



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
BUREAU OF JUSTICE ASSISTANCE  
SECOND CHANCE ACT MENTORING GRANT  
AWARDED TO CATHOLIC CHARITIES OF  
KANSAS CITY-ST. JOSEPH, INC.  
KANSAS CITY, MISSOURI**

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

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ACT MENTORING GRANT AWARDED TO  
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**EXECUTIVE SUMMARY**

The U.S. Department of Justice, Office of the Inspector General, Audit Division, has completed an audit of an Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) Second Chance Act Mentoring grant for \$300,000 awarded to Catholic Charities of Kansas City-St. Joseph, Inc. (Catholic Charities). Catholic Charities received grant number 2010-CY-BX-0004 to assist ex-offenders with reintegration into society. The program includes mentoring adult offenders from incarceration to release and providing transitional services to assist in the reintegration of offenders into the community.

Catholic Charities has been providing social services in Kansas City and the surrounding St. Joseph County, Missouri, area since 1879 with the establishment of orphanages. Today, Catholic Charities provides a variety of community services, such as adoption services, homeless prevention programs, and family counseling. In addition, through its TurnAround Program (TAP), Catholic Charities provides various services to ex-offenders upon release from prison. These services include emergency assistance, case management, preparation for re-entry into society, and mentoring. The Second Chance Act grant specifically supplements the mentoring program at Catholic Charities by providing funds for two mentor coordinators, one who works with clients prior to release and another who works with the clients after release.

The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel and indirect costs; (4) budget management and control; (5) local matching funds; (6) property management; (7) program income; (8) federal financial reports and progress reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of sub-grantees and contractors. We determined that local match, program income, and oversight of sub-grantees and contractors were not applicable to this grant.

As of January 31, 2012, the grantee had drawn down \$159,073 and had recorded expenditures of \$156,469 in its grant accounting records. We examined Catholic Charities' accounting records, required financial and progress reports, and operating policies and procedures. We identified several weaknesses in Catholic Charities' internal controls, accounting procedures, and reporting deficiencies. We tested \$25,717 of expenditures and as a result, we questioned \$7,887 as unallowable or unsupported expenses. Specifically, we found:

- Catholic Charities does not have written procedures for the accounting and oversight of the TAP checking account.
- The grantee did not track expenses related to bus passes purchased with grant funds, billed the grant for costs that should have been charged to a different grant, charged expenditures that were not included in the approved budget, and overcharged the grant related to indirect costs, which resulted in \$2,300 in unsupported and \$5,587 in unallowable costs.
- After accepting a revised indirect cost rate agreement, which changed the rate both going forward and retroactively, Catholic Charities did not correct the rate used for the prior 8 months and did not make the appropriate adjustments to the accounting records.
- The grantee did not accurately report all the required metrics to OJP on its third progress report, which covered the second half of calendar year 2011. We found that 16 out of the 46 metrics we tested were not traceable to the supporting documentation provided.
- Despite a goal of providing services to 40 ex-offenders in each of the 2 years of the grant, as of March 2012, 17 months into the grant, it had only provided services to 25 clients in total.

Our report contains 7 recommendations to address the preceding issues, which are discussed in detail in the Findings and Recommendations section of the report. Our audit objective, scope, and methodology are discussed in Appendix I of the report.

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## INTRODUCTION

The U.S. Department of Justice, Office of the Inspector General, Audit Division, has completed an audit of an Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) Second Chance Act Mentoring grant awarded to Catholic Charities of Kansas City-St. Joseph, Inc. (Catholic Charities). Catholic Charities was awarded \$300,000 under grant number 2010-CY-BX-0004 to mentor and assist in the transitioning of adult ex-offenders into society, including providing assistance and counseling from incarceration to post-release.

As shown in Table 1 below, Catholic Charities was awarded a total of \$300,000 to implement the grant program.

**TABLE 1. BUREAU OF JUSTICE ASSISTANCE GRANT AWARDED TO CATHOLIC CHARITIES**

AWARD NUMBER	AWARD START DATE	AWARD END DATE <sup>1</sup>	AWARD AMOUNT	OBJECTIVE <sup>2</sup>
2010-CY-BX-0004	10/01/2010	12/31/2012	\$300,000	To offer mentor and transitional services to violent offenders nearing release and post release in order to promote successful re-entry into society and reduce recidivism.

Source: Office of Justice Programs

### Background

OJP's mission is to increase public safety and improve the administration of justice across America through innovative leadership and programs. OJP seeks to accomplish its mission by disseminating state-of-the-art knowledge and practices across America by providing grants for the implementation of these crime-fighting strategies. To support this mission, BJA provides leadership and assistance to local criminal justice programs that improve and reinforce the nation's criminal justice system with goals to reduce and prevent crime, violence, and drug abuse and to improve the way in which the criminal justice system functions.

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<sup>1</sup> This date includes a no-cost extension approved by OJP.

<sup>2</sup> The objective was later amended to include non-violent offenders.

Catholic Charities has been providing social services in Kansas City and the surrounding St. Joseph County, Missouri, area since 1879 with the establishment of orphanages. Catholic Charities, a non-profit organization located in Kansas City, Missouri, provides a variety of community services, such as adoption services, homeless prevention programs, family counseling, and various services to ex-offenders upon release from prison.<sup>3</sup> Catholic Charities provides the general public with charitable work in the following six overall categories: (1) children and youth, (2) food and shelter, (3) family services, (4) health and disabilities, (5) community outreach, and (6) senior services.

Within the family services category is the TurnAround Program (TAP), which receives grants and donations from various federal, state, local, and individual sources.<sup>4</sup> The primary focus of TAP is to assist individuals recently released from prison (referred to as clients) with re-integration into society, emergency assistance, mentoring, and case management services. The Second Chance Act Mentoring grant funds this program to assist with identifying potential clients before release from prison and along with individual, state, and other federal sources, provides funds for services and assistance post-release. Specifically, the grant supplements the mentoring program at Catholic Charities by providing funds for two mentor coordinators, one who works with clients prior to release and another who works with the clients after release.

