

**LIMITED SCOPE AUDIT OF  
JUSTICE PLANNERS INTERNATIONAL, LLC,  
ATLANTA, GEORGIA**

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

Audit Report GR-40-14-005  
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# LIMITED SCOPE AUDIT OF JUSTICE PLANNERS INTERNATIONAL, LLC, ATLANTA, GEORGIA \*

The Office of the Inspector General (OIG), Audit Division, completed a limited scope audit of Justice Planners International, LLC, (JPI) located in Atlanta, Georgia, to identify any significant risks associated with the management and administration of Department of Justice (DOJ) grants.<sup>1</sup> JPI was selected for a limited scope audit as part of a larger OIG review of the Office of Justice Programs (OJP) Correctional Facilities on Tribal Lands Competitive Grant Program.<sup>2</sup> This report provides the results of our limited scope audit.<sup>3</sup>

Internal controls are intended to provide reasonable assurance that program goals and objectives are met, resources are adequately safeguarded and efficiently used, and reliable data is maintained and fairly disclosed.

Management is responsible for the design, implementation, and maintenance of internal control procedures. Internal controls should be an integral part of each activity management uses to guide its operations.

## Objective

The objective of our limited scope audit was to identify significant risks that represent impediments to effective grant management and administration.

## Scope and Methodology

We conducted our work in accordance with generally accepted government auditing standards, except as noted in the bulleted item below. Those standards require that we plan and perform this audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objective. Because the objective of our audit is limited to identifying significant risks:

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\* The Office of the Inspector General redacted the names of several individuals from Appendices VI and VII of this report to protect the privacy rights of the identified individuals. See Privacy Act of 1974, 5 U.S.C §552(a).

<sup>1</sup> In this report, the terms grant and cooperative agreement are used interchangeably. JPI was established as a Limited Liability Company (LLC) in New Jersey in 2001, and had an office in Atlanta, Georgia. According to the Treasurer of the State of New Jersey, JPI ceased operations and the LLC was cancelled in July 2011.

<sup>2</sup> U.S. Department of Justice Office of the Inspector General, *Review of the Award Process for the Bureau of Justice Assistance Recovery Act Grant Program for Correctional Facilities on Tribal Lands, Category V*, Report 11-18 (February 2011).

<sup>3</sup> During this audit, we identified certain issues requiring further investigation. We made a referral to the OIG's Investigations Division, and put our audit on hold pending resolution of the referral. Subsequently, we were able to complete our audit and issue this report.

- we performed only limited testing of the design and operational effectiveness of internal controls in general and information system controls, in particular.

In our judgment, this departure from generally accepted government auditing standards has no adverse effect on our objective to identify significant risks that represent impediments to effective grant management and administration.

Because of the inherent limitations in grant management and administrative practices, errors or irregularities may nevertheless occur and not be detected. Also, projection of any limited scope results to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. This limited scope audit was performed for the objective described above and would not necessarily disclose all weaknesses in the grantee’s grant management and administrative practices.

JPI management consisted of a President and a Vice President. The President also served as the company Secretary and the Vice President as the Treasurer. The President’s office was located in Closter, New Jersey, and the Vice President’s Office was located in Atlanta, Georgia. JPI was owned by International Partnership for Youth, LLC, which was later renamed Justice Solutions Group, whose President was also JPI’s President, and Mark Goldman & Associates, Inc., whose President was also JPI’s Vice President.

Our audit covered the grantee’s management and administration of the OJP grant to JPI shown in Exhibit 1.

**EXHIBIT 1: OJP GRANT TO  
JUSTICE PLANNERS INTERNATIONAL, LLC**

| <b>AWARD NUMBER</b>                     | <b>AWARD START DATE</b> | <b>AWARD END DATE</b> | <b>AWARD AMOUNT</b> | <b>OBJECTIVE</b>                                                                                                        |
|-----------------------------------------|-------------------------|-----------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------|
| 2006-IP-BX-K001<br>WITH TWO SUPPLEMENTS | 10/01/2005              | 09/30/2010            | \$2,369,838         | Provide technical assistance to tribes in the planning, design, construction and activation of correctional facilities. |

Source: Office of Justice Programs, Grants Management System

We conducted our audit during the period January through May 2010. We reviewed grant documentation and considered internal controls and procedures in place at the time the grant was active, as well as relevant revisions and updates implemented at the time of our audit. We visited the Atlanta office and interviewed the Vice President of JPI. We conducted limited testing related to:

- budget compliance,
- grant drawdowns compared to actual expenses, and

- cancelled checks.

We also sought to conduct limited testing of transactions by judgmentally selecting a sample of grant expenditures for the grants that we audited and internal controls and procedures. We applied a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts, expenditure category, or risk. This non-statistical sample design does not allow projection of the test results to all grant expenditures or internal controls and procedures. Because JPI could not provide adequate records for personnel costs, we expanded our testing of transactions in that area. Our expanded testing covered 92 percent of all the grant funds JPI expended. However, as discussed later in this report, we were unable to complete our testing of transactions because of a lack of adequate records.

In addition, we reviewed monitoring activities, prior audit reports, and OJP reports. We also looked for risks, concerns, and weaknesses.

The Violent Offender Incarceration on Tribal Lands Incentive Grant Program allows the Attorney General to make grants to Indian tribes for the purpose of constructing jails on tribal lands for the incarceration of offenders subject to tribal justice. Through this cooperative agreement, JPI is able to provide technical assistance to tribes in the planning, design, construction, and activation of correctional facilities funded by this program.

We issued our initial draft audit report to the former JPI principals and requested their written comments. In July 2013, we received their comments and additional documentation pertaining to the questioned costs identified in the initial draft report that was not provided to us during the audit. We also received separate responses to our initial draft report from legal counsel for the former JPI President and Vice President. We considered the comments and additional documentation, and we have revised this report accordingly.

## **Results**

Based on our assessment, we identified significant risks that represented impediments to JPI's management and administration of DOJ grant funds. We noted the following information regarding specific control processes examined.

- Control Environment - Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. In April 2012, JPI's former Vice President successfully completed the DOJ Grants Financial Management course.

To gain an understanding of the control environment over DOJ grants, we reviewed the grant applications to determine if JPI completed the standard assurance statements regarding eligibility and compliance with applicable laws and regulations. These are signed electronically with on-line applications and were not

available in hard copy. The OJP Grants Management System indicated through available documentation that JPI completed the required assurance statements when it applied for the grants.

JPI had limited written policies related to internal controls for financial management, management conduct, procurement, and travel. JPI's written policies consisted only of Prime Consultant Agreements and templates for the submission of Trip Approval Requests, Expense Reimbursements, and Trip Reports. Prime Consultant Agreements are written agreements between JPI and individual consultants or firms to provide technical assistance to Indian tribes in the planning, design, and construction of adult and juvenile correctional facilities on tribal lands. The Vice President told us that he operated the company by himself with the assistance of a part-time bookkeeper who works about 6 hours per month.<sup>4</sup> JPI's accounting records are recorded in electronic spreadsheets.

- Risk Assessment - Internal controls should provide for an assessment of the risks the agency faces from both external and internal sources.

We interviewed the Vice President of JPI, who did not identify deficiencies in internal control systems. However, he told us that no risk assessment of internal controls was performed.

- Control Activities - Internal control activities help to ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the entity's grant objectives.

### *Budget Compliance*

The 2005 OJP Financial Guide, Part II, Chapter 3, required grant recipients to maintain accounting records that included the approved budget category associated with each expenditure. We compared the OJP-approved budget line items to supporting accounting records in an effort to identify any significant discrepancies between the approved budget and the accounting records. However, JPI's accounting records for grant expenditures did not include the approved budget categories. Consequently, we were unable to determine whether JPI complied with OJP's budget requirements for this grant.

In response to our initial draft report, JPI's former Vice President stated that he partially agrees with our assessment of JPI's compliance with the OJP-approved budget. As explained in this section of the report, we were unable to assess budget compliance because JPI's accounting records did not include the approved budget categories. We made no recommendation pertaining to this issue, and the former Vice President did not clarify why he only partially agrees with our assessment.

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<sup>4</sup> The grant application identified five individuals to be paid with grant funds – the President, Vice President, two associates, and a bookkeeper. However, the bookkeeper was the only person paid directly by JPI. Payroll records show that JPI did not deduct payroll taxes when it paid the bookkeeper. We concluded that the bookkeeper functioned as a contractor; however, we saw no written contract. The other four individuals were paid indirectly by their parent companies.

## *Transaction Testing*

JPI's accounting records for the period January 1, 2006, through December 31, 2009, consisted of 369 transactions totaling \$1,873,711. Although JPI's accounting records did not include the cost category for each transaction, we attempted to place each transaction into one of the approved budget categories of Personnel and Fringe Benefits, Consultants and Contractors, Travel, Supplies, and Other Costs. We sought to perform limited testing of transactions by selecting a judgmental sample of expenditures based on budget category, dollar amount, or risk. Because JPI did not provide adequate supporting documentation for our preliminary sample of personnel costs, we expanded our testing of transactions in that area. Our total expanded sample consisted of 162 transactions totaling \$1,729,349, which is 92 percent of all the grant funds JPI expended. However, we were unable to complete our testing of all of these transactions because JPI did not provide the supporting invoices, timesheets, or other documentation. The results of our testing are explained below.

*Personnel and Fringe Benefits* – JPI's original grant application along with the two supplements identified five individuals to be paid by the grant. The five individuals included the President, Vice President, two associates, and a bookkeeper. The approved budget authorized everyone but the bookkeeper to be paid \$397 per day and the bookkeeper to be paid \$239 per day. All five individuals were to receive an additional 35 percent of their pay for fringe benefits. The original and supplemental budgets stated the number of days each person was expected to work.

In reviewing the accounting records, we determined that the bookkeeper was the only person paid directly by JPI. According to the Vice President of JPI, the remaining individuals were paid indirectly through the two parent companies. The President of JPI and one associate, located at the JPI office in New Jersey, were paid through one parent company, International Partnership for Youth, LLC. The Vice President of JPI and the other associate, located at the JPI office in Georgia, were paid through the other parent company, Mark Goldman and Associates, Inc. The President of Mark Goldman and Associates, Inc., was also the Vice President of JPI.

Based on a review of the accounting records, we identified 143 payments that potentially involved personnel charges. Of the 143 payments, 45 payments were to the bookkeeper, which we will address separately. The remaining 98 payments consisted of the following. There were 40 payments to each company (International Partnership for Youth, LLC, and Mark Goldman and Associates, Inc.) in the amount of \$15,000 per month for the periods August 2006 through June 2009 and August 2009 through December 2009 for a total of \$1,200,000.<sup>5</sup> There was one initial payment to each company in the amount of \$75,000 for the period December 1, 2005, through July 18, 2006, for a total of \$150,000. And, there were

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<sup>5</sup> In July 2009, there was a \$9,000 payment and a \$6,000 payment to each company (International Partnership for Youth, LLC, and Mark Goldman and Associates, Inc.) for total of \$30,000.

six payments to each company totaling \$166,978 for workshops and projects. These workshop and project payments are listed in Appendix II. The total amount of the payments was \$1,546,978, which is about 83 percent of grant expenditures during the audit period January 1, 2006 through December 31, 2009. We requested the invoices and timesheets for each of these payments to International Partnership for Youth, LLC, and Mark Goldman and Associates, Inc., and the names of the persons and dates charged to the grant along with the dates the persons did grant-related work.

In response to our request, we received three letters from JPI all dated March 10, 2010. The first letter, which is contained in Appendix III, addressed the monthly payments of \$15,000 to each company and stated:

These payments cover the cost for each office to provide training and technical assistance to tribes that have received grants for the renovation and/or construction of correctional facilities on tribal lands.

