



**AUDIT OF THE OFFICE ON VIOLENCE AGAINST WOMEN
GRANT AWARDED TO LEGAL AID OF WESTERN OHIO
TOLEDO, OHIO**

U.S. Department of Justice
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AUDIT OF THE OFFICE ON VIOLENCE AGAINST WOMEN GRANT AWARDED TO LEGAL AID OF WESTERN OHIO TOLEDO, OHIO

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG), Audit Division has completed an audit of the Legal Aid of Western Ohio, Incorporated (LAWO), grant awarded by the Office on Violence Against Women (OVW). The LAWO was awarded \$1,589,352 under grant number 2007-WR-AX-0031. The primary purpose of the grant was to provide funding for a rural domestic violence assistance project. The project's goal was to enhance victim safety for rural areas in cases of domestic violence, dating violence, sexual assault, stalking, and child sexual abuse by encouraging collaborative partnerships between criminal justice agencies, victim service providers, and community organizations who respond to these crimes. In addition, the project was to support the provision of services to the victims of such violence and encourage communities to work in coordination with each other to develop education and prevention strategies directed toward these issues.

The LAWO is a non-profit regional law firm that provides legal assistance in civil matters to help eligible low-income individuals and groups in western Ohio achieve self reliance, equal justice, and economic opportunity. The LAWO's services include legal advice, negotiation, litigation, and community education. In addition to these services, the LAWO coordinates special projects that serve victims of domestic violence, seniors, and migrant farm workers. The LAWO entered into an operating agreement with its affiliate, the Advocates for Basic Legal Equality, Incorporated (ABLE), to provide administrative services, including accounting, finance, human resources, information management, and resource development.

The LAWO previously received federal grant funding for a Family Justice Center (FJC), implementing a collaboration of nearly 60 partners among six neighboring counties in rural Northwest Ohio. Because of the success of the prior program, LAWO, along with over 50 agencies, including representatives from law enforcement, victim service advocates, prosecutors, judges, probation and parole officers, and community-based organizations came together as the Ohio Rural Collaborative to apply for the OVW Rural Domestic Violence, Dating Violence, Sexual Assault, Stalking, and

Child Victimization Assistance Grant to expand the FJC collaboration and to help victims in additional rural counties.

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel costs and indirect costs; (4) budget management and control; (5) matching costs; (6) property management; (7) program income; (8) financial status and progress reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of contractors and subgrantees. However, we determined that matching costs, property management, and program income were not applicable to this grant. As shown in Table 1 below, the LAWO was awarded \$1,589,352 in grant funds.

Table 1. Office on Violence Against Women Grant Awarded to Legal Aid of Western Ohio, Incorporated

GRANT AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
2007-WR-AX-0031	09/01/2007	08/31/2009	\$889,352
Supplement 1	09/01/2007 ¹	09/30/2011	700,000
Total:			\$1,589,352

Source: Office of Justice Programs

As of September 30, 2010, the grantee had recorded total grant expenditures of \$1,064,323 and had been reimbursed \$1,045,232. We performed detailed testing of grant transactions, including payroll, amounting to \$573,561.² During the audit, we examined the LAWO's accounting records, supporting documentation, financial status reports, progress reports, and operating policies and procedures. In addition, we performed testing to determine if reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. We also

¹ The supplemental award was received on September 25, 2009, but the project and budget periods were backdated to the beginning of the grant on September 1, 2007.

² LAWO did not charge all of the program costs to the grant. We reviewed four program transactions totaling \$6,568 that were not charged to the grant. The remaining transactions tested were either partially or fully charged to the grant.

reviewed progress reports and supporting documentation to assess program performance and accomplishments. In brief, we found:

- Internal control weaknesses related to the timeliness of bank reconciliations performed by ABLE and lack of follow-up action by ABLE on outstanding checks.
- Adjusting journal entries to charge the grant for payroll and fringe benefit costs were not posted promptly to the grant records by ABLE, and these entries were not reviewed and approved by ABLE management on a timely basis.
- Because ABLE did not always post the payroll journal entries timely, the grantee's Financial Status Reports did not reconcile to the official accounting records. However, ABLE maintained summary spreadsheets and documentation that supported expenditures identified on the Financial Status Reports. Generally, we were able to confirm the accuracy of the FSRs by using the summary spreadsheets.

As a result of the weaknesses identified above, we determined that LAWO did not adequately monitor its affiliate and relied upon ABLE to perform duties in accordance with its stated policies and procedures. These items are discussed in detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology are discussed in Appendix I.

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INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG), Audit Division has completed an audit of the Legal Aid of Western Ohio, Incorporated (LAWO), grant awarded by the Office on Violence Against Women (OVW). The LAWO was awarded \$1,589,352 under grant number 2007-WR-AX-0031. The primary purpose of the grant was to provide funding for a rural domestic violence assistance project. The project's goal was to enhance victim safety for rural areas in cases of domestic violence, dating violence, sexual assault, stalking, and child sexual abuse by encouraging collaborative partnerships between criminal justice agencies, victim service providers, and community organizations who respond to these crimes. In addition, the program supports the provision of services to the victims of such violence and encourages communities to work in coordination with each other to develop education and prevention strategies directed toward these issues.

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel costs and indirect costs; (4) budget management and control; (5) matching costs; (6) property management; (7) program income; (8) financial status and progress reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of contractors and subgrantees. However, we determined that matching costs, property management, and program income were not applicable to this grant. As shown in Table 2 below, the LAWO was awarded \$1,589,352 in grant funds.

