of technical assistance provided by the partner organizations. For Report Number 3, we found that only four of the eight performance measures tested were adequately supported. We were also unable to verify the accuracy of the TIMS data related to the number of community outreach and public awareness activities reported.

Based on our analysis, we found that the progress reports we tested were inaccurate or not adequately supported. Therefore, we recommend that OJP coordinate with RST to ensure that progress reports are accurate and fully supported.

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 the requirements that are significant to performance under the awards and are not addressed in another section of this report. We evaluated a total of eight special conditions for the awards in our scope.

Based on our review, we found that RST was in compliance with seven of the eight special conditions we tested. However, we determined that RST was not in compliance with special condition 25 for award 2016-VT-BX-K062, requiring prior OJP approval to pay a consultant rate in excess of \$650 per day. Therefore, we recommend that OJP coordinate with RST to develop policies and procedures that ensure it adheres to all special conditions for the awards. This issue is discussed in detail in the Contractor Costs section of this report.

Award Financial Management

According to the OJP Financial Guide and the DOJ Grants Financial Guide, all award 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 RST's financial management of the awards covered by this audit, we conducted interviews with financial staff, examined policy and procedures, and inspected award documents to determine whether RST adequately safeguards the award funds we audited. We also reviewed RST's Single Audit Report for the fiscal year ended September 30, 2018, along with the Office of the Chief Financial Officer (OCFO) site visit on April 22, 2009, to identify internal control weaknesses and significant non-compliance issues related to federal awards. Finally, we performed testing in the areas that were relevant for the management of the awards, as discussed throughout this report.

The most recent Single Audit Report identified material weaknesses over financial reporting and major programs. Specifically, the auditors found: (1) bank accounts, accrued expenses, and prepaid expenses were not properly reconciled at year end; (2) 5 of 40 timesheets tested did not contain a supervisor signature and 1 employee did not maintain a timesheet; and (3) proper documentation of time spent by each employee on individual timesheets was not consistently available.

The OCFO review identified questioned costs totaling \$92,392 in overstated expenditures on the Financial Status Reports (FSRs), as well as concerns related to RST's internal controls and accounting practices. Specifically, OCFO found: (1) RST's written accounting procedures did not include specific provisions for administering federal grant funds; (2) RST maintained excess cash totaling \$5,887; (3) Expenditures reported on the FSRs did not reconcile to the amounts recorded in RST's accounting system; (4) RST did not timely submit their FSRs; (5) RST did not track expenditures of grant funds by approved budget categories; (6) RST did not submit a copy of its Single Audit Report to the Federal Audit Clearinghouse. OCFO made six recommendations to RST to address its findings.

RST submitted corrective action plans to address the findings and recommendations identified in the Single Audit Report and OCFO review. However, we found that RST has not adequately addressed the Single Audit Report findings related to the fact that proper documentation of time spent by each employee on individual timesheets was not consistently available. We also found that RST has not addressed the OCFO findings related to the lack of specific provisions for administering federal grant funds in its written accounting procedures and the expenditures reported on the financial reports not reconciling to the amounts recorded in the accounting system. In addition, our audit identified additional weaknesses in RST's financial management. Specifically, we found that RST charged unsupported contract costs to the OJP award, did not monitor subrecipients, did not record matching costs on its general ledgers, and did not maintain adequate documentation to support matching costs.

Finally, we found that RST's written policies and procedures could be strengthened. We noted that RST's policies and procedures did not have specific language regarding matching costs, contract award and management, subrecipient award and management, or performance measurement and outcome assessment. Therefore, we recommend that OJP coordinate with RST to ensure it develop and implement new policies and procedures that include specific language regarding matching costs, contract award and management, subrecipient award and management, and performance measurement and outcome assessment. These deficiencies are discussed in more detail in the Payroll Costs, Contractor Costs, Other Direct Costs, Subrecipient Costs, Matching Costs, and Federal Financial Reports sections of this report.

Award Expenditures

For the awards in our scope, RST's approved budgets included personnel, fringe benefits, travel, equipment, supplies, contractual, subrecipient, and other direct costs. In addition, RST was required to provide a total of \$910,450 in local matching funds, which represents a 25 percent local match. To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions. Our sample included 154 transactions totaling \$361,243. We also tested all matching

costs for the awards.⁴ We reviewed documentation, accounting records, and performed verification testing related to award expenditures. As discussed in the following sections, we identified \$308,336 in questioned costs, including \$24,969 in unallowable questioned costs and \$283,367 in unsupported questioned costs.⁵ Subsequent to the issuance of the draft report, RST provided sufficient documentation to support \$8,002 of the unsupported matching costs. As a result, our final report identifies \$300,334 in questioned costs, including \$24,969 in unallowable questioned costs and \$275,365 in unsupported questioned costs.

Personnel Costs

As part of our sample, we reviewed 36 payroll transactions totaling \$30,802, which included all salary expenditures and fringe benefits for 2 non-consecutive pay periods for each award in our scope, to determine if labor charges were computed correctly, properly authorized, accurately recorded, and properly allocated to the award. Based on our review, we identified \$17,987 in total questioned costs, including \$7,285 in unsupported personnel costs and \$10,702 in unallowable personnel costs charged to Award Numbers 2016-VT-BX-K062, 2017-VT-BX-K026, and 2018-VT-BX-K034.

- For Award Number 2016-VT-BX-K062, we identified one position that was not authorized in the award budget and RST could not provide documentation to support the time charged to the award for one employee, resulting in \$33 in unallowable questioned costs and \$80 in unsupported questioned costs for the award.
- For Award Number 2017-VT-BX-K026, we identified three positions that were not authorized in the award budget. According to an RST official, after the Vice President of Programs left the organization, RST decided to use the budgeted amount for the position to fund two new positions that were not included in the award budget – the Senior Programs Director and Senior Regional Director – because they felt that the duties of the former Vice President of Programs were too much for one person. RST also created a Senior Programs Manager position that was not included in the award budget. However, RST did not request or receive OJP approval through a Grant Adjustment Notice (GAN) to modify the award budget to include the three new positions charged to the award. As a result, we consider the costs for the unbudgeted positions unallowable, resulting in question costs totaling \$2,160.
- For Award Number 2018-VT-BX-K034, RST could not provide documentation to support the time charged to the award for two employees, resulting in

⁴ RST did not include matching costs in the general ledgers for the awards and did not maintain any supplemental accounting records documenting individual matching cost transactions for the awards. Therefore, we requested and reviewed all supporting documentation for the matching costs.

⁵ 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 totaling \$7,205. RST provided documentation detailing the award activity each month for these employees. However, the documentation did not indicate the amount of time the employees spent working on the award activities.

Based on our analysis, we identified \$7,285 in unsupported and \$2,193 unallowable personnel costs. As a result, we expanded our analysis to include all salaries and related fringe benefits charged to the award for the unauthorized positions that were not included in the award budget, resulting in an additional \$8,509 in unallowable personnel costs.

In total, we identified \$7,285 in unsupported and \$10,702 in unallowable personnel costs charged to the awards. Therefore, we recommend that OJP remedy the \$7,285 in unsupported and \$10,702 in unallowable personnel costs.

Contractor Costs

As part of our sample, we reviewed 42 contractor transactions totaling \$32,847 to determine if charges were computed correctly, properly authorized, accurately recorded, and properly allocated to the awards.⁶ In addition, we determined if rates, services, and total costs were in accordance with those allowed in the approved budgets. Based on our review, we identified \$20,544 in questioned costs, including \$10,855 in unsupported contractor costs and \$9,689 in unallowable contractor costs charged to Award Numbers 2014-VT-BX-K024, 2016-VT-BX-K062, and 2017-VT-BX-K026. We also found that for Award Numbers 2014-VT-BX-K024 and 2016-VT-BX-K062, a consultant was paid \$125 per hour, which exceeds the maximum allowable consultant rate of \$81.25 per hour. However, we were unable to determine the amount of excess consulting fees charged to the award because there was no documentation supporting the amount of allocated consultant costs.

