



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

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



**Audit of the Office of Justice Programs
Office of Juvenile Justice and Delinquency
Prevention Cooperative Agreements
Awarded to the National Center for
Missing and Exploited Children,
Alexandria, Virginia**



Executive Summary

Audit of the Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Cooperative Agreements Awarded to the National Center for Missing and Exploited Children, Alexandria, Virginia

Objectives

The Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three Office of Justice Programs (OJP) awards totaling over \$66 million awarded to the National Center for Missing and Exploited Children (NCMEC) in Alexandria, Virginia. The objectives of this audit were to: (1) determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to (2) determine whether the grantee demonstrated adequate progress towards achieving program goals and objectives.

To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

Results in Brief

As a result of our audit testing, we concluded that the NCMEC demonstrated adequate progress towards achieving stated goals and objectives of the grants. We did not identify any issues regarding the NCMEC's process for reporting its program performance, compliance with special conditions, or compiling federal financial reports. However, we found that the NCMEC could improve how it oversees travel costs charged to the grants and how it documents advances that it includes in its drawdown requests for awarded DOJ grant funds.

Recommendations

Our report contains two recommendations to OJP for improving its oversight of NCMEC travel charges and drawdowns of OJP grant funds. In addition, we requested a response to our draft audit report from the NCMEC and OJP, and their responses are appended to this report as Appendix 2 and 3, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations, can be found in Appendix 4 of this report.

Audit Results

The NCMEC is a non-profit organization founded in 1984 to provide a coordinated, national system for missing and victimized children's cases. Pursuant the Missing Children's Assistance Act, the OJP Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded NCMEC these three awards to: (1) operate a National Resource Center and Clearinghouse for missing and exploited children; (2) operate a national 24-hour toll free telephone line by which individuals may report information regarding the location of a missing child and request information pertaining to procedures necessary to reunite the child with his or her legal custodian; (3) assist families and law enforcement agencies in locating and recovering missing and exploited children; (4) operate a cyber tip line to provide online users and electronic service providers an effective means of reporting Internet-related child sexual exploitation; and (5) provide training and assistance to law enforcement agencies in identifying and locating threats to children.

As of March 2017, the NCMEC had drawn down \$52,673,632 (80 percent) of the total funds it received under these awards.

Program Goals and Accomplishments - The NCMEC demonstrated adequate progress towards achieving the goals and objectives of the awards. We tested a judgmental selection of NCMEC's reported accomplishments and determined they were supported with adequate documentation.

Travel Costs – NCMEC employees did not consistently adhere to travel policies regarding itinerary changes and per diem rates that resulted in some additional costs.

Drawdowns – Our testing revealed a deficiency in the NCMEC's practice of requesting payroll advances when drawing down funds. We found that each drawdown request included a payroll advance but did not justify the need for such or explicitly communicate that the drawdown request included advances. The lack of proper policies and procedures regarding such requests could result in the NCMEC drawing down an improper amount of grant funds in the future.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
COOPERATIVE AGREEMENTS AWARDED TO THE NATIONAL
CENTER FOR MISSING AND EXPLOITED CHILDREN,
ALEXANDRIA, VIRGINIA**

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**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
COOPERATIVE AGREEMENTS AWARDED TO THE NATIONAL
CENTER FOR MISSING AND EXPLOITED CHILDREN
ALEXANDRIA, VIRGINIA**

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of three cooperative agreements (grants) awarded by the Office of Justice Programs (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP) to the National Center for Missing and Exploited Children (NCMEC) in Alexandria, Virginia.¹ As shown in Table 1, between fiscal years (FY) 2015 and 2016 the OJJDP funded three awards to the NCMEC that totaled over \$66 million under the *Missing Children's Assistance Act* (MCAA).²

**Table 1
OJJDP Grants Awarded to the NCMEC**

| Award Number | Award Date | Project Start Date | Project End Date | Award Amount |
|---------------------|-------------------|---------------------------|-------------------------|---------------------|
| 2015-MC-FX-K001 | 07/08/2015 | 06/01/2015 | 05/31/2016 | \$25,695,597 |
| Supplement 1 | 09/08/2015 | 06/01/2015 | 05/31/2016 | 6,000,000 |
| Supplement 2 | 09/27/2016 | 06/01/2015 | 10/31/2016 | 25,000 |
| 2016-MC-FX-K001 | 08/05/2016 | 06/01/2016 | 05/31/2017 | 28,338,000 |
| 2016-MC-FX-K054 | 09/27/2016 | 06/01/2016 | 05/31/2017 | 6,000,000 |
| | | | Total: | \$66,058,597 |

Source: OJP's Grants Management System (GMS).