The second letter, which addressed the payments associated with workshops and projects, stated:

These payments were made to the NJ and GA offices to account for planning and conducting the workshops consistent with what was budgeted for the workshops after other expenses were paid.<sup>6</sup>

The third letter addressed the initial payments of \$75,000 to each of the companies and stated:

To keep projects on track before funding was available, JPI and BJA [Bureau of Justice Assistance] agreed for JPI to continue working with previously funded tribes during the seven months in which BJA funding was not yet available.<sup>7</sup>

According to the 2005 OJP Financial Guide, a grant recipient is required to have source documents, such as personnel and payroll records, to support accounting transactions. The letters and supporting worksheets provided to us are not sufficient source documents for the personnel payments, and the letters and worksheets do not delineate the elements and calculations the payments are based on. Consequently, we question \$1,546,978 as unsupported.

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<sup>6</sup> "NJ and GA offices" refers to the President's office in Closter, New Jersey, and the Vice President's office in Atlanta, Georgia. For two of these payments, we also received worksheets which showed that the labor charges were determined by deducting other expenses from the budget for the workshop or project and then distributing the remaining funds between the two companies, International Partnership for Youth, LLC, and Mark Goldman and Associates, Inc.

<sup>7</sup> This grant is a continuation of a program previously supported by a cooperative agreement between JPI and the National Institute of Corrections. BJA's agreement to continue the project is documented in a letter permitting JPI to incur grant costs pending approval of a continuation award. After JPI received the continuation award, it charged \$150,000 to grant funds for its pre-award costs, but provided us no source documentation for these costs.

We also requested timesheets for all days charged to the grant after January 31, 2008. In response to our request, we received timesheets for the bookkeeper working for JPI and for the associate working for Mark Goldman and Associates, Inc.<sup>8</sup> We determined that the charges to the grant for the bookkeeper were supported. However, the associate's timesheets did not document that he had performed any work for JPI.<sup>9</sup> The only explanation initially provided to us regarding the \$15,000 monthly payments to Mark Goldman and Associates and International Partnership for Youth, LLC, was that these payments were for "staff salaries." However, we could not reconcile the timesheets and personnel costs for the associate to the \$15,000 monthly payments. For the remaining three individuals identified in the personnel section of the grant budget, JPI provided us no timesheets. The \$15,000 monthly payments are included in the \$1,546,978 in personnel costs that we question as unsupported.

After receiving our initial draft audit report, JPI's former President and Vice President separately provided us, through their counsels, comments regarding our concerns about the \$15,000 payments. We discuss below our assessment of those comments.

In response to our initial draft report, JPI's former President told us that the 2005 OJP Financial Guide (the Guide), which was in effect during the period covered by the JPI cooperative agreement, did not require timesheets for recipients that have only one grant or cooperative agreement award. The former President quoted the portion of the Guide that says:

Where salaries apply to the execution of two or more grant programs, cost activities, project periods, and/or overlapping periods, proration of costs to each activity must be made based on time and/or effort reports.<sup>10</sup>

We do not believe that the quoted language relieves recipients of the requirement to retain time and attendance or effort reports when those recipients have only one award. As the Guide further explains, recipients must retain documentation to support accounting transactions, including time and attendance or effort reports for all individuals reimbursed under the award. The relevant Guide language states that:

Personnel and payroll records shall include the time and attendance reports for all individuals reimbursed under the award, whether they

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<sup>8</sup> There was also an associate who worked for the other parent company, International Partnership for Youth, LLC. We were not provided timesheets for this individual.

<sup>9</sup> The associate's timesheets provided the number of hours worked each day but no information about the projects or tasks he worked on.

<sup>10</sup> OJP Financial Guide, March 2005, page 68.

are employed full-time or part-time. Time and effort reports are also required for consultants.<sup>11</sup>

JPI's former President also told us that even if the Guide required time and effort reports it imposes no requirement as to form or frequency. However, the special conditions of the award state that the recipient must comply with the financial and administrative requirements set forth in the Guide. Those requirements include Office of Management and Budget (OMB) Circular A-122 for non-profit organizations and the Federal Acquisition Regulation (FAR) for commercial (profit-making) organizations.<sup>12</sup> Title 2, C.F.R. §230, Attachment B, paragraph 8m states:

Charges to awards for salaries and wages will be based on reports reflecting the distribution of activity for all individuals whose compensation is charged in whole or in part directly to the award. These reports must be prepared at least monthly and must coincide with one or more pay periods. These reports must reflect an after-the-fact determination of the actual activity. Budget estimates determined before the services are performed do not qualify as support for charges to awards.

For commercial profit-making organizations, Federal Acquisition Regulation 4.705-2, states that contractors must retain the following types of pay administration records.<sup>13</sup>

Clock cards or other time and attendance cards, payroll sheets, registers, or their equivalent, of salaries and wages paid to individual employees for each payroll period.

Based on the cost principles for non-profit organizations (2 C.F.R. §230) and the Federal Acquisition Regulation for commercial profit-making organizations, JPI had to retain monthly time and attendance records to support the \$15,000 monthly payments JPI made for personnel costs.

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<sup>11</sup> OJP Financial Guide, March 2005, page 102.

<sup>12</sup> OMB Circular A-122, Cost Principals for Non-Profit Organizations, is codified in 2 C.F.R. §230. OJP's Office of the Chief Financial Officer agreed that JPI was required to follow 2 C.F.R. §230.

<sup>13</sup> A contractor must retain time and attendance cards for 2 years and other pay administration records for 4 years from the end of the fiscal year in which it charged personnel costs to the government. JPI last charged personnel costs to the award in December 2009 and its fiscal year ended December 31, 2009. Consequently, JPI had to retain the time and attendance cards until December 31, 2011, and the other pay administration records until December 31, 2013. The OJP Financial Guide also requires award recipients to retain such records for at least 3 years, but if an audit is started before the expiration of the 3 years then those records must be retained until completion of the audit. The audit began in January 2010. Consequently, JPI had to retain time and attendance and other pay administration records for the audit. According to the OJP Financial Guide, contractors include award recipients, sub-recipients, commercial for-profit organizations, and non-profit organizations.

In response to the initial draft report, JPI's former President also provided an analysis of grant funds drawn down from OJP compared to the daily salary and fringe benefit rate approved by OJP times the estimated number of days worked in a year. The former President also provided affidavits signed by three staff with their estimates of time spent on JPI grant activities. The analysis and the affidavits from the former JPI President were intended to demonstrate that the principals had employed sufficient staff to support the amount of grant funds drawn down from OJP, including the \$15,000 monthly payments. According to the analysis prepared by the former JPI President's independent auditor, the grant fund drawdowns from OJP through 2008 totaled \$1,066,000.<sup>14</sup> Based on the approved daily rate of \$535.95 per day for salary and fringe benefits and the independent auditor's estimate that staff worked 240 days per year, the former JPI President believed that the parent companies had employed a sufficient number of staff to justify the \$1,066,000 of the grant fund drawdowns. The analysis did not address the \$15,000 monthly payments.

JPI's former President did not provide time and attendance reports or any other documentation to support that staff had worked 240 days per year. The former president also provided no support for the percentages of time that staff may have spent on activities related to the JPI grant. In addition, the former JPI President's financial analysis included grant funds drawn down through 2008, but JPI continued drawing down grant funds from OJP and making unsupported \$15,000 monthly payments until December 2009. As a consequence, \$804,018 in grant funds drawn down from OJP and \$180,000 in monthly payments are not included in the former JPI President's analysis.

Regarding the signed affidavits, three staff provided statements explaining their duties and estimates of the percentages of time they spent on activities related to the JPI grant. Those percentages ranged from 85 to 95 percent through 2008 then dropped to less than 40 percent in 2009. One affidavit did not provide an estimate for the percentage of time spent on the JPI grant. Because percentages of time are not supported by documentation and could not be verified to other sources of information, the affidavits are not adequate to support the former JPI President's analysis or the costs we consider to be unsupported.

In response to our initial draft report, JPI's former Vice President told us that personnel doing work for JPI were paid by JPI's two parent organizations, which were Mark Goldman & Associates, Inc. and International Partnership for Youth, LLC. He said that the \$15,000 monthly payments made to the parent organizations were based, in part, on "average and typical" personnel time of the parent organizations' staff multiplied by the OJP-approved rate of \$535.95 per day. He said that the payments also included reimbursement for overhead costs that were not included in the approved budget for the cooperative agreement. However, the former JPI Vice President provided no documentation that we could use to verify the accuracy of the \$15,000 payments to the parent organizations.

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<sup>14</sup> According to OJP's records, total grant funds drawn down during the period July 20, 2006, through December 4, 2009, totaled \$1,870,018. We could not reconcile the \$1,870,018 to the \$1,066,000 drawdown amount in the analysis prepared by the former JPI President's independent auditor.

Regarding Mark Goldman & Associates' personnel costs in support of JPI activities, the former Vice President directed us to records provided to the OIG in conjunction with the investigation discussed in footnote 3 on page 1 of this report. Those records consist of payroll and other documentation not tied directly to the \$15,000 payment transactions. According to the OJP Financial Guide, transactions charged to the cooperative agreement must be supported by time and attendance or effort reports. We concluded that the \$15,000 payments to Mark Goldman and Associates, Inc. and International Partnership for Youth, LLC, are not supported as required and thus we continue to question those costs.

Consultants and Contracts – In accordance with the grant application, JPI employs consultants to assist in providing technical assistance to Indian tribes. The work performed by the consultants is governed by written agreements. JPI provided us copies of seven such agreements. According to the agreements, a consultant tracks a designated tribe's facility development and activation process and provides, or arranges for the provision of, technical assistance at each stage of the process. Consultants are paid in two ways. First, they receive from JPI, an annual fee of \$5,400 for each tribe for which they are designated as the consultant. JPI generally pays this fee in quarterly installments. Additionally, they receive \$500 annually for expenses, which is also generally paid on a quarterly basis. Second, JPI pays consultants \$450 per day plus expenses for site visits.

The agreements specify several deliverables that the consultants must periodically provide to JPI. Each month, consultants must furnish JPI a "Tribal Record With Log" and an "Assessment of Project Status & Technical Assistance Needs."<sup>15</sup> Other deliverables, such as "Design Review," "Prompt Notice of Critical Issues/Occurrence," and "Requests for Specialists", are furnished as needed.<sup>16</sup> Additionally, consultants must submit to JPI, a Trip Approval Request Form for all site visits and a Trip Report and Expense Reimbursement Form within 2 weeks after returning from each site visit.

In JPI's accounting records, we identified 99 payments totaling \$183,972 to consultants. We judgmentally selected 31 payments totaling \$65,803 for testing. Our sample included one or more payments to each consultant identified in the accounting records. Our sample also included, to the extent possible, at least one quarterly payment and one trip payment for each consultant. For the quarterly payments to consultants, we requested copies of the payment invoice and the required deliverables such as Tribal Record With Log and Assessment of Project

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<sup>15</sup> According to the consultant agreements, a Tribal Record With Log provides JPI with the critical information it needs to track the progress of each project. It includes a telephone log of interviews with client tribes. The Assessment of Project Status & Technical Assistance Needs form provides JPI with data for each project.

<sup>16</sup> A Design Review is a review conducted by JPI of design documents developed by client tribes. Consultants participate in these reviews, which are completed in conformity with JPI design review guidelines. Prompt Notices of Critical Issues/Occurrences are written notifications from consultants to JPI regarding substantive issues or occurrences affecting the timely completion and opening of a facility. A Request for Specialist is submitted by consultants when a tribe needs additional expertise.

Status and Technical Assistance Needs forms. For site visits, we requested the Trip Approval Form, Expense Reimbursement Form, and the Trip Report. In response to our request, JPI furnished us copies of correspondence to consultants regarding quarterly payments, copies of the relevant agreements, and Expense Reimbursement Forms. In two instances we were furnished copies of Trip Reports. In all other instances, we were not furnished either the Tribal Record With Log or the Assessment of Project Status & Technical Assistance Needs for quarterly payments or the Trip Reports for site visit payments. Of the 31 payments we tested, we questioned 30 of these payments totaling \$58,622 as either unsupported or only partially supported.