For Award Number 2014-VT-BX-K024, we identified seven transactions totaling \$2,007 for contractor costs that were not supported by a contract or engagement letter, an invoice, or an invoice with sufficient detail related to the number of hours and services provided. Additionally, we found that RST did not have a reliable and documented methodology for allocating contractor costs among awards prior to October 2018; as a result, we were unable to verify the accuracy of the contractor costs allocated to the award prior to that time. Therefore, we consider the contractor costs totaling \$1,807 allocated to the award prior to October 2018 as unsupported. We also identified three contractor transactions totaling \$291 for a consultant to review RST's allocation and billing practices, general legal advice and counseling, and media relations services that were not included in the approved budget. Based on our sample for Award Number 2014-VT-BX-K024, we identified \$2,007 in unsupported and \$291 in unallowable questioned contractor costs. As a result, we expanded our analysis to include all contractor costs charged to the award for unauthorized services that were not

⁶ At the time of our review, there were no contractor expenses for Award Number 2018-VT-BX-K034.

included in the award budget, resulting in an additional \$1,203 in unallowable questioned costs.

For Award Number 2016-VT-BX-K062, we identified eight transactions totaling \$8,346 for contractor costs that were not supported by a contract or engagement letter, an invoice, or an invoice with sufficient detail related to the number of hours and services provided. Additionally, we were unable to verify the accuracy of the contractor costs allocated to the award prior to October 2018; resulting in unsupported allocated contractor costs totaling \$1,876. We also identified three contractor transactions totaling \$2,507 for strategic communications, auditing, and other consulting services that were not included in the approved budget. Based on our sample for Award Number 2016-VT-BX-K062, we identified \$8,346 in unsupported and \$2,507 in unallowable questioned costs. As a result, we expanded our analysis to include all contractor costs charged to the award for unauthorized services that were not included in the award budget, resulting in an additional \$4,846 in unallowable questioned costs.

For Award Number 2017-VT-BX-K026, we identified three transactions totaling \$502 for contractor costs that were not supported by a contract or engagement letter, an invoice, or an invoice with sufficient detail related to the number of hours and services provided. We also identified one contractor transaction totaling \$109 for media relations services that were not included in the award budget. Additionally, the invoice from the media relations consultant included a monthly retainer fee. However, RST did not receive any documentation detailing the hourly rate or the services it received the retainer fee paid to the consultant. In our judgement, contractors and consultants should only be paid for actual work performed. Based on our sample for Award Number 2017-VT-BX-K026, we identified \$502 in unsupported and \$109 in unallowable questioned costs. As a result, we expanded our analysis to include all contractor costs charged to the award for unauthorized services that were not included in the award budget, resulting in an additional \$733 in unallowable questioned costs.

In total, we identified \$10,855 in unsupported and \$9,689 in unallowable contractor and consultant questioned costs charged to the awards. Therefore, we recommend that OJP remedy the \$10,855 in unsupported and \$9,689 in unallowable contractor and consultant questioned costs. Additionally, we recommend that OJP coordinate with RST to ensure that: (1) current contract agreements are maintained for all contractors and consultants; (2) all contractors and consultants provide detailed invoices and are only paid for services rendered.

Other Direct Costs

As part of our sample, we reviewed 64 other direct cost transactions, totaling \$20,099 to determine if charges were computed correctly, properly authorized, accurately recorded, and properly allocated to the award. Based on our review, we identified \$12,830 in questioned costs, including \$8,252 in unsupported other direct costs and \$4,578 in unallowable other direct costs charged to Award Numbers 2014-VT-BX-K024, 2016-VT-BX-K062, and 2017-VT-BX-K026.

For Award Number 2014-VT-BX-K024, we identified 11 transactions totaling \$2,254 for other direct costs that were not supported. The unsupported other direct costs included gift cards purchased for clients for which RST did not require the clients to provide any documentation detailing the purchases made using the gift cards; as a result, we could not determine if the gift cards were used for allowable program costs. For one transaction, the invoice amount did not match the amount charged to the award. Finally, we were unable to verify the accuracy of the other direct costs allocated to the award prior to October 2018, resulting in unsupported allocated other direct costs totaling \$1,359. We also identified nine other direct costs transactions totaling \$1,215 for shredding services, installation of a card reader, System for Award Management (SAM) registration fees, room rental for a holiday party, thank you cards, and trademark registration fees that were not included in the approved budget. In addition, we identified unallowable banking services fees and delinquent credit card fees that were charged to the award. Based on our sample for Award Number 2014-VT-BX-K024, we identified \$2,254 in unsupported and \$1,215 in unallowable questioned costs. As a result, we expanded our analysis to include all unauthorized other direct costs charged to the award for expenditures that were not included in the award budget, resulting in an additional \$1,725 in unallowable questioned costs.

For Award Number 2016-VT-BX-K062, we identified eight transactions totaling \$3,548 for other direct costs that were not supported. The unsupported other direct costs included petty cash transactions that were not supported by receipts or other documentation detailing what was purchased; as a result, we could not determine if the petty cash was used for allowable program costs. Additionally, we were unable to verify the accuracy of the other direct costs allocated to the award prior October 2018, resulting in unsupported allocated other direct costs totaling \$840. We also identified two other direct costs transactions totaling \$1,191 for a laptop and a conference that were not included in the approved budget. Based on our analysis for Award Number 2016-VT-BX-K062, we identified \$3,548 in unsupported and \$1,191 in unallowable questioned costs.

For Award Number 2017-VT-BX-K026, we identified six transactions totaling \$2,449 for other direct costs that were not supported. For one transaction the mileage reimbursement amount was calculated incorrectly. Additionally, we were unable to verify the accuracy of the other direct costs allocated to the award prior to October 2018, resulting in unsupported allocated other direct costs totaling \$2,029. We also identified two other direct costs transactions totaling \$140 for travel expenses to a summit and janitorial services that were not included in the approved budget. Based on our sample for Award Number 2017-VT-BX-K026, we identified \$2,449 in unsupported and \$140 in unallowable questioned costs. As a result, we expanded our analysis to include all unauthorized other direct costs charged to the award for expenditures that were not included in the award budget, resulting in an additional \$307 in unallowable questioned costs.

For Award Number 2018-VT-BX-K034, we did not identify any issues related to the one transaction included in our sample.⁷

In total, we identified \$8,252 in unsupported and \$4,578 in unallowable other direct questioned costs charged to the awards. As a result, we recommend OJP remedy the \$8,252 in unsupported and \$4,578 in unallowable other direct questioned costs.

Subrecipient Costs

As part of our sample, we reviewed 12 subrecipient transactions totaling \$135,369 to determine if costs were supported, approved, allowable, and reasonable. In addition, we assessed the role they fulfilled, determined whether RST monitored, evaluated, or otherwise assessed the effectiveness of the subrecipients' grant program(s), and determined whether the assessment was effective.

Based on our transaction testing, we did not identify any deficiencies related to subrecipient costs. However, we found that RST did not conduct any formal monitoring visits with either of its subrecipients. According to an RST official, it has had a formal subrecipient monitoring policy since 2017 and RST has plans to conduct monitoring visits in 2020. However, since RST has had a monitoring policy in place since 2017 but has not conducted any site visits during the period covered by our audit, we are not confident that RST will follow through with its plans to conduct monitoring visits in 2020. Therefore, we recommend that OJP ensure RST adequately monitors its award subrecipients.

Matching Costs

Matching costs are the non-federal recipient's share of the total project costs. These costs include cash spent for project-related costs and in-kind costs for services, supplies, real property, and equipment. The OJP Financial Guide and the DOJ Grants Financial Guides requires recipients to maintain records that clearly document the source, amount, and timing for all matching contributions. The Financial Guides also state that documentation supporting the market value of in-kind match must be maintained in the award recipient files.