## **Our Audit Approach**

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

- **Accounting and Internal Controls** to determine whether the grantee had sufficient accounting and internal controls in place for the processing and payment of funds and controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant;

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<sup>3</sup> Catholic Charities does not limit its services based on faith. According to the grantee, over 75 percent of those served are non-Catholics.

<sup>4</sup> Other federal sources include the U.S. Department of Labor and the Federal Emergency Management Agency.

- **Grant Drawdowns** to determine whether grant drawdowns were adequately supported in accordance with federal requirements;
- **Grant Expenditures** to determine the accuracy and allowability of costs charged to the grant;
- **Budget Management and Control** to examine the amounts budgeted and the actual costs for each approved cost category and determine if the grantee deviated from the approved budget, and if so, if the grantee received the necessary approval;
- **Federal Financial Reports (FFR) and Progress Reports** to determine whether the required reports were submitted on time and accurately reflected grant activity; and
- **Accomplishment of Grant Requirements and Objectives** to determine if the grantee met or is capable of meeting the grant's objectives and whether the grantee collected data and developed performance measures to assess accomplishment of the intended objectives.

We also performed limited work and confirmed that Catholic Charities did not generate or receive program income, was not required to contribute any local matching funds, and that funds were not awarded to sub-grantees or contractors. We therefore performed no testing in these areas.

## **FINDINGS AND RECOMMENDATIONS**

We determined that Catholic Charities is providing mentoring services. However, our audit revealed internal control and reporting deficiencies. We found that Catholic Charities did not track expenses related to bus passes purchased with grant funds, billed the grant for costs that should have been charged to a different grant, charged expenditures that were not included in the approved budget, and overcharged the grant related to indirect costs. As a result, we questioned \$7,887 in unallowable and unsupported expenditures. In addition, the grantee may have difficulties fulfilling its goal of providing services to 80 ex-offenders by the end of the grant period.

We performed audit work at Catholic Charities' main office in Kansas City, Missouri, where we obtained an understanding of the accounting system and reviewed a sample of grant expenditures. We reviewed the criteria governing grant activities, including the OJP Financial Guide, relevant OMB Circulars, and the Code of Federal Regulations. In addition, we reviewed grant documents, including the application, award, budgets, and financial and progress reports. We also interviewed key Catholic Charities personnel.

### **Accounting and Internal Controls**

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, expenditures governed by any special and general provisions, and non-federal matching contributions.

We reviewed Catholic Charities' financial management system and its policies and procedures to assess Catholic Charities' risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. To further assess risk, we obtained an understanding of the reporting process, examined various grant accounting records and reports prepared by Catholic Charities, and interviewed Catholic Charities personnel regarding grant expenditures. Our testing revealed internal control deficiencies that are explained in more detail in the following sections.



## *Financial Management System*

The OJP Financial Guide requires grantees to establish and maintain a system of accounting and internal controls that adequately identifies and classifies grant costs. The system must include controls to ensure that funds and other resources are used optimally and expenditures of funds are in conformance with the general and special conditions applicable to the recipient. Further, the OJP Financial Guide states that grantees should establish and maintain program accounts that will enable, on an individual basis, the separate identification and accounting of the receipt and disposition of all funds and the application of all funds to each budget category included within the approved award.

We conducted a limited review of Catholic Charities' financial management system, which included interviewing personnel and observing accounting activities and processes. The review indicated that the grantee properly classified grant costs. In addition, the internal operating procedures generally appeared adequate. However, we found that there were no written procedures for the program checking account. Instead of paying through the centralized accounting department, Catholic Charities allows the TurnAround Program (TAP) to write checks from its own program checking account for various purchases, such as meeting expenses, gift cards, and office supplies. Catholic Charities does not have written procedures regarding the proper accounting or internal controls for this account. We also found that the supporting documentation for these expenses did not show evidence of supervisory review. Because this account is regularly used, we believe that Catholic Charities should update its written procedures to ensure proper accounting and internal control procedures.

## *Audit*

According to the special conditions of the agreement, the OJP Financial Guide, and OMB Circular A-133, any organization that expends \$500,000 or more in federal funds in the organization's fiscal year is required to have a single organization-wide audit conducted. As shown in Table 2, Catholic Charities' expenditures of federal funds exceeded \$500,000 in fiscal years (FY) 2008, 2009, and 2010.<sup>5</sup>

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<sup>5</sup> Catholic Charities' fiscal year is from July 1 to June 30.

**TABLE 2. CATHOLIC CHARITIES  
EXPENDITURES OF FEDERAL FUNDS  
FISCAL YEARS 2008 THROUGH 2010**

FISCAL YEAR	2008	2009	2010
Total Federal Expenditures	\$2,394,458	\$3,514,294	\$3,620,423

Source: Catholic Charities' Single Audits

Catholic Charities has had a Single Audit conducted by an independent accounting firm for the previous 3 fiscal years in accordance with the provisions of OMB Circular A-133. We reviewed the independent auditors' assessments, which disclosed no weaknesses, noncompliance issues, or cross-cutting findings related to Catholic Charities' grant management.

### **Accountable Property**

The OJP Financial Guide requires accountable property purchased with grant funds be so identified in the grantee's official inventory. Catholic Charities requires any item in excess of \$1,000 to be listed on its accountable property inventory. Catholic Charities' actual expenditures for equipment totaled \$2,439 for two computers. We received documentation that the property is listed in its official records as having been purchased with DOJ funds.