**Table 2. Office on Violence Against Women Grant
Awarded to Legal Aid of Western Ohio, Incorporated**

GRANT AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
2007-WR-AX-0031	09/01/2007	08/31/2009	\$889,352
Supplement 1	09/01/2007 ³	09/30/2011	700,000
Total:			\$1,589,352

Source: Office of Justice Programs

³ The supplemental award was received on September 25, 2009, but the project and budget periods were backdated to the beginning of the grant on September 1, 2007.

Background

The LAWO is a non-profit regional law firm with offices in eight Ohio cities. It provides legal assistance in civil matters to help eligible low-income individuals and groups in western Ohio achieve self reliance, equal justice, and economic opportunity. These services include legal advice, negotiation, litigation, and community education. In addition, the LAWO coordinates special projects to serve victims of domestic violence, seniors, and migrant farm workers.

The LAWO previously received federal grant funding for a Family Justice Center (FJC), implementing a collaboration of nearly 60 partners among six neighboring counties in rural Northwest Ohio. Because of the success of the prior program, LAWO, along with over 50 agencies, including representatives from law enforcement, victim service advocates, prosecutors, judges, probation and parole officers, and community-based organizations came together as the Ohio Rural Collaborative to apply for the OVW Rural Domestic Violence, Dating Violence, Sexual Assault, Stalking, and Child Victimization Assistance Grant to expand the FJC collaboration and to help victims in additional rural counties.

Our Audit Approach

We tested compliance with what we consider the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the Office of Justice Program's (OJP) *Financial Guide*, grant award documents, and relevant Office of Management and Budget (OMB) Circulars/Code of Federal Regulations (CFR).⁴ We tested the LAWO's:

- **Accounting and Internal Controls** to determine whether the grantee had sufficient accounting and internal controls to identify and report expenditures and reimbursements.
- **Grant Drawdowns** to determine whether grant drawdowns were adequately supported and if the grantee was managing grant receipts in accordance with federal requirements.

⁴ According to special condition number one for this award, the grant recipient agreed to comply with the financial and administrative requirements set forth in the current edition of the *OJP Financial Guide*. The *OJP Financial Guide* serves as a reference manual assisting award recipients in their fiduciary responsibility to safeguard grant funds and ensure that funds are used appropriately and within the terms and conditions of the award.

- **Grant Expenditures** to determine the accuracy and allowability of costs charged to the grant.
- **Budget Management and Control** to determine the amounts budgeted and the actual costs for each approved cost category and to determine if the grantee deviated from the approved budget, and if so, if the grantee received the necessary approval.
- **Financial Status and Progress Reports** to determine if the required reports were submitted on time and accurately reflected grant activity.
- **Accomplishment of Grant Requirements and Objectives** to determine whether the grantee met or is capable of meeting the grant objectives and whether the grantee collected data and developed performance measures to assess accomplishment of the intended objectives.
- **Monitoring of Contractors** to determine if contractors were used and if so, to assess compliance with laws, regulations, or guidelines that require contractor monitoring by the grantee.

We also performed limited work and confirmed that the LAWO did not generate or receive program income, did not purchase any property with grant funds, and was not required to contribute any local matching funds. We therefore performed no testing in these areas.

FINDINGS AND RECOMMENDATIONS

We determined that the LAWO was accomplishing and making adequate progress in fulfilling the objectives of the grant. However, our audit revealed several internal control weaknesses and accounting issues at Advocates for Basic Legal Equality, Incorporated (ABLE), the affiliate that provided accounting and other financial services for the grantee. We found that ABLE did not promptly post adjusting journal entries to record payroll costs in the grant ledgers, failed to timely perform and approve bank reconciliations, and did not take follow-up action on outstanding checks. In addition, LAWO's Financial Status Reports (FSR) did not reconcile to the official accounting records; however, ABLE maintained summary spreadsheets and documentation that supported expenditures listed on the FSRs it filed on behalf of LAWO. Therefore, it appears LAWO did not adequately monitor its affiliate and relied upon ABLE to perform its duties in accordance with stated policies and procedures.

Operational and Administrative Structure

The Executive Director of LAWO who is located in Toledo, Ohio, monitored the operational and financial aspects of LAWO and signed checks over a specific dollar amount. LAWO also designated an employee as the Regional Domestic Violence Coordinator who stated that her role was to ensure that the grant objectives were being met and to oversee the contractors and subgrantees. This individual was budgeted in the grant as a full-time position devoted to grant-related activities.

The LAWO entered into an operating agreement with ABLE to provide administrative services, including accounting, finance, human resources, information management, and resource development. ABLE personnel maintained the official accounting records for the project and summary spreadsheets for the grant, tracked the grant budget, compiled and processed invoices to support drawdown requests, requested drawdowns of funds from OJP, performed the bank reconciliations, and prepared and submitted the Financial Status Reports. In addition, ABLE coordinated with LAWO to prepare the categorical assistance progress reports.

Accounting and Internal Controls

According to the *OJP Financial Guide*, grant recipients are required to establish and maintain accounting and internal control systems to accurately account for funds awarded to them. The recipient is also responsible for

ensuring that an adequate system of accounting and internal controls exists for each of its sub-recipients.