RST's required match was \$151,667 for Award Number 2014-VT-BX-K024; \$250,450 for Award Number 2016-VT-BX-K062; \$250,000 for Award Number 2017-VT-BX-K026; and \$258,333 for Award Number 2018-VT-BX-K034.⁸ RST used a combination of cash, in-kind volunteer services, and donated items in order to meet its matching requirements.

⁷ At the time of our review, there was only one other direct cost transaction for Award Number 2018-VT-BX-K034.

⁸ At the time of our review, there were no matching cost transactions for Award Number 2018-VT-BX-K034.

We found that RST did not track matching transactions in its accounting records for the awards or on an electronic spreadsheet. As a result, we had to use RST's donation log forms to create an electronic spreadsheet in order to determine the total matching costs for each award. We also reviewed the donation log forms to determine if the costs were in accordance with matching requirements, properly supported, computed correctly, authorized, and accurately reported. Finally, we reviewed the total matching costs for each award to determine if RST met its matching requirements. Based on our review, we identified \$256,975 in unsupported matching costs for Award Numbers 2014-VT-BX-K024, 2016-VT-BX-K062, and 2017-VT-BX-K026.

For Award Number 2014-VT-BX-K024, we identified \$110,184 in unsupported matching costs. Based on our analysis of the matching documentation, matching costs for the award totaled \$51,195, which is \$100,472 less than the required match. Additionally, we found that \$9,712 of the \$51,195 in total matching costs was not properly supported. Specifically, we found that the donation logs did not include any details related to volunteer services; as a result, we could not verify if the volunteer time was for project-related services.

For Award Number 2016-VT-BX-K062, we identified \$146,442 in unsupported matching costs. Based on our analysis of the matching documentation, matching costs for the award totaled \$198,834, which is \$51,616 less than the required match. Additionally, we found that \$94,826 of the \$198,834 in total matching costs was not properly supported. Specifically, we found that the donation logs did not include any details related to volunteer services; as a result, we could not verify if the volunteer time was for project-related services. We also found that in some instances the amounts for volunteer services were calculated incorrectly, meaning that the total amount recorded on the donation log did not match the number of volunteer hours multiplied by the estimated hourly rate.

For Award Number 2017-VT-BX-K026, we identified \$349 in unsupported matching costs. Specifically, we found that the donation logs did not include any details related to volunteer services; as a result, we could not verify if the volunteer time was for project-related services. Based on our analysis of the matching documentation, matching costs for the award as of June 2019 totaled \$99,347, which is \$150,653 less than the required match. We are not questioning the \$150,653 as unsupported because the award is still open. As a result, RST has until September 30, 2020, to meet the match requirement for the award. However, based on the inadequate documentation provided and the fact that RST did not meet the match requirement for Award Numbers 2014-VT-BX-K024 and 2016-VT-BX-K062, we are not confident it will meet its match requirement for this award.

In total, we identified \$256,975 in unsupported matching questioned costs claimed for the awards. Subsequent to the issuance of the draft report, RST provided new documentation that supported \$8,002 in additional matching costs. After receiving OJP's official response to the draft report, we confirmed with OJP that it agreed that \$8,002 of the previously unsupported matching costs are now supported and remedied. As a result, we consider \$8,002 of the \$256,975 in

unsupported matching costs to be remedied. Therefore, we recommend that OJP remedy the remaining \$248,973 in unsupported matching costs. In addition, we recommend OJP ensure RST meets its matching requirements, tracks all matching transactions on its general ledgers, and implements new policies and procedures to ensure matching costs are properly supported.

Budget Management and Control

According to the OJP Financial Guide and the DOJ Grants Financial Guide, the recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, the grant recipient must initiate a 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 RST 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 for any of the awards we tested.

Drawdowns

According to the OJP Financial Guide and the DOJ Grants Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. As of July 18, 2019, RST had drawn down a total of \$1,396,580 from the awards in our scope. To assess whether RST managed award receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records.

During this audit, we did not identify significant deficiencies related to the recipient's process for developing drawdown requests. However, 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 OJP Financial Guide and the 2015 DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. To determine whether RST submitted accurate Federal Financial

Reports (FFR), we compared the four most recent reports to RST’s accounting records for each award.⁹

We found that for 8 of the 15 FFRs tested, the expenditures reported did not match RST’s accounting records, as shown in Table 2.

Table 2
FFR Accuracy

| Report No. | Quarterly Expenditures Difference (Qtr. Exp. Per GL – Qtr. Exp. Per FFR) | Cumulative Expenditures Difference Per GL (Cumulative Exp. Per GL – Cumulative Exp. Per FFR) |
|--------------------------------------|---|---|
| Grant Number: 2016-VT-BX-K062 | | |
| 8 | \$30 | (\$39) |
| 9 | (\$72) | (\$111) |
| 10 | - | (\$111) |
| 11 | - | (\$111) |
| Grant Number: 2017-VT-BX-K026 | | |
| 4 | - | (\$4,812) |
| 5 | \$4,984 | \$172 |
| 6 | - | \$172 |
| 7 | \$14,994 | - |

Source: OJP’s Grants Management System and RST financial records.

In addition, we noted that the final FFR for Award Number 2014-VT-BX-K024 reported \$159,358 in matching costs. However, as discussed previously in the Matching Costs section of this report, based on our analysis of the matching documentation, matching costs for the award totaled \$51,195, meaning that RST over reported its matching costs on the final FFR for the award by \$108,163. We also noted that the final FFR for Award Number 2016-VT-BX-K062 reported \$241,832 in matching expenses. However, based on our analysis of the matching documentation, matching costs for the award totaled \$198,834 meaning that RST over reported its matching costs on the final FFR for the award by \$42,998. Therefore, we recommend OJP coordinate with RST to ensure that it submits accurate FFRs.

⁹ Award Number 2018-VT-BX-K034 only had three FFRs at the time of our analysis.

CONCLUSION AND RECOMMENDATIONS

As a result of our audit testing, we found that RST demonstrated adequate progress towards achieving the awards' stated goals and objectives. Additionally, we did not identify significant issues regarding RST's management of the award budgets or drawdowns. However, we identified \$308,336 in questioned costs, including \$24,969 in unallowable questioned costs and \$283,367 in unsupported questioned costs. Subsequent to the issuance of the draft report, RST provided new documentation that supported \$8,002 in additional matching costs. As a result, we consider \$8,002 of the unsupported matching costs to be remedied. We also found that RST did not comply with essential award conditions related to progress reports, compliance with award special conditions, use of award funds, matching funds, and FFRs. Additionally, we found that RST's written policies and procedures could be strengthened. We provide 10 recommendations to RST to address these deficiencies.

We recommend that OJP:

1. Coordinate with RST to ensure that progress reports are accurate and fully supported.
2. Coordinate with RST to develop policies and procedures to ensure it adheres to all special conditions of the awards.
3. Coordinate with RST to develop and implement new policies and procedures that include specific language regarding matching costs, contract award and management, subrecipient award and management, and performance measurement and outcome assessment.
4. Remedy the \$24,969 in unallowable questioned costs related to the \$10,702 in unallowable personnel costs, \$9,689 in unallowable contractor and consultant costs, and \$4,578 in unallowable other direct costs.
5. Remedy the \$26,392 in unsupported questioned costs related to the \$7,285 in unsupported personnel costs, \$10,855 in unsupported contractor and consultant costs, and \$8,252 in unsupported other direct costs.
6. Coordinate with RST to ensure that it maintains adequate documentation to support contractor costs charged to the awards, including current contract agreements for all contractors and consultants and detailed invoices, as well as ensuring that contractors and consultants are only paid for services rendered.
7. Coordinate with RST to ensure it adequately monitors its award subrecipients.