### **Grant Drawdowns**

We reviewed Catholic Charities' process for requesting reimbursement from OJP for its grant-related costs to ensure that the requests were adequately supported by official accounting records and were in accordance with federal requirements. The Catholic Charities' Grant Accountant stated that drawdowns were based on actual expenditures. However, through our analysis of actual drawdowns and Catholic Charities' accounting records as shown in Table 3, we determined that after August 2011 drawdowns were based on estimated costs, not actual expenditures. While Catholic Charities originally calculated its drawdowns based on actual expenditures, in September 2011 it started to draw down funds based on an estimate of what was spent during the past month. The Accounting Manager informed us that the monthly process to close the books can take up to 3 weeks and drawing down funds using estimated expenditures helped to better match the timing of the reimbursement to the timing of the expense. Otherwise, an expenditure might not get reimbursed for up to 7 weeks, causing financial stress on the organization.

**TABLE 3. COMPARISON OF DRAWDOWNS TO  
CATHOLIC CHARITIES' RECORD OF EXPENDITURES**

DATE OF DRAWDOWN PER OJP	DRAWDOWN PERIOD PER CATHOLIC CHARITIES' RECORDS	AMOUNT DRAWN DOWN PER OJP	GRANT EXPENDITURES PER ACCOUNTING RECORDS FOR DRAWDOWN PERIOD	CUMULATIVE DRAWDOWNS PER OJP	CUMULATIVE EXPENDITURES PER CATHOLIC CHARITIES' RECORDS	CUMULATIVE DRAWDOWNS LESS CUMULATIVE EXPENDITURES
01/21/2011	11/2010	\$5,712	\$5,712	\$5,712	\$5,712	\$0
01/25/2011	12/2010	7,532	7,532	13,244	13,244	0
03/01/2011	01/2011	7,768	7,768	21,012	21,012	0
03/16/2011	02/2011	7,699	7,699	28,711	28,711	0
05/02/2011	03/2011	9,453	9,453	38,164	38,164	0
05/24/2011	04/2011	7,843	7,843	46,007	46,007	0
07/01/2011	05/2011	7,790	7,790	53,797	53,797	0
07/21/2011	06/2011	9,622	9,622	63,419	63,419	0
08/19/2011	07/2011	10,434	10,434	73,853	73,853	0
09/22/2011	08/2011	12,400	12,400	86,253	86,253	0
09/22/2011	09/2011	13,000	9,754	99,253	96,007	3,246
10/19/2011	10/2011	6,000	12,526	105,253	108,533	(3,280)
11/17/2011		3,280		108,533		0
11/17/2011	11/2011	12,600	17,163	121,133	125,696	(4,563)
12/01/2011		6,240		127,373		1,677
12/15/2011	12/2011	15,900	15,813	143,273	141,509	1,764
01/19/2012	01/2012	15,800	14,960	159,073	156,469	2,604
TOTAL		\$159,073	\$156,469	\$159,073	\$156,469 <sup>6</sup>	

Source: Office of Justice Programs and Catholic Charities of Kansas City-St. Joseph, Inc.

The OJP Financial Guide states that grantees should only draw down funds already spent, or funds that will be spent within 10 days of the drawdown. In the instances where Catholic Charities used an estimated amount and the drawdown was greater than the actual expenditures, we confirmed that the overage was less than 10 subsequent days' worth of expenses incurred. Therefore, we have not questioned costs or made a recommendation in this area.

### Grant Expenditures

The OJP Financial Guide requires that expenditures be accounted for and adequately supported. Catholic Charities' approved grant budget is detailed in Table 4.

<sup>6</sup> The difference of \$2,604 in the amount drawn down compared to the cumulative expenditures is due to Catholic Charities' policy of estimating drawdowns.

**TABLE 4. CATHOLIC CHARITIES'  
APPROVED GRANT BUDGET AMOUNTS AND DESCRIPTION OF COSTS**

<b>COST CATEGORY</b>	<b>APPROVED REVISED BUDGET</b>	<b>DESCRIPTION OF PLANNED EXPENDITURES</b>
Personnel	\$136,620	Salary for the hiring of two mentor coordinators
Fringe Benefits	39,908	Standard fringe benefits
Travel	9,120	Travel to prisons for mentor coordinators
Supplies	4,228	Two computers and training materials
Contract/Consultant	76,800	Cost of assistance to program clients <sup>7</sup>
Other	13,436	Office occupancy and mentor coordinators' costs
Equipment	0	None planned
Construction	0	None planned
Indirect Costs	19,888	Overall organizational costs not specific to the grant
<b>FEDERAL FUNDS</b>	<b>\$300,000</b>	
<b>LOCAL MATCH</b>	<b>\$0</b>	
<b>TOTAL PROJECT COSTS</b>	<b>\$300,000</b>	

Source: Office of Justice Programs and Catholic Charities of Kansas City-St. Joseph, Inc.

The majority of the budgeted expenditures were associated with the hiring of two full time mentor coordinators and the assistance provided to ex-offenders enrolled in the TAP upon release from prison. This assistance primarily consists of bus passes and gift cards for food, gas, phone, and general retailers. In addition, we found that TAP provides clients with assistance on an ad-hoc basis for the costs of cell phones, rent, prescription drugs, and the acquisition of government documents, such as social security cards, birth certificates, or driver's licenses.

*Direct Expenditures*

We reviewed grant expenditures to determine if costs charged to the award were allowable, supported, and properly allocated in compliance with grant requirements. We obtained and reviewed the invoices and available supporting documentation for 43 expenditures charged to the grant. These transactions were judgmentally selected from Catholic Charities' general

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<sup>7</sup> According to OJP, the Office of the Chief Financial Officer mandated that, for this grant, assistance to program clients should be included in the Contract/Consultant category.

ledger. We tested expenditures associated with the program to determine whether the costs were accurate, supported, allowable, and allocable to the grant under federal rules, regulations, and guidelines. The selected transactions totaled \$25,717 of the total \$156,469 in expenses billed to the grant as of January 31, 2012. This included \$6,560 in personnel and fringe benefit charges and \$19,157 in all other categories.