We reviewed LAWO's and ABLE's most recent Single Audit Reports to determine whether there were any material weaknesses that could affect the grant. We also interviewed ABLE employees responsible for areas such as payroll, purchasing, and accounts payable, and we observed accounting activities to further assess risk. We found that staff included experienced and qualified personnel, there was active communication among staff and management, the organization experienced relatively low turnover, financial duties were properly segregated, and the operating procedures were formally documented. Based on our observations and information obtained, we concluded that ABLE's control environment was generally adequate. However, we identified weaknesses related to the staff's adherence to prescribed procedures as related to the timeliness and review of bank reconciliations, follow-up on outstanding checks, and the posting, review, and approval of journal entries. These deficiencies are detailed in the sections below.

Single Audit

According to OMB Circular A-133 (codified at 28 CFR Parts 66 and 70), recipients of federal funds are required to perform a Single Audit annually if they expend more than \$500,000 in federal funds in any year. 28 CFR Parts 66 and 70 also require that Single Audits be completed no more than 9 months after the end of the fiscal year (FY). LAWO's FY ends on December 31 and we found that the FY 2009 Single Audit report was issued timely in April 2010.

We reviewed the FY 2008 and FY 2009 Single Audit reports and found that LAWO complied with the requirements of the laws, regulations, contracts, and grants that were applicable to each of its major federal programs during the audit periods. Moreover, the Single Audit report did not identify any material internal control deficiencies. Additionally, because it performs the accounting functions for LAWO, we also reviewed ABLE's 2009 Single Audit report and there were no relevant findings in that report.

Financial Management System

ABLE's accounting system segments the chart of accounts by Grantor and office location and had the ability to track LAWO's expenditures and the receipt of grant funds by grant program. In addition, ABLE maintained summary spreadsheets to track the actual program expenditures chargeable to the grant. An ABLE official explained that LAWO staff recorded their time

worked on each grant into a case management system, and this information was subsequently entered into the payroll system. Then, because the systems were not integrated, payroll expenses related to the grant were manually calculated based on the percentage of time employees worked on the grant and the totals were then transferred from the general payroll expense account to the appropriate grant ledger accounts via journal entries. The official further stated that LAW0 recognizes that the best accounting practice is to record the payroll expense in the general and individual grant ledgers contemporaneously with the payment of each payroll. However, limited administrative staff and software resources have prevented ABLE from implementing this practice. At the time of our review, LAW0 was working with payroll service providers to design and implement a more integrated payroll general ledger system.

Accounting Records

According to the *OJP Financial Guide*, grant recipients are required to establish and maintain accounting and internal control systems to account accurately for funds awarded to them. Further, the accounting system should ensure, among other things, the identification and accounting for receipt and disposition of all funds, funds applied to each budget category included in the approved award, and non-federal matching contributions.

We found that the format of the grant ledgers complied with federal guidelines including specific identification of transactions and categories and included ledgers for all costs related to the rural domestic violence project, not just those chargeable to the grant. However, we determined that ABLE was not always prompt in posting the adjusting journal entries to transfer payroll expenditures from the general ledger to the grant ledgers. Moreover, these adjusting journal entries were not always reviewed and approved by management on a timely basis. For example, attorney salary charges for all of 2008, which totaled \$176,531, were entered into the grant ledger via a single journal entry made on December 31, 2008. Further, according to ABLE and LAW0's payroll procedures, journal entries are to be approved by the Chief Financial Officer (CFO) prior to execution. However, there was no evidence that the CFO ever reviewed or approved this transaction.

Although the grant ledgers were not current and included project costs not chargeable to the grant, ABLE maintained summary spreadsheets that reflected the actual costs chargeable to the grant. These summary spreadsheets, created from invoices and the payroll allocation calculations for this grant, showed expenditures for the period and cumulatively by budget category. The detailed documents supporting the summary

spreadsheets included the time records showing the percentage of time each individual worked on the grant, the calculations for the percentage of each person's salary and fringe benefits chargeable to the grant, and information about other grant-related expenses incurred, such as invoices from contractors and travel costs. Copies of the spreadsheet and detailed support were attached to a monthly invoice that was submitted to LAW0 for review and certification prior to requesting reimbursement from OJP. We compared the information shown on the spreadsheets to the totals calculated from the supporting documentation and determined that the summary spreadsheets accurately reflected grant expenditures through September 30, 2010. ABLE prepared LAW0's requests for reimbursement and the Financial Status Reports based on information contained in these summary spreadsheets.

Bank Reconciliations

According to ABLE and LAW0's fiscal policies and procedures, all bank statements must be reconciled monthly within 30 days of receipt. The Controller or Assistant Controller is to perform the bank reconciliation and provide it to the CFO for review and verification of accuracy. The CFO should then initial and date the reconciliation. Further, checks that have been outstanding in excess of 120 days should be voided and written off. We believe that these procedures, when implemented, constitute a good internal control.

We reviewed two monthly bank reconciliations and noted they had not been performed in a timely manner. Specifically, we found that the bank statements dated January 31, 2009, and January 31, 2010, were not reconciled until May 4, 2009, and April 26, 2010, respectively. Although we did not notice any unusual withdrawals or re-deposits on these bank statements, we found that ABLE had not followed up on 47 outstanding checks that were more than 120 days old. Some checks were outstanding for more than 2 years.

We discussed our observations with ABLE Accounting Department personnel who explained that LAW0's checks are void after 90 days. Additionally, we obtained a copy of a check and noted that this statement was imprinted on its face. The official acknowledged that they were behind in voiding and writing off the checks in the records and planned to make the necessary entries. We recommend that LAW0 develop and implement procedures to ensure that the bank reconciliations performed by ABLE are performed and reviewed timely and appropriate action is taken on outstanding checks.