8. Remedy the remaining \$248,973 of the \$256,975 in unsupported matching costs.¹⁰
9. Coordinate with RST to ensure it meets its matching requirements, tracks all matching transactions on its general ledgers, and implements new policies and procedures to ensure matching costs are properly supported.
10. Coordinate with RST to ensure that it submits accurate FFRs.

¹⁰ As discussed previously, RST provided additional information and documentation supporting \$8,002 of the previously unsupported matching questioned costs. That amount is not included in the \$248,973 remaining unsupported matching costs.

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 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 the Office of Justice Programs (OJP) cooperative agreements awarded to Refugee Services of Texas, Inc. (RST) under the Comprehensive Services for Victims of Human Trafficking program. RST was awarded a total of \$2,730,000 under Award Numbers 2014-VT-BX-K024, 2016-VT-BX-K062, 2017-VT-BX-K026, and 2018-VT-BX-K034, and as of July 18, 2019, had drawn down \$1,396,580 of the total grant funds awarded. Our audit concentrated on, but was not limited to September 16, 2014, the award date for Award Number 2014-VT-BX-K024, through August 23, 2019, the last day of our audit fieldwork. The project period for Award Number 2014-VT-BX-K024 ended on September 30, 2016, prior to the start of our audit and the project period for Award Number 2016-VT-BX-K062 ended on September 30, 2019.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of RST'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 2014 Office of the Chief Financial Officer (OCFO) Financial Guide, 2015 DOJ Grants Financial Guide, and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System, as well as RST'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 RST to provide assurance on its internal control structure as a whole. RST’s 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 RST’s internal control structure as a whole, we offer this statement solely for the information and use of RST and OJP.¹¹

In planning and performing our audit, we identified the following internal control components and underlying principles as significant to the audit objectives:

| Internal Control Components & Principles Significant to the Audit Objectives | |
|---|--|
| Control Activity Principles | |
| | Management should design control activities to achieve objectives and respond to risks. |
| | Management should implement control activities through policies. |
| Information & Communication Principles | |
| | Management should internally communicate the necessary quality information to achieve the entity’s objectives. |
| | Management should externally communicate the necessary quality information to achieve the entity’s objectives. |

We identified deficiencies that we believe could affect RST’s ability to effectively and efficiently operate, and to ensure compliance with laws and regulations. However, because our review was limited to internal control components and underlying principles determined to be significant to the audit objectives, it may not have disclosed all deficiencies that may have existed at the time of this audit. The internal control deficiencies we found are discussed in the Audit Results section of this report.

¹¹ 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 | Amount | Page |
|---|------------------|------|
| Questioned Costs: ¹² | | |
| Unallowable Costs | | |
| Personnel Costs | \$10,702 | 8 |
| Contractor and Consultant Costs | \$9,689 | 10 |
| Other Direct Costs | \$4,578 | 11 |
| Total Unallowable Costs | \$24,969 | |
| Unsupported Costs | | |
| Personnel Costs | \$7,285 | 8 |
| Contractor and Consultant Costs | \$10,855 | 10 |
| Other Direct Costs | \$8,252 | 11 |
| Matching Costs | \$256,975 | 13 |
| <i>Total Unsupported Costs</i> | <i>\$283,367</i> | |
| <i>Gross Questioned Costs</i> | <i>\$308,336</i> | |
| Less Duplicate Questioned Costs ¹³ | (\$4,475) | |
| Less Remedied Costs ¹⁴ | (\$8,002) | |
| Net Questioned Costs | \$295,859 | |

¹² **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

¹³ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which includes \$2,907 in contractor and consultant costs and \$1,568 in other direct costs that were both unallowable and unsupported.

¹⁴ Prior to the issuance of the final report, RST provided additional information and documentation supporting previously unsupported costs that we identified during our audit.

**REFUGEE SERVICES OF TEXAS'
RESPONSE TO THE DRAFT AUDIT REPORT**



March 13, 2020

David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General
U.S. Department of Justice 1120
Lincoln Street, Suite 1500 Denver,
CO 80203

Dear Mr. Sheeren:

Refugee Services of Texas is submitting this official response to the draft audit report on the Audit of the Office of Justice Programs Cooperative Agreements Awarded to Refugee Services of Texas, Inc. (RST) dated February 28, 2020. RST's response and concurrence / non-concurrence with the ten findings are outlined below. Our transmittal letter is attached separately. In addition, RST is submitting additional documentation of matching costs (for finding #8). The additional documentation will be emailed separately, and will be included in a package mailed to you with the signed transmittal letter and a hard copy of this response.

Thank you,



Russell A. Smith, LMSW
CEO

Refugee Services of Texas' Response to Draft Audit Report

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

Progress reports will be fully accurate and supported moving forward through a two-fold process. First, RST requested that software changes be made to Refugee Management System (RMS), RST's electronic database, on February 6, 2020. Changes will ensure better data capturing of OVC and other federally funded programs that serve survivors of trafficking by requiring that case managers mark the funder's service units, performance measures completed, etc. at the same time they write case notes. This will allow the review process between TIMS reporting and case notation to occur side by side without the need to track down a physical file or interpret why a service was entered into TIMS. The RMS programmers were receptive and requested a month to develop the infrastructure. As of March 5, 2020, the programmers had minor updates to make to RMS before scheduling a training with staff. The training will equip staff to enter funder performance measures alongside case notation.

RST Programs Department conducts internal monitorings of OVC-funded programs once a year. These have been restricted to a review of the local case files, staff interviews, and observation of staff-client interactions. Moving forward, RST Programs Department will integrate an additional component into its internal monitorings where TIMS reports (for both individual cases as well as training/outreach) are reviewed against case files and local documentation, allowing the organization to better gauge the progress a site is making towards the stated program goals and objectives.

2. Coordinate with RST to develop policies and procedures to ensure it adheres to all special conditions of the awards.

Upon receiving an OVC award agreement, RST senior leadership will conduct a full review of the document to identify and make a plan for addressing any Special Conditions listed. Should RST recognize any part of its proposed project, programmatic or fiscal, is out of compliance with the Code of Federal Regulations, the organization will take immediate steps to refine its practices and submit any necessary project adjustment to OVC.

Additionally, RST will hold a grants opening meeting with everyone involved in the project's execution upon receiving a new award. The purpose of the meeting will be to walk through the

budget, program goals and outcomes, staffing, and any remaining Special Conditions that need to be removed prior to starting the project.

Lastly, RST is currently assessing its ability to hire an internal monitor to assist RST in researching best practices and drafting new protocols and procedures, all with the ultimate goal of ensuring the organization remains in compliance with the CFR and its federal grants.

3. *Coordinate with RST to develop and implement new policies and procedures that include specific language regarding matching costs, contract award and management, subrecipient award and management, and performance measurement and outcome assessment.*

- a) Matching Costs

Refugee Services of Texas (RST) matching funds are restricted to the same uses as the federal funds. Direct client match can be counted towards OVC match if it is supporting a direct client or the STEP or 806 ACTS program and most often includes emergency food/shelter/basic needs, bus passes, care bags, and gift cards to ensure basic needs are met.

Volunteer rates for donated services used to satisfy a matching or cost-sharing requirement are consistent with those paid for similar work at Refugee Services of Texas (RST). When a volunteer fulfills a case management/employment services/interpretation services/ELT role, etc. that is already maintained by the organization, the average hourly rate plus benefits totals \$22.50. This is consistent with the wage for a RST resettlement case manager, employment case manager, or ELT instructor; all bilingual and multilingual staff provide interpretation services as needed. When a specialized skill set does not exist within the organization, rates are consistent with those paid for similar work in the labor market in which RST would compete for the kind of services involved. The labor market dictates the volunteer rate utilized for the match requirement. If a volunteer or intern is not 100% dedicated to the anti-trafficking program, his/her time will be counted at whatever percentage is reflective of the time spent supporting survivors of trafficking enrolled in OVC.