We found \$2,300 in unsupported and \$5,587 in unallowable costs for total dollar-related findings of \$7,887, which are discussed below.<sup>8</sup>

- Catholic Charities did not adequately account for \$2,300 for 46 bus passes purchased with grant funds and we are questioning these as unsupported costs. Catholic Charities provided receipts for the purchase of 96 bus passes from November 2011 to February 2012 for clients' travel needs for a total of \$4,800. However, when we attempted to trace the bus passes purchased to the client case files, we were unable to account for 46 passes costing \$2,300.
- Gift cards totaling \$1,325 were unallowable costs because they were supposed to be charged to a Department of Labor (DOL) grant. The gift cards were given to program clients for basic hygiene and living expenses. An official from Catholic Charities stated that the gift cards were charged to the DOJ grant in error.
- The grantee charged \$796 in unallowable costs to the grant. These funds were used for airfare for a September 2011 trip to Washington, D.C., and the grantee acknowledged that the trip should have been charged to the DOL grant, but was incorrectly charged to the DOJ grant.
- Although the OJP-approved grant budget did not identify any approved costs for out-of-state travel, the grantee charged the grant \$2,500 for airfare, hotel, and meal expenses for a February 2011 trip to Washington, D.C. According to the grantee and an OJP staff member, attendance at the conference was required by OJP. However, costs for this trip were not in the approved grant budget and the grantee did not request a Grant Adjustment Notice (GAN) to modify the budget.
- Although the OJP-approved grant budget did not identify any approved costs for construction, the grantee charged the grant

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<sup>8</sup> These questioned cost totals also include those associated with indirect costs, which are discussed in the following section.

\$249 for renovations to office space to accommodate the program mentor coordinators. We have questioned these costs as unallowable.

*Indirect Cost Rate*

We also found inconsistencies related to the indirect cost rate, which resulted in an overcharge to the grant of \$237.<sup>9</sup> The initial rate was 7.1 percent of grant expenditures, according to the indirect cost rate agreement dated February 5, 2010. A revised agreement, dated April 27, 2011, changed the rate to 6.7 percent both going forward and retroactively to July 1, 2010. Despite the new agreement, Catholic Charities still calculated indirect costs using the higher rate until July 2011, and Catholic Charities did not retroactively adjust the indirect costs charged to the grant as of the conclusion of our fieldwork.

**TABLE 5. INDIRECT COST RATE CHARGES<sup>10</sup>**

EXPENDITURE MONTH	EXPENDITURE TOTAL	RATE USED	CORRECT RATE	DIFFERENCE
11/2010	\$5,333	7.1	6.7	\$21
12/2010	7,032	7.1	6.7	28
01/2011	7,253	7.1	6.7	29
02/2011	7,188	7.1	6.7	29
03/2011	8,826	7.1	6.7	35
04/2011	7,323	7.1	6.7	29
05/2011	7,274	7.1	6.7	29
06/2011	8,984	7.1	6.7	36
			<b>Total overage</b>	<b>\$237</b>

Source: OIG analysis of Catholic Charities financial information

In addition, as shown in Table 6, the indirect costs associated with the aforementioned questioned costs total \$480. We recommend that Catholic Charities remedy the \$717 in unallowable indirect cost overpayments.

<sup>9</sup> The indirect cost rate is an additional charge used to cover general administrative and organizational costs and is based on a percentage of direct grant expenditures.

<sup>10</sup> Inconsistencies in the totals are due to rounding.

**TABLE 6. INDIRECT COSTS ASSOCIATED WITH QUESTIONED COSTS<sup>11</sup>**

TRANSACTION DATE	TRANSACTION AMOUNT	RATE USED <sup>12</sup>	INDIRECT COST CHARGED
11/2011	\$2,300	6.7	\$154
01/2012	1,325	6.7	89
08/2011	796	6.7	53
02/2011	2,500	7.1	168
09/2011	249	6.7	17
<b>Total indirect costs - Questioned Costs</b>			<b>\$480</b>

Source: Catholic Charities Financial Information

## 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. Requests for transfers of funds between budget categories of over 10 percent must be submitted to OJP for approval. Catholic Charities did not exceed the 10-percent threshold.

## Grant Reporting

The OJP Financial Guide states that two types of reports are to be submitted by the grantee. Federal Financial Reports (FFR) provide information on monies spent and the unobligated amounts remaining in the grant. Program progress reports provide information on the status of grant-funded activities and other pertinent information.

### *Federal Financial Reports*

The OJP Financial Guide states that financial reports filed after October 1, 2009, are due within 30 days after the end of the calendar quarter. We reviewed all five quarters for which a report was required and determined that all required reports generally were submitted within the required timeframe.

We also reviewed all of the submitted FFRs for accuracy and found that the reports accurately reflected the grant-funded expenditures as recorded in the accounting records. As shown in the following table, project

<sup>11</sup> Inconsistencies in the totals are due to rounding.

<sup>12</sup> Although the rate used for the February 2011 expense for \$2,500 is shown as 7.1 percent, we used the 6.7 percent in our calculation of questioned costs in this table because we previously questioned, in Table 5, the difference in the 6.7 and 7.1 percent rates.

expenditures began in the reporting period ending December 31, 2010, and continued through and beyond the period ending December 31, 2011.

**TABLE 7. FEDERAL FINANCIAL REPORT ACCURACY<sup>13</sup>**

FFR No.	FFR PERIOD END DATE	GRANTEE QUARTERLY LEDGER EXPENSES	EXPENDITURES PER FFR	DIFFERENCE
1	12/31/2010	\$13,244	\$13,244	\$0
2	03/31/2011	24,920	24,920	0
3	06/30/2011	25,255	25,255	0
4	09/30/2011	32,589	32,589	0
5	12/31/2011	\$45,502	\$45,502	\$0

Source: Office of Justice Programs and Catholic Charities

### *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. As shown in Table 8, we reviewed all three required reports and found the first two reports were submitted in a timely manner. Progress Report 3, for the period ending December 31, 2011, was re-submitted twice, on February 28, 2012, and March 1, 2012, by Catholic Charities to voluntarily correct report content. We consider the report to be submitted in a timely manner even though the corrections came in after the due date.