In its response to our initial draft report, JPI's former Vice President said that he had no record of any previous requests from auditors for support for payments to JPI consultants. However, we sent the JPI Vice President an e-mail on February 2, 2010, requesting supporting documents, such as Tribal Record With Logs, for payments related to consultants, personnel, supplies, travel, and other expenses.

Along with their comments to our initial draft report, JPI's former President and Vice President provided documentation adequate to support \$51,020 of \$58,622 in consultant payments that we originally found to be unsupported or partially supported. These documents were not provided to us during the audit. However, we have reduced the questioned costs pertaining to consultant payments from \$58,622 to \$7,602. Details of the remaining \$7,602 in unsupported consultant payments are presented in Appendix IV.

Travel – We identified 101 travel payments in JPI's accounting records. We judgmentally selected 18 payments for testing. The amounts claimed appeared allowable and reasonable.

Supplies – We identified six supply purchases in JPI's accounting records. We judgmentally selected three of those payments for testing. We found each of the three payments were allowable and adequately supported.

Other Expenses – We identified 22 transactions in JPI's accounting records that did not fit into any other cost category. From this number, we judgmentally selected nine payments for testing. We found four of these payments were allowable and adequately supported. However, one payment for \$2,200 was for "Wild Horse Pass tours on Sunday 7/29/07 and Monday 8/1/07."<sup>17</sup> We consider the expense as entertainment. According to the OJP Financial Guide, Chapter 16, entertainment costs are unallowable for conferences and workshops. We question the \$2,200 payment as unallowable.

We also identified four payments of \$695 each to JPI's accounting firm for preparing annual federal and state partnership income tax returns. Although JPI was a for-profit company, special condition number 10 of the grant prohibits JPI from making a profit on the grant-funded operation. Further, JPI is taxed as a

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<sup>17</sup> Text in quotes is as it appears on the invoice. However, the date 8/1/07 was a Wednesday.

partnership and any income taxes are to be reported and paid by the partners. Thus, the cost of preparing the income tax returns is the responsibility of the individual partners, not the federal government. We question the \$2,780 in income tax preparation payments as unallowable.

In the response to our initial draft report, the former JPI Vice President disagreed with our finding. The former official argued that payments to accountants to provide internal controls should be allowable. However, JPI charged \$9,685 to the grant for accounting services, but only \$2,780 of that amount was unallowable. The \$6,905 allowable portion included \$5,000 charged to the grant for the cost of JPI's 2007 financial audit conducted by a public accounting firm. This financial audit included a review of JPI's internal controls, and we consider that cost to be both reasonable and allowable.

*Verification of "Minimum Cash on Hand" Policy*

According to the OJP Financial Guide, grant recipients should time their drawdown requests to ensure that federal cash on hand is the minimum needed for disbursements or reimbursements to be made immediately or within 10 days. To determine the accuracy of JPI's Requests for Reimbursement, we tested drawdowns made for the grant by reconciling total drawdowns reported by OJP to total expenditures according to JPI's accounting records.<sup>18</sup> As shown in Exhibit 2, based on our comparison of drawdowns to accounting records, we found that expenditures exceeded drawdowns for the grant. According to JPI's accounting records, some grant fund drawdowns were more and some were less than grant expenditures. As shown in Exhibit 2, cumulative grant fund drawdowns were less than grant expenditures.

**EXHIBIT 2: DRAWDOWNS COMPARED TO ACCOUNTING RECORDS**

| <b>GRANT NUMBER</b> | <b>DATE OF LAST DRAWDOWN PER OJP</b> | <b>CUMULATIVE DRAWDOWNS PER OJP</b> | <b>CUMULATIVE EXPENDITURES PER ACCOUNTING RECORDS</b> |
|---------------------|--------------------------------------|-------------------------------------|-------------------------------------------------------|
| 2006-IP-BX-K001     | 12/08/09                             | \$1,870,018                         | \$1,873,711                                           |

Source: JPI officials and Office of Justice Programs

*Cancelled Checks and Bank Reconciliation*

According to the Vice President, JPI's bookkeeper performs monthly reconciliations of the bank statements to the accounting records. We noted that the accounting records included a "Chkd" column indicating that each payment is reconciled with the bank statement. We selected two bank statements and traced all cancelled checks listed on the bank statements to the accounting records. We did not find any discrepancies between the bank statements and the accounting records provided by JPI.

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<sup>18</sup> We sought to test individual drawdown amounts. We selected a judgmentally selected sample of drawdowns and asked JPI to identify the accounting records associated with those drawdowns but we did not receive a response from JPI.

- Information and Communications - Information should be recorded and communicated to management and others within the entity that need the information, in a form and within a timeframe that enables them to carry out their internal control and other responsibilities.

As previously discussed, the former Vice President told us that he operated JPI with the assistance of a part-time bookkeeper who worked about 6 hours per month. Other than the deficiencies in JPI's procedures noted in this report, we found no significant deficiencies with JPI's communication of existing policies to its employees.

- Monitoring - Internal control monitoring should assess financial reporting over time and ensure that the findings of audits and other reviews are promptly resolved.

#### *Monitoring of Subcontractors*

JPI provides a portion of its technical assistance to Indian tribes through consultants. As discussed above under *Transaction Testing, Consultants and Contracts*, during the audit we requested, but JPI did not provide us copies of most of the deliverables required by the consultant agreements. Consequently, we could not determine whether JPI adequately monitored its subcontractors. The former Vice President of JPI did not explain why he did not provide copies of all deliverables. Along with their responses to our February 2014 draft report, the JPI principals provided copies of most of the contract deliverables that were not provided during the audit.

#### *External Audits and Reviews*

Because its cumulative federal expenditures for fiscal year (FY) 2007 were over \$500,000, JPI was required by OMB Circular A-133 to have a Single Audit completed for that year. During the other years in which JPI received federal grant funds (FY 2006, FY 2008, and FY 2009), federal expenditures were less than \$500,000 and therefore a single audit was not required during those years. We reviewed the FY 2007 audit, which did not identify any deficiencies in internal controls that were considered to be material weaknesses; however, the report identified a significant deficiency that could affect DOJ grants. The report stated the following:

Due to the size of the company, we observed a lack of separation of duties involved in the Company's internal control structure. We recognize that this deficiency is common among organizations of this size due to its lack of financial resources and budgetary constraints. This deficiency may adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles. However, we believe the Company's members have demonstrated adequate professional judgment and integrity to mitigate the need to classify this deficiency as a material weakness.

In light of this finding by the contractor that conducted the single audit, we expanded our testing of transactions to include all payments to JPI's parent companies that appeared to include labor charges.

*Compliance with Required Reporting*

To evaluate timeliness and determine whether information in the progress reports addressed grant objectives, we selected and reviewed the two most recent progress reports. We found that both progress reports were submitted timely as required by OJP guidelines and addressed grant objectives and reporting requirements.

To assess JPI's financial reporting, we selected and reviewed the last four Financial Status Reports (FSRs) submitted to OJP and found that all were submitted timely. We also verified expenditures reported on the FSRs against JPI's accounting records, as shown in Exhibit 3.

**EXHIBIT 3: FINANCIAL STATUS REPORT ACCURACY**

| REPORT PERIOD       | EXPENDITURES PER FSRs | EXPENDITURES PER THE ACCOUNTING RECORDS | DIFFERENCE |
|---------------------|-----------------------|-----------------------------------------|------------|
| 10/01/08 - 12/31/08 | \$117,081.37          | \$117,081.37                            | \$0.00     |
| 01/01/09 - 03/31/09 | 114,675.07            | 114,675.07                              | 0.00       |
| 04/01/09 - 06/30/09 | 104,762.18            | 104,762.18                              | 0.00       |
| 07/01/09 - 09/30/09 | 109,515.98            | 109,515.98                              | 0.00       |

Source: Office of Justice Programs, Grants Management System and JPI officials

As shown above, we found that expenditures reported on all four Financial Status Reports matched expenditures per the accounting records for the time period.



Because of the inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of the results of this audit to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our audit was performed for the limited objectives described previously and would not necessarily disclose all weaknesses in JPI's operating procedures, accounting practices, and compliance with policy.

## **Recommendations**

We recommend that the Office of Justice Programs:

1. Remedy the \$1,554,580 in unsupported costs.
2. Remedy the \$4,980 in unallowable costs.

**APPENDIX I****SCHEDULE OF DOLLAR-RELATED FINDINGS**

| <b>DESCRIPTION</b>                          | <b>AMOUNT</b>      | <b>PAGE</b> |
|---------------------------------------------|--------------------|-------------|
| Unsupported Questioned Costs: <sup>19</sup> |                    |             |
| Personnel and Fringe Benefits               | \$1,546,978        | 7           |
| Consultants and Contracts                   | \$7,602            | 11          |
| Unallowable Questioned Costs:               |                    |             |
| Other Costs (Entertainment)                 | 2,200              | 12          |
| Other Costs (Tax Preparation)               | 2,780              | 12          |
| <b>TOTAL DOLLAR-RELATED FINDINGS</b>        | <b>\$1,559,560</b> |             |

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<sup>19</sup> 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.

## APPENDIX II

### UNSUPPORTED WORKSHOP AND PROJECT LABOR CHARGES<sup>20</sup>

| Transaction Date | Paid To                         | Transaction Description                                                    | Dollar Value     |
|------------------|---------------------------------|----------------------------------------------------------------------------|------------------|
| 12/16/06         | Mark Goldman & Associates, Inc. | Additional Labor for Albuquerque Conference                                | \$20,000         |
| 12/16/06         | IPFYouth                        | Additional Labor for Albuquerque Conference                                | \$20,000         |
| 4/12/07          | Mark Goldman & Associates, Inc. | ATJRC/Albuq. Rept                                                          | \$19,221         |
| 4/12/07          | IPFYouth                        | ATJRC/Albuq. Rept                                                          | \$19,221         |
| 9/17/07          | Mark Goldman & Associates, Inc. | Tribal Justice / labor                                                     | \$6,006          |
| 9/17/07          | IPFYouth                        | Tribal Justice / labor                                                     | \$6,006          |
| 9/22/07          | Mark Goldman & Associates, Inc. | Labor - (added 9/07) BJA Workshop, Little Creek, Shelton, Washington, 8/07 | \$15,914         |
| 9/22/07          | IPFYouth                        | Labor - (added 9/07) BJA Workshop, Little Creek, Shelton, Washington, 8/07 | \$15,914         |
| 12/27/07         | Mark Goldman & Associates, Inc. | Fact Sheet/Santa Ana – Labor                                               | \$15,810         |
| 12/27/07         | IPFYouth                        | Fact Sheet/Santa Ana - Labor                                               | \$15,810         |
| 5/27/08          | Mark Goldman & Associates, Inc. | NNCA 5/5-8/08                                                              | \$6,538          |
| 5/27/08          | IPFYouth                        | NNCA 5/5-8/08                                                              | \$6,538          |
|                  |                                 | <b>TOTAL</b>                                                               | <b>\$166,978</b> |

Source: JPI records

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<sup>20</sup> The information in Appendix II and Appendix IV was copied from JPI's accounting records except for the column labeled "OIG Comments" in Appendix IV.

**JPI LETTER REGARDING \$15,000 MONTHLY PAYMENTS  
TO INTERNATIONAL PARTNERSHIP FOR YOUTH, LLC  
AND MARK GOLDMAN AND ASSOCIATES, INC.**



JUSTICE PLANNERS INTERNATIONAL

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**MEMORANDUM**

**TO:** Paul E. Jordan  
Atlanta Regional Audit Office  
Office of the Inspector General, US DOJ  
79 Spring St. Atlanta, GA 30303

**FROM:** Mark Goldman  
Shelley Zavlek

**DATE:** March 10, 2010

**RE:** **Supporting Information Relating to Mark Goldman & Associates and International Partnership for Youth LLC**

JPI pays \$15,000 per month to both Mark Goldman & Associates and International Partnership for Youth LLC. These payments cover the cost for each office to provide training and technical assistance (TTA) to tribes that have received grants for the renovation and/or construction of correctional facilities on tribal lands. The payments cover the portion of salaries, payroll taxes, rent, utilities, insurance, telephone postage, supplies, professional fees and other expenses attributable to the staff time of each company spent on the delivery of TTA services through NAATAP.