Mileage is counted towards match if a volunteer or intern is transporting a client to an appointment where a staff would otherwise need to provide transportation. Mileage is also counted if a volunteer or intern is providing a service to the anti-trafficking program, such as

collecting in-kind donations from community members or dropping those donations off at survivors' homes.

RST considers donated space as match if it is used to house donations before they are connected to survivors or when space is given at a free or reduced rate for support groups, life skills classes, language classes, financial literacy sessions, and other events.

Any match collected is documented on a RST Donation Log that requires the following to be recorded: the funder, type of match, value of the match, justification for match, and a donor and client signature. A staff training on how to properly complete the Donation Log form is scheduled for the first week of April and will be conducted by the RST Programs Department.

b) Contract award and management

RST will have a completed contract award and management protocol drafted by mid-April 2020 and submitted to RST's OVC Grants Manager that clearly describes how the organization will effectively administer any federal award it is granted. Successful contract management will begin with a full review of the award agreement and Special Conditions. A grants opening meeting will then be held with all involved parties to ensure full understanding of allowable and unallowable costs, any Special Conditions that need to be removed before the contract can begin, staffing, required programmatic and financial reporting deadlines, data tracking, any program evaluation component, match requirements, project timeline and management, and closeout of the award. RST is currently assessing its ability to hire an internal monitor to assist RST in drafting best practices, new protocols and procedures, all with the ultimate goal of ensuring the organization remains in compliance with the CFR and its federal grants.

c) Subrecipient award and management

Pre-Award: Refugee Services of Texas' (RST) sub-recipient award process begins with a pre-award process of ensuring the proposed sub-recipients are not suspended or debarred by the federal government, the list of data elements that must be included in the subrecipient agreement is clear and matches the 2 C.F.R. Part 200.331, and that appropriate federal special conditions are passed down to the sub-recipient awards.

Post-Award: RST's post-award process includes a grants opening meeting, monitoring process (see Sub-Recipient Monitoring Process and Monitoring Plan), and regular communication and

reporting. The grants opening meeting is typically held at RST with sub-recipients within 60 days of award notice. The following is discussed:

- Project plan of operation
- Timeline
- Establish benchmarks for ourselves for the year
- Allowable costs
- Ensure sub-agreements are executed
- Nature of collaboration including any desired branding
- Direct response coverage (ex. 24/7)
- Match collection, if required

RST solidifies subaward agreements after the grants opening meeting and once all parties are in agreement about the parameters and expectations of the partnership.

Reporting: Programmatic reporting includes a discussion around progress reports and data entry on a quarterly basis. Financial reporting specifically discusses monthly requests for reimbursement. Each month agencies submit to RST their Requests for Reimbursements (RFRs) for the respective federal program. Before fulfilling each RFR, RST will monitor the following for each line item and total:

- Total Expenses to Date
- Expense Allowability
- Percentage of Obligated Amount spent
- Percentage of Estimated Budget spent
- Spending trends
- Remaining funds

During the review process, RST may communicate with each provider any adjustments regarding their spending and possible courses of action (e.g. a budget revision).

As stated in the subaward contracts, RST reserves the right to withhold reimbursements above the approved budget amount.

Closeout: The process for closing out a subaward with RST includes a final financial reconciliation of the initial award amount against the final, submitted RFR including adequate source documentation, to be completed no later than 15 days following the end of the grant.

Final match collection and documentation as well as progress reports that reflect completion of all program objectives and goals are due no later than 15 days following the end of the grant.

d) Performance measurement and outcome assessment:

STEP case files and data are reviewed by the program supervisor and Area Director on a trimester basis with results tied directly to a staff's yearly performance evaluation. This increases the accuracy and timely entry of all project related data. Additionally, RST Programs Department conducts internal monitorings of OVC-funded programs once a year. These have been restricted to a review of the local case files, staff interviews, and observation of staff-client interactions. Moving forward, RST Programs Department will integrate an additional component where TIMS reports (for both individual cases as well as training/outreach) are reviewed against case files and local documentation on the progress a site is making towards the program goals and objectives. If at any point the RST Programs Department determines that a site is behind in reaching its expected outcomes, Programs and the local site will create a strategic plan for closing the gap in clients to serve, outreach or trainings to conduct, match to raise, etc. with the remaining months of the grant.

4. *Remedy the \$24,969 in unallowable questioned costs related to the \$10,702 in unallowable personnel costs, \$9,689 in unallowable contractor and consultant costs, and \$4,578 in unallowable other direct costs.*

RST acknowledges \$33 of unallowable personnel cost and with an approval of a new budget the remaining \$10,669 can be rectified. RST feels the positions in question are a necessity and mission critical work to help reach the goals of the program. Therefore, RST does not concur with \$10,669 in unallowable personnel costs and will submit a budget adjustment to resolve this finding.

RST does not concur on the unallowable contractor costs. Many of the items were contracts that were entered into prior to the award period and are long standing vendors for RST. In addition, items like an audit, are required by the federal government and door locks were installed as a safety concern for the survivors of trafficking. Items with regard to media, RST concurs as unallowable. Therefore, RST does not concur on \$9,689 in unallowable contractor and consultant costs.

RST concurs with OIG on unallowable other direct costs. RST will work to educate staff on items that can not be charged to federal awards. RST will credit the open award back for all unallowable costs.

In summary, on this item, RST concurs with \$4,611 in unallowable questioned costs and does not concur on \$20,358 in unallowable questioned costs.

5. *Remedy the \$26,392 in unsupported questioned costs related to the \$7,285 in unsupported personnel costs, \$10,855 in unsupported contractor and consultant costs, and \$8,252 in unsupported other direct costs.*

RST concurs with this finding. For items on current grants, RST will credit the grant back. RST has implemented an allocation policy that is currently being used and will continue to work on process improvements.

6. *Coordinate with RST to ensure that it maintains adequate documentation to support contractor costs charged to the awards, including current contract agreements for all contractors and consultants and detailed invoices, as well as ensuring that contractors and consultants are only paid for services rendered.*

RST will work to educate staff on proper contractor agreements, including educating operation teams for what is necessary on a contract. RST will also implement a contractor approval process that requires the sign off of Finance, Programs, and Operations.

7. *Coordinate with RST to ensure it adequately monitors its award subrecipients.*

Refugee Services of Texas (RST) conducts onsite monitorings with subrecipients one time during the grant cycle to ensure the subgrantees' capacity to effectively manage the project and administer the award funds, to ensure compliance with federal regulations and all provisions of the Subaward Agreement, and to verify that the subgrantees have in place effective internal controls to achieve these goals.

Monitorings of the sub-recipients typically does not occur in the first year of a multi-year grant, since RST focuses on providing technical assistance and ensuring sub-recipients have the tools in place to effectively run a federally funded program.

During monitorings, RST will review the financial and performance reports submitted by the sub-recipient. RST will meet with various staff to learn how the sub-recipient executes the subaward as well as hear best practices and challenges. Each monitoring will include an introduction meeting and an exit meeting during which initial findings will be shared with the sub-recipient.

RST will then draft a monitoring report that is sent to the sub-recipient within 30 days following the monitoring. The sub-recipient will then have 30 days to submit a response. RST will return a final monitoring report in two weeks and will arrange any phone calls in between to ensure clarity and understanding of the monitoring findings and expectations to address them. Substandard performance or response to monitoring findings as determined will constitute non-compliance. The subgrantees shall adhere to any monitoring and evaluation plans developed and specifically required by RST as a result of any and all monitoring activities.

As a part of its ongoing monitoring process, RST will evaluate subgrantee progress and project goal attainment based on reports prepared by the subgrantees, as well as through ongoing discussions with subgrantee project staff.