Grant Drawdowns

The *OJP Financial Guide* establishes methods under which the awarding agency makes payments to grantees. The methods and procedures for payment established by the federal government are designed to minimize the time elapsed between the transfer of funds by the government and the disbursement of funds by the grantee. Recipients should time drawdown requests to ensure that federal cash on hand is the minimum needed to pay for actual or anticipated costs within 10 days.

OVW awarded \$1,589,352 for grant number 2007-WR-AX-0031 with one supplement, and LAWO had drawn down a total of \$1,045,232 as of September 30, 2010. Based on interviews with ABLE personnel, we determined that drawdowns were requested on a reimbursement basis and were based upon the summary spreadsheets, which included both non-personnel and personnel expenditures.

We compared drawdowns to grant expenditures as recorded in the summary spreadsheets through September 30, 2010, and determined that grant drawdowns coincided with expenditures and were requested after the funds had been expended. Therefore, LAWO did not have excess cash on hand and drawdowns were in accordance with the *OJP Financial Guide*. Table 3 illustrates our comparison of grant drawdowns and expenditures by calendar quarter for the quarters ending March 31, 2009, through September 30, 2010. As shown in the table below, there is a \$19,090 difference in the last quarter. This occurred because the grantee had not requested reimbursement for these expenses as of September 30, 2010.

Table 3. Comparison of Grant Drawdowns to Expenditures

CALENDAR QUARTER ENDING DATE	QUARTERLY AMOUNT DRAWN DOWN PER OJP	GRANT EXPENDITURES PER SUMMARY SPREADSHEETS	REIMBURSEMENTS IN EXCESS OF EXPENDITURES
03/31/09	\$ 95,273	\$ 95,273	\$0
06/30/09	90,159	90,159	0
09/30/09	110,645	110,645	0
12/31/09	123,568	123,568	0
03/31/10	45,463	45,463	0
06/30/10	65,449	65,449	0
09/30/10	44,967	64,057	(19,090)

Source: Office of Justice Programs and LAWO records

Grant Expenditures

The *OJP Financial Guide* serves as a reference manual assisting award recipients in their fiduciary responsibility to safeguard grant funds and ensure that funds are used appropriately and within the terms and conditions of the award. By accepting the OVW award and in accordance with special condition number one of the grant award, LAWO agreed to comply with the financial and administrative requirements as set forth in the current edition of the *OJP Financial Guide*.

To determine the accuracy and allowability of costs charged to the grant, we reviewed a sample of personnel and non-personnel expenditures such as travel, supplies, and contractor expenses that were paid with grant funds. We also examined a sample of salary and fringe benefit costs charged to the grant. In total, we reviewed \$573,561, or approximately 54 percent of the amount expended through the end of September 2010.⁵ Because the summary spreadsheets did not contain the expenditure details, we used the grant ledgers to select our sample. Our results are detailed below.

Personnel

Personnel costs represented the largest category of grant expenditures incurred by LAWO. The personnel costs LAWO charged to the grant consisted of salaries and fringe benefits for the attorneys and paralegals who provided legal assistance to project clients. According to the grant ledgers, the LAWO expended a total of \$605,229 for the salaries and fringe benefits for attorneys and paralegals working on the Rural Domestic Violence project. However, per the summary spreadsheets, only \$570,793 was charged to the grant through September 30, 2010.

We judgmentally selected and examined payroll expenditures totaling \$330,722 and this included six non-consecutive pay periods and several adjusting journal entries. We reviewed these expenditures to determine whether costs charged to the grant for wages and fringe benefits were accurately computed, properly allocated to the grant, and adequately supported. We reviewed time records, detailed payroll records, invoices and detailed support. Each staff member was responsible for recording in LAWO's case management system the hours they worked on each grant and this formed the basis of the payroll expense invoiced to the grant. We were told that ABLE's Controller analyzed the time reported by each staff member

⁵ LAWO did not charge all costs recorded in the program ledger to the grant. We reviewed four transactions totaling \$6,568 that were not charged to the grant. The remaining transactions tested were either partially or fully charged to the grant.

in the case management system and calculated the personnel costs allocated to the grant for each individual. In general, we found the payroll expenditures to be accurately recorded, properly allocated to the grant, and adequately supported.

Non-Personnel Expenditures

We reviewed 35 non-personnel transactions totaling \$242,839 to determine if the expenditures were adequately supported, correctly authorized, appropriately classified, and properly charged to the grant, when appropriate. These transactions consisted of payments for items such as supplies, travel, and contractor expenses. We compared the transactions to the OJP-approved budget and traced the transactions to supporting documents. Based on our review, we determined that the expenditures were properly supported, authorized, classified, accurately recorded in program ledgers, and charged to the grant, when appropriate.

Budget Management and Control

According to the *OJP Financial Guide*, a grantee may transfer funds between approved budget categories without OJP approval if the total transfers are 10 percent or less than the award amount. We determined whether the budgets were adhered to by comparing the actual amounts charged to each budget category to the OJP-approved budgets.

ABLE's Controller monitored the grant budget to ensure that overall spending was within the grant budget by spending category. This was done by maintaining cumulative totals on the summary spreadsheets.

We compared the OJP-approved grant budgets against the expenditures shown on the summary spreadsheets. As illustrated in Table 4, we found that expenditures in almost all categories were less than the budgeted amounts except for supplies, which exceeded the approved budget level by \$9,496. As the over-expenditure in this category was less than 10 percent of the total amount awarded, LAWCO did not exceed the allowable transfer amount and, therefore, was not required to request approval to use the funds in this manner.