TTA services provided through NAATAP include:

Ongoing Technical Assistance services delivered by individual expert consultants assigned directly to each of 20 tribes, which included, at a minimum, the following services:

1. *Regular Telephone Contact.* (at least twice monthly to determine the status of the facility development process and whether any technical assistance is needed).
2. *Material Review.* Ongoing review of materials relevant to project (e.g., design documents, transition plans, staffing plans, etc.).
3. *Monthly Log* – maintaining project status report and log and summary of all telephone contacts.
4. *Assessment of Project Status & Technical Assistance Needs.* Ongoing review and status report on project status and TA needs.
5. *“As Needed” Deliverables:*
  - *Design Review.* Review of design documents
  - *Prompt Notice of Critical Issues/ Occurrences.*
  - *Specialist Requests.* Provide experts to address specific technical problems/issues.
6. *Development and Distribution of Publications*
7. *Facilitation and Delivery of Workshops in Collaboration with BJA*
8. *Contracting with Consultants and Specialists to provide TTA to the tribes*
9. *Oversight of Consultants retained by JPI*
10. *Regular tracking and reporting on project activities and individual tribal project status*
11. *As needed onsite training and technical assistance with tribal project teams*

Copies of quarterly and semiannual reports that were regularly filed with BJA are attached for specific information on the services provided to individual tribes during the course of each reporting period in question.

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10 MCKINLEY STREET, SUITE 1, CLOSTER, NJ 07624 t: (201) 768-6839 f: (201) 768-6855  
GEORGIA OFFICE: 1179 CLIFTON ROAD, ATLANTA, GA 30307 t: (404) 373-8440 f: (404) 373-5084

**APPENDIX IV**

**UNSUPPORTED PAYMENTS TO CONSULTANTS**

| <b>Trans. Date</b> | <b>Expense Purpose</b>        | <b>Transaction Description</b>                                      | <b>Amount Unsupported</b> | <b>OIG Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------|-------------------------------|---------------------------------------------------------------------|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12/12/07           | Tribe 1                       | Qtr Fee<br>\$1350 Exp<br>\$125<br>Oct. 1 to Dec<br>31, 2007         | \$492                     | The payment was for the calendar quarter ended December 31, 2007. However, the last entry in the Tribal Record Log is dated November 29, 2007. The log states that it is a "Summary of Information as of 11/30/07." Based on the documentation provided, two-thirds, or \$983, of the \$1,475 payment is supported and the remaining \$492 is unsupported. These costs can be considered supported if JPI provides documentation to support work performed by the consultant in December 2007 for the remaining one-third, or \$492 of the \$1,475 payment. |
| 12/12/07           | Tribe 2                       | Qtr Fee<br>\$1350 Exp<br>\$125 Oct 1 -<br>Dec 31, 2007              | \$983                     | The payment was for the period October 1, 2007, through December 31, 2007. The last entry in the Tribal log MGA provided (Appendix IV-MGA-#3B... Colville Summary Report Oct 2007) is dated 10-29-07. The log states that it is as of October 2007. One-third, or \$492, of the payment is supported and the remaining \$983 is unsupported. These costs can be considered supported if JPI provides documentation to support work performed by the consultant in November and December 2007 for the remaining two-thirds, or \$983 of the \$1,475.         |
| 1/12/09            | Tribe 3                       | security specialist,<br>\$997.75<br>expenses,<br>\$3,600.00<br>fees | \$747                     | We were not provided support such as credit card receipts or statements, for the consultant's expenses for airfare, car rental, and hotel. These costs can be considered supported if JPI provides such documentation.                                                                                                                                                                                                                                                                                                                                      |
| 8/6/09             | Tribe 4:<br>Expense<br>reimb. | Field<br>Investigation<br>& report- July                            | \$1,176                   | We were not provided support, such as credit card receipts or statements, for the \$1,176.40 airfare. These costs can be considered supported if JPI                                                                                                                                                                                                                                                                                                                                                                                                        |

|          |                      |                                        |                |                                                                                                                                                                                                                                                                                    |
|----------|----------------------|----------------------------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|          |                      |                                        |                | provides such documentation.                                                                                                                                                                                                                                                       |
| 6/18/08  | Tribe 5              | Lbr \$2005.48<br>/Ex \$520             | \$430          | We were not provided support, such as receipts or credit card statements, for the \$430.48 the consultant claimed on his expense reimbursement form for airline travel expense. These costs can be considered supported if JPI provides such documentation.                        |
| 10/23/08 | Tribe 5              | Lbr/\$2700<br>/Exp \$250<br>Apr - Sept | \$1,475        | According to JPI's accounting records, the consultant was paid a quarterly fee of \$1,475 on May 8, 2008, for Standing Rock, for the period April 1 - June 30, 2008. This payment of \$2,950 also covers the period April 1 - June 30, 2008 and is apparently a duplicate payment. |
| 10/23/08 | Tribe 6              | Lbr/\$2700<br>/Exp \$250<br>Apr - Sept | \$1,475        | According to JPI's accounting records, the consultant was paid a quarterly fee of \$1,475 on May 8, 2008, for Hualapai, for the period April 1 - June 30, 2008. This payment of \$2,950 also covers the period April 1 - June 30, 2008 and is apparently a duplicate payment.      |
| 9/11/09  | JPI<br>Worksho<br>ps | Labor \$1800<br>+ exp<br>\$823.86      | \$824          | We were not provided support for the \$823.86 payment to the consultant. These costs can be considered supported if JPI provides supporting documentation.                                                                                                                         |
|          |                      | <b>Total</b>                           | <b>\$7,602</b> |                                                                                                                                                                                                                                                                                    |

Source: JPI records

THE OFFICE OF JUSTICE PROGRAMS' RESPONSE TO  
THE DRAFT AUDIT REPORT



U.S. Department of Justice

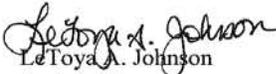
Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

APR 11 2014

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

FROM:   
LeToya A. Johnson  
Acting Director

SUBJECT: Response to the Draft Audit Report, *Limited Scope Audit of Justice Planners International, LLC, Atlanta, Georgia*

This memorandum is in reference to your correspondence, dated February 10, 2014, transmitting the above-referenced draft audit report for Justice Planners International, LLC (JPI). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **two** recommendations and **\$1,559,560** in 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 remedy the \$1,554,580 in unsupported costs.**

OJP agrees with the recommendation. We will coordinate with JPI to remedy the \$1,554,580 in unsupported salary costs that were charged to cooperative agreement number 2006-IP-BX-K001.

**2. We recommend that OJP remedy the \$4,980 in unallowable costs.**

OJP agrees with the recommendation. We will coordinate with JPI to remedy the \$4,980 in unallowable entertainment and tax preparation costs that were charged to cooperative agreement number 2006-IP-BX-K001.

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

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

Denise O'Donnell  
Director  
Bureau of Justice Assistance

Tracey Trautman  
Deputy Director for Programs  
Bureau of Justice Assistance

Eileen Garry  
Deputy Director  
Bureau of Justice Assistance

James Simonson  
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Jerry Conty  
Assistant Chief Financial Officer  
Grants Financial Management Division  
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Lucy Mungle  
Manager, Evaluation and Oversight Branch  
Grants Financial Management Division  
Office of the Chief Financial Officer

cc: Richard P. Theis  
Assistant Director, Audit Liaison Group  
Internal Review and Evaluation Office  
Justice Management Division

OJP Executive Secretariat  
Control Number IT20140211152426

JUSTICE SOLUTIONS GROUP'S RESPONSE TO  
THE DRAFT AUDIT REPORT



**BY FEDERAL EXPRESS**

April 2, 2014

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

Dear Mr. Polk:

International Partnership for Youth (IPFY or the Company) has reviewed the Draft Audit Report prepared by the U.S. Department of Justice Office of the Inspector General in connection with the audit of the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) Grant No. 2006-IP-BX-K001. IPFY respectfully submits this response to the draft findings and recommendations.

***Background***

International Partnership for Youth (IPFY or the Company) and Mark Goldman & Associates (MGA) were brought together through a mutual colleague to develop a grant proposal to deliver training and technical assistance (TTA) to tribes receiving funding from the Office of Justice Programs (OJP) under the Construction of Correctional Facilities on Tribal Lands (CCFTL) Grant Program. Since the grant application had to be submitted by one entity, IPFY and MGA formed a joint venture called Justice Planners International (JPI). JPI was awarded the grant to develop the TTA program, which became known as the Native American and Alaskan Technical Assistance Project (NAATAP). JPI conducted no business other than to deliver NAATAP grant work. MGA and IPFY successfully completed all grant deliverables, closed out the NAATAP grant in December 2010, and disassociated. JPI was legally dissolved in July 2011.

***Grant Performance***

As a grantee of the federal government, IPFY has always seen its responsibility to give the government value for every dollar they invested in programs we administer. We believe we have delivered that value:

- All promised products and services under NAATAP were delivered with acknowledged success and satisfaction of government oversights and tribal end-users.
- Due to efficiencies and the success of the program, IPFY was able to expand the scope of TTA services to include a series of Post-Occupancy Evaluations (POEs) of new facilities under no-cost grant amendments.
- When the NAATAP grant was closed out, there was a total of \$148,677.21 in unused Federal funds remaining.



This audit is not about a company that utilized grant money inappropriately; rather, it arises from accounting and grant management weaknesses in a rapidly growing, woman-owned company in its early years. The lack of FAR compliant documentation for costs was not due to intentional or willful financial impropriety or fraud, but instead, was the result of a lack of internal controls within JPI and IPFY, including accounting policies and procedures that were inadequately documented. As discussed in greater detail below, IPFY resolved those issues over three years ago.

Further, although IPFY may have had incomplete time and effort records for full-time staff during the audit period, the Company at all times employed sufficient human resources to provide the personal services necessary to support the NAATAP grant draws distributed by JPI to IPFY. JPI, which had no direct staff, made periodic payments to IPFY and MGA during the grant period to cover the costs related to grant activities conducted by their respective offices. The entire amount of these payments, a total of \$1,546,978<sup>1</sup> for the 4+ years covered by the audit, is now being questioned in the Draft Audit Report as unsupported Personnel and Fringe Benefits costs. JPI should be fairly compensated for services that it satisfactorily performed and delivered.

During the audit period, IPFY received a total of \$758,489 (of the \$1,546,978 Personnel & Fringe costs) in periodic payments from JPI to cover grant-related operating expenses incurred on behalf of JPI during the audit period. These payments covered a percentage of personnel, fringe and indirect costs incurred by IPFY to fulfill its obligation to JPI to perform grant activities during the period from December 1, 2005 through December 31, 2009. During this time, IPFY's staff size ranged from 2 to 3 full-time staff plus part-time associates and bookkeeper. Allowing IPFY to be fairly compensated for services that were contracted, satisfactorily performed, and accepted with approval by the government and its tribal grantees is surely the equitable outcome.

In addition, NAATAP funds were used to pay for time and expenses of consultants retained by IPFY or MGA to conduct grant-related training or provide technical assistance to tribes. All consultant expenses authorized by IPFY for payment to consultants as a fee or to reimburse direct expenses were for legitimate expenses authorized under the terms of the NAATAP grant. As noted below, in a few instances expense receipts could not be located. However, based on the totality of the documentation produced (including on-site reports, travel expenses, invoices, etc.), it is clear that the services in question were delivered and the related costs were incurred.