RST reserves the right to require additional monitoring and evaluation measures to ensure that the subgrantees fulfill the identified project goals and objectives and/or addresses any findings revealed during a monitoring.

8. Remedy the \$256,975 in unsupported matching costs.

RST does not concur with this finding.

- a. Refugee Services of Texas has reviewed the documentation from the OIG auditor that identified \$256,975 in unsupported matching costs. RST is 1) disputing certain amounts that were flagged as unsupported, and 2) submitting additional match (and comprehensive documentation) that was documented during the grant periods but was not reviewed by the auditor.
- b. We appreciate the thoroughness of the auditor in reviewing the documentation we did submit but realize that a large volume of matching costs and documentation were not included in what the auditor reviewed. RST acknowledges that in the first few years of the audited OVC grants our systems needed improvement, and we are confident that the changes we have made and continue to make to our systems and processes will ensure

better tracking and documentation into the future.

- c. RST disputes the following as unsupported matching costs. Much of the match that was flagged as unsupported was based on volunteer time that the auditor felt had inadequate explanation of specifics of services performed. RST has explored each questioned cost and provided an explanation for each that we dispute. An annotated spreadsheet (OIG Audit Response - RST - Item #8) includes the notes and disputed match costs. We have noted the items we do not dispute, and provided a response for every item highlighted by the auditor.
 - i. 2014-VT-BX-Ko24 RST disputes \$13,990.37 in match marked as unsupported. See Tab labeled "Rec. #8 (2014 Match)" in accompanying spreadsheet "OIG Audit Response - RST - Item #8".
 - ii. 2016-VT-BX-Ko62 RST disputes \$94,683.27 in match marked as unsupported. See Tab labeled "Rec. #8 (2016 Match)" in accompanying spreadsheet "OIG Audit Response - RST - Item #8".
 - iii. 2017-VT-BX-Ko26 RST disputes \$348.75 in match marked as unsupported. See Tab labeled "Rec. #8 (2017 Match)" in accompanying spreadsheet "OIG Audit Response - RST - Item #8".
 - iv. Total amount RST disputes from the report as "unsupported": **\$109,022.39**
- d. RST is submitting additional match and documentation that was not considered during the audit. The summary of the additional match is included in the annotated spreadsheet (OIG Audit Response - RST - Item #8), in the tabs marked "2014 Additional Match", "2016 Additional Match", and "2017 Additional Match." The amounts of additional match being submitted include:
 - i. 2014-VT-BX-Ko24 \$49,555.01. Documentation is included in pdf form in the following: "RST Additional Match 2014-VT-BX-Ko24"
 - ii. 2016-VT-BX-Ko62 \$232,553.54. Documentation is included in pdf form in the following: "RST Additional Match 2016-VT-BX-Ko62"
 - iii. TOTAL Additional Match submitted: **\$282,108.55**

In summary:

| Grant | Missing Match | Questioned Match | Disputed/Additional from RST |
|-----------------|---------------|------------------|------------------------------|
| 2014-VT-BX-Ko24 | \$100,472 | \$ 9,712 | \$ 63,545.38 |
| 2016-VT-BX-Ko62 | \$51,616 | \$94,826 | \$327,236.81 |
| 2017-VT-BX-Ko26 | | \$ 349 | \$ 349.00 |

While RST was unable to produce documentation demonstrating completion of the 2014-VT-

BX-K024 match requirement, the organization had already made tremendous improvements by the end of the 2016-VT-BX-K062 grant that resulted in \$232,553.54 additional match that was not reviewed by the auditor (in addition to the disputed \$94,683.27 in match marked as unsupported). These improvements include better documentation on donation logs, additional quality control measures to ensure allowable and supported match are well documented, and introducing strategic planning at the senior leadership level as needed if a local site is identified as struggling to raise its match requirement. Senior leadership will know planning needs to start as a result of reviewing monthly reports generated by local sites and used for financial reporting in GMS. Though RST is currently behind in the match it has raised for the 2017-VT-BX-K026 contract, it is confident the entire match requirement will be met by September 2020.

9. *Coordinate with RST to ensure it meets its matching requirements, tracks all matching transactions on its general ledgers, and implements new policies and procedures to ensure matching costs are properly supported.*

RST will share monthly match progress with the Programs and Finance department on all OVC grants to ensure that, if at any point, a site is behind in reaching its expected match contribution, senior leadership and the local site will create a strategic plan for closing the gap in match to raise with the remaining months of the grant. Additional detail and justification will be added to all donation logs moving forward, including: the funder, type of match, value of the match, full justification for match, and donor and client signature. A staff training on how to properly complete the Donation Log form is scheduled for the first week of April and will be conducted by the RST Programs Department. A Finance staff member began reviewing all match documentation in October 2019 to ensure match raised is allowable and supported, and the impact of this improved quality and internal control measure can be seen on more recent donation logs. Lastly, federal match requirements were added to RST's General Ledger with the start of fiscal year 2020 as an additional measure to track progress towards expected match outcomes.

10. *Coordinate with RST to ensure that it submits accurate FFRs.*

RST feels FFRs were submitted correctly at the time of submission and that there were later corrections in accounting. RST has improved its month-end close process and controls on corrections to ensure corrections are not back-dated and take place in the current period to help remedy the small discrepancies in the RFRs.

OFFICE OF JUSTICE PROGRAMS'
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

March 19, 2020

MEMORANDUM TO: David M. Sheeren
Regional Audit Manager
Denver 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, Cooperative Agreements Awarded to the Refugee Services of Texas, Inc., Dallas, Texas*

This memorandum is in reference to your correspondence, dated February 28, 2020, transmitting the above-referenced draft audit report for the Refugee Services of Texas, Inc. (RST). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **10** recommendations and **\$303,861¹** in net questioned costs. The following is 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 coordinate with RST to ensure that progress reports are accurate and fully supported.**

OJP agrees with this recommendation. We will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure that semi-annual progress reports are accurate; and are fully supported by source documentation, that is maintained for future auditing purposes.

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

2. **We recommend that OJP coordinate with RST to develop policies and procedures to ensure it adheres to all special conditions of the awards.**

OJP agrees with this recommendation. We will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure compliance with all award special conditions.

3. **We recommend that OJP coordinate with RST to develop and implement new policies and procedures that include specific language regarding matching costs, contract award and management, subrecipient award and management, and performance measurement and outcome assessment.**

OJP agrees with this recommendation. We will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure that they include specific language regarding matching costs, contract award and management, subrecipient award and management, and performance measurement and outcome assessment.

4. **We recommend that OJP remedy the \$24,969 in unallowable questioned costs related to the \$10,702 in unallowable personnel costs, \$9,689 in unallowable contractor and consultant costs, and \$4,578 in unallowable other direct costs.**

OJP agrees with this recommendation. We will review the \$24,969 in questioned costs, charged to Cooperative Agreement Numbers 2016-VT-BX-K062, 2017-VT-BX-K026, and 2018-VT-BX-K034, and will work with RST to remedy, as appropriate.

5. **We recommend that OJP remedy the \$26,392 in unsupported questioned costs related to the \$7,285 in unsupported personnel costs, \$10,855 in unsupported contractor and consultant costs, and \$8,252 in unsupported other direct costs.**

OJP agrees with this recommendation. We will review the \$26,392 in unsupported questioned costs, charged to Cooperative Agreement Numbers 2014-VT-BX-K024, 2016-VT-BX-K062, and 2017-VT-BX-K026, and will work with RST to remedy, as appropriate.

6. **We recommend that OJP coordinate with RST to ensure that it maintains adequate documentation to support contractor costs charged to the awards, including current contract agreements for all contractors and consultants and detailed invoices, as well as ensuring that contractors and consultants are only paid for services rendered.**

OJP agrees with this recommendation. We will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure that adequate documentation is maintained to support contractor costs charged to the awards, including current contract agreements for all contractors and consultants, and detailed invoices, as well as ensuring that contractors and consultants are only paid for services rendered.