TABLE 4. LAWO BUDGET MANAGEMENT AND CONTROL

COST CATEGORY	REVISED ORIGINAL GRANT BUDGET⁶	SUPPLEMENTAL GRANT BUDGET	COMBINED TOTAL BUDGET	EXPENDITURES PER SUMMARY SPREADSHEETS THROUGH 9/30/10	AMOUNT IN EXCESS OF CATEGORY BUDGET
Personnel	\$325,118	\$250,639	\$575,757	\$473,287	\$0
Fringe Benefits	97,550	65,988	163,538	97,506	0
Travel	30,384	26,939	57,323	42,727	0
Equipment	0	0	0	0	0
Supplies	21,737	12,380	34,117	43,613	9,496
Construction	0	0	0	0	0
Contract	302,130	256,770	558,900	307,034	0
Other	25,528	18,882	44,410	16,233	0
TOTAL DIRECT COSTS	\$802,447	\$631,598	\$1,434,045	\$980,400	NA
Indirect Costs	86,905	68,402	155,307	83,923	0
TOTAL	\$889,352	\$700,000	\$1,589,352	\$1,064,323	

Source: Office of Justice Programs and LAWO accounting records

Indirect Costs

The *OJP Financial Guide* states that indirect costs are costs that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. Indirect costs are calculated as a percentage of direct costs. We determined that the LAWO had a federally approved final indirect cost rate of 10.83 percent from the Social Security Administration for 2006 and were allowed to use this rate until the Department of Justice approved a new rate. On October 19, 2010, they received from the Department of Justice a final indirect cost rate of 10.84 percent for 2008 and allowed a provisional rate of 10.84 percent through December 31, 2010, for 2009 and 2010. We tested a sample of indirect costs charged to the grant and found that the costs had been accurately calculated.

⁶ We used budget amounts from Grant Adjustment Notice number 5, which changed some of the original grant budget amounts.

Grant Reporting

The *OJP Financial Guide* states that two types of reports are to be submitted by the grantee. Financial Status Reports (FSR) provide information on monies spent and the unobligated amounts remaining in the grant.⁷ Program progress reports provide the OVW with information relevant to the performance of the project and other pertinent data.

Financial Status Reports

The 2008 *OJP Financial Guide* stated that FSRs were due within 45 days after the end of the calendar quarter. The *OJP Financial Guide* was subsequently revised and, effective for the quarter beginning October 1, 2009, grantees were required to report expenditures on-line, using the Federal Financial Report (FFR) form, no later than 30 days after the end of the calendar quarter. As shown in Table 5, we reviewed six reports and determined that except for one report that was 2 days late, due to OJP transmission problems, the FSRs were submitted on time.

TABLE 5. TIMELINESS OF LAWO FINANCIAL STATUS REPORTS

No.	REPORT PERIOD FROM - TO DATES	FSR DUE DATES	DATE SUBMITTED	DAYS LATE
1	04/01/09 – 06/30/09	08/14/09	08/12/09	0
2	07/01/09 – 09/30/09	11/14/09	11/09/09	0
3	10/01/09 – 12/31/09	01/30/10	01/29/10	0
4	01/01/10 – 03/31/10	04/30/10	05/02/10	2
5	04/01/10 – 06/30/10	07/30/10	07/30/10	0
6	07/01/10 – 09/30/10	10/30/10	10/25/10	0

Source: Office of Justice Programs

As mentioned previously, ABLE did not make adjusting journal entries in a timely manner and the grant ledgers included other project costs not charged to the grant. As a result, the grant general ledger could not be reconciled to the financial reports. However, as shown in Table 6 we were generally able to confirm the accuracy of the FSRs against the summary spreadsheets. We identified one transaction that ABLE omitted from the reported expenditure total in the quarter ended June 30, 2010, but reported in the subsequent report for the quarter ended September 30, 2010.

⁷ The grantee filed FSRs to report its grant expenditures until the last quarter of 2009 when the FSRs were replaced with Federal Financial Reports.

TABLE 6. COMPARISON OF LAWO'S SUMMARY SPREADSHEET DATA TO FSRs

REPORT PERIOD ENDED	EXPENDITURES PER GRANT SUMMARY SPREADSHEET	GRANT EXPENDITURES PER FSR	DIFFERENCE
06/30/09	\$ 90,159	\$ 90,159	\$ 0
09/30/09	110,645	110,645	0
12/31/09	123,568	123,568	0
03/31/10	45,463	45,463	0
06/30/10	65,450	64,243	1,207
09/30/10	64,058	65,265	(1,207)

Source: Office of Justice Programs and LAWO records

Categorical Assistance Progress Reports

According to the *OJP Financial Guide*, Categorical Assistance Progress Reports are due semiannually on January 30 and July 30 for the life of the grant. We reviewed three recently filed progress reports and determined that the grantee submitted them in a timely manner except for the June 30, 2009, report that was filed 1 day late, as seen in Table 7. In addition, the data in the three reports that the grantee submitted was supported by documentation about the grant-funded activities.