#### **OIG Audit**

As a result of the OJP audit, IPFY quickly became aware that its accounting procedures fell short of Federal standards. We have always taken our responsibility to meet grant requirements very seriously. IPFY has always had controls in place and has been conscientious in its management of Company finances. In fact, JPI had received what appeared to be an unqualified A-133 Audit Opinion by Tripp, Chapin & Causey, LLC, a CPA firm, for the 2007 Fiscal Year. IPFY had also received a certification from our longstanding CPA, Auerbach, Cohen, Scura and Baum, to the effect that the Company had in place all the accounting systems required by our grants. We reasonably relied on those certifications. That reliance, in hindsight, was misplaced. In any event, whenever a shortcoming in procedures was brought

<sup>1</sup> The total based on information on pp 6-8 of the Report appears to be \$1,519,978.



to our attention, we immediately did everything in our power, including retaining a series of expert accountants and advisors, to bring our organization into compliance.

A-133 audits of IPFY conducted by an independent accounting firm with experience in federal grants for calendar years ending 2009, 2010, 2011 and 2012 demonstrate the efforts made by IPFY to achieve full compliance with all federal grant and FAR requirements. In fact, IPFY received clean A133 Audits—with no findings—for fiscal years 2011 and 2012. We anticipate our A-133 Audit for 2013 will provide further evidence that the Company has in place systems that meet or exceed all federal grant requirements. These include the following:

- IPFY has converted its in-house general ledger system to QuickBooks with the assistance of an accounting firm with expertise in federal grant requirements. IPFY's QuickBooks accounting system reflects all transactions in detail and in accordance with grant requirements.
- IPFY employs a fulltime bookkeeper that, among other tasks, codes all bills, bank statements and credit cards for entry into the QuickBooks system. IPFY contracted with a second bookkeeper with expertise in grant management and QuickBooks to perform actual data entry.
- In April 2010 IPFY implemented a web-based timekeeping system ("Harvest") that allows all Company staff to record all hours worked by grant and non-grant activities on a daily basis. This system, in connection with our enhanced accounting policies and procedures, facilitates timely review of budget expenses against allocations.
- IPFY contracts with Paychex, a payroll service firm, to manage payroll functions and payroll accounting. IPFY worked with Paychex Human Resource Services to document all company policies and procedures in an employee handbook, which includes enhanced payroll accounting policies and procedures. The Employee Handbook, which was published in June 2011, has been reviewed and updated periodically since that time. All IPFY employees have been issued a hard copy of the Employee Handbook and have access to an electronic version of the Handbook.
- IPFY worked with its Expert Accountant and specialist in grant compliance to develop and implement enhanced forms and procedures to document, review and approve all drawdowns. As of January 1, 2012, IPFY's QuickBooks system generates all reports required for drawdowns.
- IPFY implemented and maintains enhanced accounting systems, controls and procedures over grant-funded projects. The QuickBooks system allocates actual indirect costs and fringe expenses based on labor distribution. Also, IPFY continues to keep a chart of accounts that enables the organization to track expenses by grant budget categories. This permits IPFY to monitor expenses against grant budgets and allocations on a regular basis, and to submit budget modification requests through Grant Adjustment Notices as warranted. The new chart of accounts also facilitates timely and accurate reports by grant and grant budget categories.
- As of January 2012 IPFY has submitted GANs for budget drawdowns with all expenses and costs (direct and indirect/ administrative) as line items. IPFY has instituted accounting procedures to document and line item each and every expense and/or cost incurred with OJP program funds, including all payroll and payroll fringe and administrative/indirect costs. In addition, at the request of our BJA grant manager, IPFY submits General Ledgers in accrual and cash basis for each OJP grant from inception on a monthly basis along with monthly Profit and Loss reports, monthly Personnel Salaries Transaction By Detail, and monthly Profit and Loss by grantor.



- IPFY has been working closely with our BJA grant manager and OCFO to comply with all enhanced protocols and documentation requirements established by OJP for drawdowns.
- IPFY has applied to OJP and has been issued an Indirect Cost Negotiated Agreement with a negotiated Fringe Benefits rate of 23.72% and an indirect (overhead) Cost Rate of 17.20% (40.92% aggregate rate).

We now stand in the fifth year of the OIG’s audit, which began in November of 2009. Although IPFY did not have the benefit of the Audit Report findings and Recommendations until May 2013, when they were first released in a Draft Audit Report, we voluntarily undertook corrective measures to bring the Company into full compliance with grant requirements. As a result, IPFY has been completely compliant with all federal grant and FAR requirements for over three years.

**Response to Recommendations**

| Page | We recommend that the Office of Justice Programs:                                                                                                                                                      | Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1    | Remedy the \$1,554,580 <sup>2</sup> in unsupported costs: <ul style="list-style-type: none"> <li>◦ Personnel and Fringe Benefits: \$1,546,978</li> <li>◦ Consultants and Contracts: \$7,602</li> </ul> | <p>JPI was a joint venture formed to allow International Partnership for Youth (IPFY) &amp; Mark Goldman &amp; Associates (MGA) jointly to administer a training and technical assistance program for DOJ under Grant No. 2006-IP-BX-K001 (NATAAP). The government does not dispute that JPI performed satisfactorily under the grant and produced all required deliverables on time and under budget (a balance of \$148,677.21 remained in the grant account when the grant was closed.)</p> <ul style="list-style-type: none"> <li>◦ <b>Personnel and Fringe Benefits: \$1,546,978</b> - We do not concur.</li> </ul> <p>IPFY and MGA staff administered the grant program, performed services, and produced deliverables required by the grant. (See Att A – Grant Deliverables) JPI, which had no direct staff, made periodic payments to IPFY and MGA during the grant period to cover the cost of personnel, fringe benefits and indirect costs related to grant activities conducted by their respective offices. Of the aggregate \$1,546,978 in what the draft audit report describes as unsupported expenses for Personnel and Fringe Benefits, JPI distributed less than half, or \$758,489, to IPFY in periodic payments to cover grant-related operating expenses incurred on behalf of JPI during the audit period. (See Att B – IPFY Payments) These payments covered a percentage of personnel, fringe and indirect costs incurred by IPFY to fulfill its obligation to JPI to perform grant activities during the period from December 1, 2005 through December 31, 2009. During this time, IPFY’s staff size ranged from 2 to 3 full-time staff plus part-time</p> |

<sup>2</sup> The total based on information on pp 6-8 of the Report appears to be \$1,519,978.



|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>associates and bookkeeper. (See Att C - IPFY Staff) The entire amount of these payments, a total of \$1,546,9783 for the 4+ years covered by the audit, is now being questioned in the Draft Audit Report as unsupported Personnel and Fringe Benefits costs. JPI should be fairly compensated for services it satisfactorily performed and delivered.</p> <p>The NAATAP effort represented a large percentage of IPFY's total human resources. (See Att D - Affidavits) The payments from JPI represented a direct and close relationship to the time and effort expended, and to the allowable expense and fringe benefit costs actually incurred by IPFY. As contract requirements were met on the basis of performance and project deliverables, IPFY judged payments received from JPI as consistent with budgeted amounts and as reasonable. In fact, the actual salaries/taxable income plus fringe (estimated at the grant approved rate of 35%) of IPFY staff during the audit period (\$1,678,707) far exceeded the aggregate periodic payments by JPI to IPFY (\$758,489). We note that as soon as IPFY became aware of the inadequacy of its accounting and management systems based on FAR and grant requirements, it aggressively implemented improvements, including a web-based timekeeping system (as discussed further in the narrative above). IPFY received clean A133 Audits—with no findings—for fiscal years 2011 and 2012. We anticipate our A-133 Audit for 2013 will provide further evidence that the Company has in place systems that meet or exceed all federal grant requirements.</p> <p>◦ <b>Consultants and Contracts: \$7,602</b> - We do not concur.</p> <p>NAATAP funds were used to pay for time and expenses of consultants retained by IPFY or MGA to conduct grant-related training or provide technical assistance to tribes. All consultant expenses authorized by IPFY for payment to consultants as a fee or to reimburse direct expenses were for legitimate expenses authorized under the terms of the NAATAP grant. As noted below, in a few instances expense receipts could not be located. However, based on the totality of the documentation produced (including on-site reports, travel expenses, invoices, etc.), it is clear that the services in question were delivered and the related costs were incurred. (Att E - Response to Appendix IV)</p> <p>We respectfully submit that through this entire process IPFY has been responsive to all data and documentation requests and has operated with complete transparency, while continuing to deliver the same high quality, cost-effective work and results as it always has. We further respectfully submit that all government funds received were tracked and utilized for their intended purpose. In sum, we respectfully request that our cooperation, evidence of delivered services, and rapid improvement in accounting procedures serve as the remedies for the unsupported costs identified in this report.</p> |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

<sup>3</sup> The total based on information on pp 6-8 of the Report appears to be \$1,519,978.



|   |                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2 | Remedy the \$4,980 in unallowable costs: <ul style="list-style-type: none"> <li>◦ Other Costs (Entertainment): \$2,200</li> <li>◦ Other Costs (Tax Preparation): \$2,780</li> </ul> | <ul style="list-style-type: none"> <li>◦ Wildhorse Pass tours – Although staff of IPFY have no personal recollection of this expense, we did present at a Tribal Justice, Safety &amp; Wellness Forum sponsored by BJA during this time period. We have contacted Fox Valley Technical College, however, and in checking their records it seems that the request for the services related to this payment came directly from ██████████ of BJA and may have related to transportation to a detention facility for a guided tour. We are awaiting further documentation from Fox Valley (it seems related records are in storage).</li> <li>◦ Atlanta Accounting firm for tax preparation - Staff at IPFY had no direct contact with Tripp, Chapin &amp; Causey, LLC, the Atlanta accounting firm. All work and payments for work by the accounting firm were authorized through the Atlanta office of JPI. We accept, however, that the tax preparations in question were paid for in the belief that they were allowable. If in fact they were not, IPFY would concur that the remedy should include repayment in the amount of \$2780.</li> </ul> <p>Without additional information, IPFY is unable to speak any further to these unallowable costs.</p> |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Respectfully submitted,

Shelley Zavlek,  
President, Justice Solutions Group

Copy by Federal Express:

Linda Taylor  
U.S. Department of Justice  
Office of Justice Programs  
Office of Audit, Assessment and Management  
Audit and Review Division  
810 Seventh Street, NW  
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**MARK GOLDMAN AND ASSOCIATES' (MGA) RESPONSE TO  
THE DRAFT AUDIT REPORT**

Mark Goldman's April 2014 Response to:

**Limited Scope Audit of Justice Planners International, LLC**

Received February 10, 2014

**Introduction, Background, and General Comments**

In 2001, I, Mark Goldman, was asked to consider contracting with the National Institute of Corrections (NIC), a part of the Department of Justice (DOJ), to work with Native American Tribes and Native Villages throughout the United States that receive grants to plan, design, build, and operate correctional facilities. I was told that I was selected due to my (at the time) 20+ years of planning justice facilities throughout the nation; my previous "hands on" working experience in juvenile and adult corrections; my four degrees in Sociology, Urban Life/Justice, and Architecture; my demonstrated commitment to helping less fortunate people; and my personal traits including high integrity and diligence.

To supplement my knowledge and experience with that of others who had worked with Tribes, my small firm, Mark Goldman & Associates (MGA), teamed with another small firm, then named International Partnership for Youth (IPFY), and later renamed Justice Solutions Group (JSG). We formed a separate company, Justice Planners International (JPI), totally dedicated to assisting Tribes and Native Villages with justice facilities.

JPI's initial Cooperative Agreement/grant with NIC began in 2001. In 2006 another DOJ component, the Bureau of Justice Assistance (BJA), assumed NIC's responsibilities regarding JPI's work with Tribes. The JPI audit pertains to Cooperative Agreement 2006-IP-BX-K001 awarded by BJA to JPI.

The 2006 Cooperative Agreement between JPI and BJA was developed based on the same scope of services and financial principles as the 2001 Cooperative Agreement. **BJA reviewed and commented on several drafts before the 2006 Cooperative Agreement was finalized. All parties agreed to include most indirect costs in personnel rates, as they are in almost all contracts between private sector firms and state and county governments.**

We recognize that much has changed since the middle of the last decade. DOJ now requests that indirect costs are budgeted as separate line items; it did not then, or we would have budgeted differently. DOJ now requires financial management training; it did not then, or I would have participated.