**TABLE 8. TIMELINESS OF PROGRESS REPORTS**

REPORT No.	REPORT PERIOD	DUE DATE	DATE SUBMITTED	DAYS LATE
1	10/01/10 – 12/31/10	01/30/2011	01/25/2011	0
2	01/01/11 – 06/30/11	07/30/2011	07/26/2011	0
3	07/01/11 – 12/31/11	01/30/2012	01/30/2012	0

Source: Office of Justice Programs and Catholic Charities

### *Reliability of Progress Report Data*

To test the reliability of progress report data, we reviewed the two most recent progress reports. We found that despite significant efforts to ensure correct reporting of the metrics, Catholic Charities misunderstood

<sup>13</sup> Inconsistencies in the totals are due to rounding.



questions, did not apply a consistent method to count clients, and simply miscounted data.

When preparing progress reports, the mentor coordinators updated an electronic spreadsheet with the most recent information obtained from TAP employees. Based on this electronic spreadsheet, the mentor coordinators manually typed the information on separate lists in another electronic document. The lists were then totaled to provide the totals for each response required by the progress reports.

We tested 15 out of the 108 questions from the progress report submitted for the period ending December 31, 2011. We compared 46 distinct responses to the sources provided by Catholic Charities, namely the spreadsheet and lists noted above.<sup>14</sup> We found 16 instances, or 35 percent, where the numbers in the progress report did not match either the electronic document or the spreadsheet. According to a Catholic Charities staff member, for this reporting period the report format was changed by OJP, and this caused some confusion.

Further analysis showed that the errors were also caused by the Catholic Charities staff misunderstanding the questions, not answering the questions in a consistent manner, or miscounting data. We believe that due to the nature of the program, some of the questions were not clearly answerable for the grantee. For instance, multiple questions asked for the number of clients, and it was unclear whether Catholic Charities should include individuals who were recruited while they were incarcerated but subsequently failed to take part in the program after release.

Catholic Charities also did not count clients in a consistent manner. For instance, while the report covered the 6-month period of July 1, 2011, through December 31, 2011, there were various questions that required separate responses for the first 3 months and the last 3 months of the reporting period. In some cases, Catholic Charities would count an individual in the first 3 months and count them again in the second 3 months. In other instances, individuals were only counted once. Finally, some errors were made by simply miscounting values from the electronic files.

When we asked a Catholic Charities official what type of supporting documentation was used to answer the questions for the first two first progress reports, she replied that there was none because the program did

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<sup>14</sup> Each question we examined had multiple parts. For instance, the questions required responses broken down by time period or by release status. This resulted in a total of 46 required responses within the 15 questions tested.

not have many clients during those reporting periods. Instead, they manually counted the values directly from the case files. As such, we did not verify the accuracy of the first two progress reports. Considering that the one progress report was still inaccurate after three attempts, we believe that Catholic Charities should institute a process to ensure that the metrics reported in the semi-annual progress reports are accurate.

## **Program Performance and Accomplishments**

According to the grant application, the purpose of the grant was to increase public safety and reduce recidivism, and is based on the following four objectives:

- Establish or improve the administration of mentoring programs, including the expansion of mentoring strategies and program design;
- Enhance and improve the organization capacity, system efficiency, and cost effectiveness of mentoring programs through training and technical assistance and other strategies;
- Improve outcomes for offenders in mentoring programs by establishing and strengthening collaborative community approaches; and
- Increase community support and funding for program sustainability and replication.

With respect to the grant, the overall goal according to Catholic Charities' initial award documentation was to focus on 40 long-term, violent offenders each year, or 80 total over the life of the grant. As of March 2, 2012, the second year of the grant, the grantee's records indicate that there were a total of 25 clients in the program who received mentoring services. According to a Catholic Charities official, this low number of clients is due to a number of factors. First, due to a delay in entering into agreements with the Missouri Department of Corrections (MDOC), it took nearly 6 months to send anyone into the prisons to start pre-release work. Second, many qualified clients will not be released within the grant period. Catholic Charities has taken some action to mitigate the effect of these issues. For instance, in May 2011 it received approval for a GAN that expands the scope of clients to include non-violent offenders, and the grantee is working with MDOC to identify additional potential clients who meet this criteria. We made the observation to Catholic Charities that it is not likely to fulfill its goal of providing services to 80 ex-offenders by the end of the grant period.

In response, an official from Catholic Charities stated that they requested and were granted a no-cost extension for the grant, and the new grant end date is December 31, 2012. We believe that OJP should monitor Catholic Charities' progress in attaining clients and ensure that the government receives the benefits from the program as expected and funded.

### **Views of Responsible Officials**

We discussed the results of our review with grantee officials throughout the audit and at a formal exit conference and have included their comments as appropriate.

### **Recommendations**

We recommend that OJP:

1. Ensure that the grantee creates written policies and procedures related to the administration and oversight of the TAP checking account.
2. Remedy the \$2,300 in unsupported costs related to bus passes purchased with grant funds.<sup>15</sup>
3. Remedy the \$2,121 in unallowable questioned costs that were used for the gift cards and travel to Washington, D.C., in September 2010, both of which were supposed to be charged to the Department of Labor grant.
4. Remedy the \$2,749 in unallowable costs related to the travel to Washington, D.C., in February 2011, and the office renovations.
5. Remedy the \$717 overpayment of indirect costs due to the revised rate and indirect costs associated with questioned costs.<sup>16</sup>
6. Ensure that Catholic Charities institutes a process to report accurate program data in its progress reports.
7. Monitor Catholic Charities' progress in attaining clients and ensure that the grant objective of serving 80 clients is achieved.

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<sup>15</sup> The questioned costs shown here differ from the amounts shown in the draft report following the grantee's provision of additional supporting documentation and other information.