TABLE 7. TIMELINESS OF CATEGORICAL ASSISTANCE PROGRESS REPORTS

No.	REPORT PERIOD FROM - TO DATES	DUE DATE	DATE SUBMITTED	DAYS LATE
1	01/01/09 – 06/30/09	07/30/09	07/31/09	1
2	07/01/09 – 12/31/09	01/30/10	01/30/10	0
3	01/01/10 – 06/30/10	07/30/10	07/30/10	0

Source: Office of Justice Programs

Compliance with Grant Requirements

We conducted interviews with grantee officials and obtained and reviewed documentation regarding the grantee's compliance with grant requirements and the special conditions of the grant award. Based on our review of the documents provided, we found that the grantee generally complied with the requirements of the grant, except as noted in the Accounting and Internal Controls section of the report.

Program Performance and Accomplishment

According to award documentation, the goals of the grant were to: (1) strengthen the collaboration and advocacy at the Family Justice Center (FJC) of Northwest Ohio; (2) develop faith-based initiatives for the FJC; (3) maintain critical legal services in 11 rural counties in collaboration with holistic services provided by victim advocates; and (4) strengthen collaboration in 15 non-FJC rural counties for a more effective coordinated community response to domestic violence, stalking, and sexual assault.

The objectives needed to achieve the grant goals were to: (1) conduct annual training for FJC partners to create a multi-county advocate network to strengthen the collaboration and support among advocates and create on-site survivor centers with activities to build a survivor support network; (2) establish a long-term partnership with churches and other faith-based programs to help victims obtain emergency funds, provide chaplain services, and provide volunteers to assist with holistic support programs such as micro-economic enterprises, financial management programs, trauma recovery groups, peer support initiatives, and healing activities; (3) develop a holistic screening process and protocols through legal aid partnership with community advocacy agencies and outreach to migrant/immigrant victims through legal aid partnership with community advocacy agencies; and (4) attend national training classes and the Ohio Domestic Violence Network training to learn model programs, protocols, and practices; train partner agencies in 21 rural counties on model programs, protocols, and practices; and strengthen collaborative relationships in the 15 non-FJC counties.

To determine if LAWO met the objectives of the grant, we interviewed grantee officials and several sub-grantee representatives and toured an FJC facility. Further, we identified and interviewed end users benefiting from the program, determined that the grantee implemented training efforts, and that the grantee maintained newspaper articles illustrating the impact of the project has had on the community. Based on our observations, interviews, and documentation reviewed, we were able to corroborate that the services being provided were aligned with grant goals.

Monitoring Subgrantees and Contractors

According to the 2008 and 2009 *OJP Financial Guides*, grantees should ensure that they monitor subrecipients and organizations under contract to them in a manner that will ensure compliance with their own overall financial management and program requirements. We interviewed LAWO's grant administrator and reviewed the memoranda of understanding (MOU) provided by the grantee and determined that there were 7 contractors and

11 subgrantees paid with grant funds. All seven of the contractors and six of the subgrantees provided services and support to victims of domestic violence, sexual assault, stalking, and child abuse; four of the subgrantees were individuals who shared the faith-based coordinator duties and one subgrantee was an individual who was designated as the chaplaincy/retreat coordinator. ABLE's CFO explained that the grantee did not conduct a formal financial management system evaluation of the subgrantees' financial management systems prior to making the award, as the subgrantees were identified in the grant application and were approved by DOJ. Further, LAWO had prior experience with the high level of professionalism by the subgrantees on other grants. All the subgrantee agreements required that their invoices be supported by detailed supporting documents and certified by each subgrantee's Executive Director. Based on these operating procedures, LAWO did not believe it was necessary to conduct a financial system evaluation. We found that LAWO had an MOU with each of the subgrantees. The MOU detailed the activities to be performed, a time schedule, the dollar amount of the agreement, and other policies and procedures to be followed.

Additionally, we determined that LAWO as the lead agency for this project had a Regional Domestic Violence Coordinator who monitored subgrantee and contractor performance through on-site visits, joint trainings, and monthly executive meetings to review performance against milestones and to discuss any related issues. Based on this, we believe that LAWO's monitoring of subgrantee and contractor activities was adequate.

However, we also determined that subgrantees were responsible for approving expenditures and the MOUs specify that subgrantees were to submit their billings directly to LAWO's fiscal agent, an ABLE employee. There was no evidence that LAWO reviewed subgrantee and contractor invoices to ensure actual charges were allowable and reasonable before the invoices were processed for payment by ABLE. During the exit conference, we discussed the apparent lack of review with LAWO and ABLE officials. The Regional Domestic Violence Coordinator explained that she is fully aware of the program costs being incurred at the locations in her area. She notifies ABLE that these expenditure have her approval via emails. Although LAWO never sees the invoices for the subgrantees and subcontractors at other program locations, most of these charges were for personnel costs which were supported by time records submitted to ABLE.

Views of Responsible Officials

We discussed the results of our review with grantee officials throughout the audit and at a formal exit conference. Their comments on specific issues have been included in the appropriate sections of the report.

Recommendations

We recommend that OVW:

1. Ensure that LAW0 develops and implements procedures to ensure that the bank reconciliations performed by ABLE are performed and reviewed timely and appropriate action is taken on outstanding checks.
2. Require LAW0 to increase its monitoring of ABLE's accounting operations done on its behalf, and implement procedures to ensure ABLE records all grant-related financial activity in the appropriate grant accounting records on a timely basis.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this grant audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel costs and indirect costs; (4) budget management and control; (5) matching costs; (6) property management; (7) program income; (8) financial status and progress reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of contractors and subgrantees. However, we determined that matching costs, property management, and program income were not applicable to this grant.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit concentrated on, but was not limited to, the grant project start date on September 1, 2007, through September 30, 2010. The LAWO incurred grant-related costs totaling \$1,064,323 and was reimbursed \$1,045,232 through September 30, 2010.