The Grantee

The NCMEC is a non-profit organization whose mission is to help find missing children, reduce child sexual exploitation, and prevent child victimization. Since 1984, the NCMEC has served as the national clearinghouse and resource center for victims, law enforcement, and the public on issues relating to missing and sexually exploited children.

Under the MCAA, the NCMEC receives funds to provide services in 22 specific areas each year. Such areas include programs to: (1) operate its National Resource Center and Clearinghouse (NRCC) for missing and exploited children; (2) operate a national 24-hour toll free telephone line by which individuals may report information regarding the location of a missing child and request information

¹ The OJJDP awards cooperative agreements when it (or its bureaus or program offices) anticipates being substantially involved with the recipient during performance of the funded activity. We use the terms cooperative agreements, grants, and awards interchangeably throughout this report.

² See 42 U.S.C. § 5773 (2017). The Missing Children's Assistance Act (MCAA) has been amended multiple times to reauthorize funding to the NCMEC; the most recent reauthorization expires at the end of FY 2018.

pertaining to procedures necessary to reunite the child with his or her legal custodian; (3) assist families and law enforcement agencies in locating and recovering missing and exploited children, both nationally and internationally; (4) operate a cyber tip line to provide online users and electronic service providers an effective means of reporting Internet-related child sexual exploitation; and (5) provide training and assistance to law enforcement agencies in identifying and locating threats to children, such as non-compliant sex offenders. Additionally, the NCMEC receives grant funds each year from the U.S. Secret Service (USSS) via an interagency agreement with the OJJDP to support its programs.³

OIG Audit Approach

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

We tested compliance with what we considered to be the most important conditions of the grants. The authorizing MCAA legislation, the 2015 DOJ Financial Guide, and the award documents contained the primary criteria we applied during the audit. We also reviewed relevant NCMEC policies and procedures and interviewed NCMEC personnel to determine the NCMEC's progress towards achieving the grant objectives.

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

³ The interagency agreement between the USSS and the DOJ also transferred the responsibility for issuing and administering these grants to the OJJDP. We thus refer to these funds as OJJDP grants throughout the report.

AUDIT RESULTS

Program Performance and Accomplishments

The OJJDP awarded funds to the NCMEC each year to fulfill MCAA requirements and operate as the official national resource center and information clearinghouse for missing and exploited children. In addition to the OJJDP awards, the NCMEC received from the USSS \$6 million in FY 2015 and FY 2016 to supplement its MCAA programs.⁴ The NCMEC further received a supplemental DOJ award of \$25,000 to develop an internet safety Public Safety Announcement (PSA) for the National Strategy for Child Exploitation and Prevention and Interdiction.⁵

We reviewed award documents and interviewed grantee officials to determine whether the NCMEC demonstrated adequate progress towards achieving the goals and objectives of each award. We also reviewed the quarterly and annual progress reports that the NCMEC submitted to the OJJDP to verify reported progress on program activities and deliverables. Finally, we reviewed the NCMEC's compliance with the special conditions identified in the award documents. Our review found no indications that the NCMEC was not adequately achieving the stated goals and objectives of the grants. We therefore conclude that the NCMEC appears to be on track to meet the goals and objectives of these awards.

Performance Reporting

Both the 2015 DOJ Financial Guide and award special conditions require that grant recipients submit semiannual progress reports for each grant and adequately support reported accomplishments with appropriate evidence.⁶ To verify the information included in NCMEC's performance reports, we selected a judgmental sample of performance measures from reports submitted for each OJJDP grant.⁷ Specifically, we traced two reported accomplishments for the FY 2015 award and one accomplishment for each FY 2016 award to NCMEC supporting documents. Based on our progress report testing, the NCMEC adequately supported its reported accomplishments.

⁴ The OJJDP distributed the USSS funds to the NCMEC in FY 2015 as a supplement under award number 2015-MC-FX-K001 and in FY 2016 as a standalone award through grant number 2016-MC-FX-K054.