<sup>16</sup> The questioned costs shown here differ from the amounts shown in the draft report following the grantee's provision of additional supporting documentation and other information.

## OBJECTIVE, SCOPE, AND METHODOLOGY

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.

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 inception of the grant on September 15, 2010, through January 31, 2012. This was an audit of grant number 2010-CY-BX-0004 awarded to Catholic Charities of Kansas City-St. Joseph, Inc. (Catholic Charities), for \$300,000. In conducting our audit, we reviewed Federal Financial Reports and progress reports and performed testing of grant expenditures, including reviewing supporting accounting records. We judgmentally selected a sample of expenditures, along with a review of internal controls and procedures for the grant that we audited. Judgmental sampling design was applied to obtain broad exposure to numerous facets of the grant reviewed, such as dollar amounts, expenditure category, and risk. This non-statistical sample design does not allow for projection of the test results to all grant expenditures or internal controls and procedures. In total, the grantee had expended \$156,469 and drawn down \$159,073 as of January 31, 2012. We originally judgmentally selected 31 transactions, which included the 17 highest dollar amounts that were not either payroll or identical to other transactions selected. During our testing, we expanded our sample to include 43 transactions, which totaled \$25,717, out of which we questioned \$7,887.

The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel and indirect costs; (4) budget management and control; (5) property management; (6) federal financial reports and progress reports; (7) grant requirements; and (8) program performance and accomplishments. We determined that local matching costs, program income, and the monitoring of sub-grantees and contractors were not applicable to this grant.

We performed limited testing of source documents to assess the timeliness and accuracy of FFRs, reimbursement requests, expenditures, and progress reports; evaluated performance to grant objectives; and reviewed the grant-related internal controls over the financial management system. We tested invoices as of January 31, 2012. However, we did not test the reliability of the financial management system as a whole and reliance on computer-based data was not significant to our objective. We reviewed the grantee's Single Audit Report, which was prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessments, which disclosed no weaknesses or noncompliance issues directly related to Catholic Charities.

## SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS:</u>	<u>AMOUNT</u>	<u>PAGE</u>
Unsupported Bus Passes	\$2,300	9
Unallowable Gift Cards	1,325	9
Unallowable air fare to Washington D.C. in September 2010	796	9
Unallowable costs for February trip to Washington D.C. in February 2011	2,500	9
Unallowable costs for office renovations	249	9
Unallowable indirect cost rate charges	717	10
<b>Total Questioned Costs</b>	<b>\$7,887</b>	
<b>TOTAL DOLLAR-RELATED FINDINGS</b>	<b>\$7,887</b>	

*Questioned Costs* are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable.

## AUDITEE RESPONSE



October 3, 2012

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

Dear Ms. Taraszka:

Thank you for the opportunity to respond to the draft audit report dated September 14, 2012 related to the Bureau of Justice Assistance Second Chance Act Mentoring Grant awarded to Catholic Charities of Kansas City-St. Joseph, Inc. (Catholic Charities) under grant number 2010-CY-BX-0004. Our responses to the seven recommendations are detailed below:

1. Ensure that the grantee creates written policies and procedures related to the administration and oversight of the Turnaround Program (TA) checking account.

Catholic Charities **concur** with this recommendation, and has developed formal, written policies and procedures governing the administration and oversight of the TA program checking account. See Attachment 1.

2. Remedy the \$2500 in unsupported costs related to bus passes purchased with grant funds.

At the time of your audit, the accounting records reflected costs for 96 bus passes, but supporting documentation in the field could be located for only 46 bus passes, resulting in your finding of unsupported costs for 50 bus passes. Subsequent to the audit, Catholic Charities has located support for 4 additional bus passes, reducing the unsupported cost total by \$200. The Mid America Assistance Coalition (the tracking entity for these expenses) was undergoing a system conversion during the timeframe of this audit, and some records are irretrievable. Therefore, Catholic Charities will **concur** with the finding for **\$2300**. See Attachment 2 for supporting documentation of 50 bus passes issued.

New procedures have been developed to improve controls over purchased bus passes. Now, the number of each bus pass is recorded in a journal with the name of the recipient and the case manager's signature, and a copy of the pass is filed with the journal.

3. Remedy the \$2121 in unallowable questioned costs that were used for the gift cards and travel to Washington, D.C. in September 2010, both of which were supposed to be charged to the Department of Labor grant.

Catholic Charities **concur**s with the **\$796** of travel costs charged to the incorrect grant in error. Correction has been made in the accounting system and greater care will be exercised in reviewing coding in the future.

Catholic Charities **does not concur** that **\$1325** paid for gift cards is unallowable under the grant. The grant budget allows for \$20,800 of expenditures related to "Transportation, Medical and Other". These gift cards represent "supportive services" as noted in the Program Strategic Plan & Timeline, page 4 (Attachment 3) and are included in the Contract Budget Worksheet, page 2, Section H Other as "Specific Client Assistance Funds" (Attachment 4).

4. Remedy the \$2749 in unallowable costs related to the travel to Washington, D.C. in February 2011 and the office renovations.

Catholic Charities **concur**s with the finding related to **\$249** of office renovation cost. A correction will be made by reducing the September 2012 request for reimbursement, and will be reflected in the Quarterly Report totals as well.

Catholic Charities **does not concur** with the finding that **\$2500** for travel to Washington, D.C. for a mandatory meeting represented unallowable costs. The DOJ Project Manager has advised us on how to complete a grant adjustment notice (GAN) in order for these expenses to be specifically included in the contract. This GAN request has been submitted in the amount of \$2,644.

5. Remedy the \$749 overpayment of indirect costs due to the revised rate and indirect costs associated with questioned costs.

Catholic Charities **concur**s with the finding regarding incorrect calculation of indirect costs, but notes that the amount will change depending upon the final determination of items 2, 3 and 4, above. We will promptly correct the amount charged to the grant once this report is final.