If DOJ had asked JPI to budget and manage our grant differently, we would have complied, as JPI did with every other request from DOJ. It was not until our grant was about to end – nine years after the start of our first grant – that JPI was informed that it should have been budgeting and managing grant funds differently.

In 2010, at the conclusion of that Cooperative Agreement and several grant supplements to complete ongoing work with specific Tribes, JPI ceased operations and the partnership between my firm, MGA, and IPFY/JSG was dissolved.

Audits of JPI, MGA, and IPFY/JSG began just as JPI was preparing to cease operations – which it did three and one-half years ago, at the end of 2010.

Since then the two entities that comprised Justice Planners International (JPI) – Mark Goldman & Associates (Mark Goldman's company), and International Partnership for Youth/Justice Solutions Group (Shelley Zavlek's company) -- have not worked together in any way. This response is solely from Mark Goldman & Associates. Our understanding is that Ms. Zavlek is responding to the Audit Report separately.

As MGA had not heard from the Atlanta auditors between 2010 and May 2013, I thought that their (this) JPI audit had been completed a long time ago. After all, OIG's only stated written objective of the audit was "to identify significant risks that represent impediments to effective grant management and administration,"<sup>1</sup> and my company (MGA) and I were no longer pursuing or executing federal grants.

From the May 2013 and February 2014 draft Audit Reports it appears that the information that the Atlanta auditors analyzed may have been limited to what they requested and received in 2010 and may not have included additional information pertaining to grant hours worked and expenses, which were requested and provided since then to others in DOJ: Assistant U.S. Attorney [REDACTED], OIG Senior Special Agent [REDACTED], and Forensic Accountant [REDACTED].

Interestingly, the 2010 Audit Report quotes from DOJ's FY 2007 Audit Report stating that "given the very small size of the company we believe the Company's (JPI's) members have demonstrated adequate professional judgment and integrity to mitigate the need for more controls."

It is common knowledge that federal reporting and compliance requirements evolved over time, and in particular major changes were made starting with the American Recovery and Reinvestment Act of 2009, requiring grant recipients to complete more detailed reports. Note that neither JPI nor MGA ever received any grants from the Recovery Act or from any other federal legislation or grants subsequent to the Recovery Act.

Although JPI always complied with all reporting requirements, its thrust was providing services to Tribes and Native Villages and responding to DOJ's requests. As a JPI partner, I (Mark Goldman) followed every rule and regulation I was aware of, and JPI always completed reports and requests for assistance and/or information, even if it meant working through weekends, during vacations, and very late at night.

When someone from NIC, BJA, or a Tribe would call and ask for immediate help, providing such would be our focus, again regardless of the time or day. Our NIC and BJA overseers and

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<sup>1</sup> Limited Scope Audit of Justice Planners International, page 1

representatives from many Tribes and Native Villages frequently expressed gratitude and appreciation for our timely technical assistance, reports, records, as many can attest.

This response addresses all specific claims except the ones for which the audit report reported no discrepancies or other issues, and its focus is addressing the two recommendations (on page 18) from the perspective and the records of Mark Goldman & Associates.

But first, before our reply to the recommendations, there are statements in the Audit Report that are inaccurate or misleading. The following table cites each statement and MGA's response.

**MGA's Response to Specific Statements contained in the February 2014 Draft of the Audit Report**

| Page Number | Statement in Draft Report                                                                                                          | MGA's Response                                                                                                                                                                                                                |
|-------------|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1           | "JPI was established as a Limited Liability Company in New Jersey in 2001, and its operations were in Atlanta, Georgia."           | JPI's operations were not only in Atlanta, Georgia, but also in northern New Jersey (location of IPFY/JSG).                                                                                                                   |
| 1           | "According to the Treasurer of the State of New Jersey, JPI ceased operations on July 13, 2011."                                   | JPI ceased operations when the grant expired in the fall of 2010. The joint venture was legally disbanded on July 12, 2011.                                                                                                   |
| 2           | "The President's office is located in Closter, New Jersey, and the Vice President's Office is located in Atlanta, Georgia."        | Here and elsewhere in the Report the tense (in this case "is") should be changed to the past tense ("was") as JPI has not existed legally for close to three years and functionally for approximately 3.5 years.              |
| 3           | "Because JPI could not provide adequate records for personnel costs...."                                                           | MGA provided Assistant U.S. Attorney [REDACTED] and OIG with grant-related hours by month by employee for MGA's portion of JPI's work. MGA is unaware of what JSG/IPFY provided regarding their portion of JPI's work.        |
| 3           | "However, as discussed later in this report, we were unable to complete our testing of transactions because of a lack of records." | "Lack of records" is untrue and a significant exaggeration. "Lack" means "nonexistence." MGA maintained numerous records that were provided to OIG's Washington/ Northern Virginia and Atlanta offices, and to Mr. [REDACTED] |

| Page Number | Statement in Draft Report                                                                                                                                                                                                       | MGA's Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 - 5       | "The Vice-President told us that he operated the company by himself with the assistance of a part-time bookkeeper who works about 6 hours per month."                                                                           | The auditors may have confused the various companies. If this statement is referring to JPI it is untrue; Zavlek and Goldman ran JPI together, along with a bookkeeper, at least one planner/ technical assistance provider each, and consultants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 5           | "We made no recommendation pertaining to this issue, and the former Vice President did not clarify why he only partially agrees with our assessment."                                                                           | The budget was developed with BJA, and it was approved by BJA. It was based on the 2001 budget developed with and reviewed and approved by NIC. The budgets were similar in structure to those commonly developed by architecture, planning, and construction program management firms, for which I worked for 19 years prior to starting my own justice planning business. If NIC and/or BJA had asked for JPI's budget to be structured differently, JPI would have fully complied.                                                                                                                                                                                                                              |
| 6           | "However, we were unable to complete our testing of all of these transactions because JPI did not provide the supporting invoices, timesheets, or other documentation."                                                         | This statement is untrue. I am unaware of what the other JPI office (IPFY/JSG) provided, but MGA provided substantial "documentation."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 8           | "The letters and supporting worksheets provided to us are not sufficient source documents for the personnel payments, and the letters and worksheets do not delineate the elements and calculations the payments are based on." | Please review the response to OIG's recommendations regarding unsupported costs later in this document, along with related attachments that have been presented previously to Assistant U.S. Attorney [REDACTED]. <b>Note that [REDACTED] stated in 2013 that his office is no longer questioning the hours that the MGA portion of JPI worked on the grant.</b> For MGA, the amount that [REDACTED] office is currently questioning is about 10% of what the Audit claims is unsupported; and MGA has provided support for that too. Itemized lists of non-labor indirect and direct costs taken from credit card and bank statements have also been provided previously, and are also attached to this response. |

| Page Number | Statement in Draft Report                                                                                                                                                                                | MGA's Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8           | "However, the associate's timesheets did not document that he had performed any work for JPI."                                                                                                           | Over 81% of my time and 79% of MGA's hours during the life of the BJA grant was on the BJA grant. MGA had several associates during the duration of the grant. Staff's timesheets and spreadsheets regarding grant hours worked indicate JPI work vs. non-JPI work; these have been accepted by [REDACTED].                                                                                                                                                                                                                                                                                                                              |
| 8           | "After JPI received the continuation award it charged \$150,000 to grant funds for its pre-award costs, but provided us no source documentation for these costs."                                        | JPI paid each office \$75,000 when the 2006 grant was awarded because the 2006 grant was in effect a continuation of the 2001 grant, and JPI received no funds from the first grant or the second grant between December 2005 and July 2006, while both offices continued providing technical assistance and training services to all Tribes and Native Villages that had received grants during those seven months in order to prevent or minimize project delays. Furthermore, JPI continued reporting to and responding to BJA's requests during this time period. Records regarding hours worked over this time period reflect this. |
| 12          | "However, the former JPI Vice President provided no documentation that we could use to verify accuracy of the \$15,000 payments to the parent organizations."                                            | "No documentation" is an exaggeration. MGA provided considerable documentation between 2010 and 2013, and I assume that IPFY/JSG did likewise. <b>Much of what constituted the monthly payments – labor and fringe benefits – have been approved by Assistant U.S. Attorney [REDACTED].</b>                                                                                                                                                                                                                                                                                                                                              |
| 12          | "We concluded that the \$15,000 payments to Mark Goldman and Associates, Inc. and International Partnership for Youth, LLC, are not supported as required and thus we continue to question those costs." | Assistant U.S. Attorney [REDACTED] and the two individuals from OIG who have been assisting him have thoroughly reviewed MGA's records and while they may not agree with the idea of standard monthly payments they have accepted the majority of what the monthly payments covered.                                                                                                                                                                                                                                                                                                                                                     |

| Page Number | Statement in Draft Report                                                                                                                                                                                                                                                                                                                               | MGA's Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14          | "Although JPI is a for profit company...."                                                                                                                                                                                                                                                                                                              | JPI no longer exists; it was a for profit company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 14          | "We also identified four payments of \$695 each to JPI's accounting firm for preparing annual federal and state partnership income tax returns..... Thus, the cost of preparing the income tax returns is the responsibility of the individual partners, not the federal government. We question the \$2,780 in income tax preparation as unallowable." | <p>MGA filed tax returns and MGA paid for its own accounting services; IPFY/JSG did likewise. With JPI being a distinct company, it was required to separately file tax reports. Since 100% of JPI's work was on the grant, JPI used grant funds to pay for JPI's income tax preparation.</p> <p>This statement appears inconsistent with OIG's thrust for all companies to follow all federal laws, including filing tax returns. Furthermore, this statement seems inconsistent with OIG's concurrence that JPI pay for its own bookkeeping expenses, which it did (and MGA and IPFY/JSG paid separately for their own bookkeeping expenses).</p> |
| 15          | "According to the Vice President, JPI's bookkeeper performs...."                                                                                                                                                                                                                                                                                        | The tense is incorrect as JPI ceased operations over three years ago.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 16          | ".....we requested, but JPI did not provide us copies of the deliverables required by the consultant agreements. Consequently, we could not determine whether JPI adequately monitored its subcontractors. The Vice President of JPI did not explain why he did not provide copies of the deliverables."                                                | <p>This statement is incorrect, at least for the consultants who the MGA office managed (I am unaware of what has been provided by the IPFY/JSG office).</p> <p>See documents provided in July 2013:</p> <ul style="list-style-type: none"> <li>• Appendix IV-MGA: Support for Reportedly Unsupported Payments to Consultants Who Goldman Managed;</li> <li>• Appendices IV-MGA-1B through IV-MGA-30 B.</li> </ul> <p>Furthermore MGA has been told by others in OIG and [REDACTED] that its work is not being questioned – and its work included monitoring contractors.</p>                                                                       |

## **MGA's Responses to OIG's Two Recommendations**

### **OIG's Recommendation #1: Remedy the \$1,554,580 in unsupported costs.**

**MGA Disagrees** with this recommendation.

**MGA's Proposed Alternative Corrective Actions.** The \$1,554,580 was fully justified from JPI's perspective. With extensive input and concurrence from NIC in 2001 and later from BJA in 2005 and 2006 we structured two very similar grants to provide technical assistance and training to Tribes and Native Villages. With JPI's partners and Dr. Allen Ault, who was the NIC Director overseeing the grant, all coming from the private sector, and with having previously provided similar services collectively to over 100 governments (mostly counties and states), we structured the grant very similarly, based on person-days and rates that included direct and indirect expenses. Furthermore, all of JPI's financial management policies and procedures were reviewed and approved by representatives from NIC and BJA which oversaw the 2001 grant, and by BJA which oversaw the 2006 grant. Every question and procedure, financial or otherwise, that grant overseers asked of JPI was fully and promptly answered and followed. All requested financial reports were completed fully and on time.