⁵ The purpose of the supplement was to develop a PSA focused on the dangers of "sextortion" and online enticement. The objective of the PSA is to educate the public on the growing number of reports concerning incidents of sextortion and to provide tools to help children and their families identify, prevent, and stop this crime.

⁶ The NCMEC submits progress reports on a semiannual basis for each award.

⁷ These reports covered the periods June 2015 through July 2016 (for 2015-MC-FX-K001) and October 2016 through December 2016 (for 2016-MC-FX-K001 and 2016-MC-FX-K054).

Compliance with Special Conditions

Special conditions are award terms and conditions that set additional award recipient requirements. We evaluated the special conditions for the three awards and identified two that we deemed significant to grant performance and otherwise not addressed in another section of this report. The first special condition required the NCMEC to notify the OJJDP of changes to the Project Director position and other key program personnel on each grant, and only replace key program personnel for compelling reasons. The second special condition required the NCMEC to request prior approval from the OJJDP for any sole-source procurement in excess of \$150,000.

Our review found that the NCMEC requested OJJDP approval for key personnel changes and prior approval for a sole-source procurement. Based on our testing, we determined that the NCMEC complied with the special conditions under review for the three OJJDP awards.

Grant Financial Management

The 2015 DOJ Financial Guide requires all grant recipients to establish and maintain adequate accounting systems and financial records, and to account accurately for funds awarded to them. To assess the NCMEC's financial management of the three awards, we reviewed its financial policies and procedures and interviewed key personnel to determine whether the NCMEC adequately safeguarded the grant funds we audited. We also reviewed the NCMEC's Single Audit Report for FY 2015 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 these grants, as discussed throughout this report. With the exception of policies and procedures regarding drawdown requests that we detail below, we found that the NCMEC has established adequate policies and procedures to govern the management of federal funds.

Grant Expenditures

For the FY 2015 and FY 2016 awards, the NCMEC's approved budgets included the following categories: personnel, fringe benefits, travel, equipment, supplies, contractual, indirect, and other costs. To determine whether costs charged to the grants were allowable, supported, and properly allocated in compliance with award requirements, we judgmentally selected and tested 75 transactions representing \$1,183,954 in grant expenditures and \$35,614 in credits. We further judgmentally selected eight labor adjustments totaling \$18,407. For each selected transaction and adjustment, we reviewed available supporting documents and accounting records and performed testing related to each grant.

The tested transactions for personnel, fringe benefits, equipment, supplies, contracts, and other direct costs were allowable, supported, and properly allocated to the grants. We additionally calculated the indirect costs for each project using

the NCMEC's approved indirect cost rate and did not identify issues related to the indirect costs charged to the grants.

Our testing identified concerns regarding travel costs charged to the grants. Both the FY 2015 and 2016 award budgets allowed the NCMEC to use grant funds to pay for costs associated with personnel traveling to: (1) provide training and technical assistance, and (2) attend official meetings and conferences related to the funded programs. We tested \$4,184 in travel costs that the NCMEC allocated to award number 2015-MC-FX-K001. The travel expenses included charges made by one employee for airfare, mileage, parking, tolls, taxicab fares, vehicle rentals, lodging, and meals during a business trip. To complete our testing, we requested and reviewed the NCMEC's travel policy, expense report, applicable receipts, and evidence of payment.

According to the 2015 DOJ Financial Guide, travel costs must comply with the grantee's established travel policy. Under the NCMEC's travel policies, travelers must cite a business need in their expense report to justify itinerary changes whenever such changes result in additional costs.⁸ Our testing identified \$402 of additional costs associated with itinerary changes without justifications. An NCMEC representative acknowledged that these charges did not comply with the travel policies and unallocated these charges to the grant.

The NCMEC travel policies applied the federal per diem rate to reimburse travelers for meals and incidental costs.⁹ Our testing also identified an employee who charged an incorrect per diem rate for meals and incidental expenses, resulting in nominal overcharges to the grant.

We believe that these issues demonstrate that the NCMEC should better ensure that its employees follow its travel policies so that only appropriate expenses will be charged to the audited grants, which, in part, support travel to support funded programs. We therefore recommend that OJP work with the NCMEC to ensure that all of its travelers consistently adhere to its travel policies, particularly with regard to itinerary changes that result in additional fees and applying per diem rates.