We tested compliance with what we consider the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the Office of Justice Programs *Financial Guide* and the award documents. In conducting our audit, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant reviewed, such as dollar amounts or expenditure category. This non-statistical sample design does not allow projection of the test results to the universes from which the samples were selected. Our sample was selected from the detailed grant program ledgers and amounted to \$573,561 of the \$1,064,323 expended through September 30, 2010.⁸

⁸ LAWO did not charge all of the program costs to the grant. We reviewed four transactions totaling \$6,568 that were not charged to the grant. The remaining transactions tested were either partially or fully charged to the grant.

In addition, we reviewed the timeliness and accuracy of FSRs and Progress Reports, assessed performance against grant objectives, and evaluated the grantee's monitoring of its contractors. However, we did not test the reliability of the financial management system as a whole. We did not rely on computer based data and it was not significant to our audit objectives.

As part of our grant audit procedures, we evaluated prior audits of LAW0 and ABLE that were performed in the past 2 years. The grantee and its affiliate were both audited in 2009 by independent Certified Public Accountants and the results of these audits were reported in the Single Audit Reports that accompanied the Comprehensive Annual Financial Reports for the year ended December 31, 2009. The Single Audit Reports were prepared under the provisions of Office of Management and Budget Circular A-133. In reviewing the independent auditors' assessments, we determined that there were no control weaknesses or significant noncompliance issues related to the grantee, its affiliate, or LAW0's management of federal programs.

AUDITEE RESPONSE

Legal Aid of
Western Ohio, Inc.

Center for
Equal Justice

525 Jefferson
Avenue
Suite 400
Toledo, Ohio 43604

(419) 724-0030
(877) 894-4599
(419) 321-1582 fax
(888) 554-7415 TTY
www.lawolaw.org

LAWO is funded
in part by:

LSC

United Way
Community Partner

October 18, 2011

Carol Taraszka
Regional Audit Manager
U.S. Department of Justice
Office of the Inspector General
Chicago Regional Audit Office
500 West Madison Street, Suite 1121
Chicago, IL 60661-2590

Re: Draft Audit Report
Legal Aid of Western Ohio, Inc.
Office on Violence Against Women Grant

Dear Ms. Taraszka:

I have received and reviewed the draft audit report on the Audit of the Office on Violence Against Women Grant awarded to Legal Aid of Western Ohio, Inc. (LAWO) (grant number 2007-WR-AX-003J). I have the following comments on the draft audit report:

1. I accept and have taken steps to address the recommendations found on page 16 of the draft report. I attach to this letter a memorandum to the Executive Director and Chief Financial Officer of Advocates for Basic Legal Equality, Inc. regarding measures I have asked them to implement to comply with those recommendations.

2. The draft report states in the last paragraph on page iii that certain internal control items listed earlier on the page and “other deficiencies” are discussed in detail in the report. I request that the phrase “other deficiencies” be deleted from the final report as I believe that the three items listed earlier on the page constitute the deficiencies found during the audit.

3. I note that the draft report on page 5 states that the assessment “found that staff included experienced and qualified personnel, there was active communication among staff and management, the organization experienced relatively low turnover, financial duties were properly segregated, and the operating procedures were formally documented” and that “ABLE’s control environment was generally adequate”.

4. As noted all page 6 of the draft report, LAWO and ABLE are working to design and implement a more integrated payroll general ledger system

Carol Taraszka
October 18, 2011
Page Two

that will address the issue of the timeliness of entries onto the individual grant ledgers.

5. The two bank statements that the report noted were reviewed for reconciliation were both from January – one in 2009 and one in 2010. The reconciliation of those statements was delayed because the financial team was working to prepare for the outside audit. The team caught up on the reconciliation process after the audit preparation was completed. I nonetheless recognize the importance of remaining current with bank statement reconciliations despite an on-going audit process and have taken steps to address that issue with ABLE.

6. The draft report concluded that the services being provided under the grant “were aligned with grant goals” (page 14). We are proud of the work being done, in a multi-county rural environment, to ensure communities have a coordinated response to domestic violence and that survivors of domestic violence, sexual assault, and stalking have access to civil legal aid and other critically needed services. The work being done by LAWO and its numerous community partners around the Family Justice Center of Northwest Ohio is recognized nationally as an effective project and resource for survivors.

Thank you for the opportunity to comment on the draft report. Please let me know if you have any questions about these comments, or need additional information.

Sincerely,

/S/

Kevin C. Mulder
Executive Director

cc: U.S. Department of Justice, Office on Violence Against Women
Joseph R. Tafelski, Executive Director, ABLE
R. Paul, Chief Financial Officer, ABLE

Enc.

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Western Ohio, Inc.**

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MEMORANDUM

To: Joseph R. Tafelski, Executive Director
R. Paul Saggese, Chief Financial Officer
Advocates for Basic Legal Equality, Inc.

From: Kevin C. Mulder, Executive Director
Legal Aid of Western Ohio, Inc.

Re: Draft Audit Report
United States Department of Justice
Office of the Inspector General

Date: October 27, 2011

I write to confirm our discussions regarding the draft report of the audit conducted of Legal Aid of Western Ohio's Office on Violence Against Women Grant (grant number 2007-WR-AX-0031). I have provided each of you with a copy of the report and we have discussed the report's Findings and Recommendations. I accept and agree with the recommendations found on page 16 of the draft report.