No one from BJA or NIC instructed us to operate any differently from 2001 until 2010. No one from BJA or NIC had asked me, JPI's Treasurer, to take any financial or grant management classes until 2011, after JPI's final grant expired. I then took a rigorous on-line class entitled "DOJ Grants Financial Management." I scored very high on the final examination and received a certificate for "successfully completing DOJ Grants Financial Management." If I had been asked to take this or other courses sooner, I would have complied, and JPI would have structured our grants, budgets, and accounting differently.

Now back to the amount that is being questioned, MGA has been providing records and justification to the Assistant United States Attorney in New Jersey and to the OIG in Atlanta and Washington/Northern Virginia between 2010 and 2013, responding to all requests. I had thought that information was being shared between the OIG offices in Atlanta and Washington/Northern Virginia. I assumed that financial information that IPFY/JSG provided to one OIG office was shared with other OIG offices involved in audits or other investigations, although MGA has not seen what IPFY/JSG has submitted.

**Significantly, Assistant United States Attorney [REDACTED] has declared that he is no longer questioning the number of hours that Mark Goldman and his staff worked on the grant. Labor and benefits account for the vast majority of the amount that the Audit claims is unsupported. The remaining amount is attributable to direct and indirect costs that were needed for the offices to function, providing technical assistance and training to Tribes and Native Villages.**

As I now realize that some information may not have been shared among the various entities involved in the Audit and other investigations, we are attaching 16 documents that have been previously submitted to the Washington/Northern Virginia office of the OIG, the Atlanta office of the OIG, and/or to Assistant U.S. Attorney ██████ in New Jersey.

Regarding MGA's hours worked on the grant please refer to the following Exhibits, each of which has been previously presented to Mr. ██████ and the OIG Washington/Northern Virginia office:

- Exhibit 7.13H: Methodology for Calculations of Mark Goldman's Tribal (Grant) & Non-Tribal Hours 2006-2010
- Exhibit 7.13H: Calculations of Mark Goldman's Grant + Non-Grant Hours 2006-2010
- Exhibit 4.13H: MGA's BJA Grant Hours & Time on Other Projects, 2006 through September 2010
- Attachment A: Mark Goldman's Holidays, Vacation & Sick Days: 1/1/06 - 9/30/10

Regarding MGA's indirect and direct costs associated with the grant, please see the following Attachments and Exhibits, each of which has been previously presented to ██████ and others in OIG's Washington/Northern Virginia office:

- Attachment B: Mark Goldman & Associates' Indirect Expenses: 2006
- Attachment C: Mark Goldman & Associates' Indirect Expenses: 2007
- Attachment D: Mark Goldman & Associates' Indirect Expenses: 2008
- Attachment E: Mark Goldman & Associates' Indirect Expenses: 2009
- Attachment F: Mark Goldman & Associates' Indirect Expenses: 2010
- Attachment G: Mark Goldman & Associates' Indirect Expenses: Summary 2006 - 2010
- Exhibit 7.13C-06: 2006 JPI Check Register Analyzed by Category
- Exhibit 7.13C-07: 2007 JPI Check Register Analyzed by Category
- Exhibit 7.13C-08: 2008 JPI Check Register Analyzed by Category
- Exhibit 7.13C-09: 2009 JPI Check Register Analyzed by Category
- Exhibit 7.13C-10: 2010 JPI Check Register Analyzed by Category

For a summary of the cost items that ██████ (with input from the Washington/Northern Virginia office of OIG) and MGA agreed and disagreed with, see the following Attachment:

- Attachment H: DOJ & MGA Reconciliation Summary, October 2013

Note that as of last fall, the last time that ██████ provided detailed information to my attorney, agreement was reached on many if not most numbers. I hope that we can resolve the remaining differences in the very near future.

**OIG's Recommendation #2: Remedy the \$4,980 in unallowable costs.**

**MGA Disagrees** with this.

**MGA's Proposed Alternative Corrective Actions.**

The alleged "unallowable costs" pertain to two very different expenses.

1. **Conference activity.** I presume that IPFY/JSG is addressing the \$2,200 for a training conference activity (Wild Horse Pass tours), as that office, not MGA, helped lead and participated in that conference.
2. **Accounting fees.** JPI paid an accounting firm \$2,780 to complete and file JPI's income tax returns. JPI never paid for MGA's or IPFY/JSG's accounting. MGA filed tax returns and MGA paid for its own accounting services; IPFY/JSG did likewise. With JPI being a distinct company, it was required to separately file tax reports. Since 100% of JPI's work was on the grant, JPI used grant funds to pay for JPI's income tax preparation.

This statement appears inconsistent with OIG's thrust for JPI to have maintained excellent financial records and follow all federal laws, including filing tax returns. Furthermore, this statement seems inconsistent with OIG's concurrence that JPI pay for its own bookkeeping expenses, which it did (and MGA and IPFY/JSG paid separately for their own bookkeeping expenses).

## APPENDIX VIII

### 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 Office of Justice Programs (OJP), and the former President and Vice President of Justice Planners International (JPI).<sup>21</sup> JPI was owned by International Partnership for Youth, LLC, (IPFY) and Mark Goldman & Associates, Inc. (MGA).<sup>22</sup> JPI's President was also President of IPFY. JPI's Vice President was also President of MGA.

OJP's response is incorporated in Appendix V. JSG's response is incorporated in Appendix VI and MGA's response is incorporated in Appendix VII. Along with their responses to the draft report, JSG and MGA provided lengthy attachments that are not included as part of this final report. We reviewed the materials provided, but those materials did not include adequate supporting documentation for the questioned costs identified in the audit report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

#### **Analysis of OJP's Response to the Draft Report**

In its response to the draft report, OJP agreed with all recommendations and stated that it will coordinate with JPI to remedy the unsupported and unallowable costs. All recommendations are resolved based on OJP's agreement.

#### **Analysis of JSG's Response to the Draft Report**

In its response to the draft report, JSG disagreed with the first recommendation, but did not state whether it agreed or disagreed with the second recommendation. JSG appears to acknowledge grant management weaknesses at the time of our audit consisting of inadequate documentation for costs, a lack of internal controls for accounting policies and procedures, incomplete time and effort records, and accounting procedures that fell short of federal standards. However, JSG maintains that it employed sufficient staff to provide the personnel services necessary to support the grant drawdowns distributed by JPI to IPFY (now JSG).

In accepting the grant award, JPI agreed to certain conditions clearly delineated in the award documents. Those conditions included:

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<sup>21</sup> Prior to this report, we issued an initial draft report and requested comments on it. Both JSG and MGA provided comments and additional documentation, and we revised the initial draft report based on that information and issued a second draft report for comments, which are represented in this final report.

<sup>22</sup> JPI ceased operations when the grant ended in 2010 and the LLC was cancelled in July 2011. IPFY was later renamed Justice Solutions Group (JSG). The OIG is performing a separate audit of DOJ grants awarded to JSG.

The recipient agrees to comply with the financial and administrative requirements set forth in the current edition of the Office of Justice Programs (OJP) Financial Guide.

For purposes of financial and procedural administration of this award, Office of Management and Budget Circular A-110, Uniform Administrative Requirement for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations will apply excluding Sections 40-48.

Recipient agrees to comply with the contract cost principles of subpart 31.2 of the Federal Acquisition Regulation (FAR).

Taken together, these conditions established requirements that JPI maintain an adequate system of internal controls that fully documented each of its grant-related financial transactions. JSG's response to our draft report discusses its recent improvements to financial controls and key deliverables it produced, but it provides no support for the costs that we question under this recommendation, which are related to unsupported financial transactions.

### **Analysis of MGA's Response to the Draft Report**

In its response to the draft report, MGA asserts that it managed the grant we audited in a manner consistent with its prior practices and in compliance with requirements existing at the beginning of the grant. However, as noted above in the analysis of JSG's response to the draft report, the grant award required that JPI maintain an adequate system of internal controls that fully documented each of its financial transactions, which JPI did not do.

MGA stated that it provided support pertaining to the grant hours worked and expenses to an Assistant U.S. Attorney (AUSA) in conjunction with a civil matter under consideration elsewhere in the Department of Justice. Allowances that may be made by the AUSA in the interest of resolving the civil matter are not relevant to our audit results and are not necessarily pertinent to corrective action on our recommendations. MGA remains unable to adequately support many of its individual grant transactions as clearly required by the grant award.

MGA also stated that certain language in the report was "untrue" or "exaggerated," and made other objections to and clarifying comments about our audit report. Where appropriate, we made minor technical edits to this final report. Below we address MGA's response to certain statements in the draft report and the OIG's analysis of MGA's responses.<sup>23</sup>

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<sup>23</sup> Bold text in the table below is as it appears in MGA's response to the draft report.

| Page # | Statement in Draft Report                                                                                                          | MGA's Response                                                                                                                                                                                                              | OIG Analysis                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | "JPI was established as a Limited Liability Company in New Jersey in 2001, and its operations were in Atlanta, Georgia."           | JPI's operations were not only in Atlanta, Georgia, but also in northern New Jersey (location of IPFY/JSG).                                                                                                                 | We edited the statement to read: "JPI was established as a Limited Liability Company in New Jersey in 2001, and had an office in Atlanta, Georgia."                                                                                                                                                                                                                                                                               |
| 1      | "According to the Treasurer of the State of New Jersey, JPI ceased operations on July 13, 2011."                                   | JPI ceased operations when the grant expired in the fall of 2010. The joint venture was legally disbanded on July 12, 2011.                                                                                                 | We revised the report to state "According to the Treasurer of the State of New Jersey, JPI ceased operations and the LLC was cancelled on July 12, 2011."                                                                                                                                                                                                                                                                         |
| 2      | "The President's office is located in Closter, New Jersey, and the Vice President's Office is located in Atlanta, Georgia."        | Here and elsewhere in the report the tense (in this case "is") should be changed to the past tense ("was") as JPI has not existed legally for close to three years and functionally for approximately 3.5 years.            | We changed the verb to past tense.                                                                                                                                                                                                                                                                                                                                                                                                |
| 3      | "Because JPI could not provide adequate records of personnel costs..."                                                             | MGA provided Assistant U.S. Attorney [name redacted] and OIG with grant-related hours by month by employee for MGA's portion of JPI's work. MGA is unaware of what JSG/IPFY provided regarding their portion of JPI's work. | Beginning on page 8 we explain the records that were needed to support personnel costs, but those records have not been provided to us. Any records accepted by the AUSA are in the interest of resolving a civil matter and are not relevant to our audit results and are not necessarily pertinent to corrective action on our recommendations.                                                                                 |
| 3      | "However, as discussed later in this report, we were unable to complete our testing of transactions because of a lack of records." | "Lack of records" is untrue and a significant exaggeration. "Lack" means "non-existence." MGA maintained numerous records that were provided to [the OIG and the AUSA].                                                     | We clarified that it was the lack of adequate records that prevented testing. Beginning on page 8 we explained the records that were needed to support personnel costs, but those records have not been provided to us. Any records accepted by the AUSA are in the interest of resolving a civil matter and are not relevant to our audit results and are not necessarily pertinent to corrective action on our recommendations. |