Budget Management and Control

According to the 2015 DOJ Financial Guide, the award recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, the grant recipient must initiate a Grant Adjustment Notice (GAN) for a budget modification that reallocates funds among budget categories if

⁸ Specifically, the business necessity justification should be submitted contemporaneously with the expense report and the NCMEC may determine that any changes that are not the result of business necessity are the responsibility of the traveler.

⁹ The U.S. General Services Administration establishes the daily rates that federal employees may receive for a single calendar day of travel for destinations in the continental United States. The rates are set by fiscal year, effective October 1 each year.

the proposed cumulative change is greater than 10 percent of the total award amount.

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

Drawdowns

OJP provides recipients access to an electronic financial management system by which grantees must request award funds via drawdowns. According to the 2015 DOJ Financial Guide, award recipients should request funds based upon immediate disbursement or reimbursement needs, and the grantee should time drawdown requests to ensure that the federal cash on hand is the minimum needed for disbursements or reimbursements made immediately or within 10 days. Further, grantees must employ an adequate accounting system to document support of all receipts of federal funds. Table 2 shows the total amount drawn by the NCMEC for each grant as of March 2017.

Table 2
NCMEC Grant Drawdowns
March 2017

| Award Number | Total Award | Amount Drawn Down | Amount Remaining |
|---------------------|----------------------|--------------------------|-------------------------|
| 2015-MC-FX-K001 | \$ 31,720,597 | \$ 31,720,597 | \$ 0 |
| 2016-MC-FX-K001 | 28,338,000 | 17,545,000 | 10,793,000 |
| 2016-MC-FX-K054 | 6,000,000 | 3,408,035 | 2,591,965 |
| Totals | \$ 66,058,597 | \$ 52,673,632 | \$ 13,384,965 |

Source: DOJ OJP Payment History Reports

To assess whether the NCMEC managed its drawdown requests in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures reported in the NCMEC's accounting system and accompanying financial records. We also tested a judgmental selection of one drawdown request for each grant submitted to DOJ OJP by the NCMEC. We found that the NCMEC's accounting records supported the amount of actual costs incurred for its reimbursement requests.

The NCMEC's policies and procedures state that its practice is to regularly draw down on a reimbursement basis and to request advances on Federal awards only when needed.¹⁰ However, we found that the NCMEC's actual drawdown practice was to request reimbursement for (1) actual payroll and non-payroll expenses incurred during the drawdown period and (2) an estimate of a portion of future payroll expenditures that it expected to be incurred in a subsequent pay

¹⁰ NCMEC's policies and procedures specifically state that drawdowns of OJJDP awards should be based on reimbursement.

period. The NCMEC also applied fringe and indirect costs to these estimated payroll costs.

The Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Guidance) indicates that a non-federal entity can receive advance payments, if it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-federal entity, and financial management systems that meet the standards for fund control and accountability.¹¹ The Guidance also states that advance payments to a non-federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program.

While the NCMEC's accounting policy mentions advances, it does not have established procedures on how to estimate or document advances for OJJDP awards to ensure adequate financial management of the funds. Our review found that each drawdown request included a payroll advance but did not justify the need for it or explicitly communicate that the drawdown request included advances. The lack of proper policies and procedures regarding requests for advances could ultimately result in the NCMEC drawing down an improper amount of grant funds. Therefore, we recommend that OJP ensure that the NCMEC either: (1) adheres to its established accounting policies and procedures and request only drawdowns of reimbursable expenditures for OJJDP awards or (2) updates its policies and procedures to document and justify the need to draw down advances.

Federal Financial Reports

According to the 2015 DOJ 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 the NCMEC submitted accurate Federal Financial Reports, we compared the four most recent reports submitted to the NCMEC's accounting records for each grant. The quarterly and cumulative expenditures for the reports reviewed matched the accounting records.

¹¹ 2. C.F.R, part 200.305 - Payment. For the purposes of this guidance, a non-federal entity includes a nonprofit organization that carries out a federal award as a recipient or subrecipient, such as the NCMEC.