6. Ensure that Catholic Charities institutes a process to report accurate program data in its progress reports.

Catholic Charities **concur**s with this recommendation and has taken steps to improve controls over reporting including hiring a replacement Mentor Coordinator and using a spreadsheet to track program data which the Assistant Director monitors and reviews weekly.

7. Monitor Catholic Charities' progress in attaining clients and ensure that the grant objective of serving 80 clients is achieved.

Catholic Charities **concur**s with this recommendation. The agency has resolved a personnel issue by hiring a new mentor coordinator to serve clients through this grant. In addition, a new Assistant Director for the Turnaround program has been hired and is working with the mentor



coordinators regarding setting recruitment goals and formalizing recruitment efforts for mentees as well as mentors.

Again, we appreciate the opportunity to respond to the draft audit report and look forward to completing the next steps for resolution.

Sincerely,

A handwritten signature in black ink that reads "Michael W. Halterman". The signature is written in a cursive style with a long horizontal flourish at the end.

Michael W. Halterman Chief  
Executive Officer  
[mhalterman@ccharities.com](mailto:mhalterman@ccharities.com)

cc: Linda Taylor  
810 7th Street, N.W.  
Room TW8020  
Washington, D.C. 20531

OFFICE OF JUSTICE PROGRAMS RESPONSE



U.S. Department of Justice

Office of Justice Programs


Office of Audit, Assessment, and Management

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Washington, D.C. 20531

October 12, 2012

MEMORANDUM TO: Carol S. Taraszka  
Regional Audit Manager  
Chicago Regional Audit Office  
Office of the Inspector General

FROM: Maureen A. Henneberg  
Director 

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Bureau of Justice Assistance, Second Chance Act Mentoring Grant Awarded to Catholic Charities of Kansas City – St. Joseph, Inc., Kansas City, Missouri*

This memorandum is in response to your correspondence, dated September 12, 2012, transmitting the subject draft audit report for Catholic Charities of Kansas City – St. Joseph, Inc. (Catholic Charities). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **seven** recommendations and **\$8,119** 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 ensure that Catholic Charities creates written policies and procedures related to the administration and oversight of the TurnAround Program checking account.**

OJP agrees with the recommendation. We will coordinate with Catholic Charities to obtain a copy of policies and procedures implemented to ensure adequate administration and oversight of the TurnAround Program checking account.

- 2. We recommend that OJP remedy the \$2,500 in unsupported costs related to bus passes purchased with grant funds.**

OJP agrees with the recommendation. We will coordinate with Catholic Charities to remedy the \$2,500 in unsupported costs, related to bus passes purchased with grant funds. If adequate documentation cannot be provided, we will request that Catholic Charities return the funds to the U.S. Department of Justice (DOJ), adjust their accounting records to remove the costs, and submit a revised Federal Financial Report (FFR) for grant number 2010-CY-BX-0004.

- 3. We recommend that OJP remedy the \$2,121 in unallowable questioned costs that were used for the gift cards and travel to Washington, D.C., in September 2010, both of which were supposed to be charged to the Department of Labor grant.**

OJP agrees with the recommendation. We will coordinate with Catholic Charities to remedy the \$2,121 in questioned costs, related to gift cards and travel to Washington, D.C., in September 2010, both of which were supposed to be charged to the Department of Labor grant. If adequate documentation cannot be provided, we will request that Catholic Charities return the funds to the DOJ, adjust their accounting records to remove the costs, and submit a revised FFR for grant number 2010-CY-BX-0004.

- 4. We recommend that OJP remedy the \$2,749 in unallowable costs related to the travel to Washington, D.C., in February 2011, and the office renovations.**

OJP agrees with the recommendation. We will coordinate with Catholic Charities to remedy the \$2,749 in questioned costs, related to the travel to Washington, D.C., in February 2011, and the office renovations. If adequate documentation cannot be provided, we will request that Catholic Charities return the funds to the DOJ, adjust their accounting records to remove the costs, and submit a revised FFR for grant number 2010-CY-BX-0004.

- 5. We recommend that OJP remedy the \$749 overpayment of indirect costs due to the revised rate and indirect costs associated with questioned costs.**

OJP agrees with the recommendation. We will coordinate with Catholic Charities to remedy the \$749 overpayment of indirect costs. If adequate documentation cannot be provided, we will request that Catholic Charities return the funds to the DOJ, adjust their accounting records to remove the costs, and submit a revised final FFR for grant number 2010-CY-BX-0004.

- 6. We recommend that OJP ensure that Catholic Charities institutes a process to report accurate program data in its progress reports.**

OJP agrees with the recommendation. We will coordinate with Catholic Charities to obtain a copy of procedures implemented to report accurate data in its progress reports.

**7. We recommend that OJP monitor Catholic Charities' progress in attaining clients and ensure that the grant objective of serving 80 clients is achieved.**

OJP agrees with the recommendation. We will monitor Catholic Charities' progress towards achieving the grant objective of serving 80 clients.

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

Tracey Trautman  
Acting Deputy Director for Programs  
Bureau of Justice Assistance

Amanda LoCicero  
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Louise Duhamel, Ph.D.  
Acting Assistant Director, Audit Liaison Group  
Internal Review and Evaluation Office  
Justice Management Division

OJP Executive Secretariat  
Control Number 20121526

## 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 Catholic Charities of Kansas City-St. Joseph, Inc. (Catholic Charities) and the Office of Justice Programs (OJP). Catholic Charities' response is incorporated in Appendix III of this final report, and OJP's response is incorporated as Appendix IV.<sup>17</sup> The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

### Recommendation Number:

1. **Resolved.** Both Catholic Charities and OJP concurred with our recommendation to ensure that Catholic Charities creates written policies and procedures related to the administration and oversight of the Turnaround Program (TAP) checking account. In its response, Catholic Charities provided a copy of the new written procedures for the TAP checking account. However, there was no indication if the procedures were incorporated into its Financial Risk and Management Manual or any other similar guidelines used by the organization. OJP stated in its response that it will coordinate with Catholic Charities to obtain a copy of policies and procedures implemented to correct the reported deficiency.