7. **We recommend that OJP coordinate with RST to ensure it adequately monitors its award subrecipients.**

OJP agrees with this recommendation. We will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure adequate oversight and monitoring of its award subrecipients.

8. **We recommend that OJP remedy the \$256,975 in unsupported matching costs.**

OJP agrees with this recommendation. We will review the \$256,975 in questioned costs, related to unsupported matching costs, charged to Cooperative Agreement Numbers 2014-VT-BX-K024, 2016-VT-BX-K062, and 2017-VT-BX-K026, and will work with RST to remedy, as appropriate.

9. **We recommend that OJP coordinate with RST to ensure it meets its matching requirements, tracks all matching transactions on its general ledgers, and implements new policies and procedures to ensure matching costs are properly supported.**

OJP agrees with this recommendation. We will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure that all matching requirements are met, properly recorded in its grant accounting records, and adequately supported.

10. **We recommend that OJP coordinate with RST to ensure that it submits accurate FFRs.**

OJP agrees with this recommendation. We will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure that Federal Financial Reports are accurate and properly supported, 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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OJP Executive Secretariat
Control Number IT20200302114830

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

The OIG provided a draft of this audit report to Refugee Services of Texas, Inc. (RST) and the Office of Justice Programs (OJP) for review and official comment. RST'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 concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for OJP:

- 1. Coordinate with RST 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 RST to obtain a copy of written policies and procedures, developed and implemented, to ensure that semi-annual progress reports are accurate; and are fully supported by source documentation that is maintained for future auditing purposes.

RST did not agree or disagree with our recommendation. In its response, RST stated that it is in the process of implementing changes to ensure progress reports are accurate and supported moving forward. Specifically, RST stated that it is making software changes to its Refugee Management System (RMS) that will require case managers to enter performance data at the same time they enter case notes. Additionally, RST stated that during its internal annual monitoring, its Programs Department will review TIMS reports for individual cases, training, and outreach against case files and local documentation.

This recommendation can be closed when we receive documentation showing that RST has written policies and procedures, developed and implemented, to ensure that semi-annual progress reports are accurate; and are fully supported by source documentation that is maintained for future auditing purposes.

- 2. Coordinate with RST to develop policies and procedures to ensure it adheres to all special conditions of the awards.**

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

RST did not agree or disagree with our recommendation. In its response, RST included detailed actions that it will take to identify and address award special conditions. RST also stated that it is currently assessing its ability to hire an internal monitor to assist RST in researching best practices and drafting new protocols and procedures to ensure it is in compliance with the Code of Federal Regulations and its federal grants.

This recommendation can be closed when we receive documentation showing that RST has written policies and procedures, developed and implemented, to ensure compliance with all award special conditions.

3. Coordinate with RST to develop and implement new policies and procedures that include specific language regarding matching costs, contract award and management, subrecipient award and management, and performance measurement and outcome assessment.

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure that they include specific language regarding matching costs, contract award and management, subrecipient award and management, and performance measurement and outcome assessment.

RST did not agree or disagree with our recommendation. In its response, RST included detailed information about its current practices related to matching costs, subrecipient award and management; and performance measurement and outcome assessment. RST also stated that it will have a draft contract award and management protocol by mid-April 2020.

This recommendation can be closed when we receive documentation showing that RST has written policies and procedures, developed and implemented, to ensure that they include specific language regarding matching costs, contract award and management, subrecipient award and management, and performance measurement and outcome assessment.

4. Remedy the \$24,969 in unallowable questioned costs related to the \$10,702 in unallowable personnel costs, \$9,689 in unallowable contractor and consultant costs, and \$4,578 in unallowable other direct costs.

Resolved. OJP agreed with our recommendation and stated in its response that it will review the \$24,969 in questioned costs, charged to Cooperative Agreement Numbers 2016-VT-BX-K062, 2017-VT-BX-K026, and 2018-VT-BX-K034, and will work with RST to remedy, as appropriate.

RST partially agreed with our recommendation. RST did not concur with \$10,669 of the \$10,702 in unallowable personnel costs. In its response, RST stated that it feels the positions in question are a necessity and mission

critical; as a result, RST stated that it will submit a budget adjustment to resolve this finding. Although RST stated that it did not concur with our recommendation related to unallowable personnel costs, we noted that RST's response and proposed remedy indicate agreement with our finding and recommendation.

RST also did not concur with the \$9,689 in unallowable contractor and consultant costs. In its response, RST stated that many of the questioned items were contracts that were entered into prior to the award period. RST's assertion that many of the contracts in question were entered into prior to the award period does not address the fact that these costs were not included in the approved budget. RST concurred with the unallowable costs related to media expenditures charged to the awards but indicated that some of the questioned costs for required federal audits and to address safety concerns were necessary program expenditures. However, as stated in the Contractor Costs section of this report, these costs were not included in the approved budget; as a result, the costs are not allowable. Additionally, the questioned costs that RST indicated were necessary to address safety concerns were unallowable other direct costs for which RST concurred with our finding and recommendation, as noted below.

RST concurred with the \$4,578 in unallowable other direct questioned costs and stated that it will educate staff on items that cannot be charged to the awards, and credit the open award back for all unallowable costs.

This recommendation can be closed when we receive documentation that OJP has remedied the \$24,969 in unallowable questioned costs related to the \$10,702 in unallowable personnel costs, \$9,689 in unallowable contractor and consultant costs, and \$4,578 in unallowable other direct costs.

5. Remedy the \$26,392 in unsupported questioned costs related to the \$7,285 in unsupported personnel costs, \$10,855 in unsupported contractor and consultant costs, and \$8,252 in unsupported other direct costs.

Resolved. OJP agreed with our recommendation and stated in its response that it will review the \$26,392 in unsupported questioned costs, charged to Cooperative Agreement Numbers 2014-VT-BX-K024, 2016-VT-BX-K062, and 2017-VT-BX-K026, and will work with RST to remedy, as appropriate.

RST concurred with our recommendation. In its response, RST that it will credit the current awards back for all unsupported costs. RST also stated that it has implemented an allocation policy that is currently being used and will continue to work on process improvements.

This recommendation can be closed when we receive documentation that OJP has remedied the \$26,392 in unsupported questioned costs related to the \$7,285 in unsupported personnel costs, \$10,855 in unsupported contractor and consultant costs, and \$8,252 in unsupported other direct costs.

6. **Coordinate with RST to ensure that it maintains adequate documentation to support contractor costs charged to the awards, including current contract agreements for all contractors and consultants and detailed invoices, as well as ensuring that contractors and consultants are only paid for services rendered.**

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure that adequate documentation is maintained to support contractor costs charged to the awards, including current contract agreements for all contractors and consultants, and detailed invoices, as well as ensuring that contractors and consultants are only paid for services rendered.

RST did not agree or disagree with our recommendation. However, in its response, RST stated that it will work to educate staff on proper contractor agreements, including educating operation teams for what is necessary on a contract. RST also stated that it will implement a contractor approval process that requires the sign off of finance, programs, and operations.

This recommendation can be closed when we receive documentation showing that RST has written policies and procedures, developed and implemented, to ensure that adequate documentation is maintained to support contractor costs charged to the awards, including current contract agreements for all contractors and consultants, and detailed invoices, as well as ensuring that contractors and consultants are only paid for services rendered.

7. **Coordinate with RST to ensure it adequately monitors its award subrecipients.**

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure adequate oversight and monitoring of its award subrecipients.

RST did not agree or disagree with our recommendation. In its response, RST included detailed information about its subrecipient monitoring procedures. However, as stated in the Subrecipient Costs section of this report, although RST has had a formal subrecipient monitoring policy since 2017, RST has not conducted any site visits during the period covered by our audit. As a result, we are not confident that RST will follow through with its plans to conduct monitoring visits in 2020.