CONCLUSION AND RECOMMENDATIONS

As a result of our audit testing, we concluded that the NCMEC demonstrated adequate progress towards achieving the grants' stated goals and objectives. We did not identify significant issues regarding the NCMEC's process for reporting its program performance, compliance with special conditions, or compiling federal financial reports. However, we found that the NCMEC could improve how it oversees travel costs charged to the grants, and makes and documents drawdown requests. We provide two recommendations to OJP to address these issues.

We recommend that OJP:

1. Work with the NCMEC to ensure that all of its travelers consistently adhere to its travel policies, particularly with regard to itinerary changes that result in additional fees and applying per diem rates.
2. Ensure that the NCMEC either (1) adheres to its established accounting policies and procedures and request only drawdowns of reimbursable expenditures for OJJDP awards or (2) updates its policies and procedures to document and justify the need to draw down advances.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

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

Scope and Methodology

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

This was an audit of three cooperative agreements awarded by the Office of Justice Programs (OJP) Office of Juvenile Justice and Delinquency Programs (OJJDP) to the National Center for Missing and Exploited Children (NCMEC) under the *Missing Children's Assistance Act* (MCAA). The NCMEC received over \$66 million under cooperative agreement numbers 2015-MC-FX-K001, 2016-MC-FX-K001, and 2016-MC-FX-K054. As of March 28, 2017, the NCMEC had drawn down \$52,673,632 (80 percent) of total grant funds awarded. Our audit concentrated on, but was not limited to, the period of July 8, 2015, the award date for grant number 2015-MC-FX-K001, through the conclusion of our audit work in September 2017.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of the NCMEC's activities related to the audited grants. We performed sample-based audit testing in the areas of grant expenditures, financial reports, and performance reports. In this effort, we employed a judgmental selection design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The authorizing MCAA legislation, the 2015 DOJ 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 (GMS) as well as the NCMEC'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 was verified with documentation from other sources.

THE NATIONAL CENTER FOR MISSING AND EXPLOITED CHILDREN'S RESPONSE TO THE DRAFT AUDIT REPORT



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Other offices
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November 3, 2017

TO: John Manning
Regional Audit Manager
U.S. Department of Justice, Office of Inspector General

FROM: Michelle DeLaune 
Senior Vice President, Chief Operating Officer
National Center for Missing and Exploited Children

Response of the National Center for Missing and Exploited Children to OIG Audit Recommendations

Thank you for your letter of October 20, 2017, offering the National Center for Missing and Exploited Children (NCMEC) the opportunity to respond to the Audit of the Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Cooperative Agreements Awarded to the National Center for Missing and Exploited Children. The audit report identified two recommendations with our response noted as follows:

I. TRAVEL COSTS:

The OIG report identified one voucher associated with itinerary changes without sufficient justification. It also noted an incorrect per diem rate used for meals and incidental expense, resulting in nominal overcharges to the grant.

NCMEC Response: NCMEC concurs with the OIG recommendation. NCMEC acknowledges that proper documentation for the itinerary change in question was not available and the per diem was not applied consistent with our policies. As noted in the report, NCMEC previously removed the full cost of the itinerary from the grant.

NCMEC Action: NCMEC has taken the following actions:

1. Strengthened its policy to require both approval and written justification prior to allowing itinerary changes.
2. Begun to re-train staff on the revised policy and on its automated travel system (Concur) related to per diem rates used for meals and incidental expenses.
3. Provided a copy of the revised policy to OJJDP and will discuss the policy update with the Audit Committee of NCMEC's Board of Directors, which will meet on December 7, 2017.

II. DRAWDOWNS:

The OIG report identified a lack of written policies for requesting advance drawdowns.

NCMEC Response: NCMEC concurs with the OIG recommendation. NCMEC's practice for drawing down on federal awards is performed on a predominantly reimbursement basis. However, in order to meet our payroll obligations, it is imperative that we draw down some advance funds prior to the end of the current pay period. NCMEC agrees that written drawdown policies indicated the reimbursements of expenses and did not specify the need for partial advance of funds.

NCMEC Action: NCMEC has taken the following actions:

1. Updated its written drawdown policy to reflect its methodology and consistency with drawdowns.
2. Provided a copy of the revised policy to OJJDP and will discuss the policy update with the Audit Committee of NCMEC's Board of Directors, which will meet on December 7, 2017.