| Page # | Statement in Draft Report                                                                                                                                                                                                                             | MGA's Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | OIG Analysis                                                                                                                                                                                                                                                                                   |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4-5    | "The Vice-President told us that he operated the company by himself with the assistance of a part-time bookkeeper who works about 6 hours per month."                                                                                                 | The auditors may have confused the various companies. If this statement is referring to JPI it is untrue; Zavlek and Goldman ran JPI together, along with a bookkeeper, at least one planner/technical assistance provider each, and consultants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | The auditors have not confused various companies. The statement in the report is what the Vice-President submitted in his written response to our questionnaire.                                                                                                                               |
| 6      | "However, we were unable to complete our testing of all of these transactions because JPI did not provide the supporting invoices, timesheets, or other documentation." (This statement is now on page 5.)                                            | This statement is untrue. I am unaware of what the other JPI office (IPFY/JSG) provided, but MGA provided substantial "documentation."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | MGA did not provide adequate documentation to support the majority of the questioned costs identified in the audit report. Specifically, MGA did not provide "[time]clock cards or other time and attendance records, payroll sheets, registers, or their equivalent for each payroll period." |
| 8      | "The letters and supporting worksheets are not sufficient source documents for the personnel payments, and the letters and worksheets do not delineate the elements and calculations the payments are based on." (This statement is now on page 6-7.) | Please review the response to OIG's recommendations regarding unsupported costs later in this document, along with related attachments that have been presented previously to Assistant U.S. Attorney [name redacted]. <b>Note that [name redacted] stated in 2013 that his office is no longer questioning the hours that the MGA portion of JPI worked on the grant.</b> For MGA, the amount that [name redacted]'s office is currently questioning is about 10% of what the Audit claims is unsupported; and MGA has provided support for that too. Itemized lists of non-labor indirect and direct costs take from credit card and bank statements have also been provided previously, and are also attached to this response. | Discussions between the Assistant U.S. Attorney, investigators, and MGA regarding this statement are in the interest of resolving a civil matter and are not relevant to our audit results and are not necessarily pertinent to corrective action on our recommendations.                      |

| Page # | Statement in Draft Report                                                                                                                                                                                    | MGA's Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | OIG Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8      | <p>"However, the associate's timesheets did not document that he had performed any work for JPI." (This statement is now on page 7.)</p>                                                                     | <p>Over 81% of my time and 79% of MGA's hours during the life of the BJA grant was on the BJA grant. MGA had several associates during the duration of the grant. Staff's timesheets and spreadsheets regarding grant hours worked indicate JPI work vs. non-JPI work; these have been accepted by [name redacted].</p> <p>Along with its response to the draft report, MGA provided an analysis showing grant related and non-grant related projects and hours by month for the former JPI Vice President from 2005 through 2010.</p> | <p>The statement MGA responded to pertains to a JPI associate who worked for MGA. The associate's timesheets showed hours worked each day, but not the projects or tasks the associate worked on.</p> <p>Regarding MGA's statement that the AUSA has accepted certain documents as support for hours worked, any allowances that may be made by the AUSA regarding these documents are in the interest of resolving a civil matter and are not necessarily pertinent to corrective action on our recommendations.</p> |
| 12     | <p>"However, the former JPI Vice President provided no documentation that we could use to verify the accuracy of the \$15,000 payments to the parent organizations." (This statement is now on page 10.)</p> | <p>"No documentation" is an exaggeration. MGA provided considerable documentation between 2010 and 2013, and I assume that IPFY/JSG did likewise. <b>Much of what constituted the monthly payments – labor and fringe benefits – have been approved by the Assistant U.S. Attorney [name redacted].</b></p>                                                                                                                                                                                                                            | <p>The statement is correct. The former JPI Vice President provided no documentation "that we could use to verify the accuracy of the \$15,000 payments" to the parent organizations. The report clearly explains the documentation needed to support the payments. Any allowances made are in the interest of resolving a civil matter and are not relevant to our audit results and are not necessarily pertinent to corrective action on our recommendations.</p>                                                  |

| Page # | Statement in Draft Report                                                                                                                                                                                                                                                                                                                                                                | MGA's Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | OIG Analysis                                                                                                                                                                                                                                                                                                                                                             |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12     | "We concluded that the \$15,000 payments to Mark Goldman and Associates, Inc. and International Partnership for Youth, LLC, are not supported as required and thus we continue to question those costs." (This is now on page 10.)                                                                                                                                                       | Assistant U.S. Attorney [name redacted] and the two individuals from the OIG who have been assisting him have thoroughly reviewed MGA's records and while they may not agree with the idea of standard monthly payments they have accepted the majority of what the monthly payments covered.                                                                                                                                                                                                                                                                                                                                      | Beginning on page 8 we explained the records that were needed to support personnel costs, but those records have not been provided to us. Any statements made by the AUSA and OIG investigators are in the interest of resolving a civil matter and are not relevant to our audit results and are not necessarily pertinent to corrective action on our recommendations. |
| 14     | "Although JPI is a for-profit company..." (This statement is now on page 12.)                                                                                                                                                                                                                                                                                                            | JPI no longer exists; it was a for profit company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | We changed the verb to past tense.                                                                                                                                                                                                                                                                                                                                       |
| 14     | "We also identified four payments of \$695 each to JPI's accounting firm for preparing annual federal and state partnership income tax returns... Thus the cost of preparing the income tax returns is the responsibility of the individual partners, not the federal government. We question the \$2,780 in income tax preparation as unallowable." (This statement is now on page 12.) | MGA filed tax returns and MGA paid for its own accounting services; IPFY/JSG did likewise. With JPI being a distinct company, it was required to separately file tax reports. Since 100% of the JPI's work was on the grant, JPI used grant funds to pay for JPI's tax preparation. This statement appears inconsistent with OIG's thrust for all companies to follow all federal laws, including filing tax returns. Furthermore, this statement seems inconsistent with OIG's concurrence that JPI pay for its own bookkeeping expenses, which it did (and MGA and IPFY/JSG paid separately for their own bookkeeping expenses.) | Partnerships must file an information tax return and report any income on their individual tax returns. Consequently, JPI used grant funds to pay for work needed by JPI principals to file their individual tax returns.<br><br>Any bookkeeping expenses that are solely for the business are an allowable expense.                                                     |
| 15     | "According to the Vice President, JPI's bookkeeper performs."                                                                                                                                                                                                                                                                                                                            | The tense is incorrect as JPI ceased operations over three years ago.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | We changed the verb to past tense.                                                                                                                                                                                                                                                                                                                                       |

| Page # | Statement in Draft Report                                                                                                                                                                                                                                                                                                                                                                                                 | MGA's Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | OIG Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 16     | <p>"...we requested, but JPI did not provide us copies of the deliverables required by the consultant agreements. Consequently, we could not determine whether JPI adequately monitored its subcontractors. The Vice President of JPI did not explain why he did not provide copies of the deliverables."</p> <p>(This statement is now on page 13 in the <i>Monitoring of Subcontractors</i> section of the report.)</p> | <p>This statement is incorrect, at least for the consultants who the MGA office managed (I am unaware of what has been provided by the IPFY/JSG office). See documents provided in July 2013:</p> <ul style="list-style-type: none"> <li>• Appendix IV-MGA: Support for reportedly unsupported payments to consultants who Goldman managed.</li> <li>• Appendices IV-MGA-IB through IV-MGA-30B.</li> </ul> <p>Furthermore MGA has been told by others in OIG and [name redacted] that its work is not being questioned – and its work included monitoring contractors.</p> | <p>We reviewed the appendixes MGA provided in July 2013 and reduced the questioned costs. As explained on page 11, the former JPI principals provided documentation, including copies of contract deliverables, to support \$51,020 of the \$58,622 in consultant payments. However, the remaining \$7,602 remains unsupported. We made technical edits to the <i>Monitoring of Subcontractors</i> section to reflect the documentation provided.</p> <p>Any statements made by the AUSA and OIG investigators are in the interest of resolving a civil matter and are not relevant to our audit results and are not necessarily pertinent to corrective action on our recommendations.</p> |

MGA also made the following statement in its response to the draft report.

Interestingly, the 2010 audit report quotes from DOJ's FY 2007 audit report stating that given the very small size of the company, we believe the Company's (JPI's) members have demonstrated adequate professional judgment and integrity to mitigate the need for more controls.

The OIG did not issue a 2010 audit report on JPI. The quoted language is taken from an audit report contracted for by JPI and issued by a public accounting firm regarding JPI's FY 2007 financial statements. The quoted conclusion does not reflect our audit results and conclusions, which are represented in this audit report.

### Summary of Actions Necessary to Close the Report

#### 1. Remedy \$1,554,580 in unsupported costs.

Resolved. OJP concurred with our recommendation. OJP plans to coordinate with JPI to remedy the \$1,554,580 in unsupported salary, fringe benefit, and consultant costs charged to the grant.

JSG and MGA did not concur with our recommendation. Each stated numerous objections to our audit results as summarized above. However, as also discussed in detail above, neither provided adequate support for the costs that we question under this recommendation.

In addition, JSG noted that the \$1,546,978 in unsupported personnel costs identified in the audit report should be \$1,519,978. However, the amount in the audit report is correct and is composed of the following JPI payments of grant funds.

|                                                                                                                       |                    |
|-----------------------------------------------------------------------------------------------------------------------|--------------------|
| One payment of \$75,000 each to MGA and IPFY for the period December 1, 2005 through July 18, 2006 = (\$75,000 x 2)   | \$150,000          |
| Payments of \$15,000 per month to MGA and IPFY for August 2006 through June 2009 = (\$15,000 x 35 months x 2)         | \$1,050,000        |
| Payments of \$9,000 and \$6,000 to MGA and IPFY for July 2009 = [(\$9,000 + \$6,000) x 2]                             | \$30,000           |
| Payments of \$15,000 per month to MGA and IPFY for August 2009 through December 2009 = (\$15,000 x 5 months x 2)      | \$150,000          |
| Six payments to each company for workshops and projects (\$83,489 x 2). The payment amounts are shown in Appendix II. | \$166,978          |
| <b>Total of these payments that JPI made to MGA and IPFY (now JSG)</b>                                                | <b>\$1,546,978</b> |

JSG also stated that of the \$1,546,978 in unsupported personnel costs, JPI distributed less than half, or \$758,489, to IPFY. Along with its response to the draft report JSG provided a list of the distributions IPFY received from JPI, but the list does not include a \$15,000 payment JPI made to IPFY for April 2009 (JPI check #6840, 4/17/2009). The correct amount JPI distributed to IPFY is \$773,489, which is exactly half of the \$1,546,978.

Further, MGA stated that it had submitted documents to OIG offices in Washington, as well as the AUSA. MGA indicated in its response that the documentation submitted to one OIG office may not have been shared with the Atlanta Regional Audit Office that performed this audit. However, those documents were shared, but they did not include timesheets and other documentation needed to support the questioned costs identified in the audit report.

This recommendation is resolved based on OJP's agreement with it and can be closed when we receive documentation showing that the \$1,554,580 has been remedied.

## **2. Remedy \$4,980 in unallowable costs.**

Resolved. OJP concurred with our recommendation. OJP plans to coordinate with JPI to remedy the \$4,980 in unallowable entertainment and tax preparation costs that were charged to the grant. The unallowable costs

consist of \$2,200 for entertainment (described on page 11) and \$2,780 for tax preparation fees (described on page 12).

JSG did not state whether or not it concurred with our recommendation. JSG stated that IPFY staff have no personal recollection of the \$2,200 in unallowable entertainment costs, but JSG is awaiting further documentation for this expense. For the \$2,780 in unallowable tax preparation fees, JSG stated that these payments were authorized by JPI in the belief that they were allowable but, if the payments were not allowable, IPFY would concur that the remedy should include repayment in the amount of \$2,780.

MGA did not concur with our recommendation. MGA stated that JSG is responsible for the \$2,200 in unallowable entertainment costs. Regarding the \$2,780 in tax preparation fees, MGA stated that JPI was required to file tax returns and, because 100 percent of JPI's work was related to the grant, JPI used grant funds to pay for JPI's income tax preparation. MGA also stated that this issue is "inconsistent with the OIG's thrust for JPI to have maintained excellent financial records and follow all federal laws, including filing tax returns and inconsistent with the OIG's concurrence that JPI pay for its own bookkeeping expenses, which it did." In response to this, we note that partnerships generally do not pay taxes, but must file an information-only tax return for the purpose of allocating income to the partners to include on their individual tax returns. Consequently, the cost of preparing the partnership tax returns was primarily a personal expense and not for work related to the grant as MGA stated in its response to the draft report. However, any bookkeeping expenses that are solely related to the grant are allowable expenses.

This recommendation is resolved based on OJP's agreement with it and can be closed when we receive documentation showing that the \$4,980 has been remedied.