This recommendation can be closed when we receive documentation showing that RST has written policies and procedures, developed and implemented, to ensure adequate oversight and monitoring of its award subrecipients.

8. Remedy the remaining \$248,973 of the \$256,975 in unsupported matching costs.

Resolved. OJP agreed with our recommendation and stated in its response that it will review the \$256,975 in questioned costs, related to unsupported matching costs, charged to Cooperative Agreement Numbers 2014-VT-BX-K024, 2016-VT-BX-K062, and 2017-VT-BX-K026, and will work with RST to remedy, as appropriate.

RST did not concur with our recommendation. In its response, RST stated that it has reviewed the documentation from the OIG auditor that identified \$256,975 in unsupported matching costs and it is disputing \$109,022 in matching costs that were flagged as unsupported. We disagree with RST's assertion that \$109,022 of the previously questioned \$256,975 in matching costs is supported. As stated in the Matching Costs section of this report, RST did not track matching transactions in its accounting records for the awards or on an electronic spreadsheet. As a result, we had to use RST's donation log forms to create an electronic spreadsheet in order to determine the total matching costs for each award. After which, we reviewed the donation log forms to determine if the costs were in accordance with matching requirements, properly supported, computed correctly, authorized, and accurately reported. Based on our analysis, we determined that \$256,975 in matching cost were unsupported. Specifically, we found that the donation logs only listed the number of volunteer hours and mileage claimed but did not include any details related to volunteer services provided, despite the fact that RST's donation logs include a section to describe the services provided or items donated and the number of hours or items donated. We found that this section of the donation logs was not completed for donated services even though the form specifically instructs the section be completed for all donations. As a result, as stated in the Matching Costs section of the report, we could not verify if the volunteer time was for project-related services. This is further complicated by the fact that in addition to its Human Trafficking Program, RST has several other programs for which it receives funding from other sources, as well as donated services and items. In response to the draft report, RST did not provide any additional documentation to support the disputed matching costs that we questioned as unsupported. Instead, RST provided comments on the electronic spreadsheet we created from its donation logs that included a general description of the types of services provided by its volunteers, which we do not consider supporting documentation. Therefore, we disagree with RST's assertion that the \$109,022 in matching costs it disputed is adequately supported.

RST also stated in its response that it is submitting additional comprehensive matching cost documentation that was documented during the award periods but was not reviewed by the auditor. However, we made numerous attempts to ensure that RST provided us with all supporting documentation related to its matching costs for the awards and we received verbal confirmation from an RST official that we were provided all available matching cost

documentation. Despite these assurances, along with its response to the draft report, RST provided over 200 pages of additional matching cost documentation that was not previously provided.

We reviewed the additional new matching cost documentation and determined that only \$8,002 of additional matching costs were fully supported. For Award Number 2014-VT-BX-K024, we found that none of the additional \$43,295 in matching costs claimed were supported. The additional matching costs were based largely on a typed list of donations prepared by RST in response to the draft report, for which no documentation was provided to support the donated items and cash that RST listed. We also found that RST did not provide sufficient supporting documentation for volunteer and unpaid intern services that it claimed as additional matching costs for the award. For example, the donation logs or other documentation did not include a description of the services provided or were missing specific details such as the date, number of hours, and a detailed description of services provided by unpaid interns. For Award Number 2016-VT-BX-K062, we found that only \$8,002 of the additional \$104,289 in matching costs claimed was fully supported. For the remaining additional matching costs claimed, RST did not provide any documentation or sufficient documentation, as described previously, to support the additional matching costs claimed.

We also identified concerns related to specific items that RST claimed as additional matching costs.

- The additional documentation provided by RST included monetary donations totaling \$16,367 that it considers matching costs for the awards. However, in addition to the fact that RST did not provide any documentation to support that it received the monetary donations listed, RST's comments stated that the donations were to support the Survivors of Trafficking Empowerment Program, as well as *unrestricted RST administration*. Finally, and most importantly, is the fact that even if RST provided documentation to support that it received the cash donations listed, the receipt of cash donations in and of itself is not a matching cost. RST would also need to provide documentation showing that the cash donations were used for allowable program costs.
- RST also claimed matching costs totaling \$17,181 in donated space to temporarily store donated items until they are distributed to its clients. However, the donation form provided did not include a donor name or signature. Additionally, RST claimed the full estimated monthly costs for the donated space even though the donated space was for the *temporary* storage of donated items. Finally, despite the fact that the donation logs for the donated space were incomplete, it appears that the donated space RST is claiming as matching costs is actually a portion of RST's office space. If our assumption is correct, it is important to note that RST allocates its rental costs among its award programs as direct costs charged to the awards, meaning that they are

charging the allocated rental costs to the awards as both a direct cost expenditures and matching costs.

Finally, despite the fact that RST stated in its response that it disputed \$109,022 in matching costs that we identified as unsupported, RST also acknowledges in its response that it was unable to produce documentation demonstrating completion of the match requirement for Award Number 2014-VT-BX-K024. RST's response to Recommendation 9 also indicates that it is aware of the fact that its donation logs do not currently include sufficient information to fully support the matching costs it is claiming for the awards. Specifically, in its response to Recommendation 9, RST stated that additional detail and justification will be added to all donation logs moving forward, staff will receive training on how to properly complete the donation log forms, and its finance department will review all matching documentation to ensure its matching costs are allowable and supported.

Overall, based on the additional matching cost documentation that RST provided in response to the draft report, we consider \$8,002 of the \$256,975 in unsupported matching costs remedied. Therefore, we recommend that OJP Remedy the remaining \$248,973 in unsupported matching costs.

This recommendation can be closed when we receive documentation that OJP has remedied the remaining \$248,973 in unsupported matching costs.

9. Coordinate with RST to ensure it meets its matching requirements, tracks all matching transactions on its general ledgers, and implements new policies and procedures to ensure matching costs are properly supported.

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with RST to obtain a copy of written policies and procedures, developed and implemented, to ensure that all matching requirements are met, properly recorded in its grant accounting records, and adequately supported.

RST did not agree or disagree with our recommendation. In its response, RST stated that it will share monthly match progress with the programs and finance departments on all OVC grants to ensure that, if at any point, a site is behind in reaching its expected matching contribution, senior leadership and the local site will create a strategic plan for meeting the required match. RST also stated that additional detail and justification will be added to all donation logs moving forward, including: the funder, type of match, value of the match, full justification for match, and donor and client signatures. Additionally, RST stated that staff training on how to properly complete the donation log form is scheduled for the first week of April and will be conducted by its programs department. Additionally, RST stated that in October 2019, its finance department began reviewing all match documentation to ensure its matching costs are allowable and supported. RST also stated that starting in fiscal year 2020, federal match requirements

were added to its general ledgers for the awards as an additional measure to track progress towards expected match outcomes.

This recommendation can be closed when we receive documentation showing that RST is meeting its matching requirements, tracking all matching transactions on its general ledgers, and implemented new policies and procedures to ensure matching costs are properly supported.

10. Coordinate with RST to ensure that it submits accurate FFRs.

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

RST did not agree or disagree with our recommendation. In its response, RST stated that it believes the FFRs were correct at the time of submission and the differences were due to later corrections in accounting records. We disagree with this statement. As stated in the Federal Financial Reports section of this report, the award expenditures for 8 of the 15 FFRs tested did not match RST's accounting. Additionally, we noted that RST over reported matching costs on the final FFR for Award Number 2014-VT-BX-K024 by \$108,163 and over reported matching costs on the final FFR for Award Number 2016-VT-BX-K062 by \$42,998. In its response, RST also stated that it has improved its month-end close process and controls on corrections to ensure corrections are not back-dated and take place in the current period to help remedy the discrepancies in its FFRs.

This recommendation can be closed when we receive documentation showing that RST is submitting accurate FFRs.



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