I greatly appreciate the high quality administrative services that ABLE provides LAWO, especially in the area of financial management. I also understand that the beginning of the year may pose some timing issues for the finance department arising out of the need to prepare for the annual audit while maintaining regular department functions. At the same time, it is very important that we reconcile our bank statements in a timely manner.

To comply with the recommendations in the audit report, I am requesting that you implement the following measures as soon as possible:

1. No later than thirty (30) days after receipt of a bank statement, present for my review and signature reconciliations of any and all statements from LAWO bank accounts. The reconciliations should be initialed and dated by appropriate members of the finance team in accordance with LAWO's Fiscal Policies and Procedures.

2. Present along with the bank reconciliations a list of any outstanding checks, with particular note of any checks that have been outstanding for more than 90 days

3. On a quarterly basis, record all grant-related financial activity in the appropriate grant accounting records. All grant ledgers should be current on

at least a quarterly basis. I will schedule quarterly meetings, to be held within 30 days of the end of a quarter, to review the grant accounts.

Please consider these measures to be a part of and incorporated into the Operating Agreement between Legal Aid of Western Ohio, Inc. and Advocates for Basic Legal Equality, Inc.

Please let me know if you have any questions about these measures.

OFFICE ON VIOLENCE AGAINST WOMEN RESPONSE



U.S. Department of Justice

Office on Violence Against Women

Washington, D.C. 20531

MEMORANDUM

TO: Carol S. Taraszka
Regional Audit Manager
Chicago Regional Audit Office

FROM: Susan B. Carbon
Director
Office on Violence Against Women

Rodney Samuels
Audit Liaison
Office on Violence Against Women

SUBJECT: Audit of the Office on Violence Against Women Grant Awarded to
Legal Aid of Western Ohio, Toledo, Ohio

This memorandum is in response to your correspondence dated September 30, 2011 transmitting the above draft audit report for Legal Aid of Western Ohio (LAWO). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **two** recommendations and no questioned costs. The Office on Violence Against Women (OVW) agrees with the recommendations and is committed to working with the grantee to address each item and bring them to a close as quickly as possible. The following is an analysis of the audit recommendations:

- 1. Ensure that LAWO develops and implements procedures to ensure that the bank reconciliations performed by ABLE are performed and reviewed timely and appropriate action is taken on outstanding checks.**

We agree with this recommendation. We will coordinate with LAWO to be certain that they develop and implement procedures to ensure that the bank reconciliations performed by ABLE are performed and reviewed timely and appropriate action is taken on outstanding checks.

2. **Require LAWO to increase its monitoring of ABLE's accounting operations done on its behalf, and implement procedures to ensure ABLE records all grant-related financial activity in the appropriate grant accounting records on a timely basis.**

We agree with this recommendation. We will require LAWO to increase its monitoring of ABLE's accounting operations done on its behalf, and implement procedures to ensure ABLE records all grant-related financial activity in the appropriate grant accounting records on a timely basis.

We appreciate the opportunity to review and comment on the draft report. We will continue to work with LAWO to address each recommendation. If you have any questions or require additional information, please contact Rodney Samuels of my staff at (202) 514-9820.

cc: Richard Theis
Assistance Director
Audit Liaison Group
Justice Management Division

Angela Wood
Budget Officer
Office on Violence Against Women

Debra Bright
Program Specialist
Office on Violence Against Women

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

The OIG provided a draft of this audit report to Legal Aid of Western Ohio, Incorporated (LAWO) and the Office on Violence Against Women (OVW). LAWO's response is incorporated in Appendix II of this final report, and OVW's response is incorporated as Appendix III. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation Number

1. **Resolved.** OVW concurred with our recommendation to ensure that LAWO develops and implements procedures to ensure that bank reconciliations performed by ABLE are performed and reviewed timely and appropriate action is taken on outstanding checks. OVW stated in its response that it will coordinate with LAWO to be certain they develop and implement these procedures. In its response, LAWO stated that no later than 30 days after the receipt of the bank statements the Executive Director will be presented with the completed bank statement reconciliation for his review. The reconciliation will be initialed and dated by the appropriate members of the finance team who performed the bank reconciliation. In addition to the bank reconciliation the Executive Director shall be presented with a list of any outstanding checks, with particular note of any checks outstanding for more than 90 days.

This recommendation can be closed when we receive evidence that LAWO has developed and implemented procedures to ensure that the bank reconciliations performed by ABLE are performed and reviewed timely and appropriate action is being taken on outstanding checks.

2. **Resolved.** OVW concurred with our recommendation to require LAWO to increase its monitoring of ABLE's accounting operations done on its behalf and implement procedures to ensure ABLE records all grant-related financial activity in the appropriate grant accounting records on a timely basis. OVW stated in its response that it will require LAWO to increase its monitoring of ABLE's accounting operations done on its behalf and implement procedures to ensure ABLE records all grant-related financial activity in the appropriate grant accounting records on a timely basis. In its response, LAWO

required ABLE to record all grant-related financial activity in the appropriate grant accounting records and requested that all grant ledgers should be current on a quarterly basis. LAWO's Executive Director planned to schedule quarterly meetings, within 30 days of the end of the quarter, to review the grant accounts.

This recommendation can be closed when we receive evidence that LAWO has increased its monitoring of ABLE's accounting operations and implemented procedures to ensure ABLE records all grant-related financial activity in the appropriate grant accounting records on a timely basis.