This recommendation can be closed when we receive evidence that the procedures, once approved by OJP, are fully incorporated into the Catholic Charities' administrative manuals, and we receive evidence that the new procedures have been distributed to staff.

2. **Resolved.** OJP concurred with our original recommendation to remedy the \$2,500 in unsupported costs related to bus passes purchased with grant funds. OJP stated in its response that it will coordinate with Catholic Charities to remedy the \$2,500 in unsupported costs. OJP further stated that if adequate documentation cannot be provided, OJP will request that Catholic Charities return the funds to DOJ, adjust its accounting records, and submit a revised Federal Financial Report.

However, in its response, Catholic Charities included support for 4 additional bus passes totaling \$200. Catholic Charities further stated

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<sup>17</sup> Catholic Charities' response included attachments that are not included in our report due to their technical nature.

that some records were irretrievable and, therefore, could only provide support for 50 of the 96 bus passes. As a result, Catholic Charities concurred with our recommendation to remedy the unsupported costs but in the revised amount of \$2,300. After examining the records provided with the grantee's response, we agree with the revised amount, and we are accepting the additional support provided. Our report and recommendation have been updated to reflect the new amount.

This recommendation can be closed when we receive evidence that the remaining \$2,300 in questioned costs has been appropriately remedied.

3. **Resolved.** OJP concurred with our recommendation to remedy the \$2,121 in unallowable questioned costs that were used for the gift cards and travel to Washington, D.C., in September 2010, both of which were supposed to be charged to the Department of Labor grant. OJP stated in its response that it will coordinate with Catholic Charities to remedy the \$2,121 in questioned costs. OJP further stated that if adequate documentation cannot be provided, OJP will request that Catholic Charities return the funds to DOJ, adjust its accounting records, and submit a revised Federal Financial Report.

In its response, Catholic Charities concurred with \$796 of the \$2,121 in unallowable questioned costs that pertained to the travel costs. Catholic Charities stated that it did not concur with the \$1,325 paid for gift cards. In its response, Catholic Charities stated that the grant budget allows for \$20,800 of expenditures related to "Transportation, Medical and Other," and that the gift cards represent "supportive services" as noted in various grant budget documents. During our audit, the supporting documentation for the \$1,325 indicated that those expenditures were to be charged to a Department of Labor grant. Further, in a written document provided during our audit, a Catholic Charities accounting staff member confirmed this and stated that in March 2012 an entry was made to ensure the correct grant was charged.

This recommendation can be closed when we receive evidence that the total \$2,121 in questioned costs has been appropriately remedied.

4. **Resolved.** OJP concurred with our recommendation to remedy the \$2,749 in unallowable questioned costs related to the travel to Washington, D.C., in February 2011, and the office renovations. OJP stated in its response that it will coordinate with Catholic Charities to

remedy the \$2,749 in unallowable questioned costs. OJP further stated that if adequate documentation cannot be provided, OJP will request that Catholic Charities return the funds to DOJ, adjust its accounting records, and submit a revised Federal Financial Report.

In its response, Catholic Charities concurred with the portion of the questioned costs associated with the office renovations in the amount of \$249. Catholic Charities stated that a correction will be made by reducing the September 2012 request for reimbursement. Catholic Charities also indicated that a Grant Adjustment Notice has been submitted for the remaining amount of questioned costs associated with the unallowable travel expenditures.

This recommendation can be closed when we receive evidence that the \$2,749 in questioned costs has been appropriately remedied.

5. **Resolved.** Both Catholic Charities and OJP concurred with our original recommendation to remedy the \$749 overpayment of indirect costs due to the revised rate and indirect costs associated with questioned costs. OJP stated in its response that it will coordinate with Catholic Charities to remedy the \$749 in unallowable questioned costs. OJP further stated that if adequate documentation cannot be provided, OJP will request that Catholic Charities return the funds to DOJ, adjust its accounting records, and submit a revised Federal Financial Report.

In its response, Catholic Charities agreed that it incorrectly calculated indirect costs. However, it further stated that the amount questioned may change based upon any changes to the questioned cost amounts in Recommendations 2, 3, and 4. As discussed in Recommendation 2, the grantee provided adequate supporting documentation for a portion of our questioned costs, reducing the questioned costs amount from \$2,500 to \$2,300. Based upon this and other information, we computed that the overpayment of indirect costs is now \$717 instead of \$749. Our report and recommendation have been updated to reflect the new amount.

This recommendation can be closed when we receive evidence that the \$717 in questioned costs has been appropriately remedied.

6. **Resolved.** Both Catholic Charities and OJP concurred with our recommendation to ensure that Catholic Charities institutes a process to report accurate program data in its progress reports. OJP stated in its response that it will coordinate with Catholic Charities to obtain a copy of procedures implemented to correct this deficiency. In its

response, Catholic Charities stated that it has taken steps to improve controls over reporting, including hiring a replacement Mentor Coordinator and using a spreadsheet to track program data, which the Assistant Director monitors and reviews weekly.

This recommendation can be closed when we receive a copy of the implemented procedures, once approved by OJP, that ensure Catholic Charities reports accurate data in its progress reports.

7. **Resolved.** Both Catholic Charities and OJP concurred with our recommendation that OJP monitor Catholic Charities' progress in attaining clients and ensure that the grant objective of serving 80 clients is achieved. OJP stated in its response that it will monitor Catholic Charities' progress towards achieving the grant objective. In its response, Catholic Charities stated that the agency has resolved a personnel issue by hiring a new mentor coordinator and Assistant Director for the TAP.

This recommendation can be closed when we receive confirmation that OJP is monitoring Catholic Charities' progress and evidence that 80 clients are served over the life of the grant.