We thank you for your comments and appreciate the opportunity to provide these responses to the OIG recommendations.

THE 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

NOV 20 2017

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

FROM: Ralph E. Martin 
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention, Cooperative Agreements Awarded to the National Center for Missing and Exploited Children, Alexandria, Virginia*

This memorandum is in reference to your correspondence, dated October 20, 2017, transmitting the above-referenced draft audit report for the National Center for Missing and Exploited Children (NCMEC). We consider the subject report resolved and request written acceptance of this action from your office.

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

- 1. We recommend that OJP work with NCMEC to ensure that all of its travelers consistently adhere to its travel policies, particularly with regard to itinerary changes that result in additional fees and applying per diem rates.**

OJP agrees with the recommendation. We will coordinate with NCMEC to obtain a copy of written policies and procedures, developed and implemented, to ensure that travel policies are properly followed by NCMEC employees.

2. **We recommend that OJP ensure that NCMEC either (1) adheres to its established accounting policies and procedures and request only drawdowns of reimbursable expenditures for OJJDP awards or (2) updates its policies and procedures to document and justify the need to draw down advances.**

OJP agrees with the recommendation. We will coordinate with NCMEC to obtain a copy of written accounting policies and procedures, developed and implemented, to ensure that requests for funds from its OJJDP awards are based on immediate disbursement requirements, such as: 1) reimbursement for previously incurred expenditures; or 2) advances for expenditures to be incurred/liquidated within 10 days of drawdown.

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

The Office of the Inspector General (OIG) provided a draft of this audit report to the National Center for Missing and Exploited Children (NCMEC) and the Office of Justice Programs (OJP) for review and comment. The NCMEC's response is incorporated in Appendix 2, and OJP's response is incorporated in Appendix 3 of this final report. In response to our draft audit report, OJP 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. Work with the NCMEC to ensure that all of its travelers consistently adhere to its travel policies, particularly with regard to itinerary changes that result in additional fees and applying per diem rates.**

Resolved. OJP agrees with the recommendation. OJP stated in its response that it will coordinate with the NCMEC to obtain a copy of written policies and procedures, developed and implemented, to ensure that NCMEC employees properly follow travel policies.

The NCMEC also concurred with our recommendation and stated in its response that proper documentation for the itinerary change in question was not available and the per diem was not applied consistently in accordance with its policies. The NCMEC stated that it has removed the full cost of the itinerary from the grant. The NCMEC stated that it has strengthened its policy to require both written justification and approval prior to allowing itinerary changes. The NCMEC also stated it has begun to re-train staff on the revised policy and on its automated travel system regarding per diem rates used for meals and incidental expenses. The NCMEC stated it has provided a copy of the revised policy to OJP and will discuss the policy update with the Audit Committee of the NCMEC's Board of Directors, which will meet on December 2017.

This recommendation can be closed when we receive evidence that the NCMEC has informed the Audit Committee of the NCMEC's Board of Directors of the new policy change.

- 2. Ensure that the NCMEC either (1) adheres to its established accounting policies and procedures and request only drawdowns of reimbursable expenditures for OJJDP awards or (2) updates its policies and procedures to document and justify the need to draw down advances.**

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with NCMEC to obtain a copy of written accounting policies and procedures, developed and implemented, to ensure that requests for funds from its OJJDP awards are based on immediate disbursement requirements, such as: 1) reimbursement for previously incurred expenditures; or 2) advances for expenditures to be incurred/liquidated within 10 days of drawdown.

The NCMEC also concurred with our recommendation. The NCMEC stated in its response that its practice for drawing down on federal awards is performed on a predominantly reimbursement basis with the exception of a payroll advance, which entails an estimate of expenses for one pay period. The NCMEC agreed that its written drawdown policies indicated the reimbursements of expenses and did not specify the need for a partial advance of payroll funds. The NCMEC stated in its response that it has updated its written drawdown policy to reflect its methodology and consistency with drawdowns. The NCMEC further stated in its response that it has provided a copy of the revised policy to OJP and will discuss the policy update with the Audit Committee of NCMEC's Board of Directors, which will meet in December 2017.

This recommendation can be closed when we receive evidence that the NCMEC has informed the Board of the Audit Committee of the NCMEC's Board of Directors of the new policy change.



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